Nigeria Journal of Management Sciences NJMS 2017

NJMS

ISSN 2315 - 9669
Volume 6
Number 1
Bi-annually
July - December, 2017

Multi-disciplinary Edition, July - December, 2017

NIGERIA JOURNAL OF MANAGEMENT SCIENCES

A Publication of
Faculty of Management Sciences,
Benue State University, Makurdi, Nigeria.
njmsbsu@gmail.com

NJMS

ISSN 2315 - 9669
Volume 6
Number 1
Bi-annually
July - December, 2017

Multi-disciplinary Edition, December, 2017

NIGERIA JOURNAL OF MANAGEMENT SCIENCES

Scientia Liberatio Populorum

A Publication of
Faculty of Management Sciences,
Benue State University, Makurdi, Nigeria.

Nigerian Journal of
Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

EDITORIAL BOARD

Printed by:
Beafex Publishing
Lagos . Abuja . Ibadan

Nigerian Journal of Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

EDITORIAL BOARD

Nigerian Journal of Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

EDITORIAL POLICY

Nigerian Journal of Management Sciences is published bi-annually. The journal focus is on publishing scholarly and well researched articles comprising theoretical and empirical works in the field of Accounting, Banking, Management, Finance, Insurance, Marketing, Economics, Entrepreneurship, Research and Development, Corporate Policy, Strategic Management, Project Management, Estate Management and Public Administration. Also, Critical literature reviews, book reviews and other research results in related fields may be considered for publication in special editions as may be determine by the editorial board from time to time.

Submission of Articles

a. Only original manuscripts that have not been published or not under active consideration for publication in other journals can be considered for publication in this journal.
b. Manuscripts to be considered for publication in this journal cannot exceed 15 pages on A4 size paper, typed double line spacing with 12 font new times roman (this is inclusive of tables, charts, graphs, appendixes and references).
c. The in-text referencing format accepted for this journal is the current APA style.
d. Every article must be accompanied with an abstract of not more than 150 words. The title of the work must be specified at the top.
e. The title page must include the title of the article, name of the author, organizational or institutional affiliation, full mailing address, e-mail, and a valid phone number.
f. Biographical information of contributors shall be provided in a separate sheet accompanying the paper.

Publication Fee

The publication fee shall be in two parts viz: assessment fee and pagination fee.

Assessment fee:

Submission of every article must be accompanied with a non-refundable fee of two thousand naira (N2000=) only as an assessment fee. This is subject to review from time to time as may be deem necessary by the editorial board.

Pagination fee:

Upon acceptance of an article for publication after peer review, contributors shall pay a pagination fee of sixteen thousand naira (16,000=) only per each article to cover the cost of printing and other logistics. This is also subject to review from time to time as may be deem necessary by the editorial board.

Note: All payments must be made through any of the designated bank accounts of the journal as may be specified from time to time for purposes of accountability and documentation.

Nigerian Journal of
Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

CONTENTS

MANAGEMENT THEMES

Nigerian Journal of Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

CONTENTS

ACCOUNTING THEMES

Nigerian Journal of Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

CONTENTS

Nigerian Journal of
Management Sciences
ISSN 2315 - 9669

NJMS

Volume 6 No 1
Bi - annually
July - December, 2017

CONTENTS

OTHER THEMES

Effective Management During Recession (A Study Of Fast Food Restaurant In Warri, Delta State)

EGBERI AGBARHA KELVIN
Department of Business Administration and Management,
School of Business Studies,
Delta State Polytechnic, Ozoro,
P.M.B. 5, Ozoro
Kelvinegberi76@gmail.com

ERUTEYA ERNEST EJIRO
Department of Business Administration and Management,
School of Business Studies,
Delta State Polytechnic, Ozoro,
P.M.B. 5, Ozoro.

pp 1-8

Abstract

This paper is aimed at assessing the effect of management experience in operating a successful Fast Food outfit using selected fast food restaurants in Warri, Delta State. Survey research design method was adopted, simple random sampling was used and a total of 220 employees of selected restaurants were sampled. Multiple regression analysis was employed for the analytical purpose to review the nature of statistical significance among the studied variables. The findings show that there is a significant positive relationship between Management experience, Service Quality and performance of restaurants in Warri, Delta State. The study conclude that In the present recession state of Nigerians economic, Managers with the experience on how to improve staff productivity, make scheduling of jobs easier, make staff to perform tasks at their highest skill level, serve customers well, and understand the market trends so as to develop effective marketing and operational strategies will give the organization competitive edge over others in the industry. Therefore, it is recommended that for managers of restaurants and other food outfits to cope with the present economic realities of recession, they should be train their staff to acquire the necessary skill and experience needed for effective management, good service offered to customers to their delight.

Key words: Management experience, Service Quality, Economic Recession.

Introduction

Fast foods were first introduced to Nigerians within the context of what is obtained in the West by the United African Company (UAC) when they opened MR. BIGGS restaurant in 1987.

Since the 1960s Nigeria has had one of the fastest population growth rates in the world. In 2010 almost half of all Nigerians live in cities (Business Wire, 2011). As more people migrate to the already crowded cities the demand for fast food will be expected to increase.

Some trace the modern history of fast foods in America to 1912 with the opening of a fast food restaurant called the Automat in New York. The Automat was a cafeteria with its prepared foods behind small glass windows and coin-operated slots. The company also popularized the notion of "take-out" food, with their slogan "less work for mother". The American company White castle is generally credited with opening the second fast-food outlet in Wichita, Kansas in 1921.

The food intake of the people of any country could be related to a number of factors. Egbule and Ibobo (2015) affirmed that the projections indicates that industries constituting the service sector will continue to grow relative to other segments of the national economy, and that the modern businesses operate in a more dynamic environment. The dynamic nature of the business environment has been rapid and unpredictable. Economic variables as well as the ability and experience of restaurant owners and managers of restaurants appears to have been complex both in form and also seem to have impact on the practice of businesses in Nigeria (Egbule and Ibobo, 2015). Divers consumers and clients having been exhibiting complex behaviours both in local and international markets make businesses difficult.

Many firms in the fast food industry in Delta State seem to ignore these problems and as a result, some may not compete favourably. This has created a gap in the study of Nigerian fast food performance and successful operation, which this study seeks to achieve. Cultural trends regarding how people think, their likes and behaviors seem to have major implications for management of fast food businesses. However, many fast food firms appear to ignore this aspect of the environment challenges. Warri is a major and a metropolitan city in Delta State, majority of people living there are non-indigenes including staff of blue cheap companies located in Warri. Most fast food outfits in Warri seem to overlook the cultural diversity of their customers in playing down on quality services. The general purpose of this study is to assess the effect of management experience in **operating a successful** Fast Food outfit.

Review of Literature

Management Experience

There is need for a sound concept and restaurant management experience because. Miller(2008) said that Passion isn't enough, implying that experience is needed in performing our managerial roles. In order to operate a restaurant successfully one must at least have a restaurant background or do intense research on the subject. If one has spent his or her working life as an electrician or doctor, the person is not likely equipped to operate a restaurant. When a person has ten years' experience in a field the person has become more knowledgeable than the majority of the population in that area and would benefit from opening a business related to that field (Howell, 1997). People should not open a business in a field where experience was not obtained (Howell 1997). Lee, Renig, and Shanklin (2007) found, based on an independent survey of food and beverage directors and administrators of assisted living facilities, of thirty-four attributes required to be an effective manager the top ten were as follows:

Managers need the ability to communicate effectively in both verbally and writing, Furthermore, Heffes(2004) quoting Kerrii Anderson (The Executive Vice President of Wendy's International) said the restaurant business is the toughest to operate successfully, in order to do so; the restaurant must be operated by finding new ways to cut costs while developing new products and approaches.

We thereby hypothesize that:

H_1: There is significant relationship between Managerial experiences on performance of fast food Restaurants.

Service Quality Performance of Restaurants

Many researchers in the Fast Food and hospitality industry perceived service quality as a critical issue. Service quality is the customer judgment about a product overall excellence. Bruck *et al.* (2000) in Egbule and Ibobo (2015) suggested that perceived product quality have impact on customers purchasing choices.

Rust and Oliver (1994) indicated that customer perceived overall service quality is based on three dimensions of the service encounter as follows: the customer-employee interaction, the outcome and the service environment (Bintner 1991). Brady and Cronin (2001) stated that customer perception of service quality includes: organizational, technical and functional quality, the service product, the service delivery the service environment, the responsiveness, the empathy, the assurances, and the tangibles related with the service experience. Soriano (2002) categorized food service quality into four dimensions as follows:

1. Quality of food**:** menu variety, innovative food, presentation of food, fresh ingredients and food consistency.
2. Quality of service: equipment, appearance of employees, courtesy of employees, waiting-time before being seated, waiting-time before food arriving, and waiting time before paying the bill.
3. Cost/value**:** competitively priced food and wine.
4. Place**:** appearance, ambience or atmosphere of a restaurant, bathroom, telephone service and parking.

A number of studies (e.g. Stevens et al., 1995; John and Tyas, 1996; Qin and Prybutok, 2008; Qin, Prybutok and Zhao, 2010) in Egbule and Ibobo (2015) have been carried out in evaluating service quality in the fast food industry. Kara, Kaynak, and Kucukemiroglu (1995) investigated customer perception of fast food restaurants service quality in the United States and Canada using eleven attributes: price, friendliness of personnel, and variety of menu, service speed, cleanliness, calorie content, convenience, business hours, and novelties for children, service delivery and seating facilities. Hence we hypothesize that:

H_2: There is significant relationship between service quality and performance of fast food Restaurants.

Overview of Economic Recession

Economic recession is a period of general economic decline and is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market(***Paul 2015)***. Generally, a recession is less severe than a depression hence a good management skill is needed to cope during the period of recession. The blame for a recession generally falls on the federal leadership who are the managers of the economy, often either the president himself, the CBN governor (who is the head of the Federal Reserve), the federal executive council (FEC) or the entire administration.

Factors that Cause Recessions (Paul, ***2015)***

I. **High interest rates** are a cause of recession because they limit liquidity, or the amount of money available to invest.
II. Another factor is increased inflation. **Inflation** refers to a general rise in the prices of goods and services over a period of time. As inflation increases, the percentage of goods and services that can be purchased with the same amount of money decreases.
III. **Reduced consumer confidence** is another factor that can cause a recession. If consumers believe the economy is bad, they are less likely to spend money. Consumer confidence is psychological but can have a real impact on any economy.
IV. **Reduced real wages**, another factor, refers to wages that have been adjusted for inflation. Falling real wages means that a worker's paycheck is not keeping up with inflation. The worker might be making the same amount of money, but his purchasing power has been reduced.

How to Manage a Business during Recession

According to Owen (2015), small businesses face enormous challenges to start up, manage, and sustain over a long period. Those challenges become greater during an economic downturn. A recession, as defined by Investor Words.com, is a period of economic decline in the gross domestic product for two or more quarters. Since a quarter comprises three months, a recession has at least six months of negative impact on small businesses. Profiling ways of managing recession Owen (2015) proposed the following measures:

1. Look for costing cutting measures. As small businesses grow, unmoved inventory and slow selling products accumulate.

2. Focus on customer service. Reducing your workforce might seem to be a logical way to cut costs, but is actually counterproductive. The reason is twofold: You are not instilling confidence in surviving employees, and when economic conditions improve, you must start from scratch in vetting and training new employees. Customer service is the reason your small business remains in business, make an effort for it to be your saving

grace in an economic downturn. Remember, 70 percent of the U.S. economy is based on consumer spending, according to CNN Money.com. Give your customers a reason to spend their money in your business.

3. Check your cash flow and profit and loss statements regularly. Look to streamline where possible, cutting back on incidentals such as office supplies and travel expenses. If possible, close lines of credit, and pay cash instead.

4. Improve employee productivity. Be sure to foster productivity by offering employee incentives, such as small bonuses or sales percentages, is an innovative way to rejuvenate your team. Small incentives, coupled with honest dialogue, imparts respect and increases productivity. Keep in mind that employees are your small business.

Nature of Fast Food Industry in Warri

The Fast Food industry is currently in its growth phase and has been experiencing dwindling patronage in this recession period in Nigeria. Salami and Ajobo,(2012) affirmed that the nominal average growth rate of the restaurant industry between the year 2000 and 2010 was 37% while real growth rate was just23%.Continuing, they said the amount spent by an average Deltan on Fast Food grew by over 200% between 2010 and 2014, which is indicative of the growing acceptance of Fast Food culture and the changing lifestyle of Deltans. But the industry is still performing below its potential.

According to Business Wire (2011), Mr. Biggs is the biggest Fast Food Company in Nigeria both in turnover and in the number of outlets owned. Other key players are Tantalizers, Tastee Fried Chicken (TFC), Sweet Sensations and Chicken Republic. A consumer survey conducted by Adeoye (2012), showed that TFC is the market leader in terms of quality of product offering while sweet sensations has a strong hold on the African Cuisine segment of the market.

Methodology

The study utilized a self-administrative validated questionnaire of five point Likert scale adapted from Egbule and Ibobo (2015). Questionnaire was distributed among different experts to maintain content validity. The study population comprises of 500 employees of selected fast food out fits in Warri town of which 250 were sampled as derived using Taro Yamen's formular of sample size derivation. A total of 220 sets of validated questionnaire were retrieved. For data analysis purpose using SPSS version20.

Results

Table 1: *Correlation between Managerial experience, Service quality and Restaurant Performance*

		1	2	3	4
Managerial experience	**Pearson correlation**	**1**			
	Sig. (2-tailed)				
	N	**220**			
Service quality	**Pearson correlation**	**.577****	**1**		
	Sig. (2-tailed)	**.000**			
	N	**220**	**220**		
Restaurant Performance	**Pearson correlation**	**.686****	**.786****	**1**	
	Sig. (2-tailed)	**.000**	**.000**		
	N	**220**	**220**	**220**	

`**Correlation is significant at the 0.01 level (2-tailed).

Table 2: *Results of Multiple Regressions of dimensions of independent variable on Restaurant Performance coefficients[a]*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1					
(Constant)	87.762	1.825		.539	.591
Managerial experience	.472	.020	.391	5.14	.000
Service quality	.336	.o39	.245	2.22	.004

a.Dependent Variable: Restaurant Performance

Table 3: *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.721[a]**	**.519**	**.512**	**1.439**

Source: Analysis of Field Survey, 2017

The questionnaire was collected and analyzed. 220 valid questionnaires were retrieved of which 62.7% of them were completed by female customers and the largest group of respondents was between the ages of 31 and 40 years (28.2%). In the respect of marital status, 55.9% of the respondents were married, 37.3% of the respondents had WAEC/GCE/NECO, while same 37.3% had HND/B.Sc.

Hypothesis1: It is clear from table 2 that for managerial experience (β= .391, p<.05) implying a positive effect on performance of fast food Restaurants. Hence, there is significant positive relationship between Managerial experiences and performance of fast food Restaurants in Warri, Delta State.

This finding is in accord with (Miller, 2008) stating that there is need for a sound concept and restaurant management experience because Passion isn't enough, implying that experience is needed in performing our managerial roles. For managers of restaurants to operate a restaurant successfully they need to have at least a restaurant background.

Hypothesis 2: Results of regression analysis intable 2showsthat service quality(β= .245, p<.05)indicating a positive effecton performance. Indicating that there is significant positive relationship between service quality and performance of fast food Restaurants in Warri Delta State.

This finding is in alignment with (Prybutok, 2008; Qin, Prybutok and Zhao, 2010) in Egbule and Ibobo (2015) that positive relationship exist between service quality and performance of fast food Restaurants. This is supported by (Sorino, 2002) that customers have also been increasingly concerned about the quality of service, and that the quality of food and fresh ingredients are the most important reason for customers to return to a restaurant and become loyal to that specific restaurant, hence improving its performance of fast food Restaurants in Delta State.

The regression coefficient of Adjusted R2 indicated that the two constructs: Managers experience and service quality explained 51.2% of the variance in Restaurant Performance (Table 3). More so, there is positive correlation among the measured variables (Table 1). This is supported by (Salami & Ajobo, 2012) that to operate a restaurant successfully one must at least have a restaurant background and managerial experience to the delight of customers.

Conclusion and Recommendation

In the present recession state of Nigerians economic, Managers with the experience on how to improve staff productivity, make scheduling of jobs easier, make staff to perform tasks at their highest skill level, serve customers well, helping staff to prioritize and accomplish important task, recording and guiding the organization towards achieving its set goals and understand the market trends so as to develop effective marketing and operational strategies will give the organization competitive edge over others in the industry.

Hence, it is strategically important for restaurant owners or managers to have the ability and burning desires to attract, maintain, and satisfy their customers in order to operate a successful restaurant. To gain a competitive advantage in today's market, restaurants must offer value beside good food and good service and restaurant owners or managers of restaurant should be those have experience on the effective functioning of restaurant. Therefore, it is recommended that for managers of restaurants and other food outfits to cope with the present economic realities of recession, they should be training of their staff to acquire the necessary skill and experience needed for effective management, good service offered to customers to their delight.

References

Aazir, H. M. and Qazi, I. R. (2012) Impact of External Environment on thePerformance of the Fast Food Industry. International Journal of Management, Economics and Social Science. Vol. 1(1), pp. 19 –25.

Abolahan, O.B. and Moruf, S. (2006) Decoder: A Glossary of Massn communication And Marketing Terms Lagos: Amfitop Publishing Company.

Adeoye, A. O (2012). Impacts of External Business Environment on OrganizationalPerformance in the Food and Beverage Industry in Nigeria. British Journal of Arts and Social SciencesISSN: 2046-9578, Vol.6 No.2 (2012).

Akentunde, O.B. (2008) Decoder: A Glossary of Mass communication andMarketing Terms Lagos: Amfitop Publishing Company.

Asika, (2005) Research Methodology in the Behavioural Sciences. Lagos: EmmanProduct Limited.

Business Wire (2011) Research and Markets: FastFood in Nigeria, Research Markets.

Cartwright, R. (2001) Mastering the Business Environment. New York Palgrave.

Coolican Huge (1999) Research Methods and Statistics in Psychology, London: Holder and Stoughton.

Deane, E. (1987). Restaurant's share of consumer food dollars rising, Nation's Restaurant News. 54.

Durmaz, Y. (2008). Tüketici Davranısı, Detay Yayıncılık: Ankara.

Edet, O.J. (2001) Marketing Management and Practice, Lagos: Malthouse PressLtd.

Egbule and Ibobo (2015). Management experience and Restaurant Success (A Study of Fast Food Industry in Asaba Town) .Journal of Social and Management Sciences. Delta State University Abraka.

Elegide, O.O (1996) Advertising Effectiveness How can it be measured. Journal ofMarketing, January 1996 Pg 242 -3.

Ezenwa, F. (2005) Tools for Effective Public Relations Communication in Nigeria (UNN) No 3.

Harris, J. L. et al. (2010). Fast Food Facts. R. C. f. F. P. a. Obesity .

Henry, P. C. (2005). "Social Class, Market Situation and Consumer' Metaphors of Empowerment", Journal of Consumer Research, Vol:31, pp. 766-778.

James, M. (1991) The Management challenge New York. Macmillan Publishing Company.

Jeffery, R. and French, S. A. (1998). "Epidemic Obesity in the United States: Are Fast Foods and Television Viewing Contributing?" American Journal of Public Health 88(2): 277~280.

Keillor, BD., Fields, M. (1996). "Perception of Foreign Service Offering in an Overseas Market: The Case Of Fast Food in Hong Kong", Journal of Intenational Consumer Marketing, Vol: 9, pp. 83-104.

Lawal, A.A. (1993) Management in Focus. Lagos: Abdul Industrial Enterprises.

Manning, R. N. B. and S. A. Chadd (2006). "Food Safety Management in Broiler Meat Production." British Food Journal 108(8): 605-621.

May, M.W. (2001) Element of Marketing ELBS with D.P. Publication Britain (2nd edition).

Okafor, A.I. and Ama, P(2002) Essentials of Business Management. Enugu: Willy Rose and Apple seed Publishing company.

Olannye, A.P. (2006) Research Method for Business: A skill Building Approach. Lagos: Peejen Publications.

Omodafe, U.P. (2007): The Business Environment Warri: Peejen Publications.

Osuagwu, L (1999) Marketing Principles and Management. Lagos: Grey Resources Limited.

Owen E. R (2015) How to Manage a Business in a Recession. From: http://smallbusiness.chron.com/manage-business-recession-2468.html. Retrieved on 2/5/2017

Paul M, (2015): What is Economic Recession?Lesson Transcript. Community College Leadership

Salami, C.G.E. and Ajobo, R.T. (2012) Consumer Perceptions about FastFood Restaurants in Warri. Global Journal of Management and Business Research, Volume 12 Issue 1 Version 1.0 January 20 12 Type: Double Blind Peer Reviewed International Research Journal Publisher: Global Journals Inc. (USA).

Slamoglu, A.H. (2006). Pazarlama Yönetimi, Beta Basım Yayım A.S; _Stanbul.

Snell, B. (1999) Management - Building competitive Advantage. USA. McGraw Hill Companies Inc. 4th cd.

Sweet, T., J. Balakrishnan, et al. (2010). "Applying qualityFunction Deployment in Food Safety Management." British Food Journal 112(6): 624-639.

Terry, D. and David, M. K. (2000) Environmental Implications of the Foodservice and Food Retail Industries. Discussion Paper, Resources for the Future .1616 P Street, NW Washington, DC 20036.

Tester, J. M., J. et al. (2010). "Effective Use of Frameworks and Research to Advance Policy." American Journal of Public Health: 3-9.

Thakar, M. and Gene, B. (2005) Management Today; Principles and Practice. NewDelhi: McGraw – Hill Company Ltd.

Whitelock, J. and D. Jobber (2004). "An evaluation of external factors in the decision of UK industrial firms to enter a new non-domestic market: an exploratory study". European Journal of Marketing 38(11/12): 1437-1455.

Appendix 1
(Questionnaire)
Restaurant Operations Survey, Adapted from Egbule and Ibobo (2015)

Instructions: The questions in the sub-section of this questionnaire are designed to elicit information about management experienceand performance of fast food industry.
Please answer by ticking (√) in the option that suits your choice using thefollowing scale:
Strongly Agree (SA)- 5, Agree (A)- 4, Undecided (U)- 3, Disagree (D) -2, Strongly Disagree (SD) - 1z

SECTION B

	STATEMENTS	SA	A	U	D	SD	
S/N	**To what extent does service Quality influence t he performance of fast food industry in Nigeria?**						
1.	My restaurant maintains timeliness of service						
2.	The management ensures professionalism of employees						
3.	The management ensures cleanliness of the dining area						
4.	The management maintains uncompromised service during rush						
	To what extent does Management experience influence the performance of fast food industry in Nigeria?						
5	The management has the ability to control labor cost						
6	The communication Attributes of our manager is lovely						
7	Management has the ability to control supplies cost						
8	The management has employee retention attributes						
	Restaurant Performance						
9	We have been running a profitable restaurant						
10	Our customers are friendly and happy with our offers						
11	We receive complements on the food or service daily						
12	Customers order is increasing daily						

Social Relevance And Integration As Predictors of Profitability Among Selected Five-star Hotels In Nigeria

Kwahar, Nguwasen
Department of Business Administration,
Federal University of Agriculture, Makurdi,
Benue State-Nigeria. e-mail:
ngu.kwahar@gmail.com

Onov, Philip. A
Department of Economics,
Benue State University, Makurdi, Benue State-Nigeria.
e-mail: phixoyoung@gmail.com

pp 9-15

Abstract

The aim of every private organization is to maximize profit. Profit maximization strategies have therefore, been employed by different organizations. In the 21st century, innovative strategies have been found to enhance higher profit to the organizations than the conventional methods like compensations. Therefore this study aimed at ascertaining the effects of social relevance and social integration on the profitability of five star-hotels, especially in the period of economic recession in Nigeria. The study used cross-sectional design and in particular, the descriptive survey method. Questionnaire was used for data collection. Regression analysis and Partial Correlation were used for data analysis. The study found that both social relevance and social integration have no significant effect on organizational profitability. This means that despite the obvious tendency that the lack of socially responsible and integration policies in an organization may de-motivate employees; the extent of such de-motivation may not be enough to affect its corporate profitability. The study recommended that the hotel industry should streamline its priorities not to focus so much emphasis on social relevance in trying to enhance organizational profitability because of the need to cut cost. Also, although there is nothing bad forging cordial relationship between the management cadre and the operational staff, it is not advisable for organizations in the hotel industry to dissipate their energy on trying to enhance integration among staff and between the staff and the management especially if there are other managerial and financial issues that require urgent attention.

Key words: Social Relevance, Social Integration, Profitability, 5-Star Hotel, Nigeria

ntroduction

A precarious economic situation has pervaded the Nigerian economy, sparing no sector. The service sector is therefore not left out as the employee turnover rates in the sector have increased in recent times (Igwe, 2010). The profitability levels of hotels in Nigeria have also declined compared to previous rates. The net profit realized by Transcorp Hotel in 2013 for instance was N3, 304,000while in 2014, this profit declined to N2, 478,000. For Sheraton Hotel Abuja, the net profit in 2012 was N357, 512, 000 but in 2013, this profit declined to N167, 324,000 (Sheraton Annual Report and Account, 2013 and Trancorp Annual and Financial Statements, 2014).

One of the strategies used by organizations to enhance employee performance and achieve increased profitability is social relevance which manifests through extent of organizations' corporate social responsibilities (CSR). According to Walton (1973), organizations, which do not act in a socially responsible manner, are suggested to cause increasing numbers of their employees to depreciate the value of their work and careers that, in turn, will affect their self – esteem. Knez-Riedl, MatjazMulej and Dyck (2006) add that in the era of globalization and the so-called new economy, business behavior must be aimed at meeting societal needs, generating revenues and profits, creating jobs, and investing in the future company development as well as its societal and business environments. This explains why organizations carry out their corporate social responsibilities that can be regarded as socially desirable so as to remain relevant to their customers and the society in general.

Socially responsible behavior includes a broad array of actions such as behaving ethically, supporting the work of nonprofit organizations, treating employees fairly, and minimizing damage to the environment (Mohr & Webb, 2005). CSR participation can enhance various stakeholder relations (McWilliams & Siegel, 2001), thereby reducing a firm's business risk (Boutin – Dufresne & Savaria, 2004). For these reasons, the strategic value of CSR is becoming increasingly recognized (Porter & Kramer, 2006).

Social integration is yet another factor expounded by scholars like Walton (1974) and Bertrand (2009) to have the potentials for organizational profitability in the 21st century. By definition, social integration refers to the act of creating a suitable atmosphere for the employees' workplace by forging common goals and providing social platforms to enable them interact and share ideas and opinions. These interactions not only reinforce the feelings of attachment of the staff, they also reinforce this feeling of psychological ownership of the organization in these employees (Walton, 1974).

Betrand (2009) expounds that if the employees' in the hotel industry are given the opportunity to integrate among themselves both vertically (between management and operational staff) and horizontally (among management staff themselves or among operational staff themselves) the high stress level that characterize the industry will be reduced to a reasonable extent (Bertrand, 2009) thereby making the industry more profit oriented.

According to Meenakshi and Parals (2011), social integration brings about employee satisfaction and also triggers employee to work towards attaining higher profitability levels. According to them, the goal of every business organization is profit making and this is guided by the management. Thus, when there is integration, the management staff carefully guide the other staff towards the attainment of organizational goals.

Meenakshi and Parals (2011) also asset that the integration among staff is a strategy used by many organizations to achieve higher profitability. The quest for profit maximization in an organization requires effective communication between the staff and the management, on the one hand and among the frontline staff themselves on the other hand. Communication is the life wire of any organization; without it, no organization will succeed. The organizations that want to succeed therefore make effective communication their priority.

Most previous studies however, focused more attention on strategies like fair and adequate employee compensation, environmental health and security as effective strategies for attaining organizational profitability. There are therefore limited studies on whether social relevance and integration are predictors of organization profitability. The questions are: could organizations' social relevance and integration independently or jointly enhance profitability? Will Nigerian five-star hotels attain higher profitability levels by promoting social relevance and integration policies? These questions prompted the study.

2. Literature Review and Theoretical Framework

Social Exchange Theory (SET) is among the most influential conceptual paradigms for understanding workplace behaviour (Malinowski, 2002). One of the basic tenets of SET is that of reinforcement principles in which relationships evolve over time into trust, loyalty, and mutual commitments. To do so, the parties must abide by certain “rules” of exchange. Rules of exchange form a “normative definition of the situation that forms among or is adopted by the participants in an exchange relation” (Emerson, 1976). In this way, rules and norms of exchange are “the guidelines” of exchange processes.

While explaining the theory, Homan (1958) stated categorically that social exchange theory which is a function of social behavior entails an exchange of goods, both material goods and also non-material ones, such as the symbols of approval or prestige. This process of influence tends to work out at equilibrium to a balance in the exchanges. For a person in an exchange, what he gives may be a cost to him, just as what he gets may be a reward, and his behavior changes less as the difference of the two, profit, tends to a maximum.

The theory as it relates to the present study shows that employees of the hospitality industry have their own interests such as aspirations to attain higher ranking and positions through enhanced growth on the job as well as the need for trainings for enhanced capabilities and competencies. The management of five-star hotels on the other hand, desires higher productivity from their employees to enable their organizations attain higher profit levels. Thus, for equilibrium to be attained there must be a form of social exchange between the employees and the employers. The management must provide opportunities for employee growth and development while employees are to increase their level of productivity. Opportunities for growth and development are expected to act as motivators that should spur employees of Nigerian five-star hotels to higher productivity.

To buttress the role of social exchange in the hotel industry, a study conducted by Agba (2007) serves as an example to explain engagement of employees in organizations. This study uses social exchange theory to explain that obligations are generated through a series of interactions between hotel employers and employees who are in a state of reciprocal interdependence. The research identified that when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization. This is a description of engagement as a two-way relationship between the employer and employee.

Researchers have observed that in early stages of their careers, individuals are often willing to sacrifice their personal lives in the interests of their career progression. Research also suggests that career tenure and total tenure in one's occupation are positively related to career achievement (Judge & Bretz, 1994). Thus, having contingency job experiences as most hospitality workers do will negatively predict career success. Considerable research also supports the relationship between the number of hours worked per week and salary and ascendancy (Judge &Bretz, 1994) meaning that the desire to spend time at work predicts career achievement.

Armstrong (2009) carried out a study on social relevance and the employee productivity in the hotel industry in Nigeria using a sample size 300. His study revealed a positive relationship between social relevance and hotel industry effectiveness. He posited that the Nigerian Hotel industry over the years have seriously benefited from the advancements in information and communication technology as it has made it relatively easy for customers to easily access the services of the hotel at their convenience. To him, social relevance is an important element of organizational effectiveness particularly in the industry.

Allen's (2010) study focused on the assessment of the effect of interpersonal relationship on marketing effectiveness in the Nigerian hotel industry. A survey research design technique was used. The convenience sampling method was employed to select 350 participants who were administered a 30-item validated structured questionnaire. Using principal component analysis, correlation and multiple regression analysis, Allen findings revealed that social integration exhibited no overwhelming positive effect on organizations effectiveness and customer retention. The study concluded that interpersonal relationship is not an important competitive weapon in the hotel industry due to its inability to impact on the effectiveness of the organization. The relevance of this study in the present study is their focus on the hotel industry.

3. Methodology

The research adopts a cross-sectional survey research design with a focus on quantitative research methods. The reason for choosing the cross-sectional survey research design is because the study is based on information generated from a single period's observation of a sample. Furthermore, the study uses questionnaire, library and desk research for data collection. Data analyses were conducted using descriptive statistics and multiple regression.

The sample of 355 respondents was selected from a total population of 3,110 employees across the selected 5-Star hotels in Nigeria using Taro Yamen (1967) formula. However, based on the specification of Cochran (2005) who said the number of questionnaire administered on the respondents should exceed the sample size determined in the study by 100 percent, the sample size of 710 was determined for the study.

The five 5-star hotels purposively selected and used in the study were Transcorp Hotel Abuja, Sheraton Hotel Abuja, Intercontinental Hotel Lagos, Eko Hotel and Suites Lagos and Hotel Presidential Port-Harcourt. These hotels were selected because according to the National Institute for Hospitality and Tourism (NIHT, 2015) classification, they are the only five-star hotels by standard in Nigeria.

A stratified random sampling technique was used to sample respondents so as to remove bias and avoid sampling error by giving each respondent an equal chance of being selected. The sample was stratified into management staff (Managers and sectional heads) and operational staff (caterers, room attendants, bar attendants and receptionists) to capture the views of both groups.

Data were collected through the use of questionnaire. Out of 646 copies of the questionnaire retrieved, 156 were from Trancorp Hilton Hotel Abuja (18 management and 138 operational Staff), 164 from Sheraton Hotel Abuja (22 management and 142 operational Staff), 156 from Eko Hotel and Suites Lagos (20 management and 142 operational Staff), 162 from Intercontinental Hotel Lagos (14 management and 142 operational Staff) and 72 from Presidential Hotel Port-Harcourt (6 management and 66 operational Staff).

The data were processed using Statistical Package for Social Sciences (SPSS version 20.0 for Microsoft Windows). Multiple regression was used to assess the extent of the combined effect on the dependent variable from a set of independent or predictor variables. However, to get the accurate picture of the relationship between the two variables and also control for the possible effects of the other independent variable, partial correlation was also used.

Model Specification

The generalized model used in this study was based on the assumption that organizational profitability is dependent on its social relevance and integration policies. This model can be depicted as follow:

$$PRF = f\,(SRE + SIN) \ldots\ldots\ldots\ldots\ldots\ldots \text{(i)}$$

This is the implicit forms of the model. The explicit form is stated thus:

$$PRF = b_0 + b_1 SRE + b_2 SOI + U_t \ldots\ldots\ldots\ldots \text{(ii)}$$

Where:

PRF	=	Organizational Profitability
SRE	=	Social Relevance
SOI	=	Social Integration
U_t	=	Error term
b_0	=	Regression intercept
b_1, b_2	=	Parameter estimates

a - priori expectations:

The model is subject to the restrictions that;

$$\frac{\Delta SRE}{\Delta PRF} < 0;$$

and

$$\frac{\Delta SOI}{\Delta PRF} < 0$$

These restrictions imply that a positive relationship is expected between organizational profitability and each of social relevance and social integration.

4. Results and Discussion

Table 1: Model Estimation

	DV	Intercept	IVs		Error Term
Parameters	PRF	-11.390	0.450SRE+0.330SOI		Ut
Std. Errors			(0.289)	(1.220)	
T-test			(5.473)	(6.464)	
P-values			(0.06)	(0.07)	
R	0.783				
R^2	0.613				
R^{-2}	0.681				
D-W	1.772				

Source: SPSS Output

Conditional Effect of Social Relevance on Organizational Profitability

Regression results show that if the hotel industry raises its socially responsible behaviour by one percent, its profitability level will increase by 45.0 percent and when its policy increases one percent of social integration among staff its profitability level will improve by 33.0 percent holding all other variables constant. If both social relevance and social integration in the industry are held constant however, organizational profitability will decline by 11.390 percent. This means that although both variables are have low impact on organizational profitability, they are nonetheless, essential for enhance profitability in the Nigerian five-star hotels.

The correlation between the dependent and the independent variables was 0.783 which shows a strong relationship of 78.3 percent between the regressors and the regressed. The coefficient of determination index was 0.613, meaning that social relevance and integration account for 61.3 percent of the variations in organizational profitability. Thus, the model has an explanatory power of 61.3 percent, leaving out 39.7 percent of other variables not accounted for in the model. These other variables are summed up in the error term and added to the model.

The Durbin Watson (D-W) values of 1.772 can be approximated to 2.00, which implies the absence of serial errors in the data used. Since the value is less than 2.00 by assymptocism, it means that the sum of errors is positively auto-correlated. Thus the data used in the study is highly dependable.

The unconditional effect (that is, controlling for social integration) of social relevance on organizational profitability is shown in Table 2:

Table 2: *Unconditional Effect of Social Relevance on Profitability.*

Control Variables			PRF	SRE
SOI	PRF	Correlation	1.000	.196
		Significance (2-tailed)	.	.010
		Df	0	646
	SRE	Correlation	.196	1.000
		Significance (2-tailed)	.010	.
		Df	646	0

Source: *SPSS Output*

The restricted results show that one percent increase in the level of social relevance leads to 19.6 percent increase in the level of organizational profitability. This result differs remarkably from the result of the conditional effect by a difference of 26 percent, indicating that social relevance alone is not a strong factor for enhancing organizational profitability in the hotel industry.

The statistical test of hypothesis show that the value of t-test is 5.602, which is not significant at 0.05 level (p = 0.07>0.05). Thus, social relevance has no significant impact on profitability in the Nigerian five-star hotels. This implies that employees' dissatisfaction with the organizations' contribution to the society, ethical and cultural attributes, the organization's relationship with the immediate environment and the organization's activities aimed at minimizing damage to its environment may not affect the profitability of organizations in the hotel industry. This contradicts According to Walton's (1973) view that organizations, which do not act in a socially responsible manner inevitably cause-increasing numbers of their employees to depreciate the value of their work and careers, which in turn, affect their self–esteem.

Table 3: *Unconditional Effect of Social Integration on Organizational Profitability.*

Control Variables			PFT	SOI
SRE	PFT	Correlation	1.000	.310
		Significance (2-tailed)	.	.004
		Df	0	646
	SOI	Correlation	.310	1.000
		Significance (2-tailed)	.004	.
		Df	646	0

Source: *SPSS Output*

As shown in Table 3, an increase in the level of social integration alone by one percent results to 31 percent increase in organizational profitability. In fact, social integration whether alone or in combination with other factors has weak effect on profitability. This means forging integration between staff has minimal effect of organizational profitability in the hotel industry.

From the result of the statistical test, the t-statistic with the value of 6.464 was not significant at 0.05 level (p = 0.07>0.05). Thus, social integration has no significant effect on organizational effectiveness in the Nigerian hotel industry. The implication is that the employees' nature of relationship with colleagues, the level at which senior management is trusted by frontline staff, the level of openness in the organization and the monetary value of their initiatives and ideas though affect quality of work life, may not necessarily affect organizational profitability.

Walton (1974) and Orpen (1981) actaully assert the importance of social interaction as another determinant of quality of work life. Bertrand (2009) also stressed that the idea of supportiveness should also be demonstrated within supervisory relationships, which should be both helpful and caring in nature. They however, did not expound a reliable linkage between social integration and profitability.

Education of the University of Calabar, Calabar.

Allen, T. (2010). Effect of Safe and healthy work environment on Luxury Hotel Suites effectiveness in New York. International Journal of management Sciences, 9(2), 9-13.

Bertrand, M. (2009). Designing quality into work life. Quality progress, 12, 29-33.

Emerson, R. (1976).Social exchange theory. Annual review of sociology, 5(4), 301-332.

Homan, C. (1958). The theory of social exchange. Retrieved from www.socialexchange/theory .com.

Igwe, B. (2010). Human Resources Management and quality of work. Lagos: Business and Institutional Support Associated.

Judge, T.A & Bertz, R.B.(1994). Peron-organizational fit and the theory of work adjustment: Implications for satisfactory tenure and career success. Journal of vocational behavior, 44, 32-54.

Knez-Riedl, J., Mulej, M. &Dyck, R. (2006). Corporate social responsibility from the viewpoint of the system thinking. Kybernetes, 35, 441-460.

Malinowski, B. (2002).Argonaut of western pacific: an account of nature enterprise and adventure in the Archipelagoes of Melanesian. New Guinea, London: Wave land press

McWilliams, A. & Siegel, D. (2001). Corporate social responsibility: A theory of the firm's perspective. Academic management review, 25, 117-127.

Mohr, M. (2008). A social- justice approach to organizational evaluation.Administrative science quarterly, 23(2), 272-92.

Porter, M. E. & Kramer, M.R. (2006). Strategy society: The link between competitive advantage and corporate social responsibility. Harvard business review, 84(12), 72-92.

Sheraton Annual Report and Account (2013). Sheraton Hotel, Abuja.

Transcorp Annual Financial Statements. (2014). Transcorp Hotels, Abuja.

Walton, R. E. (1974).Improving the quality of work life, Harvard Business Review (Summer), 3 3 – 39.

Yamane, T.(1967).Sample Size Determination Procedure. Retrieved from www.google/yamanemethod/smplesize.com

Effect Of Environmental Factors on Business Performance

Adagba, David Teryisa
Benue State Internal Revenue Service, Makurdi
adagbadavid@ymail.com
08032567361,07055201542

Shakpande, Comfort
Shakpandecomfort@gmial.com
08034975436
Department of Business Administration,
University of Agriculture, Makurdi- Benue state

pp 16-23

Abstract

This paper examines the effect of external and internal environments on business performance, with specific reference to the Nigerian business environment. The methodology adopted was basically theoretical and narrative based on aggregative and specific strength, weakness, opportunity and Treat (SWOT) Matrix and political, Ecological, social, Technology, legal and economic factors (PESTLE) Analysis models, respectively. A review of related literature and exploration of theoretical framework provided more insight into the various effects of the factors of the environments on business performance. The appraisal showed that both external and internal factors exert influence on and shape the life, growth and development of the business; external environment bears more relevance to strategic management, and businesses adjust to external environment. It further revealed that the government now plays more of regulatory role in the business environment in some sectors of the economy, and that, though certain measures had been put in place at various levels to engender conducive business environment for private sector participation, external factors such as multiple tax system, policy summersault, non-passage of the Freedom of Information (FOI) Bill into law, high cost of capital, high interest and inflation rates, terrorism, culture, religion, volatile exchange rates, susceptibility of the economy to external shocks, infrastructure decay, dismal power supply, etc., escalated cost of doing business in Nigeria and, thus, posed serious threats to firms performance. While many business organizations had leveraged on their strengths and explored opportunities in their environment, many more were overwhelmed by their weaknesses and, thus, failed before the growth and maturity stages, with the attendant implication that many small and medium scale enterprises did not grow, develop and transform into large and mega scale corporate businesses. Consequently, reconsideration of such environmental factors that impose unnecessary constraints on businesses in Nigeria was recommended.

Keywords: Environments of Businesses, Nigeria, Appraisal
Key words: Social Relevance, Social Integration, Profitability, 5-Star Hotel, Nigeria

1. Introduction

The modern business manager operates in more dynamic and turbulent environment. The change in the environment has been rapid and unpredictable. Economic variables have been complex both in form and impact on the practice of business in Nigeria. Consumers and clients have been showing complex behaviours both in local and international markets. The most dramatic change has been that exhibited by competitive pressures. Competitors have been applying one strategy or the other to adapt to the dynamic and unpredictable nature of the business environment.

The dynamic environment in which a business operates provides opportunities for it to grow develop and create value and wealth. It also poses some threats to the business. The primary concern is how the business affects people and natural environment as it produces and sells products necessary to satisfy customers, stakeholders and other constituents. By building key stakeholder relationships among government agencies, consumer entities, environmental groups and other constituents, a business can anticipate and manage issues and concerns that might otherwise have gone undetected until they had grown into major problems (Rainey, 2008). These entail conscientious analysis of both external and internal environment by the business.

Businesses are faced with challenges of social considerations which focus on specific issues that relate to their activities and transactions with employees, customers, shareholders, suppliers, etc. Further, social considerations include protecting the health and safety of the general population, avoiding harm to the natural environment, developing and deploying ethical standards and practices, meeting cultural and social norms, balancing interest of the business with the interests of the society, and being a proactive entity (Rainey, 2008). Political considerations are also of significant relevance as they have direct impact on the functioning and success of the business. Political and regulatory changes are usually manifestations of the social and economic conditions and issues. Equally of primary concern to the businesses, their customers and stakeholders are economic considerations which often focus on the direct effects of the exchange of goods and services, the flow of money and the relationships between the participants. Customers are either satisfied, dissatisfied or have a neutral opinion (KPN Report, 2007). Economic considerations also cover indirect implications of economic activities such as hidden costs of transactions and the externalities borne by the society. In this regard, the most crucial economic questions often pertain to environmental-related impacts. Usually, they are some of the multifaceted negative and unintended outcomes of products, processes and operations.

The foregoing implies that the environment of a business is the pattern of all the external and internal conditions and influences that affect its life, growth and development. Consequently, since growth and development through conspicuous industry and market positions are central to mission statement and vision of a thriving business, it is onerous on the corporate strategist to keep abreast with the factors of the business environment and the evolving trends of their features over time. In nature, the environmental factors and their influences are economic, political-legal, socio-cultural and technological. Since strategy formulation process incorporates futuristic tendencies in terms of business environment, business executives who simulate the process must be conversant with such factors in the environment, especially the external environment, which can potentially and significantly exert effects on their business and its future.

This paper is an attempt at appraising the external and internal environments of a typical business entity in Nigeria, with the generic objective of establishing the relative significance of the environments to business strategic management process. In the pursuit of this and other objectives, the following questions will be addressed, among others: What constitutes the external environment of a business? What are the peculiar features and driving forces? What constitutes the internal environment of a business? What are the unique features and driving forces? Which of these environments bears more relevance to strategic management process of a business entity? What specific environmental factors constrain growth and development of businesses in Nigeria? What measures are needed to enhance business activities in Nigeria?

The paper is structured into five sections. Following this introduction is section two which is conceptual clarification and literature review/theoretical framework. Section three discusses business environments and factors. Section four dwells on appraisal, pointing out the implications, of external and internal environmental factors to survival, growth and development of a business in relation to its mission statement, vision and the drive for prominence in industry and market place, while section five concludes the paper and proffers appropriate recommendations.

2. Conceptual Clarification and Literature Review/Theoretical Framework

The environment of a business is the aggregation of the pattern of all the external and internal conditions and influences that affect the existence, growth and development of the business. Analysis of business environment is the examination and appraisal of the opportunities and threats provided by the environment as well as the potential strengths and weaknesses the business possesses. Opportunities and threats are associated with external environment of a business while strengths and weaknesses are associated with internal environment of the business. Consequently, external analysis examines opportunities and threats that exist in the environment while internal analysis examines strengths and weaknesses within the business. Both opportunities and threats exist independently of the firm. If an issue would exist when a given business did not exist, then such an issue must be a factor in the external environment; otherwise, it is an internal environmental factor. Alternatively, an issue is an external environmental factor if it coexists with a business but the business cannot control or influence the issue. Opportunities are favorable conditions in the external environment that could produce rewards for the organization if acted upon properly. That is, they exist but must be acted on if the business is to benefit from them. Threats are conditions or barriers that may prevent the business unit from reaching its objectives.

Several studies have attempted to analyse or appraise the effects of environmental factors on various aspects of business organizations. These include Narver and Slater (1990); Jaworski and Kohli (1993); Nwokah (2008). Norzalita and Norjaya (2010), investigated the role of the external environment in the market orientation-performance linkage among SMEs in the agro-food sector in Malaysia and found that market-technology turbulence and competitive intensity did not moderate the relationship between market orientation and business performance.

Pulendran, Speed and Widing (2000) observe that the external environment in which organizations operate is complex and constantly changing; a significant characteristic of the external environment is competition. Organizations that recognize the presence and intensity of competition have a greater tendency to seek out information about customers for the purpose of evaluation and to use such information to their advantage (Slater and Narver, 1994). Recognition of the threat from competition drives business organizations to look to their customers for better ways to meet their needs, wants, and thereby enhances organizational performance (Bhuian, 1997). Accordingly, when competition is perceived as a threat by the organization, there is a greater tendency to adopt a market orientation (Pulendran et al.,2000). There has been a long tradition of support for the assumption that environmental factors influence the effectiveness of organizational variables (Appiah-Adu, 1998). Indeed, several studies have investigated the association between different environmental factors and established the effects of moderating influences on organizational variables (e.g., Slater and Narver,1994; Jaworski and Kohli, 1993; Greenley, 1995 and Han, Kim and Srivastava, 1998). Researchers have argued that firms should monitor their external environment when considering the development of a strong market-oriented culture (Kohli and Jaworski, 1990). To determine the influence of the external environment on business performance in transition economies, Golden et al. (1995), as cited in Appiah-Adu (2998), examined four factors: demand changes, product obsolescence, competitive pressures and product technology. These variables appear to mirror, respectively, four external factors, namely market growth - demand, market turbulence, competitive intensity and technological turbulence, which were identified as potential moderators of the market orientation–performance link by Kohli and Jaworski (1990).

In a study on the impact of external environment and self-serving motivation on physician's organizational citizenship behaviours, Ming-Chang and Tzu-Chuan (2006) found that external environment does not have significant impacts on job satisfaction, but does have significant negative effect on organizational citizenship behaviours. They also found out that self-serving motivation and job satisfaction also have positive effects on organizational citizenship behaviours, and that the meditative effect of job satisfaction is also significant. In a related study, Ghani, Nayan, Izaddin, Ghazali, Shafie Nayan (2010) analysed the critical internal and external factors that affect firms strategic planning in Malaysia. The internal and external factors examined in their study included strengths, weaknesses, opportunities and threats. They also analysed some dimensions that represented these variables. Their study showed that firm's strengths are related to their financial resources and the weaknesses are related to the firms' management. The study further revealed that the external factors which become opportunities to the firms are support and encouragement from the government, and that threats are the bureaucratic procedures that firms have to face in order to get plan approval and certificate of fitness. Thus, they emphasized that while firm's internal analysis is important to identify its strengths and weaknesses, its external analysis is important in order to identify current and future threats and opportunities, know its position and performance so that it can plan, compete and stay in business.

3. Business Environments and Factors

In analyzing and appraising Nigeria business environments and factors, we adapt the SWOT Matrix used by Wheelen Hungar (2010). The SWOT Matrix analysis technique combines firm's internal and external environments and their factors and, thus, helps visualize the analysis of business environment and enhance understanding of how environmental factors work together, culminating in the synthesis that when a business entity matched internal strengths to external opportunities, it creates core competencies in meeting the needs of its customers, and emphasizes that business should act to convert internal weaknesses into strengths and external threats into opportunities. However, we anchor detail analysis of external environment on PESTLE Model adapted from Wikipedia encyclopedia (www.wikipedia.org, 2010).

SWOT MATRIX

INTERNAL	EXTERNAL
Strength	Opportunities
Weakness	Treats

External Environment and its Factors (PESTLE Analysis Mode

Source: *www.wikipedia.org*

External Environment and its Factors (PESTLE Analysis Model)

The external environment of a business consists of a set of conditions and influences outside the business but which shape the life and continued existence of the business. These conditions and influences are outside the firm as a business unit, but which effect changes in the organization and the business entity cannot control but only adjusts to them.

The elements of the business external environment constitute the external environmental factors. Since strategy formulation is futuristic, it is pertinent for strategic managers to keep abreast with the external environmental factors and align their strategic processes with the dynamism of such external factors. The external environmental factors can be captured with the acronym PESTLE. This describes a framework of macro-environmental factors used in the environmental scanning component of strategic management (www.wikipedia.org). Therefore, in this paper, analysis of external environment and its factors is referred to as PESTLE Analysis Model, where:

P Political Factors;
E Economic Factors;
S Social Factors;
T Technological Factors;
L Legal Factors; and
E Ecological Factors.

Political Factors: These entail the extent and process of government direct or indirect intervention and influence on businesses in an economy. Specifically, political factors include such areas as tax policy, labour law, environmental law, trade restrictions, tariffs, incentives, other encouragements and political stability. Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods or merit bads). Furthermore, governments have great influence on the health, education, and infrastructure of a nation

Economic Factors: These includes, exchange rate, unemployment, demand and supply trend, economic growth, lending rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, lending rates affect a firm's cost of capital and therefore the extent to which a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

Social Factors: These are the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety nets. Trends in social factors affect the demand for a company's products and how that company operates. For example, an aging population may imply a smaller and less-willing workforce (thus increasing the cost of labour); government enhanced social insurance scheme may increase the demand for insurance services in a country. Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers).

Technological Factors: This component of external environment includes technological aspects such as Research and Development (R&D) activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Technological shifts can affect costs, quality, and stimulate further invention, innovation and competition.

Legal Factors: Included in this component are discrimination law, consumer law, antitrust law, environmental law which result to the establishment of (NESERA), employment and labour law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.

Ecological Factors: These include environmental aspects such as weather, climate, and climate change, drought; earthquake, and erosion which may affect industries like tourism, farming, and insurance. Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Internal Environment and its Factors (SWOT Analysis Model)

The internal environment of a business consists of a set of conditions, influences and elements within the business which are directly controlled and influenced by management of the business to shape the life and continued existence of the business in the direction of attainment of organizational goals and objectives. These conditions and influences are within the firm as a business unit, and it can control them.

The elements of the business internal environment constitute the internal environmental factors. Essentially, they are the employee attitudes, new equipment, processes, strategy, work environment, etc, which are encapsulated in the strengths and weaknesses of the business. The organization has the control of these matters because they happen within the organization unlike external environmental factors. Thompson and Strickland (2001) state that “Developing strategies is one of the tasks needed to achieve unity and coherence between the firm's internal ability, sources and skills with the external factors which are related to the firm”. In line with this, David (1999) submits that any strategic should match firm's strengths and weaknesses with the surrounding to identify the best effective alternative strategy to be implemented. Therefore, the SWOT analysis technique can be explored to enhance firm's strengths and weaknesses so as to prepare for threats and opportunities provided by the external environment.

In this subsection, however, the thrust is on the internal environment of a business and its factors analysed within the framework of Strength, Weaknesses, Opportunities and Threats (SWOT) Matrix Analysis Model. Information regarding firm's strengths and weaknesses is generated from within the firm itself. Therefore, we emphasize strengths and weaknesses here as the aggregate components of internal environmental factors of a business entity, though SWOT analysis technique combines firm's internal and external environments and their factors. A firm's internal analysis involve examination and appraisal of such factors as its management, marketing, finance, operational/production and human resource. Ghani et al (2010) identify strength variables or factors of the business entity to include:

Experienced and skillful work force (Paulson, Fondahl and Parker, 1992): This enhances rational decisions and fulfillment of project requirement (Abdul and Abdul, 1999).

Feasible Objectives: The business should have achievable strong short and long term objectives, and strategic managers could analyze the performance of any projects undertaken and at the same time plan for potential future development projects.

Strong Financial Sources: These facilitate further expansion of the business, allow the business to invest in more modern and sophisticated product concepts to satisfy customers' needs, satisfy the firm's constituents and abide by the government policy.

Effective and Efficient Management and Administration System: This ensures smooth operation.

Good Image and Reputation: This attracts potential investors and confers competitive and market position advantages on the firm.

Currency of Techniques, Technology and Processes: The use of current technique, technology and processes confers competitive advantage of unequal measure on the firm in its procurement projects, design, concept and quality of inputs and products.

Timely Information: This enables a firm to explore a competitive opportunity relative to its competitors in the industry. A good example is Zenith Bank's Initial Public Offer in 2004 shortly before the Central Bank of Nigeria's N25 billion bank recapitalization policy. Weakness variables or factors of the firm include:

Under Capacity Utilization: This results to suboptimal allocation of firm's scarce resources, competitive disadvantage and unattained organizational objectives. Inadequate Experience and Technical Skills: This leads to low quality of strategy, concept, design, processes and products.

Inadequate Financial Resource and inefficiency in financial management: This results to loss of opportunities and increases susceptibility to threats.

Inadequate know-how on evolution and application of current technology: This leads to inappropriate strategies, designs and processes and culminates to inability to explore opportunities.

Inability to attract Skilled and Professional Indigenous Workers: This leaves the firm with the alternative of parading low profile work force with its attendance competitive disadvantage.

4. Appraisal and Implications

The above factors are present in the external business environment in Nigeria, and firms have evolved various strategic management approaches in adjusting to them. Priori to the privatization and commercialization programmes, the Nigerian government was directly and significantly involved in businesses. But the programmes have relegated the government more to its expected regulatory role and indirect influence in the Nigerian business environment. Examples are in the businesses of telecommunication, banking and insurance, transportation and, in the past decade, tertiary education. These have opened windows of opportunities to businesses in the country. However, infrastructure (power, roads, water, health care, quality education, credit accessibility, etc) and multiple tax system remain serious external environmental challenges to businesses in Nigeria. Other threats emanate from high cost of capital (i.e., high interest rate), exchange rate volatility, high rate of inflation, weak domestic currency, frequent policy summersault, etc. Further, social safety nets have not been given desired attention in policies and programmes of the government, and this poses a threat to businesses in the country. Further, the highly skewed income distribution pattern in which over 70% of Nigerians live below the poverty line has negative effects on demand for companies' products, although firms have adopted micro and mini unit packaging (e.g. sachets) at appropriate prices as strategic approach to this threat.

On the technological front, investment has been very minimal in research and development, and the process of automation hampered by the near-zero public power supply to drive and accelerate the technological process and adequately stimulate invention, innovation and competition and engender value for money. Alternative power supply increases the cost of doing business and retards the investment in research and development. For the environmental factors, especially those associated with the vagaries of weather conditions, efforts are being made to control and minimize their adverse effects on the environment and business. On business level, some firms switch products in line with weather dictates as strategic approaches, while on national, the government agency, national Emergency Management Agency (NEMA) is charged with this strategic policy responsibility. However, much has not been achieved in this direction. On the legal factors, most existing laws seem obsolete in the current democratic dispensation. This is one of the reasons for the heightened pressure on the National Assemble to pass the Freedom of Information (FOI) Bill into law. This will go a long way in strengthening business external environment in Nigeria, reduce the threats posed, and increases the opportunities provided, by legal factors to the businesses.

Many business organizations in Nigeria have leveraged on their internal factors (strengths) to explore opportunities in the Nigerian business environment. Examples are the market leaders and emerging firms in the communications, banking, entertainment, fast food, talent hunt and service industries. However, many more businesses fail before the growth and maturity stage due mainly to negative internal factors (weaknesses). This has accounted for the inability of many small and medium scale enterprises to grow, develop and transform into large and mega scale corporate businesses. Even incorporated businesses have failed due to internal factors. Examples abound in banking business in Nigeria and government-floated transportation, downstream oil, communications businesses, etc. In the case of incorporated businesses, failure of the corporate governance has been the major internal factor responsible for high failure rate. Current corporate health of some banks in Nigeria today, where the unrealistic salaries and allowances paid to employees and the management staff of these banks signify corporate and strategic management inadequacy, speaks volume in this regard. Also influence of culture on business ethics has substituted 'best-man-for-the-job' with 'relation-for-the-job' and enthronement of mediocrity in management composition and competence thereby escalating the weaknesses of many businesses and their eventual closure.

Furthermore, many businesses are incapacitated by inadequate financial resources and bedeviled with fraudulent reporting, greed and recklessness, short termism, executive compensation, poor risk attitude, etc.

5. Conclusion and Recommendations

This paper has analysed and appraised business external and internal environments, with specific reference to the Nigerian business environment. The analysis has shown that both external and internal environmental factors exert influence on and shape the life, growth and development of the business. It has also shown that external environment and its factors bear more relevance to business strategic management. Specifically, the analysis has shown that businesses have no direct control or influence over their external environment, unlike their internal environment. Therefore, strategic management skill and expertise are sine quo none to appropriate and rewarding analysis of external environment if a business must successfully explore opportunities provided by the environment to achieve its mission goal in the face of threats inherent in the environment.

At present, the government plays more of regulatory role in the business environment in some sectors of the economy, without direct intervention or involvement in economic enterprises. Although, certain measures have been put in place at various levels to engender conducive business environment for private sector participation, the paper notes that certain external environmental factors such as multiple tax system, policy summersault, non-passage of the Freedom of Information (FOI) Bill into law, high cost of capital, high interest and inflation rates, volatile exchange rates, infrastructure decay, dismal power supply, etc., escalates cost of doing business in Nigeria and, thus, poses a serious threat to business firms and industries.

The analysis further revealed that while many business organizations had leveraged on their strengths and explored opportunities in their external environment, many more were overwhelmed by their weaknesses and, thus failed before the growth and maturity stage, with the attendant implication that many small and medium scale enterprises do not grow, develop and transform into large and mega scale corporate businesses. Weaknesses have also obliterated many incorporated businesses into oblivion, even after attaining growth and maturity stages. Among such weaknesses or negative internal factors are mediocrity, influence of culture on business ethics, short term business horizon resulting from poor risk attitude, inadequate financial resources and sharp practices; all culminating to management incompetence, inefficiency and strategic management misalignment.

Consequently, this paper recommends for reconsideration of such environmental factors that impose unnecessary constraints on businesses in Nigeria. Specifically, multiple tax system should be jettisoned; exchange rate stability should be pursued; the passage of Freedom of Information Bill into law should be hastened; infrastructure, especially electricity, should be strengthened. Businesses should minimize their weaknesses by paradigm shift from internal factors that weaken management inefficiencies.

References

Abdul R. A. A. and Abdul A. H. (1999)."Pengurusan Projek: Perspektif Industri pembinaan Pulau Pinang", Penerbit USM.

Appiah-Adu, K. (1998): "Market Orientation and Performance: Empirical Tests in aTransition Economy. Journal of Strategic Marketing.

David, F. R. (1999): "Strategic Management Concepts",7th Edition, Prentice Hall, Upper Saddle River,New Jersey.

Ghani, Kay D. A., Nayan, S., Izaddin, S. A., Ghazali, S. M. and Shafie, L. A. (2010): "Critical Internal and External Factors that affect Firms Strategic Planning". International Research Journal of Finance and Economics.

Han, J. K., Kim, N. and Srivastava, R.K. (1998). Marketing Orientation a Organizational Performance: Is Innovation a Missing Link?Journal of Marketing.

Hellman, J. S., Jones, G., Kaufmann, D. and Skankaman, M. (1999): "Governance Failures: Interface between Corporate and State Sectors". http://ideas.repec.org/p/wbk/.

Jaworski, B. J. and Kohli, A. K. (1993): "Market Orientation: Antecedents and Consequence.Journal of Marketing.

Kohli, Ajay K. and Bernard J. Jaworski. (1990). Market Orientation: The Construct, Research Propositions, and Managerial Implications. Journal of Marketing.

PKN Sustainability Report (2007): "Winning the Heart of Customers". www.kpn.com.

Ming-Chang Huang and Tzu-Chuan Liu (2006): "The Impact of External environment and Self-Serving Motivation on Physician's Organizational Citizenship Behaviors", Journal of Behavioural Studies in Business.

Narver, John C. and Slater, Stanley F. (1990): "The Effect of a Market Orientation on Business Profitability". Journal of Marketing.

Norzalita, A. A. and Norjaya, M. Y. (2010): "How Will Market Orientation and External Environment Influence the Performance among SMEs in the Agro-Food Sector in Malaysia? International Business Research Journal, 3(3).

Nwokah, N.G. (2008): "Strategic Market Orientation and Business Performance: The Study of Food and Beverages Organizations in Nigeria. European Journal of Marketing.

Paulson, B. C., Fondahl, D. & Parker, H. (1992): "Professional Construction Management 3rd edition", New York:McGraw-hill Inc

Pulendran, S., Speed, R. and Widing II, R.E. (2000): "The Antecedents and Consequences of Market Orientation in Australia. Australian Journal of Management.

Rainey, D. L. (2008):"Sustainable Business Development: Inventing the Future through Strategy, Innovation, and Leadership". Cambridge University Press, Cambridge.

Impact of Organizational Conflict on Employees Performance: Evidence from Dangote Cement Plc, Gboko Plant

Dr. Edwin O. Ogaga
Department of Business Department
Benue State University
Makurdi

pp 24-30

Abstract

This study aims at exploring the effect of the three types of organizational conflict, namely the relationship, task, and process conflict, on the output of employees in the cement manufacturing sector in Nigeria using Dangote Cement Company, Gboko Plant as a case study. The study employed two estimation procedures; the Pearson correlation and the logit estimation method. The marginal effect extracted from the logit estimation exhibited that of the three types of conflict – only relationship conflict has a significant effect on the performance of employees. The Pearson correlation also revealed that whilst relationship conflict adversely affects performance, both task and process conflicts have a positive influence on output of workers. The association between process conflict and performance was however, unanticipated. Lastly, the Pearson correlation method brought to view that there is a very weak linkage between all the three types of organizational conflict and the performance of workers in Dangote Cement Plc. The study therefore, suggest that the policy makers and the management of organizations should efficiently and effectively set up conflict resolution mechanism by eliminating all friction that may arise from the three types of organizational conflict if they want to achieve rapid growth in the enterprise. Those conflicts that affect performance positively should be encouraged.

Keywords: Conflict; organizational performance; Dangote. elevance, Social Integration, Profitability, 5-Star Hotel, Nigeria

1. Introduction

Conflict among workers in an organization is inevitable. In the process of achieving organizational objectives, disappointments, disputes and conflict will surely arise. This strongly suggests that the occurrence of bickering, backbiting, blames shifting, gossiping and undermining of others can never be completely eradicated from any human society. Consequently, companies for some time now are faced with the problem of unionized and non-unionized agitations from employees of all levels. They are experiencing strikes actions of all kinds, unceremonious resignations, court actions and even the exchange of blows amongst co-workers. Co-worker's disputes, though common, are dangerous because they involve delicate interpersonal relations that can explode and disrupt an office and an entire company. Awan and Anjum (2015) argue that a negative work environment that does not promote conflict resolution can result in poor employee behavior and job performance. Conflict can have a devastating effect on the performance of an organization, especially if it consumes the energie of employees rather than focusing on other productive activities. Moreover, it can interfere with group process and create so much interpersonal hostility that group members may not be willing to corporate together to achieve organizational objectives. Furthermore, unsolved conflicts can generate into bigger contentions which has the capacity of engendering more controversies. In the view of the authors, properly managed conflict promotes open communication, collaborative decision making, regular feedback, and timely resolution of conflict. Open communication and collaboration enhance the follow of new ideas and strengthen work relationship, which can have a positive effect on employee morale. Regular feedback and timely resolution of conflict has the potential of improving employee satisfaction and job performance. With constructive and a prudent approach, conflicts can revolutionize new ideas which can take business organization to unprecedented heights in their endeavours. According to the authors, conflicts in business organizations can enhance the quality of decisions and also catalyze participation in group discussion.

There is therefore the need to investigate whether this social variance is a bane or blessing to business organizations. This study seeks at exploring whether conflicts have a positive or a negative effect on the productivity of employees of Dangote Cement Company, Gboko Plant in Nigeria. The main objective of the study is to explore the effect of conflict on the performance of Dangote Cement Company Plc in Nigeria. Specifically, this paper seeks to: (i) to investigate the effects of relationship conflict on the performance of employees; (ii) to probe into the effect of task conflict on performance of employees; and to examine the effect of process conflict on the performance of employees.

It is the priority for top management of all profit making ventures and even public sector organizations to ensure that their organizations perform well in this competing business world. To achieve this, they must explore the pros and cons of all the factors that are directly or indirectly linked to the productivity of their employees in particular and theirs firms at large.

Conflict among workers in an organization is inevitable. If managed properly, conflict can augment and enhance employees' performance. Conversely, unmanaged conflict can be devastating if it stirs hostilities among individuals or groups. Evidence from related literature is mixed with regard to the effect of conflict on the performance of business enterprise. This study will, however, make clear how the productivity of employee of Dangote Cement Company Plc and the cement manufacturing sector at large is influenced by conflict. If it is found that the effect is negative, management would be cautioned to take appropriate strategies to resolve tensions among their employees as quickly as possible if they want to see their business prospering. Nevertheless, if it beomes evident from the study that conflict positively affect performance, then it would be advised that such contentions should be encouraged and promoted but with care and caution.

2. Review of Related Literature

According to Schiamm (2005), a conflict is a state of serious disagreement and argument about something perceived to be important by at least one of the parties. In consonance with the preceding definition, Oxford Advance Learner's Dictionary defined the conflict as situations in which people, groups or countries are involved in a serious disagreement or argument. Further, Chamber 21st Dictionary (1996), posited that there are four (4) dimensions of conflict. These are: (i) Disagreement, fierce argument, a quarrel, (ii) A clash between different aims, interesting ideas and so on (iii) A struggle, fight or battle, usually on a lesser scale than war (iv) Psychol in an individual.

From the above, definitions, conflict can be categorized into three types – interpersonal, task, and process conflict.

2.1 Interpersonal Conflict

This type of conflict can be defined as tensions, annoyance, disagreements and personal incompatibilities over matters such as beliefs, values, habits, and personalities (Jehn, 2007). This form of conflict involves personal issues such as dislike among group members and feelings such as annoyance, frustration, and irritation. This definition is consistent with past categorizations of conflict that distinguish between affective and cognitive conflict (Amason, 2006); and Fuikley, 2000). Interpersonal conflict can antagonize productivity since it arouses hostility among group members within an organization.

Task Conflict

According to Amason and Sapienza (207), Task conflict may coincide with animated discussions and personal excitement but, by definition, are void of the intense interpersonal negative emotions that are more commonly associated with relationship conflict. This form of conflict can enhance productivity by improving quality of thinking and decision making processes.

Process Conflict

It is defined as controversies about aspects of how task accomplishment will proceed (Jehn, 2007) and Jehn, et al 2009). More specially, process conflict pertains to issues of duty and resource delegation, such as who should do what and how much responsibility different people get. For example, when group members disagree about whose responsibility it is to complete a specific duty, they are experiencing process conflict. According to Ongari (2009), this type of conflict normally occurs when the procedure(s) for the task is not clearly defined by the supervisor or the person in charge. Jones and George (2003) opined that the level of conflict in an organization can have both a negative and positive effect on the performance of its members. In particular, they posited that too little or too much inter-group and/or intragroup conflict can adversely affect team performance. Nevertheless, they argued that there is a level of conflict that is ideal and essential for an organization to attain optimum performance and effective decision making as depicted in the figure below.

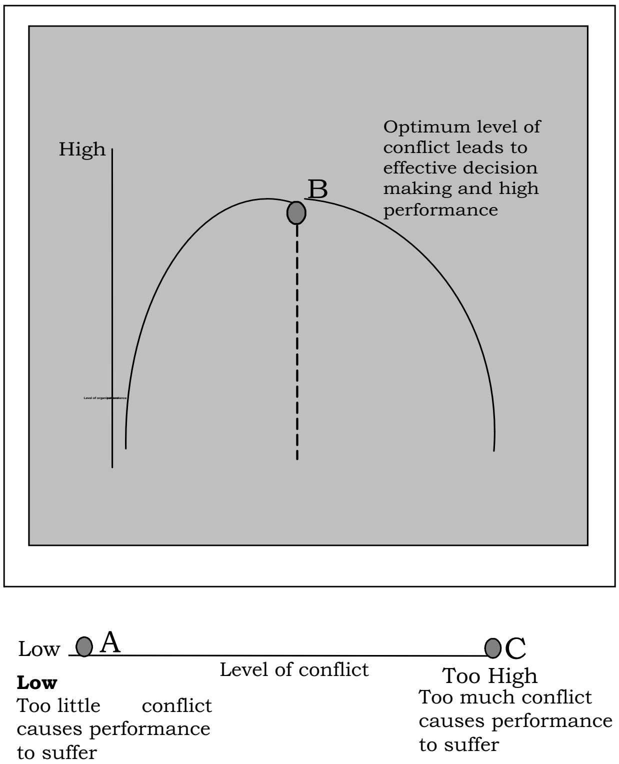


Figure 1: Effect of conflict on organizational performance

Source: Jones, G. T. and George, J. M. (2009) contemporary management. New York: McGraw Hill Inc;

Using a longitudinal study, Jehn and Mannix (2004) found that certain forms of conflict resulted in higher group performance among 51 three-person functioning groups in the United States. It was realized that teams performing well were characterized by low but increasing levels of process conflict, lower levels of relationship conflict, with a rise near project deadlines, and moderate levels of task conflict at the midpoint of group interaction. The members of teams with this ideal conflict profile had similar pre-established value systems, high level of trust and respect, and open discussion norms around conflict during the middle stages of their interaction.

To evaluate the effect on organizations, Hotepo, et al (2010) probed 96 managers in some selected airlines, road transport and insurance companies in Lagos Metropolis. The study revealed that the effect of conflicts on the organization can either be positive or negative, but when properly managed, the positive effects can be used to stimulate organizational innovativeness and build cooperation among the employees.

Another study by Afzal and Ali (2009), used data from questionnaires from a sampled of about 450 individuals who were employees of different commercial banks in Pakistan. Evidences from the research portrayed that relationship conflict had significance impact on employees' performance. Their performance nosedived ranging between 28 percent and 46 percent depending on the magnitude of the conflict. It further indicated that due to the viciousness of relationship conflict for organization's top hierarchy strives to get rid of relationship conflict rather than relegating its resolution.

3. Methods and Materials

Conceptual Framework

This section of the paper discusses a theoretical model that hypothetically links organizational conflict to the employee's performance. The study adopted the input – output model used in the work by Vanson (2010) as depicted in figure 2 below.

Input → Proces s → Outpu t

Figure 2: Input – Output Model

Source: Vanson, M. G. "The effect of perceive personality Diversity and Intragroup conflict on Team performance" M.Sc Dissertation submitted to the School of Industrial Engineering. TUE, 2010.

The framework in figure 2, given the above explanation, can be restated as:

Age, marital status
Sex, educational status
Experience, characteristics of team mates
→ Relationship conflict, Task conflict, process conflict → employee's performance

Input, in this model, encompassed both personal and working environment characteristics that influence the employee performance. Personal attributes in this case include age, marital status, sex and educational background of workers; whilst job characteristics comprise an employee's experience as well as information on teammates. Process, on the other hand, refers to conflict among teammates which in this study, is classified as relationship, task and process conflict. Finally, output in the model equates to the employee's performance.

Empirical Model and Procedure

This section of the research translated the input – output model in the theoretical framework to a model that can be estimated empirically. From the model, the performance of employees is affected by personal and job characteristics as well as the various types of organizational conflicts. Thus, the empirical model can be restated as:

$$EPi = a_{1} + a_{2}\,Age + a_{3}\,sex + a_{4}\,Marstat + a_{5}\,Expert + a_{6}\,Educ + a_{7}\,Teammates + a_{8}\,Gendeversity + a_{9}\,R\ conflict + a_{10}\,T\ conflict + a_{11}\,conflict + e:$$

The dependent variable, EPi, in the empirical model depicts the performance of employees. The respondents' responses regarding their performance can be classified into 2 values, i.e.o for employees who exhibited low performance and 1 for those who excelled in the performance. The study used logit approach to estimate the model. Age, Experience, Education, status, number of Team mates and gender diversity are all continuous variables. The remaining explanatory variables are binary variables. 0 stands for male while 1 represents female in the case of sex. In the scenario of marital status, 1 shows married whilst 0 stand for otherwise. In the case of the three types of conflict, 0 represents when there is no incidence of conflict while 1 exhibit otherwise.

4. Discussion of Results

Reliability Test of Instruments

To estimate the model, the study employed Cronbach alpha to detect the reliability of the items used to measure employee's performance and the various types of conflicts in an organizational setting. Cronbach alpha was chosen because it does not only measure the internal consistency of the items used but also substantiates whether or not the items are actually one – dimensional. Internal consistency gauges the level of the interrelatedness of the sampled items whilst undimensionally explores the extent to which the items measure a single trait or construct (Tavakol and Denick 2011).

The Cronbach's alpha coefficient obtained for the items used to represent the performance of employees is 0.83 whilst the corresponding coefficients of relationship, task and process conflict are 0.75, 0.73 and 0.76 respectively. This implies that the sample items used as instruments to indeed measure the concepts they represented. The results of the Cronbach alpha can be summarized in table 1 below.

Table 1: Results of Cronbach alpha

Variables	Coefficient of Cronbach Alpha
Performance of employees	0.83
Relationship conflict	0.75
Task conflict	0.73
Process conflict	0.76

Results from Pearson Correlation Coefficient

Firstly, the study employs the Pearson Correlation Coefficient to explore the direction and intensity of relationship that exist between each of the types of organizational conflict and performance of workers. The finding and evidence obtained using stata is summarized in table 2 below.

Table 2: Pearson Correlation between Employees' Performance and Organizational Conflict

Type of Organizational Conflict	Employee's Performance
Relationship	-0.23
Task	0.25
Process	0.4

The results, as shown in Table 2, indicates that there exists a weak negative link between relationship conflict and performance of workers. Additionally, the intensity of the relationship between tasks as well as process conflict and output of workers is not different from what exists between the latter (output of workers) and relationship conflict. The evidence shows that, there exist a weak correlation between task and process conflict and performance of employees which is similar to that of relationship conflict. However, the direction is not the same. Unlike relationship conflict, the results show that there is a positive correlation between task and process conflict and employee's performance. The latter findings are in conflict with the conclusion of Khan and Ur-Rehman (2009).

4.3 Marginal effect Results from the Logit Etimation

The margin effect extracted from the Logit estimation was also used to investigate the association between conflict and performance of employees. The marginal effect indicates the probability change in the dependent variable that accrues to a unit variable of an explanatory variable holding all the other independent variables constant (Amemiya 1985). The evidence obtained using the Logit estimation can be summarized in table 3 below. Z

Table 3: Marginal Effect Estimates of Employee's performance model

Regressors	Marginal Effect
Relationship conflict	-0.4570***
Task conflict	0.0887
Process conflict	0.0203
No of obs	128
Y	0.5538
Prob > f	0.0000

Table 3 above shows that the probability of the F value is less than 0 implying that the explanatory variables used in the estimation are jointly statistically significant. Thus, the results reveal that performance of employees is influenced by the explanatory variables included in the model.

It is clear from the table also that a unit increase in disagreements championed by personal hatred other than the task depletes employee's output by 45.70%. this conclusion also agree with the earlier view of (Afzal, Khan and Ali, 2009). Although not statistically significant, the results show that disagreement underpinned by the clash of idea; that is task conflict, increase the performance of workers by 8.87%. This result however, refutes the earlier finding by De Dreu and Weingart (2003). In the same vein, table 3 revealed that process conflict swells output of workers by 2.03% though the effect is not statistically significant. The positive effect of this variable, though not unanticipated, it fortifies the conclusion by Jehn and Mannix (2001).

5. Conclusion and Recommendation

It is been observed from the results that disagreements championed by a clash of idea, that is task conflict, spring the performance of workers up by 8.87%, this confirms the positive relationship between task conflict and output of workers as stipulated in the literature. Like task conflict, the results indicated that process conflict pushes output of works up by 2.03%, though the effect is not statistically significant and the positive effect of this variable was unanticipated. Additionally, the evidence from the result indicate that a unit rise in relationship conflict decrease employees' output by 45.70%.

The evidence in terms of direction of association obtained from the Pearson Correlation Coefficient are similar with the above finding. As with the margin effect, the latter estimation procedure indicated that relationship conflict is negatively linked to performance. Similarly, this correlation method revealed that both task and process conflicts have positive correlation with the dependent variable. The Pearson Correlation procedure on the other hand, divulged that the association between all the three types of organizational conflict and performance of employees is weak. In the same vein, the task and process conflict are also weakly linked to output of workers. The evidence of a negative also citation between relationship conflict and performance of workers can serve as a guide to improve the latter. This finding suggests that policymakers and organizational management should set up efficient and effective conflict resolution schemes or strategies if they want to achieve rapid growth in the enterprises.

Another characteristic of the finding is the positive correlation between task conflict and output of workers. This implies that diversity of idea among groups or teammates are important and vital for organizational progress and should be encouraged. The final and unanticipated conclusion is the positive association between progress conflict and performance of employees. Since the finding contradicts the literature, the study therefore urges policymakers and management to make further enquires as to why this is the case before they can make policies based on it for result.

References

Amason, and Sapienza, H. (2009). "the Effects of Top Management Team size and interaction norms on Cognitive and Affective conflict". *Journal of Management, vol. 23, pp.496-516.*

Afzal, H. Khan, M. A. and Ali (2009). Linkage between Employees' Performance and Relationship Conflict in Banking Scenario". *International Journal of Business and Management*. Vol.4, No. 7 pp. 19-25.

Amemiya, Advanced Econometrics (2005). Massachusetts: Harvard University Press, pp.278.

Anwar, N., Maitlo, Q. Soomro, M. B., and Shaikh, G. M. (2010). "Task Conflicts and its Relationship with Employer's performance". *Interdisciplinary Journal of Contemporary Research in Business,* vol.3, No.9, pp.1338 -43.

Cliamber 21st Century Dictionary, the Living Language, Published by Larouse Plc. Pp. 288, 2006.

De Dreu, W. C., and Weingart, C. K. (2004). "Task Versus Relationship Conflict, Team Performance, and Team Member Satisfaction: A Meta – Analysis". *Journal of Applied Psychology,* vol.88, No.4, 741-49.

Hackman, J. R. and Morris, C. G. (2005). "Group Task, Group Interaction Process, and Group performance Effectiveness: A Review and proposed Integration in Berkowitz, L (Eds)". *Advances in Experimental Social Psychology*, vol.8, pp. 45-99, 2005.

Hotepo, O. M. Motepo, A. S., Asokee, S. Abdul-Azzez, A. and Ajmunigbhun, H. (2010). "Empirical study of the Effect of Conflict on Organizational Performance in

Nigeria", *Business and Economics Journal,* vol. 2010: BEJ – pp.1-9.

Jehn, K. A. (2005). "A Multi-Method Examination of the Benefits and Detriments of Intragroup Conflict". Administrative Science Quarterly, vol. 40, pp.256-82.

Jehn, K. A. (2007). "Qualitative Analysis of Conflict types and dimensions in Organizational Groups". Administrative Science Quarterly, Vol. 42, pp/530-56.

Jehn, K. Northeraft, G. and Neaie, M. (2009). "Why Differences make a Deference. A Field study of Diversity, Conflict and performance in Workgroups". Administrative Science Quarterly, vol. 44, pp. 741-63, 2009.

Jones, G. R. and George, J. M. (2003). Contemporary Management. New York: McGraw Hill Inc.

Jehn, K. and Mannix, E. A. (2001). "The Dynmamic Nature of Conflict: A Longitudinal Study of Intra-Group Conflict and Group Performance". *Academic of Management Journal,* vol.44, No.2. pp.238-51.

Knippen, J. T. and green, T. B. (2009). "Handling Conflicts". *Journal of workplace learning,* vol.11 No.1, pp.27-32.

Khan, M. A., Afzal, H. and Ur-Rehaman, K. (2009). Impact of Task Conflict on Employee's Performance of Financial Institutions". *European Journal of Scientific Research,* vol. 27, No. 4, pp.479-87.

Ongari, H. (2009). "Organizational Conflict and its Effect on Organizational Performance", *Research Journal of Business Management*, vol. 2, pp.16-24.

Oxford Advanced Learner's Dictionary (2001). The World's Best – Selling Learner's Dictionary, 6th edition. Published by Oxford University Press, pp.290.

Punliley, R. (2000). "Divisions of the Conflict Frame: Dispute and Interpretations of Conflict" *Journal of Applied Psychology,* vol.75, pp.227-28.

Schramm – Nielsen, J. (2002). "Conflict Management in Scandinavia" Discussion paper series 10-03, Department of International Communication and Management, Copenhagen Business School, Remark.

Tavakol, M. and Dennick, R. (2011). Making sense of Cronbach's alpha". *International Journal of Medical Education*, vol.2, pp. 53-55.

Vanson, M. G. (2010). "The Effect of perceived personality Diversity and Intragroup Conflict on Team Performance". MSc Dissertation submitted to the school of industrial Engineering. TUE

Effect of Sub-Contracting on the Profitability of Small and Medium Scale Enterprises (SMES): Empirical Evidence from Selected Enterprises in Benue State

Diaka Sarah Hembadoon[1]
Department of Business Administration
Benue State University, Makurdi, Benue State, Nigeria
hdiaka@yahoo.com

Anza Calvin Nyianshima[2] **and Isichei Ejikeme Emmanuel**[3]
Department of Business Administration
Federal University, Wukari, Taraba State, Nigeria
anzagbem@gmail.com;
isicheiejike@yahoo.com

pp 31-41

Abstract

This research work ascertained the effect of outsourcing core operational activities (primary and accounting activities) on the performance of Small and Medium Scale Enterprises (SMEs) in Benue state. Survey research design was adopted with Gboko, Makurdi and Otukpo Metropolis of Benue state as survey area with population of 563 SMEs gotten from the records of Benue Board of Internal Revenue Service (BIRS) and a sample of 233 SMEs was selected using Taro Yemane's formula and distributed among five categories of SMEs. Simple random sampling technique was used in selecting respondents that provides answers to the self-administered questionnaire. The data was statistically analyzed using multiple regression technique. At the end of the research, the study found that; there is a significant relationship between outsourcing of primary activities and performance of SMEs in Benue but outsourcing of accounting activities has no significant effect on performance of SMEs in Benue. This study therefore recommends among others that SMEs should embark more on outsourcing of primary activities to attain the benefits of cost savings/restructuring which results in better customer service and consequently profitability; also, outsourcing process management through follow up steps like effective communication and monitoring should be employed and taken seriously to better reap the benefits of this maintenance/growth strategy.

Key words: Sub-contracting, Core activities, Small scale enterprises.

1. Introduction

Business environment especially in today's world is severely dynamic. As rightly noted by Sev (2009:3), "rapidly changing and increasingly complex business issues are creating key shift in organizations and the manner in which they do business". In order to achieve its set goals in the presence of technological advancement, sophistication of business processes, knowledge explosion and need for constant growth, an organization looks out for strategies to enhance performance which outsourcing is an option (Anza, 2016). Outsourcing is gaining currency among managers in addressing the new dynamic business order. It entails contracting out of a business function.

According to Dominguez (2006:5), outsourcing can be defined as "the practice of hiring functional experts to handle business units that are outside of your firm's core business". It is a method of staff augmentation without adding to headcount. That is, it is the process of replacement of in-house provided activities by subcontracting it out to external agents. Consequently, the management and development of innovations in outsourced activities become the responsibility of an agent external to the firm.

Outsourcing avails organizations the opportunity to concentrate her core competencies on definable pre-eminence business area and provide a unique value for customers (Behara, Gundersen, & Capozzoli, 1995). Also worthy of note is the fact that present day outsourcing is no more limited to peripheral activities such as cleaning, catering and security. As noted by Jennings (1997:85), outsourcing also includes critical areas such as design, manufacturing, marketing, distribution, information system etc. Outsourcing can be selective outsourcing or total. While selective outsourcing may target a single time consuming task within a department, such as manufacturing a minor component that can be handled more efficiently by an outside specialist or preparing a payroll. Total outsourcing may involve dismantling entire department or divisions and transferring the employees, facilities, equipment and raw materials for a product to an outside vendor.

In Nigeria, Sev (2009) noted some examples of companies who have outsourced their operations as Ashaka Cement Plc, which has outsourced its operations and services to Blue Circle industries of United Kingdom; Dangote Cement, Gboko (Benue) plant which acquired the expertise of Pakistani who have managerial know-how and expertise to give quality services and operations. Notable also is in the banking sector where several Nigerian Mega banking groups have outsourced their operations and services to "Experts" to enhance global competition in the international financial markets. For instance, United Bank for Africa (UBA) plc, Access Bank plc, and other universal banks in Nigeria outsourced Automated Teller Machines (ATM) to a company called inter-switch. Similarly, most banks' recruitment exercises are being outsourced to other human resource companies like Dragnet and Philips consulting. However, as noted by Sev (2009), despite the outsourcing they have been carrying out over the years, some organizations still suffer in terms of their goal achievement; some have experienced low productivity both in terms of quality and quantity, their profitability has not been stable, and their capacities are grossly underutilized.

SMEs p**erformance here is seen as the output of the organization** measured in terms of profitability. Profitability is measured in terms of Cost savings, Focus on core business (thus increasing efficiency), Reduction in money spent on fixed assets (cost restructuring), Reduction in tax paid (tax benefit) and Increase turnover (Sales) (Kotabe et al., 1998). The case of SMEs has being so peculiar here. Their outsourcing is in addition to the backup/supporting activities, more of their core areas which are before now being retained in-house. This research shall therefore delve in the specific outsourcing strategies embarked upon by these SMEs; why their choice and the effect of various strategies on organizational performance of these SMEs in Makurdi metropolis, Benue state.

This research work explores outsourcing activities among SMEs in Gboko, Makurdi and Otukpo metropolis of Benue State, Nigeria with emphasis on organizational operations for the recent past five years (2011 to 2015). Small and Medium Scale enterprises here are defined in line with the definition of SMEs by the National Council of Industries in Onugu (2005) as any enterprise whose total worth including working capital but excluding value of land is more than ten (10) million naira but less than one hundred million naira (N300, 000,000.00); a workforce between eleven (11) and seventy (200) full-time staff and/or with a turnover of not more than twenty million naira (N20, 000,000) in a year.

Research Objectives

The main objective of this study is to ascertain the impact of SMEs outsourcing of core activities on their performance in Benue state. The specifically objectives are to:

1. Assess the impact of Outsourcing Primary Activities on the profitability of SMEs in Benue state.
2. Ascertain the impact of Outsourcing Accounting Activities on the profitability of SMEs in Benue state.

Research Hypotheses

The primary intent of the study is to examine the conjectural statement that outsourcing core activities as an independent variable has an effect on performance variable depicted by profitability. Specifically the hypotheses are:

Ho_1: Outsourcing Primary Activities has no significant impact on the profitability of SMEs in Benue state.

Ho_2: Outsourcing Accounting Activities has no significant impact on the profitability of SMEs in Benue state.

2.0 Review of related Literature

Conceptual Framework

Outsourcing Activities

Outsourcing activities have been classified by different scholars in different ways. For the purpose of this research, the classification by Gilley and Rasheed (2000) is reviewed.

According to Gilley and Rasheed (2000), outsourcing activities can be grouped into four strategies housing related activities commonly outsourced. These four strategies are:

1. Outsourcing of back office activities
2. Outsourcing of primary activities
3. Outsourcing of accounting activities
4. Outsourcing of support activities

Isaksson and Lantz (2015) based on the classification by Gilley and Rasheed (2000) fit in sixteen (16) sub activities commonly outsourced in the strategies base on their characteristics. An improved version of these activities is here presented for this research.

The classification is shown in a diagram below.

Figure 1 *Classification of Outsourcing strategy according to Gilley and Rasheed (2000)*

Source: *Base on the classification of outsourcing strategies by Gilley and Rasheed (2000);Isaksson and Lantz (2015).*

From figure 1 above, the items which constitute the typical back office activities are shown as bookkeeping, payroll, billing, order processing, payment processing, cleaning services, security services and other administrative activities. Those activities which are directly related to the primary operations are manufacturing, purchases, warehousing, Sales force and customer service. Also, activities which are typically performed by outside accountants are grouped under accounting activities and they include those of financial reporting, tax processing. The last classification is that of support activities. They include shipping, IT services/system, training, advertising, legal services, transport services, public relations. This classification by Gilley and Rasheed (2000) is therefore adopted and adjusted to house specific core activities outsourced by SMEs in Nigeria as below:

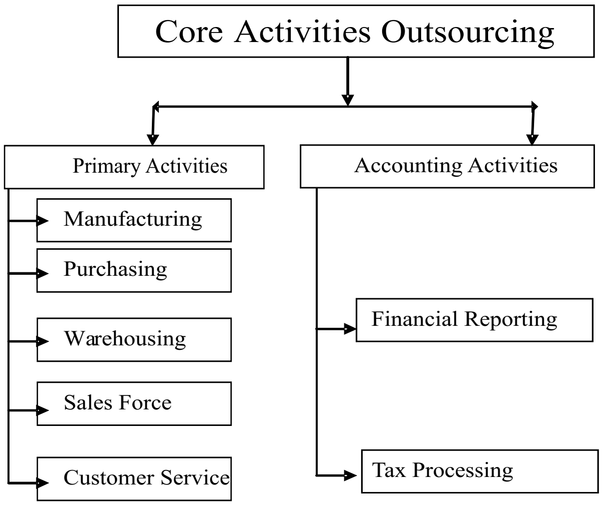


Figure 2 ***Classification* of SMEs' Outsourcing of core activities**

Source: Base on the classification of outsourcing strategies by Gilley and Rasheed (2000);Isaksson and Lantz (2015).

The choice of this classification is due to its explicit nature. It points out clearly, the activities which are being outsourced and also, succinctly classified base on its peculiarities. A pilot survey also shows clearly the fact that, these activities are usually outsourced by Nigerian SMEs at various extents.

Key Links in Outsourcing Process and Implementation in the Small and Medium Enterprises

According to *Li and Zhau (2009),* the entire process that the small and medium enterprises usually implement outsourcing can divide into three phases - outsourcing decision-making, outsourcing implementation and contract closing. The phase of outsourcing implementation includes outsourcing service companies choosing, outsourcing contract negotiating and signing and outsourcing service process inspecting and evaluating. The outsourcing process involves five links; outsourcing decision-making and planning link, outsourcing service providers choosing link, outsourcing contract negotiating and signing link, outsourcing service process inspecting and evaluating link and choice exiting link. They are shown in figure 3 below:

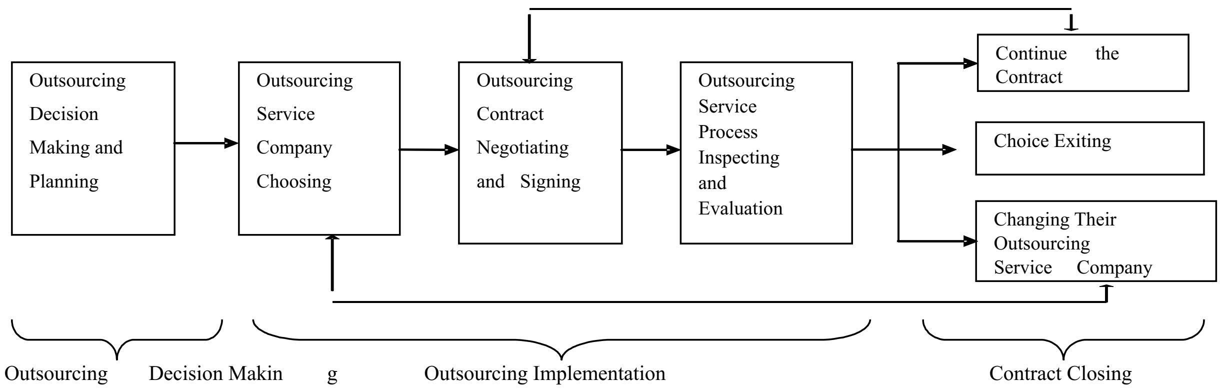


Figure 3 *Key Links in Outsourcing Process and Implementation in the Small and Medium Enterprises*

Source: *Adopted from Li, K & Zhau, J, (2009). The Outsourcing Strategy of Human Resources Management in Chinese Small and Medium Enterprises under the Economic Crisis.* *www.seiofbluemountain.com/en/search/detail.php?id=4348/ retrieved on 19th July, 2015 by 5:00 pm*

Link 1: Outsourcing decision-making and planning link. The main work in this phase includes analyzing carefully in the actual demands, the environments and both inside and outside conditions, defining the outsourcing aim to make the human resource management outsourcing activities tally with the integral developing strategy, and confirming the content of human resource management outsourcing.

Link 2: Outsourcing service providers choosing link. The main work in this phase is to choose the most suitable outsourcing service companies by identifying and evaluating.

Link 3: Outsourcing contract negotiating and signing link. In the link, it will restrict both actions with the contract. Commonly the contract should identify both rights, duties, service area, price, payment, time limit and default terms.

Link 4: Outsourcing service process inspecting and evaluating link. The main work is to effectively supervise, control and motivate the outsourcing service providers based on the outsourcing plan and contract, so that their work will move toward the fixed aim, and objectively detect their work and estimate their performances.

Link 5: Choice exiting link. The enterprises will decide the next choice according to different evaluation results and their own grade of satisfaction. If they are satisfied, they'll continue their contract and even enlarge the cooperation scope. But if they are not satisfied at all, or they find their enterprise is not fit for outsourcing through this practice, they'll decide to exit. If it's because of the company' bad service, they can considering changing their outsourcing service providers, and return to link 2.

Theoretical Framework

According to Prahalad and Hamel (1990); Penrose, (1959); Richardson, (1972); Williamson, (1985), there are two theories most often referred to in relation to outsourcing. These are the **Core Competencies Theory** (Resource-Based Theory) and Transaction Costs Theory. This research however will be based on the Transaction Costs Theory.

Transaction Cost Theory

This theory holds an assumption that business outsourcing is implemented in order to lower the transaction costs. Transaction Cost Analysis (TCA) is another widely used outsourcing based theoretical perspective especially in supply chain management (Busi and McIvor, 2008). The approach seeks to identify the environmental factors that together with a set of related human factors explain how companies can organize transactions to reduce the costs associated with these transactions. TCA postulates that managers suffer from bounded rationality, whereas other stakeholders may opportunistically act if given the chance. Small and medium scale enterprises are always out to minimize their cost of operation. They therefore subcontract some of their jobs which can be done more efficiently by outside vendors. This also paves way for them to enhance their customer service which leads to customer satisfaction.

This theory asserts that, an organization may outsource even when it has the wherewithal to execute the activity itself if and only if the sum cost carrying out the activity by an outside vendor including contract processing cost is lower than the cost of carrying out the activity in house. This theory is quite relevant in explaining the outsourcing of primary activities which are seen as being part of the organizations primary (core) operation as capture their mission statement.

This research is based on the ***transaction cost*** theory which emphasizes minimization of cost either through concentrating on their core competences and subcontracting other non-core areas of operation or subcontracting even their primary activities to others that can perform them less costly thereby earning some returns which is in form of the difference between the value of the contract and the cost of its execution. Cost here entails both; the amount paid the outsourced and the processing/ operational fee. The choice of this theory is due to the fact that, the focus of every manager is achievement of objectives at a lesser cost. When one achieves a goal, the first question that comes to mind is how? How much was spent in realizing the goal? Is there any better way of doing it thereby incurring less cost? Outsourcing here is looked at as a make or buy decision where the decision maker looks at the cost of carrying out an activity and outsourcing it and goes for the more efficient one. This leads to achievement of customers' needs thereby attaining customer satisfaction at a lesser cost.

Empirical Review

Previous research findings have proved contradictory results on the effect of outsourcing strategy on performance. While some presented a p**ositive effect, others** found negative or no relationship between outsourcing and performance. These researches are presented in table 1 below:

Table 1:A Summary of the Empirical Studies on Effect of Outsourcing Strategies on Organizational Performance.

Author(s)	Research questions/objective	Methodology/ Data analysis	Sample/ data collection	Findings
Isaksson & Lantz (2015)	To explore outsourcing strategies among small manufacturing firms, and to test how these strategies can be linked to financial performance	Multiple regression	The study is based on questionnaire and financial data collected through a stratified sample of 700 small (<50 employees) manufacturing firms in Sweden (with a response rate of 56 percent or 400 firms)	Multiple regressions did not reveal any significant relationship between the strategies (Back office activities, Primary activities, Accounting activities, and Support activities) and financial performance
Yeboah (2013)	To examine the relationship between outsourcing and organizational performance in theservices sector	SPSS was used to correlate the variables	The population of the study is made up of 50 firms operating in the banking and insurance sectors of the economy of Ghana.	There is no statistically significant correlation between outsourcing and organizational productivity, There is statistically significant correlation between outsourcing and quality, There is statistically significant correlation between outsourcing and competitive advantage
Akewushola, and Elegbede (2013)	To examine the axiomatic relationship between outsourcing strategy and organizational performance in Nigeria manufacturing sector	Data obtained were analyzed using Regression analysis.	The study adopted a stratified sampling technique to arrive at 120 sample elements for the study. Some of the top and middle level managers of Cadbury Nigeria Plc and Nestle Foods Plc responded to the questionnaire administered and were interviewed to further elicit information on the key variables.	Firms that outsource experience reduced average cost, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduced administrative burden and save time for core activities.
Nazeri, Gholami & Rashidi (2012)	To examine the propensity to outsourcing and its impacts on operational objectives including cost	Feedbacks are analyzed using SPSS and Minitab software based on deductive and descriptive	Questionnaires are distributed among the board of directors, quality managers, operational administrators, and lower managers.	The results of the survey indicated that outsourcing could lead to reduced cost, improve quality, increase flexibility, better financial and non-financial performance and services

Source: Empirical reviews, 2015.

3.0 Methodology

The specification of relevant procedures for collecting and analysing information (data) which would help solve the research problem at hand is quite pertinent for a research (Agburu, 2007).For the purpose of this study, survey research design and secondary data was adopted. Thus, data was collected through the use of questionnaire (which entails going to the field to source for responses from experts and other respondents). Also, a secondary data source was used which contains the relevant data about outsourcing strategies and also, profitability of some selected SMEs.

The population of SMEs within Gboko, Makurdi and Otukpo metropolis is Five hundred and sixty three (563) based on the records for year 2014 gotten from Benue state Board of Internal Revenue Service (BIRS). For the purpose of primary source data, a sample of 233 SMEs was selected from the population of 563 using Taro Yemane's formula for sample determination as follows:

$n = N/1+N(e)^2$

Where:n = sample size; N = population size; e = level of significance; 1 and 2 are constants.

$n = 563/1+563(0.05)^2$

$n = 563/1+1.4075$

$n = 233$

The sample size as calculated above is 233 SMEs and is shared among the three selected towns under study using Bourley's 1994 population allocation formula in Nzeribe and Ilogu (1999, p.201) as stated below:

$$nS = \frac{n(NS)}{N}$$

Where: nS = sample size per town; n = total sample size; NS = Total number of SMEs in the area of study; N = Total population size. This results in the sampling of 69 SMEs in Gboko, 105 from Makurdi and 59 from Otukpo metropolis.

A simple random sampling technique was employed in selecting the sample of 233 SMES. A questionnaire was administered on every SMEs sampled whereby either the owner, manager (or a top officer) responded to it. This was done through personal delivery.

To ensure validity of the measuring instruments in this research, a carefully drafted and wide-ranging questionnaire aimed at eliciting right responses was constructed and piloted in order to detect any ambiguities or inherent problems. While some questions were open-ended most were with a response scale of 1 to 5. The questionnaire is designed to capture detailed profile of the respondents in addition to what they consider as their outsourcing of core activities and its effect on their performance.

Expert opinions on the subject were sought to confirm the extent to which the question has face and content validity. To ensure reliability, this research used Cronbach alpha coefficient to test reliability. *Cronbach's coefficient alpha is o*ne of the most widely-used indices of internal consistency. The Cronbach's coefficient alpha ranges from 0 to 1. A scale is considered to have good reliability if it has an alpha value greater than 0.60 (Zickmund, 2010). The Cronbach's alpha results were 0.721 for primary activities, 7.01 for accounting activities, 0.843 for organizational performance while the overall alpha coefficient is 0.922.

Hypotheses were tested using multiple regression analysis. The output shows the t-statistic and p-values for the coefficients which results in either rejecting or accepting the hypotheses at a specified level of significance. The null hypothesis is rejected where the p-value is less than the critical value (0.05). Also, the output shows the coefficient of determination (r^2), which measures the proportion of the dependent variable that is explained by the regression model. The range for the coefficient of determination varies between 0 and 1; that is $0 \leq r^2 \leq 1$. As r^2 approaches 1, the more the independent variable explains the variation in the dependent variables. Statistical Package for Social Sciences (SPSS v20.0) computer program was used to enhance the robustness of the results.

4.0 Result and Discussions

A total of 233 questionnaires, each containing 15 questions were designed and issued out to respondents who are owners/managers of SMEs. At the end of the questionnaire process which took place from 16th March, 2016 to 15th May, 2016, only 218 representing 93.5% of questionnaires were dully filled devoid of errors and returned to the researcher and so, the presentation and analysis of questionnaire responses was based on these 218 copies dully returned.

Table 2 Effect of outsourcing strategies on SMEs profitability (based on questionnaire responses)

Model	B	Std. Error	T	p-value
Outsourcing of Primary Activities	.247	.060	4.133	.019
Outsourcing of Accounting Activities	.018	.060	.295	.768

Source: Fieldwork, (2016) SPSSv20

From table 2 above, *shows the results of multiple regression analysis with profitability as dependent variable and the outsourcing strategies as explanatory variables.* From the regression result, F (4, 218) = 102.032 at a 0.00 level of significance while R^2 = 0.596. It points that the regression model explains up to 59.6% of the dependent variable.

Test of Hypothesis

S/N	Model	T	p-value	Decision
1	Outsourcing of Primary Activities	4.133	.019	Rejected
2	Outsourcing of Accounting Activities	.295	.768	Accepted

Source: Fieldwork, (2016) SPSSv20

From the test of hypotheses above, the acceptance/rejection decision is taken base on the decision rule that states that, the null hypothesis will be rejected if the p-value (Sig.) is less than the critical value (0.05).

Discussion of Findings

The findings show a very strong positive effect of outsourcing primary activities on SMEs financial performance. Base on the regression result (p= 0.000) which fully supports the alternate view, the alternative hypothesis was accepted which says that there is a significant relationship between outsourcing of primary activities and performance of SMEs in Benue state. The findings reveal that, there is a positive effect of outsourcing primary activities such as manufacturing, purchases, warehousing, sales force, and customer service, others on the profitability of SMEs.

This finding supports the view by Crane (1999), Sinderman (1995), Casale (1996), Lau and Hurley (1997), Kotabe et al. (1998), Frayer et al. (2000), Gupta and Zeheuder (1994), Greer et al. (1999), others that outsourcing activities leads to profitability through cost savings, focus on advantaged areas of operation, cost restructuring, tax benefits and increase turnover. This finding however, opposes the finding by Isaksson and Lantz (2015) which asserts that outsourcing strategies has no significant effect on financial performance of SMEs as shown by their research in Sweden. Also, the finding opposes the thinking of proponents of core competency theory which stresses that the primary activities which fall within the core area of operation of organizations should be retained in house and so carried out by the organization itself. Rather, it supports the transaction cost theory which emphasizes more on the cost of operation and so states that, organizations should contract or subcontract their operations if such can be done cheaper and or better by an outside vendor (Yalokwu, 2006).

For the second hypothesis, the result of regression analysis is greater than the critical value of 0.05 (p = 0.768), so, the null hypothesis was accepted which supports the assertion that, Outsourcing Accounting Activities has no significant effect on the profitability of Small and medium scale enterprises in Benue state. The respondents' views show clearly the fact that most SMEs do not outsource their accounting activities. They do carry out their recording and reporting internally. A fact still stands that, most SMEs do not have an established record keeping habit. This has being identified over the years as one of the major weaknesses of SMEs business operations (Onugu, 2005). The result here too may not be unconnected with the fact that SMEs do not appreciate the importance of record keeping.

5.0 Conclusion

Based on our findings, this research concludes that, Nigerian SMEs' profitability over the years can be attributed to their outsourcing activities such as primary activities (manufacturing, purchases, warehousing, sales force, customer service, others) and accounting activities (such as financial reporting, tax processing, others).Also, most SMEs outsource more of their primary activities than others which are backup, or supporting in nature. This act is unlike the large organizations which outsource more of their non-core activities. However, not every SME outsource. Also, some which outsource have not being managing it effectively.

Recommendations

This research therefore recommends that;

i. SMEs should embrace outsourcing as a strategic tool towards realizing financial benefits like cost savings and cost restructuring.
ii. SMEs' outsourcing hardly follows the established process captured in outsourcing literatures as such its management should be taken seriously to better reap the benefits of the strategy. This can be achieved through effective communication and monitoring.
iii. Owing to the unqualified imperativeness of accounting function in today's business word, SMEs should take this function with all seriousness and thus outsource it to competent vendors who can carry out this function better or at a cheaper rate than putting accountants on their payrolls.

Contribution to Knowledge

This research is an addition to the literature on Small and medium Scale Enterprises outsourcing strategies and their resultant operations in Nigeria in general and Benue to be precise. The study's novelty is embedded on the depth of the theoretical and empirical contribution thereby establishing and justifying the variables used in measuring subcontracting of primary activities and SMEs profitability are valid in research area.

References

Agburu, J.I (2007). ***Modern Research Methodology*****. 2nd Education Makurdi: Kujoma Publishers Ltd.**

Akewushola and Elegbede (2013).**Outsourcing Strategy and OrganizationalPerformance: Empirical Evidence from Nigeria Manufacturing Sector.** ***European Scientific Journal.*** ***https://www.***eujournal.org/index.php/esj/article/download/1259/1268. **Retrieved on 10th June, 2015 by 7:30 PM**

Anza, C.N (2011). Outsourcing Strategies and Organisational Performance: A Case Study of Benue Brewery, Makurdi. A Research Project Submitted to the Department of Business Management, Benue State University, Makurdi.

Behara, R., Copozzoli, E., & Gundersen, D. (1995). Trends in information systems: Outsourcing. *International Journal of Purchasing and Materials Management.* https://www.questia.com/library/journal/1G1-17052310. **Retrieved on 10th June, 2015 by 4:00 PM**

Casale, F.J. (1996) in ***Akewushola and Elegbede (2013),*** Introduction to outsourcing. *The Outsourcing Institute* 1. International Journal of Purchasing and Materials, 46-51. https://www.eu**journal**.org/index.php/esj/article/download/1259/1268. **Retrieved on 10th June, 2015 by 4:00 PM**

Conner, K.R. and Prahalad, C.K. (1996). A Resource-Based Theory of the Firm: Knowledge Versus Opportunism. *Organization Science, 5*(1): 477-501. www.wiggo.com/mgmt8510/readings/readings7/**conner1996or**gsci.pdf. **Retrieved on 10th June, 2015 by 4:35 PM**

Crane, D. (1999). *Renewed Focus on Financial Performance*. www.outsourcing-Journal.com/issues/jan. **Retrieved on 12th June, 2015 by 7:00 PM**

Dominguez, L. (2006). *The Managers' Step-By-Step Guide to Outsourcing*. Boston: McGraw Hill Companies.

Frayer, J.K., Scannell, J.D., and Thomas, V. (2000). An Empirical Investigation of Global Sourcing Strategy Effectiveness. *Journal of Supply Chain Management, 36*(2): 29-38. www.freepatentsonline.com/article/Journal-

Supply-Chain.../62449459.html. **Retrieved on 10th June, 2015 by 4:35 PM**

Gilley, K.M. and Rasheed, A. (2000). Making More by Doing Less: An Analysis of Outsourcing and Its Effects on Firm Performance. *Journal of Management*, *26*(4): 763-790. https://www.researchgate.net/.../254121345. **Retrieved on 15th June, 2015 by 8:00 PM**

Greer, C.R., Youngblood, S.A., and Gary, D.A. (1999). Human Resource Management Outsourcing: The Make or Buy Decision. *Academy of Management Executive, 13*(3): 85-96.

Gupta, M. and Zheuder, D. (1994). Outsourcing and Its Impact on Operations Strategy. *Production and Inventory Management Journal,* 35(3), 70-76. www.academia.edu/3144334/www._bsu._edu_majb. **Retrieved on 15th June, 2015 by 8:00 PM**

Isaksson, A. & Lantz, B. (2015). Outsourcing Strategies and their Impact on Financial Performance in Small manufacturing Firms in Sweden. *International Journal of Business and Finance. Research* www.theibfr.com/ARCHIVE/IJBFR-V9N4-2015.pdf **Retrieved on 15th January, 2016 by 8:00 PM**

Jennings, D. (1997). "Strategic Guidelines for Outsourcing Decisions". Journal of Strategic Changes. Vol. 32. Pp.85-96, April 6. make or buy decision. *Academy of Management Executive* 13(3):85-96. *Management Executive* 6(1) 7–22. *Organization* 11, p. 19-33.

Kotabe, M. (1998). Efficiency vs. Effectiveness Orientation of Global Sourcing Strategy: A Comparison of U.S. and Japanese Multinational Companies. *Academy of Management Executive,* 107-119. https://www.amp.**aom**.org/content/12/4/107?related-urls=yes&legid=amp;12/4/107. **Retrieved on 15th January, 2016 by 4:08 PM**

Kotabe, M., Murray, J., and Javalagi, R. (1998). Global Sourcing of Service and Market Performance: An Empirical Investigation. *Journal of International Marketing,* 6(4), 10-13. www.eu**journal**.org/index.php/esj/article/download/1259/1268. **Retrieved on 15th January, 2016 by 4:08 PM**

Kpelai, S.T. (2009). Entrepreneurship Development in Nigeria. Makurdi: Aboki Publishers

Lau, R.S., and Hurly, C.N. (1997). Outsourcing through Strategic Alliances. *Management Journal,* 38(2), 52-57. https://www.repository.ust.hk/ir/.../1783.1-530. **Retrieved on 15th march, 2015 by 5:00 PM**

Li, K & Zhau, J, (2009). The Outsourcing Strategy of Human Resources Management in Chinese Small and Medium Enterprises under the Economic Crisis. www.seiofbluemountain.com/en/search/detail.php?id=4348/ *Retrieved on 19th July, 2015 by 5:00 pm*

Nazeri, A. Gholami, R & Rashidi, S. (2012). Outsourcing and Its Impact on Operational Performance, *Proceedings of the 2012 International Conference on Industrial Engineering and Operations Management Istanbul, Turkey, July 3 – 6, 2012.* https://www.iieom.org/ieom**2012**.html. **Retrieved on 10th September, 2015 by 5:00 PM**

Nzeribe, C.G.O. and Ilogu, G.C. (1996), Fundamentals of Research Methods, Enugu: Optimal International Ltd.

Onugu, B.A (2005). Small and Medium Scale Enterprises (SMEs) in Nigeria: Problems and Prospects. A P.hD Desertation Submitted to the Department of Management, St. Clements University. https://www**.stclements**.edu/grad/gradonug.pdf. **Retrieved on 10th September, 2015 by 5:00 PM**

Penrose, L.S. (1969). Dermatoglyphics. Scientific American, 221 (6), 72-83. www.hindawi.com/journals/janthro/2012/812128/ref/. **Retrieved on 10th September, 2015 by 5:00 PM**

Prahalad, C.K., Hamel, G (1990): The core competence of the corporation*, Harvard Business Review, Vol. 68, No. 3, p79-91.* www.globex.coe.pku.edu.cn/file/upload/201606/27/1756365219.pdf. **Retrieved on**

10th January, 2016 by 7:00 AM

Richardson, George, B. (1972). 'The Organization of Industry, 'The Economic Journal, 82 (32-896). www.druid.dk/conferences/summer2003/papers/**richardson**.pdf. **Retrieved on 10th January, 2016 by 7:00 AM**

Sev J.T. (2009). *An Emphirical Assesment of Outsourcing*: A Strategy for Organisational Effectiveness in Nigerian Corporate Sector (A Survey of Some Corporate Organisations in Nigeria). An Unpublished Research Survey.

Sinderman, M. (1995). Outsourcing Gains Speed in Corporate World. *National Real Estate Investor,* 37(1), 42-50.

Williamson, Oliver. (1985). The economic institutions of capitalism. New York, NY: Fee Press. https://www.amazon.com/**Economic-Institutions-Capitalism-Oliver**. **Retrieved on 11th January, 2016 by 7:00 AM**

Yalokwu, P.O. (2006). *Fundamentals of Management.* Edition, Lagos: Africa Centre for Management. www.oalib.com/references/7441044. **Retrieved on 10th January, 2016 by 7:00 AM**

Yang, D.H., Seongcheol, K., Changi, N., and Ja-Won, M. (2007). Developing a Decision Model for Business Process Outsourcing. *Computers and Operations Research*, 34(1), 3769 – 3778. www.ijecm.co.uk/wp-content/uploads/2014/**11**/2**11**16.pdf. **Retrieved on 11th January, 2016 by 7:00 AM**

Yeboah, A. (2013). **The Relationship between Outsourcing and Organizational Performance.** *European Journal of Business and Management Vol.5, No.2, 2013*. www.iiste.org/**Journals**/index.php/EJBM/article/viewFile/3925/3983. **Retrieved on 10th January, 2016 by 7:00 AM**

Zikmund, W. G. (2010). *Business Research Methods.* Florida: The Dryden Press. www.abebooks.com/**BUSINESS-RESEARCH-METHODS**...**Zikmund**/.../bd. **Retrieved on 10th December, 2015 by 7:00 AM**

Effective Management of Flooding In Nigeria (a Study Of Selected Communities In Anambra State)

Dr. Mrs. Ezezue Bernadine Oluchi.
Department of business management
Ebonyi state university, abakaliki
Ebonyi state nigeria.
Email Address: ezezuebernadine@yahoo.com

Dr. Mrs Agha Nancy Chinwe
Department of business management
Ebonyi state university, abakaliki
Ebonyi state nigeria.

Mr. Ndieze James.
Department of business management
Ebonyi state university, abakaliki
Ebonyi state nigeria.

Rachel Serieke Dickson, PhD
Department of Business Administration
Faculty of Management Sciences,
Niger Delta University, Wilberforce Island, Amassoma
Bayelsa State
Racheldickson400@gmail.com

pp 42-50

Abstract

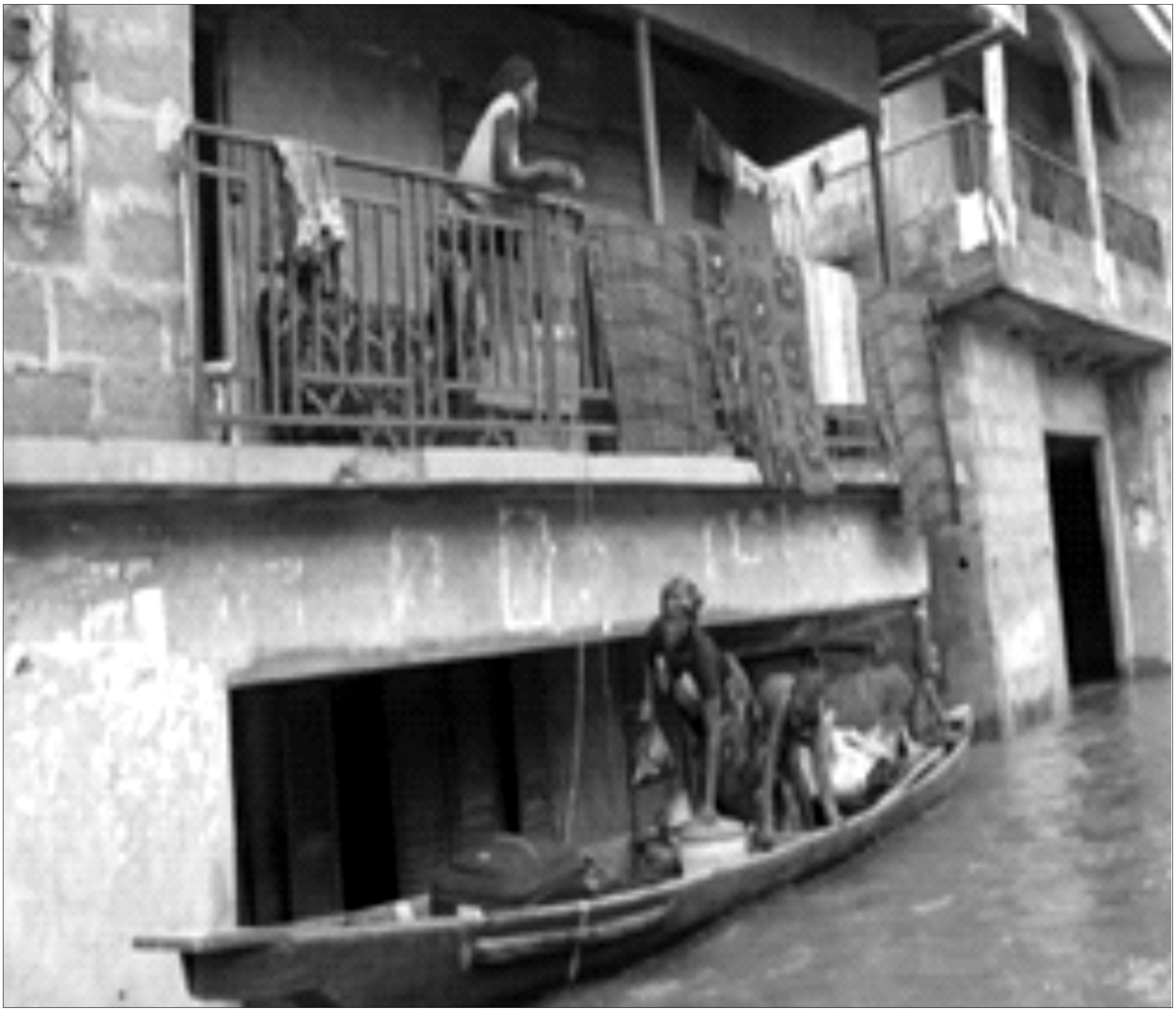
The paper x-rayed the importance of effective management of flood in Nigeria with particular reference to some selected communities in Anambra State (Aguleri and Umuleri). The paper tries to determine the extent to which building of dams across the river channels could help in the effective management of flooding in Anambra State, examine the extent to which construction of wing dykes could help in the effective management of flood, the paper also evaluates if afforestation could bring about improvement in the management of flood in Anambra State. The study adopted a survey design; questionnaire method of collection of data from residents of the studied communities was employed. The population of the study was 1,832,000 and sample size was 400 which was determined using Taro Yameni formula. The study found that there was no proper management of flood in the studied communities. The communities were not use to the proactive measures of flood management, hence they waited for the commencement of flooding and their possible evacuation to camps at the upland or at other parts of the state where flooding was not endemic. The paper recommended that proper management of flooding should be put in place by the affected state and local governments. Measures like: building of dams across river channels, wing dykes, diversion spill ways, trees and afforestation should be undertaken. Again, government should embark on immediate reconstruction of damaged bridges and other hydraulic structures in flood ravaged areas in order to prevent recurrent flooding of such areas.

Key: *Management of Flooding, Dams, Communities, Anambra State*

Introduction

A flood is a natural event that can have far reaching effects on people and the environment. Put simply, a flood is too much water in the 'wrong' place (www.watersafetykids.co.uk/pdfs/flooding.pdf Dec, 2015. flooding occurs most commonly from heavy rain fall when natural water courses do not have the capacity to convey excess water. However, floods are always caused by heavy rainfall. They can result from other phenomena, particularly in coastal areas where inundation can be caused by a storm surge associated with a high typical cyclone, a tsunami or a high tide coinciding with higher than normal river levels. Dam failure, triggered for example by an earthquake, will result in flooding of the downstream area, even in dry weather condition (hazards/flood/basics/causes 11 Dec 2015). As Obeta (2014) opines in many parts of Nigeria, flooding continue to be an increasing problem, catching individuals and communities by surprise in a repeatedly exasperating way and causing disruption of social activities, damages of infrastructure and even death of people and livestock. According to him in 2003, severe flooding resulting from dam failure submerged farmland in Zamfara state. In the same vein, Obebi (2013) asserts that Nigeria 923,768sq km land area is made up of 13,000sq km of water. Nigeria has had her own fair share of floods. In 2001, for instance, Abia, Adamawa and Akwa Ibom states witnessed heavy down pour and rain storm which affected about 5,000 people. Explaining further, Obebi (2013) confirms that in the same year, about 12,300 people were displaced by torrential rain which destroyed farmlands, damaged properties and submerged buildings in Zamfara state. Emeriobeole (2015) asserts that floods are among the most devastating natural disasters in the world, claiming more lives and causing more property damage than anyone would imagine. According to him, in Nigeria though not leading in claiming lives, flood affects and displaces more people than any other disaster. It also causes more damage to properties and at least 20 percent of the population is

Some of the recorded havoc caused by floodings in Aguleri and Umuleri, Anambra State



at the risk from one form of flooding or another. But not withstanding all these enumerated facts, effective management of flood by either state, local government or communities in the endemic areas have not been witnessed in either of the states.

Aguleri and Umuleri both in Anambra State are towns with so many rivers and lakes; as a result, they are prone to experiencing flooding mostly in raining season. Aguleri has three (3) villages namely; Igboezunu, Ivite and Enugu na Eziagulu and they are located at the bank of rivers Omambala and Ezu. While traditionally, Umuleri is broadly divided into 3 clans: Ezi,lkenga and lvite. The clans are further divided into villages and sub-villages. But with advent of colonialism and modernization, the town was consciously grown and governed just like other lgbo communities. Whenever there is heavy rain in the wet season, the rivers normally overflow their banks and cause flooding. Furthermore, flooding happens when there is more water upstream than usual and as it flows down stream to the flood plain, there is a burst and water gets into the land. It is therefore against this background that this study was carried out in order to know how effective management of flood in Nigeria, particularly selected communities in Anambra State could be achieved. And to recommend the measures that should be imbibed by both the state, local government and communities themselves in order to ameliorate the dangerous effect of flooding as well as bring about the effective management of floods in the studied communities

OBJECTIVES

Some of the objectives of the study are to:

1. Determine the extent to which building of dams across the river channels could help in the effective management of flooding in Anambra State.
2. Examine the extent to which construction of wing dykes could help in the effective management of flood in Anambra State.
3. Evaluate if afforestation could bring about improvement in the management of flood in Anambra State.

Conceptual Framework

A flood is caused by a combination of heavy rainfall causing river/ocean to overflow their banks, and can happen at any time of the year, not just in the winter or rainy season. Floods generally develop over a periods of days when there is too much rain water to fit in the rivers and water spreads over the land next to it (the flood plain). However, they can happen very quickly when lots of heavy rain falls over a short period of time. These “flash floods” occur with little or no warning and cause the biggest loss of human life than any other type https://en.wikepedia.ord/wiki/flood_control 12 Jan. 2016. Coastal areas are also at risk from sea flooding, when storms and big waves bring seawater onto the land. The worst cases of flooding may occur if there is a combination of storms, 'spring tides' and low atmospheric pressure. According to http://www.environment-agency.gov.uk/flood (Jan, 2016), Flooding can be very dangerous – only 15cms of fast-flowing water are needed to knock you off your feet! Floodwater can seriously disrupt public and personal transport by cutting off roads and railway lines, as well as communication links when telephone lines are damaged. Floods disrupt normal drainage systems in cities, and sewage spills are common, which represents a serious health hazard, along with standing water and wet materials in the home. Bacteria mould and viruses, cause disease, trigger allergic reactions, and continue to damage materials long after a flood. Again, soil can be eroded by large amount of fast flowing water ruining crops, destroying agricultural land/buildings and drowning farm animals. Severe floods not only ruin home/businesses and destroy personal property, but the left behind causes further damage to property. The environment and wildlife is also at risk when damage to business cause the accidental release of toxic materials like paints, pesticides, gasoline etc. But in all these, effective and early control of flood remains the best approach.

Flood Management

Some measures could be proactively taken by both state, local government and the studies communities in order to combat the dangerous effect of flooding and bring about effective and proactive management of flood in Aguleri, Umuleri in Anambra State. Some of the measures include building of dams, Wing Dykes, Diversion Spillways, Afforestation and Artificial Levee:

Dams are the classic hard engineering solution to flooding problems. A dam is a giant wall built across a river's channel to impede its flow. Water builds up behind the dam and forms a reservoir which can then be steadily drained at a controlled rate over time. This helps keep discharge downstream of the dam low even during prolonged heavy rainfall. Besides being highly effective at reducing the risk of flooding, dams can also be used to generate hydroelectric power that







can bring economic benefits to an area by attracting manufacturing factories or being exported to other countries. The reservoir that develops behind a dam can be used as a drinking source or for leisure activities. Although dams are good flood control, its can as well pose a huge risk too. They store thousands of litres of water behind them so if they were to fail, they did cause wide spread of death and damage down stream as all the water is released at once.

Wing Dykes are slats that are placed in a river's channel at 90^0 to the banks. Generally they will be placed in pairs on either side of the channel with a gap between them that allows boast to pass through them behind dykes, sediment builds up and the channel is narrowed, forcing water to flow faster. This helps reduce the risk of flooding by getting water away from an area at risk of flooding as quickly as possible, preventing a buildup of water. They also aid navigation greatly.

Diversion spillways are artificial channels that a river can flow into when its discharge rises. These channel move water round an area at risk of flooding and send it either back into the river but further downstream, or into another river. Spillways generally have flood gates on them that can be used to control the volume of water in the spillway.

Afforestation involves the planting of trees in drainage basins to increase interception and storage while reducing surface runoff. This reduces a river's discharge and so makes it less likely to flood. Afforestation also prevents mass wasting which reduces the amount of soil entering the river and keeps the river's capacity high. Afforestation has the benefit of creating new habitats for animals and improving water quality by filtering pollutants out of rain water.

A levee is a low wall built at the side of a river to prevent it from flooding, it can equally serve as a place where boats can let passengers on or off etc. unlike natural levees, artificial levees are larger and are generally constructed out of a materials like concrete that is resistant to erosion. The main advantage of an artificial levee is that it allows the flood plain to build on. Furthermore, if they did fall, like the embankments along the Mississippi in 1972, the damage from the flood would be far worse than if the embankments didn't exist.

Furthermore, the government should enact laws that will guide against building of house on water ways. This will in no small measure ameliorate the effect of flooding and also help in the proactive and effective management of flood in Anambra State.

Flood Benefits

Uche (2013) however, opines that floods (in particular the more frequent/smaller floods) ca also bring many benefits, such as recharging ground water, making soil more fertile and providing nutrients in where it is deficient. Flood waters provide much needed water resources in particular in arid and semi arid regions where precipitation events can be very unevenly distribute throughout the year. Fresh water floods particularly plan an important role in maintaining ecosystems in river corridors and are key factor n maintaining floodplain biodiversity. Flooding adds a lot of nutrients to lakes and rivers which leads to improved fisheries for few years, also because of the suitability of a floodplain for spawing (little predation and a lot of nutrients). Fishes make use of flood to reach new habitats. Birds profit from the boost in production caused by flooding.

Empirical Review/Studies

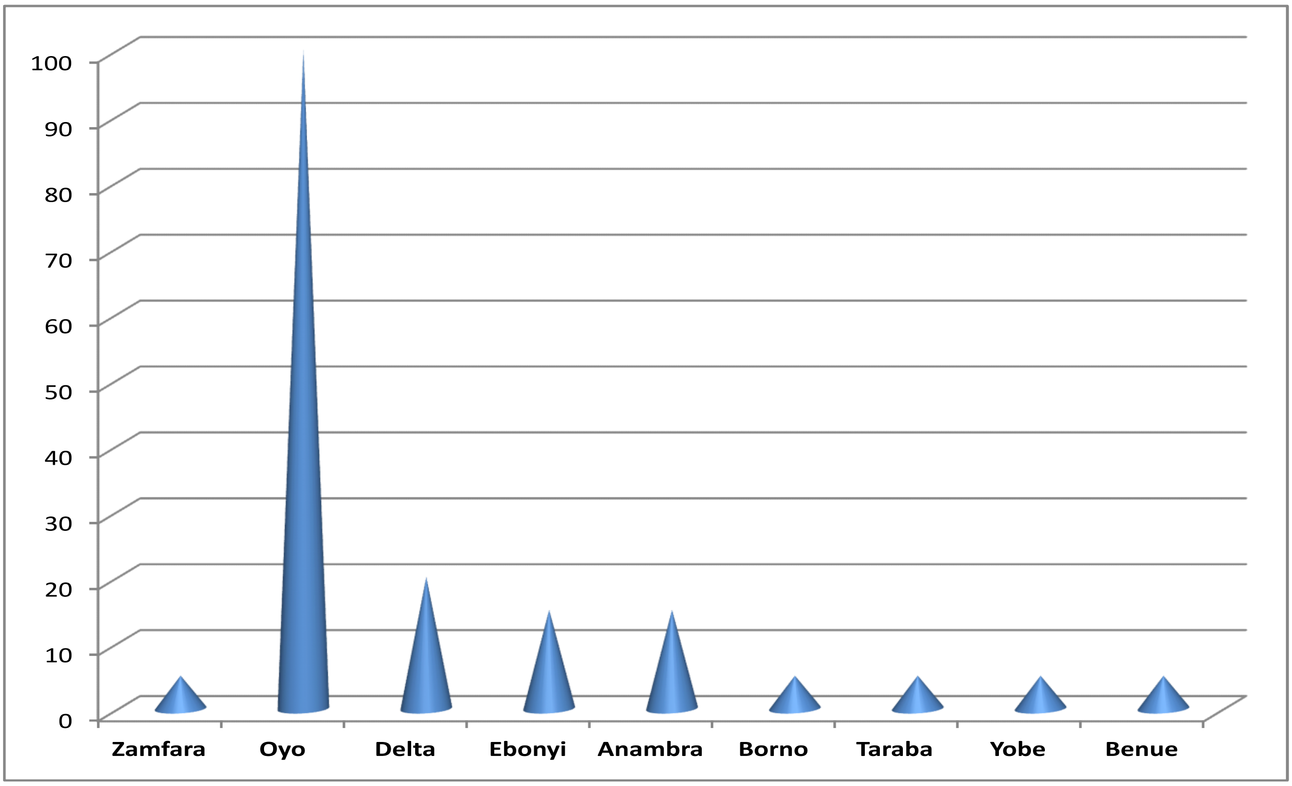
Emeribeole (2015) carried out a study on “Managing flood Disasters in Nigerian Cities: Issues and strategies towards meeting the challenges in the Modern world; the paper emphasized on prevention/mitigation than post disaster measure of managing flooding in Nigeria and by extension, Owerri, the capital of Imo State. The approach in the study also attempted to describe the application of remote sensing and GIS in environmental issues such as flooding in a developing country. A database was created using both cartographic and attributes data from these and other sources. Spatial analysis was carried out using Argic Desktop 10.1 and its Arc Hydro extension. The result obtained in this study implicated that dump sites within the river channel as well as structural development within the flood plain and high amount of rainfall are the major causes of inundation in the city, especially in the wet season. The study recommended that the use of geoinformation technology, if well implemented, would provide adequate decision support information to planners and decision makers.

The second paper titled “Flood Management in an Urban Setting: A Study of Ibadan Metropolis was written by Ajayi, Agbola, Oloke Susi, Taiwo, Gbadegesin, Kolawole, Taiwo, Kolawole, Muili, Adeola, Ulutade, Shiji and Abiola (2012). The paper revisited flooding problems in Ibadan metropolis; according to the paper, flood disaster can be attributed to the unnecessary risks people take when they encroach on flood plains. The methodology adopted for the flood investigations include site visits, interview of affected inhabitants, and analyses of flood data collected during the field investigations. These investigations were complemented with review of past records of flooding and interpretation of satellite imagery of flood affected areas. Result of the spatial analysis of flooding in the eleven local government areas of Ibadan indicated that 26,553 buildings were constructed within the statutory set back to the rivers and streams while 2,105 were flooded. The paper found out that the major cause of flooding in Ibandan metropolis is uncontrolled urbanization of the area, such that some of the houses are built during the dry season on what constituted the river bed itself. And it was recommended that all the major rivers and their tributaries must be de-silted and dredged prior to the onset of raining season. This should be a continuous process; wild life and Ecosystem conservation are necessary. Afforestation which is an important preventive measure against flooding should be imbibed. Trees, ornamented plants and shrubs should be planted in homes. This is believed to preserve the soil moisture, and reduce the rate of atmospheric warming. They should also identify and relocate all permanent structures/buildings, within the natural flood plain. The paper equally recommended the construction of embankments along the main river channels to reduce flooding.

Onwuka Ikekpazu and Onuoha (2015) in their study titled Assessment of the Causes of flood in Aguleri and Umuleri, Anambra East Local Government Area of Anambra State tried to assess the causes of flood in Aguleri and Umuleri in Anambra East Local Government Area. In doing this, questionnaire was administered randomly to the residents. The data generated were analyzed using frequency tabulation and Mann-Whitney U-Test statistical technique. The following hypothesis was tested: (i) there was no significant difference between the causative factors of 2012 floods in the two communities. In addition result also proved that there was no serious variation between the causes of 2012 flood in the two communities. In addition, they proved that anthropogenic activities induced the 2012 flood in the community. Consequent upon the findings, the study recommended that there should be flood hazard mapping in order to ascertain areas prone to flooding, so as to reduce the occurrence of flood in the area. It further recommended that the river channels in the area be constantly dredged from time to time so as to increase their capacity for retaining water. Moreover, it recommended that the inhabitants of the area be enlightened on the causes of flood. Finally, it recommended that environmental laws, especially those relating to flood occurrence and management and land use be enforced.

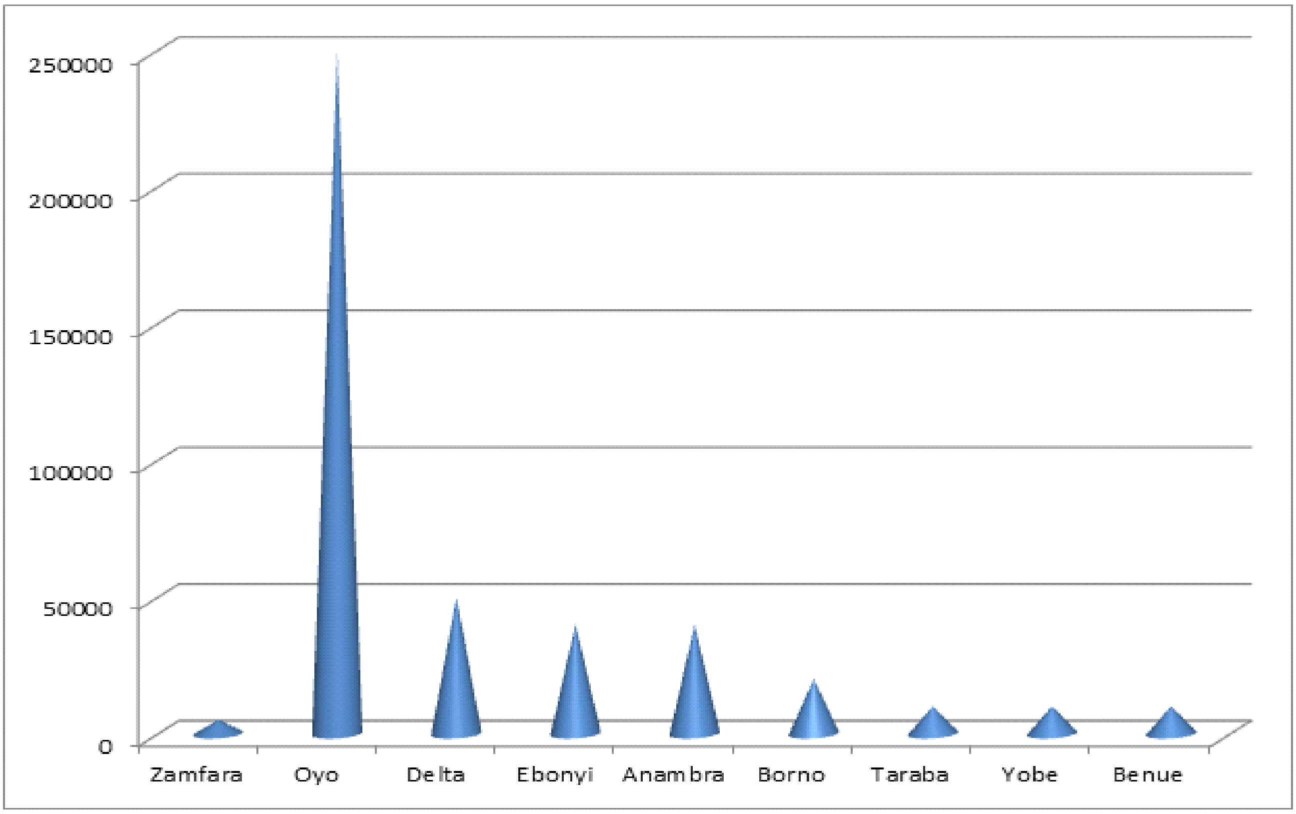
Similarly, Prekeyi, Megbuwe and Adams (2015) opine that flood waters from Cameroon entered Nigeria through the Benue River, into the River Niger on its way to the sea. Lots of physical damages were recorded, including destruction of farmlands and houses. Economic life was halted, people were displaced and some lost their lives. In this study, towns were chosen from Bayelsa and Delta States for evaluation of effects of flooding. The result revealed that in all the communities the flood waters were slightly acidic (5.4-6.9) and dissolved oxygen was high (3.9-6.9mg/1). The heavy metal chromium was also high. Most of the physical and chemical parameters analyzed were higher in flood water than in Borehole and River water but generally within allowable limits. The study again show that the region suffered devastating events due to flood. Physical and parameters of flood water analyzed indicated a likelihood of effect on the portable water sources of the communities sampled. Among the recommendations are: need for wholesome water sources for inhabitants of the area: key stakeholders including local and regional Governments should as matter of urgency revamp and equip emergency response services which can further ameliorate the effects of flooding: need for a proper town planning to factor in drainage systems within these areas which will help to channel flood water quickly. Lastly but not the least, Kolawole, Olayemi, and Ajayi (2013) stated that the potential consequences of climate change are profound, particularly on people in the less developed countries. The question is therefore not whether climate change is happing but what to do about it? Over the last 20years, climate change has become an increasingly high profile issue both for a social and economic view point. It is not only the scientists and environmentalists who are concerned about climate change, Government, politicians, Management practitioners and the general publics are also taking an interest in climate change. As a result of global warming, the type, frequency and intensity of extreme event, such as tropical cyclones(including hurricanes and typhoons), floods, droughts, heavy precipitation events, are expected to rise even with relatively small average temperature increases.

Graphic Illustration of the Numbers of Death in Incidence of Flooding in the Month of August, 2011



Source: Agbonkhese, Agbonkhese, Aka, Abyo, Ocholi, Adekunle, Journal of vicil and environmental Research ISSBN22245 790 (paper) ISSN2225-0514 (online_ vol. 6. No. 4. 2004

Graphic Illustration of Affected Population on Incidence of Flooding in August, 2011



Source: Agbonkhese, Agbonkhese, Aka, Abyo, Ocholi, Adekunle, Journal of vicil and environmental Research ISSBN22245 790 (paper) ISSN2225-0514 (online_ vol. 6. No. 4. 2004

Table1. spatial distribution of disastrous floods in Nigeria (2000-2012)

s/n	Year	Name of affected Area	Number of LG as affected	Date/month of flood	Type	Recorded impacts or effect
1	2000	Ibaji-Gwarara River (Kogi State)	1	Aug./Sept. 2000	Flash	Over 150,000 persons rendered homeless
2	2000	River Kastina	2	Sept./Oct. 2001	Flash	Several farm lands and crops were submerged
3	2001	River Pai (Taraba State)	NA	Sept. 2001	Flash	Thousands of people were rendered homeless.
4	2002	No extreme flood was recorded in Nigeria				Farms, houses and roads were washed away
5	2003	Ebonyi River and Cross River	3	Sept. 2003	Fluvial	Farms, houses and roads were washed away
6	2012-2014	Anambra Rivers (Igbariam and Aguleri rivers)	4	Sept. 2012-2014	Fluvial	Farms, houses and roads were washed away
7	2003	Kubuwa Streat (FCT Abuja Suburb)	1	Sept. 2003	Urban	Vehicle and houses submerged
8	2003	Kaduna River (Kaduna State)	4	Oct. 2003	Flash	Farms, houses and roads were washed away
9	2004	River Gongola (Gombe State)	NA	Oct. 2004	Fluvial	20 people died
10	2003	Epe	NA	Sept. 2004	Coastal	Housese, vehicle etc submerged
11	2005	No extreme flood disaster reported in Nigeria				
12	2006	Ogun Rive/Lagos and Ogun State	4	June 2006	Urban	Over 20 settlement lying close to Ogun river were deserted
13	2006	Zamfara River/Zamfara/Kebbi State	NA	Oct. 2006	Fluvial	Farmlands, houses, roads and culverts were washed away
14	2007	Sokoto and Rema River (Sokoto State)	2	Sept. 2007	Fluvial	500 people were rendered homeless
15	2007	Sokoto Rive (Kebbi State)	NA	Aug. 28, 2007	Fluvial	3000 people rend ered homeless; 300 house submerged
16	2007	Ngadda River (Borno State)	NA	Oct. 2007	Flash	21 villages sacked by the flood water
17	2007	Wuse River/Plateau State)	5	Oct. 2007	Flash	47 persons, 200 settlements washed away (worst in 30 years,
18	2007	Shasha River (Lagos State)	2	Aug. 2007	Flash	Vehicles, houses, farmlands & roads were destroyed
19	2009	Benin and Environs	13	Aug. 2009	Urban	Damaged urban structures (roads, bridges, houses, schools markets stc
20	2011	Ibadan and Environs	11	Aug. 2011	Urban	Damaged schools, markets, death of persons
21	2012	Niger-Benue trough	22 State	Sept. 2012	Fluvial	Damaged farms, houses, roads and displaced millions of people about 431 persons were killed by flood water

Sources: Erosion, flood and coastal zone department of Federal Ministry of the Environment, Abuja (for No. 1-18)
2. (25) (for Nos. 19-21) Drainage Debarment of Lagos State Ministry of the Environment
3. (7) (for No. 21) 4. NA = Not Available

METHODOLOGY

The study adopted a survey design, questionnaire method of collection of data from residents of the studied communities was employed. The questionnaire was later collated, analyzed and interpreted. The population of the study was 1,832,000 (National Population Census) (the population of two communities studies were 890,000 and 942,000 respectively according to 2006 Census given the grand total of the above population) and sample size was 400 which was determined using Taro Yameni formula which is given as:

$$S = \frac{N}{1 + N(e)^2}$$

Where S = Sample Size
N = Number of Population
e = The Margin of error assumed (0.05)
1 = The theoretical Constant

$$S = \frac{1,832,000}{1+1,832,000\,(0.05)^2}$$

$$S = \frac{1,832,000}{1,832,000\,(0.0025)}$$

$$S = \frac{1,832,000}{4,580} = 400$$

$$S = 400$$

Findings and Recommendations

The study found that there was no proper management of flood in the studies communities either by the State or Local Government and also the communities are not used to proactive measures of controlling flood hence they wait until it is too late for them to do anything. Some of them build their houses along water ways which also impede the effective movement of water in the communities. Again, some people in the low land area built their houses near the banks of Omambala and Ezu rivers making them susceptible to flooding. The paper therefore concluded that there was no proper management of flooding either by the government and communities, hence effect of flooding in Aguleri and Umuleri communities were also tremendous. The major effect of flooding in the communities is: submergence of farmlands, houses, roads etc; furthermore, the flooding causes accidents that led to many deaths and poverty in the affected areas. In retrospect, the paper recommended that proper management of flooding should be put in place by the affected state and local governments. Measures like; building of dams across river channels, wing dykes, diversion spillways, levee and afforestation should be under taken. Again, government should embark on immediate reconstruction of damaged culverts, bridges and other hydraulic structures in flood ravaged areas.

References

Agbonkhese, Agbonkhese, Aka, Abyo, Ocholi, Adekunle, (2004) Flood Menace in Nigeria: Impacts, Remedial and Management Strategies. Journal of vicil and environmental Research ISSBN22245 790 (paper) ISSN2225-0514 (online_ vol. 6. No. 4.

Ajayi, Agbola, Oloke Susi, Taiwo, Gbadegesin, Kolawole, Taiwo, Kolawole, Muili, Adeola, Ulutade, Shiji and Abiola (2012). Flood Management in an Urban Setting: A Study of Ibadan Metropolis. Journal of Nigerian Association of Hydrological Sciences

Emeribeole Augustine Chukwuma (2015). Managing Flood Disaster in Nigeria Cities issues and Strategies towards meeting the challenges in the modern world. (A Case Study of Owerri Metropolis, Imo State, Nigeria) FIG Working Week, Sofia, Bulgaria 17-21 May.

Famous Obebi Famous (2013). Mitigating the Impact of Flood Disasters in Nigeria. Point Blankness.com/…/articles…/mitigating-the-impact-of-flood-disaster…

Kolawole O.M, Olayemi A.B, Ajayi K.T(2013) Managing Flood in Nigerian Cities; Risk Analysis and Adaptation Options- Ilori City as a case study, Scholars Research Library

Mike Ebonugwo, Jude Njoku, Favour Nnabugwu, Peter Duru and Funmi Olasupo (2015). Flood: As Nigeria awaits release of water from Lagdo Dam. Vanguard (Nigeria) September 9.

Obeta Michael Chukwuma (2014). Instructional Approach to Flood Disaster Management in Nigeria: Need for a Preparedness Plan. British Journal of Applied Science and Technology 4 (33): 4575-4590. ISSN:2231-0843.

Onwuka, S.U., Ikekpeazu, F.O. and Onuoha, D.C. (2015) Assessment of the Causes of 2012 floods in Aguleri and Umuleri, Anambra East Local Government Area of Anambra State. British Journal of Environmental Sciences Vol. 3 No. 1, pp. 44-57, March.

Prrekeyi Tawari-Fufeyin, Mgbuwe Paul, Adams Omokhagbor Godleads (2015) some aspects of historic flooding in Nigeria and its affect in some Niger Delta communities, American Journal of Water Resources Volume 3 Issue 1

Special Publication of the Nigerian Association of Hydrological Sciences, (2012) http://www.unaab.edu.ng

Uche, Don Okpala V. (2013) The Environmental Effects of Flood Disaster in Anambra State, Advances in Applied Sciences Research, 4(1):499-505 CODEN (USA): AASRFC

(www.watersafetykids.co.uk/pdfs/flooding.pdf Dec, 2015.

https://en.wikepedia.ord/wiki/flood_control 12 Jan. 2016.

http://www.environment-agency.gov.uk/flood (Jan, 2016),

www.iwawaterwiki.org/xwiki/bin/view/Articlee/flo odcontroldisastermanagement Jan., 2016

www.sciencedomain.org Jan. 16, 2016.

Effect of Total Quality Management on the Performance of Small and Medium Scale Enterprises in Nigeria

Prof. G. Emereole Ph.D
Email.ahamgee@gmail.com
08033337428

Chukwu Bonaventure B.Sc, M.Sc
Department of Business Administration
College of Management Sciences
Michael Okpara University of Agriculture,
Umudike
chukwubonaventure06@gmail.com
08033165203

Nwaoligbo Victoria C.
Department of Accountancy
University of Nigeria, Enugu Campus.
Victoria.nwaoligbo@gmail.com
08038284744

pp 51-55

Abstract

The research seeks to examine the effects of Total Quality Management on the performance of small and medium scale enterprises in Nigeria. The objective of this paper was to examine the relationship and contributions of Total Quality Management (TQM) to the performance of small and medium scale enterprises in the Nigeria economy. The researchers used primary data collected from selected SMEs that have operated over 5 years. A survey research design particularly the expost facto research design was adopted to conduct the research. The analysis of data was done using Z-test. The finding reveals that most SMEs owners in Nigeria lack knowledge of Total Quality Management (TQM) principles and its application in their Enterprises , while the very few SMEs like Dangote groups of companies that is aware of TQM lack the knowhow on how best to apply TQM in their daily operations. The study therefore recommends among others that entrepreneurs should attend certificates courses on the meaning, principles and application of TQM from the department of entrepreneurial studies in all the universities in Nigeria, including foreigners that want to do business in Nigeria.

Key: *Total Quality Management, Performance, Small and Medium Scale*

Introduction

Total quality management (TQM) is a management philosophy that has taken a Global dimensions, with the objective of improving the objectives and business performance of the organization in question. The philosophy is particularly attractive because of its focus on quality of product, management and quality of employee. Global competition has called for the need for total quality management of goods and services which can only be determined by customers. This makes it imperative for SMEs in Nigeria to focus in total quality management, nowadays competition has taken anew look and has become a matter of product quality and knowing customers' needs and wants. As a matter of emphasis customers have become the starting point rather than the ending point of product delivery. Nkechi (2010) asserts that organizations in order to survive in the dynamic business environment, there must be a need to create new management term of total quality management. Totalquality management is one of the most important factors in every surviving organization (Demirbag, Tatoglu, Tekinkus and Zaim, 2006).

The introduction of total quality management as a philosophy of modern management and administration began through professor Deming during the second half of the twentieth century in the United States and in spite of its concentration in the US management and administrative set up, its application spread to Japan. This approach to management of quality and customers services began particularly in the private sector but soon spread to reach the public services. Today the SMEs that lack the application and principles especially in Nigeria are waiting for the teachings and philosophies of TQM hence this research.

Statement of Problems

Despite the global awareness of total quality management, most SMEs in Nigeria still lack the awareness, application and meaning of total quality management (TQM). The education of the SMEs towards embracing total quality management will enable their products to compete locally and in the international market. There has always been the problem of poor product quality in Nigeria and this has been the preference of fairly used products abroad against the supposed locally manufactured in Nigeria. The quality of fairly used products is deemed to be of higher quality than the domestically made ones. Further to this the rate of business turn over in the fairly used products in Nigeria is quite higher than the brand new ones. These problems are attributed to lack of total quality management in the manufacture and packaging of the locally made goods and services. Today in Nigeria there is a competition between fairly imported goods and locally produced goods and the outcomes is that manufactures in Nigeria does not consider quality of goods and services and the end point is customer dissatisfaction with the Nigeria made product and services. The emergence of total quality management by the SMEs is the only way to concentrate and maintain a sustainable competitive edge with the global competition.

The implementation of total quality management in small and medium enterprises is not just a technological challenge but a socio-cultural problem in the marketing of locally produced goods and services in Nigeria. Another problem that needs attention is the uncompromising attitude of the government of Nigeria to the improvement SMEs. There had been a total neglect of SMEs in the past. Despite the invigorated interest of Nigerians in SMEs there has always been government neglect towards assisting entrepreneurs to have adequate access to facilities, and data that will enable them complete locally and sustainably.

Objectives of the Research

i. To determine the correlation between total quality management (TQM) and SMEs performance in Nigeria.
ii. To know if product quality is part of the SMEs policy and strategy.
iii. To examine the extent to which total quality management has contributed to the overall corporate performance of most SMEs in Nigeria.

Research Hypotheses using Ho

i. There is no significant relationship between Total Quality Management practice and SMEs performance in Nigeria.
ii. Product quality is not part of SMEs policy and strategy in Nigeria.
iii. Total Quality Management has not contribution to overall corporate performance of most SMEs in Nigeria.

Review of Related Literature

Quality has become one of the most important factor in the global competition today, and increasing demand for quality product have caused for the realization of the need for organizations to provide quality product and sales services in order to successfully compete sustainably in the marketplace. Adaption of the concept of total quality management (TQM) will enable organizations to meet the challenges of the global revolution which has forced nations to quit the global market.

Conceptual Framework

Total quality management (TQM) is an endless journey in pursuit of delighted customers. In recent years, the work "quality" itself has changed meaning and has come to means more than reliability and performance of products rather it is more than a programme. TQM encompasses every aspect of customer satisfaction including how fast the product is delivered. It's usually the availability of support, efficiency of services and even the simplicity of bills and prompt and courteous telephone responses when giving a product follow up. It is the totality of integrated activities of business (Robert, 2012) posits the seven features TQM combined to create the TQM philosophy.

These are customers focus, continuous improvement, employee empowerment, design, process management, and managing supplier quality and product quality. Total quality management is an integrated organizational efforts designed to improve quality at every level (Imaga, 2000).

A new concept of product quality is proactive designed to build quality into the product and process design (Medori, 2000).

The Role of TQM

The role of Total quality management is widely recognized as being a critical determinant in the success and survival of an organization in today's competitive business environment. Consumers are becoming increasingly aware of raising standard in service, quality prompted by competitive trends which have developed higher expectations [Robort 2012]

The role and effects of total quality management in the manufacturing industry can be studied in different perspectives such as care design, Consistency implementation and documented quality management systems which is capable of contributing significantly to superior financial performance

The Meaning of TQM

The concept of Total:- the responsibility for achieving rests with everyone in the organization no matter what their function demands. It recognizes the necessity to develop processes and leads to the reliable delivery of exact and agreed customer requirements.

The concept of quality:- This task of quality answers the needs of customers from product content to product delivery services and at the agreed time, place and price. The quality concept will help to retain current customers, assist in acquiring new ones and leads to a subsequent increases in total market share.

The concept of management

This refers to the top level managers that significantly play the role of total product quality management. The management also achieve quality of customers, by effective communication and customers relationship management (CRM) ensures crafting of vision and mission of the organizational product, and the right business processes, introduce and maintain continuous total product quality improvement culture. TQM is a management product philosophy consisting of values methodologies and tools that aim to increase internal and external customer satisfaction with a reduced amount of resources (Hellsten and Klefsjo, 2000).

Theoretical Framework

The TQM philosophy is composed of principle, models and practices and action of management to improve product and people.

The Theory of Management Gird

The theory of managerial grid (Blakemantion in Stephens and Couller, 2013) the managerial grid theory used the behaviour dimensions concerns for people and concern for production to illustrate the managers area of attention. The leader or manager uses this behavior by raking them in scale from 1.1 (low) to 9.9 for high concern and 19 and 91 to denote low and high concern for people respectively. At the middle of the grid black mount demonstrated medium concern for production and medium concern for people.

The researcher concluded that manager performed best when using the 9.9 style of scale unfortunately the grid offered no another to the question of what made a manager an effective leader it only provided a framework for conceptualizing leadership style.**The stakeholder theory**

The Blake moutom Managerial Grid

11				19
		5.5		
99				91

Sources: Managerial grid of Black mouton adaption in Stephen and Couler(2003).

The stakeholder's theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization (Rebort an Freeman, 2003). It was originally detailed by Edward freeman in the book strategic management.

A stakeholder approach identifies the group which are stakeholders of a company and they includes shareholders, employers (management) employees, suppliers, government political groups, creditors, prospective customers, consumers, trade unions, competitors, associations and the general public.

The theory identifies consumers of qualify product and the stakeholders that control total quality management. The theory addresses the principles of who or what really concern in TQM, (Ogbada, 2012).

A firm's product and services design decisions affects the wellbeing of various stakeholders organizations primary responsibly should be to meet the demand of their customers not only in terms of quantity but most importantly in terms of quality so as to enhance the quality of life and satisfaction of the stakeholder; while at the same tome give them the values for their money.

The concept of TQM practices are more closely aligned with the stakeholders' theory because the customers (stakeholder) expect quality product or services from the SMEs that deals with a good number of customers. Also the public at larger expects quality products or services so as have value for the money paid for. Summarily since needs, wants and products desired are very important to customers their interest in the business that meets their aspiration cannot be systematically separated from the business enterprise (Ogbada 2012).

Empirical Framework

TQM and SMES Performance: Challenges and role in Economic Development.

Osuagwu (1999) asserts that TQM stresses qualitydelivery, which marketing managers helps to achieve. SMEs involved in TQM are often organized into quality control team, and are given the responsibility to continually find new and better ways to perform their jobs, they also are given the responsibility for monitoring and evaluating the quality of the goods they produce Imaga (2000).

Obeyemi (2003) in his paper titled "Conceptual issues and features of Nigeria SMEs" presented in the development focus dated June 23 – July 23 2003opines that SMEs starts typically with an ownership structure of sole proprietorship. But with the introduction if degree 70, SMEs is now in one form of partnership of the other, they are registered either as an enterprise or limited liability companies which is characterized with labour intensive production, with a centralized management with a limited access to long term capital.

Chong Rundus (2004) conducted a study, aimed at testing the impact of TQM practices and market competition intensity and organizational performance. In the study it was discovered that there is a significant relationship between market completion in TQM and organizational performance.

Ogbojafor and Ifekwem (2012) states that the challenges facing SMEs on many developing countries such as Nigeria includes;

- Funding uncoordinated business idea and plan.
- Limited access to long and short term capital, fluctuating and productive interest rate margin.
- Inadequate infrastructure, government uncompromising attitude towards SMEs development and improvement and poor management and technical knowhow. Fiderlis (2006) posit the role of SMEs as serving as a vanguard agency and focal point for rival industrialization, poverty alleviation and sustainable livelihood. The SMEs also encourage and promote joint venture and strategic alliance with the SMEs in Nigeria.

Research Methodology

The researcher adopted survey research design with a primary and secondary data collection instruments. The statistical techniques used in analyzing the data collected were the Z-test statistic.

$$X = \frac{\Delta\Delta\ \Delta\Delta\Delta}{\Delta\Delta\Delta(1-\ \Delta\Delta)^{1\Delta 2}}$$

X = Number of support of null hypotheses

P = Probability of H_0 acceptance @ 5% = 0.5

n = Sample size

Using the test statistics Z - test statistics to analyze the respo nses from the respondent

he result criteria = 1.96 @ 95%

Decision rule: reject H_o if Z-test is less than 1.96.

To determine the Z- test using the formula;

$$Z = \frac{\Delta\Delta\ \Delta\Delta\Delta}{\Delta\Delta\Delta(1-\ \Delta\Delta)^{1\Delta 2}}$$

$$\frac{6 -\ 83(0.5)}{83(0.5)\ (1 -\ 0.5)^{1\Delta 2}}$$

$$\frac{6 -\ 41.5}{41.5\ (1 -\ 0.5)^{1\Delta 2}}$$

$$\frac{-\ 35.5}{10 -\ 38}$$

$Z = -\ 3.4$

We therefore reject the null hypotheses (H_o) since Z statistical – 3.4 is i. e Z < -.96 as stated above meaning that total quality management practices have significant relationship with the performance of the SMEs (Alternative Hypotheses).

Discussion of Results

Fromm the analysis above the Z-test statistics (Ho) was rejected and all the (H_1) accepted. The result is in conformation with the literature so far reviewed in the study that total quality management has significant positive compact to the overall performance of the SMEs in Nigeria.

Recommendation

The researcher recommends the following;

1. All stakeholders, policy makers and top management of SMEs should as a matter of urgency and in keeping with the dictates of modern day economic realities put in place programmers aimed at their business and product quality.
2. Government should come up with policies and laws that should make TQM policies and practices mandatory at all levels of SMEs.
3. The SMEs owners should set up appropriate feedback mechanisms to check functioning of the TQM programme as an education apostle of quality.
4. Employees in SMEs should be educated and encouraged to set improvement goals and objectives.

REFERENCES

Nkechi .E. (2010) Quality Improvement in a global competitive market place international journal of business and management Vol. 5. No 1.

Demirbag M. Tatoglu, E. TekingZaims, (2006) TQM and market orientations effects on SMEs.Performance journals of industrial management Vol. 106 no. 8 pp 1206 – 1228.

Robort C. (2012) TQM nature and Evaluation of total quality management Liebin academic school of business white plains New York.

Imaga E. (2000) theory and practices of production and operations management RhyceKerex publisher Enugu Nigeria.

Hellsten U. and Klefsfo B, (2000) TQM as a management system consisting of values, techniques and tools Sweden journals pp. 238 – 244.

Stephen P. and Couller, M. (2003) management pearson Horizon edition 11th edition pearson education publication.

Robort M. and Freeman H. (2003) TQM challenges in management theory and practice sloon marketing review Vol 55 No. pp32 – 34.

Ogbada E. E (2012) Effect of customer relationship practices on the performance of small and medium enterprises in Nigeria Ph.D these

Choag R. (2004) application to total quality management its impact on competition

Ogbjafor and Ifeekwem (2012) Globalization another thread on the small and medium enterprises in Nigeria.international journals of business and management tomorrow Vol. 2 No4

Relationship between Strategic Human Resource Management and Knowledge Management Practices in Selected Fast Moving Consumers Goods (FMCG) Industries in Nigeria

1.Dr. Edward G. Eromafuru,
2.Egbule A. C. Solomon &
3.Bridget Ibobo
Department of Business Administration
Delta State University Abraka,
(soky4real@gmail.com)

pp 56-66

Abstract

The study is aimed at assessing the relationship between Knowledge Management practices, strategic human resource management and organizational effectiveness in selected Fast Moving Consumers Goods (FMCG) industry in Lagos and Ibadan. A total of 285 set of questionnaire was distributed and 255 was retrieved and analyzed. The questionnaire for KM practice and KMI was adopted from Gold et al., (2001) while the questionnaire for the constructs of SHRMA scale was adopted from Amstrong (2012). Multiple regression was employed. It was found that KMA acquisition Process exhibited positive relationship with organizational effectiveness (β=.112, P=0.003), KM Conversion Process (β=.131, P=0.001), KM Application Process (β=.345, P=0.010), Cultural Knowledge Management Infrastructure (β=.211, P=0.004), Structural Knowledge Management Infrastructure (β=.134, P=0.020), Recruitment/Selection (β=.435, P=0.000) and Total Reward System (β=.511, P=0.000).The results indicate that strategic human resource practices, Cultural Knowledge Management Infrastructure and Structural Knowledge Management Infrastructure mediate between KM activities and organizational effectiveness.The study concluded that in order for an organization to be effective in its performance, successful and gain competitive edge over its counterparts in the industry, attention must be paid, not only on the processes, but on knowledge and its employees in the organization. The study thus recommends that the SHRM activities of recruitment/selection and total reward system should be encouraged and sustained within the organization to encourage knowledge sharing, along with appropriate infrastructure and a good and vibrant culture to propel KM practice within the organization.

Keywords: ***Knowledge Management, knowledge sharing, knowledge acquisition, Organizational effectiveness.***

Introduction

Fast information transfer across large geographic areas with the enablement of the Internet has resulted to Globalization – turning the world to a global community. The consequence of this globalization is the emergence of knowledge-based economies where importance is placed on effective management of human capital to ensure that workers continue to create the right value for the economy. Most recently, organizations no longer compete solely on the basis of financial capital and strength, rather knowledge is the new competitive advantage in business. In fact the Gross Domestic Product (GDP) growth rate is now determined, amongst other factors, by the quantum and quality of knowledge stock created, harnessed and applied in the production process in the manufacturing sectors of the economy (Omotayo, 2015).

The manufacturing industry in Nigeria is characterized by its culture of change resistance resulting from adoption and diffusion of innovative approaches and knowledge. This culture is then embedded in these organizations that collectively form the industry, which is the reason why most organizations are not only slow to absorb new innovative knowledge, but are also slow in harnessing the intellectual capital available to them in order to produce innovation that is needed for effective business performance (Barthorpe*et al., 2000 and* Egbu*et al*. 2001) in (Tayyab, 2006).

The essence and brain behind the concept of KM is that it is made up of sets of strategies and practices in order to obtain/capture, create, store and disseminate experience and knowledge within the confine of the organization. Knowledge is more efficient and valuable than nature assets and the organizations that possess the best information or maintain it will be the most successful in this age (Stewart, Kristoffersson and Wiberg 1999). Therefore KM is a veritable tool needed for organizations to gain competitive advantage in a competitive business sphere.

Organization's ability to harness knowledge management in an effective manner to their advantage and continue to learn from its business environment is believed to be a potential source for achieving a sustainable competitive advantage and effective performance (Waddell and Stewart, 2008; Werr et al., 2009; Zack et al., 2009) as cited in (**Moses, Joseph and Augustine, 2010).**

Human Resource Management (HRM) practices can influence or have a direct impact on workers' attitudes towards and participation in KM activities (Hislop, 2013). The use of HRM practices can create a positive attitude towards, and a willingness to participate in, organizational KM activities. This is important because, if employees are not committed to their organizations, there is a risk of losing knowledge possessed by the employees through staff turnover. Recruitment and selection processes by organizations can be a means to support KM activities by recruiting people whose values are compatible with the existing organizational culture and whose personalities are conducive to knowledge sharing (Swart and Kinnie 2003: Robertson and Swan 2003; Chen, H, Wang and Lin 2011) in (Omotayo, 2015) and found that recruiting people whose values are aligned with those of the organization was an important factor in the success of the companies they studied.

For a considerable period of time the manufacturing sector in Nigeria has experienced low productivity levels and minimal contribution to the GDP of Nigerian economy. However, this is due to the fat that in the past knowledge was treated like something trivial, something that always existed and taken for granted (Olusanya, 2013). Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA, 2012) in their annual report showed that more than eight hundred (800) manufacturing firms in Nigeria goes under (wind up) within the period of 2009-2011, and the cause for the closure of these manufacturing companies was predominantly changes in the business environment.

In the opinion of Onuoha (2012) the closure of these manufacturing companies was as a result of inefficient patronage of their products locally and internationally, this may have been as a result of lack of good knowledge management because there appeared to be however reluctance to share information within departments in these manufacturing firms, or seek help from individuals workers who had expertise relevant to the problem at hand.

Integration of a knowledge management strategy into the organizational strategic approach may be unclear due to absence of experts in SHRMA that provides the required leadership and direction in terms of appropriate selection procedures, training and development and provision of effective reward and recognition strategies that motivate knowledge workers to share knowledge within the organization that promotes organizational effectiveness. Therefore, the objective of the study is to examine the **relationship that exist between strategic human resource management activities and knowledge management practice in achieving organizational effectiveness**

Review of Literature

Explicit and Tacit Knowledge

Knowledge is either explicit or tacit (Takeuchi, 1995). Explicit knowledge can be codified - it is recorded and available and is held in databases, in corporate intranets and intellectual property portfolios. Tacit knowledge exists in people's minds. It is difficult to articulate in writing and is acquired through personal experience. As suggested by Hansen et al (1999), it includes scientific or technological expertise, operational know-how, insights about an industry and business judgment. The main challenge in knowledge management is how to turn tacit knowledge into explicit knowledge.

KM and its Processes

Knowledge was defined as what people understand about things, concepts, ideas, theories, procedures, practices and 'the way we do things around here (Amstrong, 2012). Nonaka (1991) and Blackler's (1995) in Amstrong (2012) affirmed that knowledge is held either by individuals or collectively and that in terms, embodied knowledge is individual and embedded, but cultural knowledge is collective.

Knowledge management is concerned with storing and sharing the wisdom, understanding and expertise accumulated in an organization about its processes, techniques and operations (Amstrong, 2012). Amstrong stressed that it involves transforming knowledge resources by identifying relevant information and then disseminating it so that learning can take place. The strategies of KM essentially promote the sharing of knowledge by linking people with people and by linking them to information so that they learn from documented experiences.

The four (4) basic processes of KM includes: knowledge creation, knowledge storing, knowledge sharing and knowledge application (Alavi and Leidner, 2001).

Knowledge Creation/Generation

KM starts and ends with people, hence it is therefore pertinent to consider how people will be managed, motivated in KM strategy and implementation so as to achieve the goals of KM. People face emergent knowledge needs as part of daily assignment or routine. And these needs should be met through tools, processes, systems and protocols to seek integrate and apply relevant knowledge (Omotayo, 2015)

The people-oriented approach to knowledge creation argues that knowledge can be only created by individuals (Wickramasinghe, 2006). Many leading theorists in knowledge creation and management, and organizational learning assert that knowledge is created by individuals and cannot be created by organizations (Crossan et al., 1999; Grant, 1996; Polanyi, 1966) as cited in (Omotayo, 2015).

Knowledge Storing

Research has shown that organizations not only create new knowledge but they also forget or lose track of the acquired knowledge if not stored (Argote, Beckmann and Epple, 1990, Darr, Argote and Epple, 1995) as cited in (Alavi and Leidner, 2001). In the line of the above, effective ways to organize and store knowledge have to be discovered (Grant, 2005), and stored in organizational memory (Stein and Zwass, 1995) which includes physical resources (like written documentation, structured information stored in electronic databases, codified human knowledge stored in expert systems, documented organizational procedures and processes) as well as non-physical sources (knowledge stored in the heads of the employees - also referred as individual memory) (Alavi and Leidner, 2001). Organizational memory can have both positive and negative potential influences on behaviour and performance of an organization (Alavi and

Leidner, 2001).Organizational memory helps to avoid the waste of organizational resources in replicating previous work and diminishes the loss of tacit knowledge (Simon, 1991).

Knowledge Sharing

The HR plays a vital role with regards to knowledge sharing. Knowledge creation or generation is followed by knowledge storing, there after knowledge sharing or knowledge dissemination – which represents another vital KM process. It is not just enough to create knowledge and store knowledge, there must be an intention to use and share it (Dixon, 2000). Syed-Ikhsan and Rowland (2004) believe that knowledge dissemination or transfer requires the willingness of a group or individual to work with others and share knowledge to their mutual gain/benefit. This is where HR comes in, to consciously or unconsciously encourage the share and disseminate of knowledge to the benefit of the organization. Without sharing, it will be impossible for knowledge to be transferred from person or group to another within the organization. Knowledge transfer can only take place in an organization where its employees display a high-level of co-operative behaviour(Goh, 2002) and are well motivated to do so. Knowledge transfer involves: the transmission and the absorption by that person or group.

Knowledge Application

The last of the four main KM processes identified through the literature and to be discussed is knowledge application. The assumption that the source of competitive advantage resides in the application of the knowledge rather than the knowledge itself, is an important aspect of the knowledge-based theory of the firm (Alavi and Leidner, 2001, Grant, 1996b). Grant (1996b) identifies three key mechanisms for the integration of knowledge in order to create organizational capability (Alavi and Leidner, 2001): Directives, Organizational routines and Self-contained task teams.

KM Infrastructure

Knowledge management refers not only to managing the KM processes described in the previous sections, but also to managing and creating an organizational structure and culture that facilitates and encourages the creation, storing, sharing and application of knowledge that enables a corporate strategic advantage (Walczak, 2005). If organizations introduce a knowledge management initiative without having a managerial support structure in place, they will soon find that the investment in knowledge management does not produce the benefits they strived for (Goh, 2002; Nahm, Vonderembse and Koufteros, 2004; Swan, Newell and Robertson, 2000; Walczak, 2005; Zammuto, Gifford and Goodman, 2000) as cited in Zaim et al. (2007)

Human Resources and Knowledge Management

Knowledge management is more concerned with people and how they acquire, exchange and disseminate knowledge than it is about information technology. That is why it has become an important area for HR practitioners, who are in a strong position to exert influence in this aspect of people management.

In the contemporary business environment, the competitive position of companies among others is influenced by its capability to create new knowledge which in return results in the creation of a competitive advantage. Organizational learning is an integrative characteristic of most companies although not all of them are able to utilize it for the creation of an improved performance. Organizational knowledge and knowledge management and interconnected and both are widely dependent on human resources (Brikend, et al., 2013).

KM and HRM strategies

The codification and personalization strategies help the HRM to frame the management practices of the organization as a whole, as outlined in Table 1.

Table 1: Knowledge Management Strategies

	Codification Strategy	Codification Strategy
General Strategy	Develop an ICT system that codifies, stores, disseminates and allows re-use of knowledge	Develop networks for linking people so that tacit knowledge can be shared
Use of ICT	Invest heavily in ICT	Invest moderately in ICT
Human Resources: Recruitment and Selection	Hire new college graduates who are well-suited to the re-use of knowledge and the implementation of solutions	Hire MBAs who like problem - solving and can tolerate ambiguity
Training and Development	Train people i n groups and through computer-based distance learning	Train people through one-to-one
Rewards Systems	Reward people for using and contributing to document databases	Reward people for directly sharing knowledge with others

Source: Hansen, Nohria and Tierney (1999) in Ingi (2004).

The role of HR is to ensure that the organization has the intellectual capital its needs. The resource based view of the firm emphasizes, in the words of Capelli and Crocker-Hefter (1996) as cited in (, 2012) that the distinctive human resources practices help to create unique competences that differentiate products and services and in turn, drive competitiveness'.

HR can contribute by providing advice on culture management, organization design and development and by establishing learning and communication programmes and systems. There are 10 ways of doing this (Armstrong, 2012):

1. Help to develop an open culture in which the values and norms emphasize the importance of sharing knowledge.
2. Promote a climate of commitment and trust.
3. Advise on the design and development of organizations that facilitate knowledge sharing through networks, teamwork and communities of practice.
4. Advise on resourcing policies and provide resourcing services that ensure that valued employees who can contribute to knowledge creation and sharing are attracted and retained.
5. Advise on methods of motivating people to share knowledge and rewarding those who do so.
6. Help in the development of performance management processes that focus on the development and sharing of knowledge.
7. Develop processes of organizational and individual learning that will generate and assist in disseminating knowledge.
8. Set up and organize workshops, conferences, seminars, communities of practice and symposia that enable knowledge to be shared on a person-to-person basis.
9. In conjunction with IT, develop systems for capturing and, as far as possible, codifying explicit and tacit knowledge.
10. Generally, promote the cause of knowledge management with senior managers to encourage them to exert leadership and support knowledge management initiatives.

The Knowledge-based Theory of the Firm

The increasing interest in knowledge as the most valuable asset of companies led to the development of the knowledge-based theory of the firm (Drucker, 1994). The more recently developed resource-based view of the firm explains firm differences by means of the cost of imitating or acquiring resources which give other firms a competitive advantage. The resource-based view argues that a firm's advantage over its competitors originates from the use of valuable, hard-to-imitate and hard-to-substitute assets (Nonaka et al., 2006).

It was suggests by authors that the primary reason for the existence of the firm is its superior ability to integrate multiple knowledge streams, for the application of existing knowledge to tasks as well as for the creation of new knowledge (Sabherwal and Becerra-Fernandez, 2003; Conner and Prahalad, 1996; Grant 1996a, 1996b; Kogut and Zander, 1992) in (Patton, 2007). Grant (1996a) argues that competitive advantage is based on the firms' ability to integrate the individual's specialized knowledge. Furthermore, in seeking to explain why firms differ, the knowledge-based view of the firm also accounted for the empirical fact that profit is just one of a firm's special purposes (Nonaka et al., 2006).This theory is based on certain premises regarding the nature of knowledge and its role within the firm; it explains the rationale for the firm, the delineation of its boundaries, the nature of organizational capability, the distribution of decision-making authority and the determinants of strategic alliances.

The knowledge-based view of the firm holds that knowledge is the main resource for a firm's competitive advantage. Knowledge is the primary driver of a firm's value. Bock *et al.* (2005) found that extensive knowledge sharing within organizations still appears to be the exception rather than the rule. This theory emphasises the supremacy of knowledge in any organization (Grant, 1996).

Hislop (2013), in a study titled 'three shapes of organizational knowledge'. The study aimed at developing a typology of knowledge that may be fruitful in facilitating research in a knowledge-based view of production. The findings showed that differences between the tacit, codified and encapsulated shapes of knowledge carry strategic implications for the firm along six important dimensions, which include locus or knowledge substrate, transferability, expression, acquisition process, source of economic value, and observability..

Empirical Review

Chung-Jen and Jing-Wen (2007) examines the role of knowledge management capacity in the relationship between strategic human resource practices and innovation performance from the knowledge-based view. This study uses regression analysis to test the hypotheses in a sample of 146 firms Taiwanese firms listed in the yearbook published by the China Credit Information Service Incorporation. The results indicate that strategic human resource practices are positively related to knowledge management capacity which, in turn, has a positive effect on innovation performance and organizational effectiveness. His findings provide evidence that knowledge management capacity plays a mediating role between strategic human resource practices and innovation performance.

Burcu and Ceyda (2013) examine the relationship between effective knowledge management processes and innovation types in organizations as well as shedding light on the mediating effect of innovativeness on the link between knowledge management process and innovation types. Survey data collected from a survey sample of 103 participants in Turkey. The result concluded that knowledge management processes (i.e., knowledge acquisition, sharing, and application) have been considered as effective means of promoting an innovative culture and facilitating different types of innovation in organizations.

Shiaw-Tong, May-Chiun and Yin-Chai (2015) observed that SMEs play a vital role in the economy by carrying out research on the relationship between knowledge management and organizational performance in the context of Malaysian SMEs. The study concluded that the KM processes capability antecedents such as KM acquiring, conversion, application and protections are important of organizational performance positively. And He recommended that the growing importance of knowledge has motivated businesses to adopt knowledge management as an important practice in developing their business strategies. In order to further convince businesses to apply knowledge management, businesses should have a better understanding on the consequences of implementing knowledge management. This study is expected to provide insights to the businesses by demonstrating the empirical evidences of the relationship between knowledge management capabilities and organizational performance.

Jelena ,Vesna and Mojca (2012) prove that

Knowledge management is a process that transforms individual knowledge into organizational knowledge. The study is to examine the impact knowledge management on organizational performance. The aim of the study shows that through creating, accumulating, organising and utilising knowledge, organisations can enhance organizational performance. The impact of knowledge management practices on performance was empirically tested through structural equation modelling. The sample included 329 companies both in Slovenia and Croatia with more than 50 employees. The results show that knowledge management practices measured through information technology, organization and knowledge positively affect organisational performance.

Reisi et al. (2013) conducted a study, the objective was to investigate the relationship between individual dimensions of knowledge management process capability and organizational effectiveness among selected sport organizations in Iran. Multi-variant regression analysis was Employed, their results showed that all dimensions of knowledge management capabilities studied - (knowledge acquisition, knowledge conversion, knowledge application, and knowledge protection) have direct and a significant relationship with organizational effectiveness. They further suggested that knowledge and learning activities are necessary for organizations to improve their effectiveness. Their study did not considered the mediating role of knowledge infrastructure and effective SHRM activities in motivating employees towards knowledge sharing and thus facilitating KM objective.

On the other hand, Mills and Smith (2011) conducted a study in Jamaica to examine the relationship between knowledge management capability and organizational performance. They found that knowledge acquisition, knowledge application, and knowledge protection are positively related to organizational performance, but not knowledge conversion. They argued that the relationship between knowledge management and performance is complex which, each knowledge management process is not necessary directly linked to performance even they are found to be correlated to performance from a composite model.

Hammandy, Rabeh, Jimenez-jimenez and Martinez-costa,(2013) studied managing knowledge for a successful competence exploration using a sample of 249 Spanish industrial companies. The results show that organizational absorptive capacity and the firm's old knowledge positively affect exploitation of existing opportunities. In relation to the interaction between internal exploitation and firm performance, the results show a positive and significant effect. They concluded that effective knowledge management is vital for a successful competence exploration

Methods

This study involved a survey of consumers of 5 Fast Moving Consumers Good (FMCG) industries in Lagos and Ibadan metropolis of Nigeria. Nigeria Bottling Company (NBC), Nigeria Breweries, Guinness Nigeria Plc. De United Foods Industry Limited (DUFIL), and **Promasidor Nigeria Limited**. Based on Yamani's formula of sampling, the sample was determined to be composed of 285 out of a population of 1000 management staff. The structured questionnaire designed for this study had three sections (A and B). Questions in section A total of 285 set of questionnaire was distributed. The questionnaire for KM practice and KMI was adopted from Gold et al., (2001) (with scaled of a five (5) point adjusted Likert's scale) with good reliability of Cronbach's alpha above .80 was employed, while the questionnaire for the constructs of SHRM scale was adopted from Amstrong (2012). Correlation analysis was employed along with multiple regression to test the hypothesis. This was appropriate because it is a test of relationship between the explained and the explanatory variables so as to ascertain the most predicted variable.

Hypothesis

H0: There is no significant positive relationship between strategic human resource management activities and KM practice in achieving organizational effectiveness.

Results

The result shows that 1, 139 (54.5%) were males and 116 (45.5%) were females. This indicates that the male were more in number than the female respondents. The age distribution of respondents which was spread across various age brackets shows that the highest concentration of respondents fell within the age bracket of 41-50 years 102(40%) of respondents. The categories of respondents between 18-30years accounts for 32(12.5%). 85(33.3%) of the respondents fall under 31- 40years, while 36 (14.2%) were above 50years. The table also indicates the marital status of the respondents. It was observed that 170(66.7%) of the respondents were married, while 85(33.3%) were single.

The table shows that greater part of the respondents 139(54.5%) had HND/B.Sc., ND/NCE holders account for 47(18.4%), those respondents that possess MBA/M.Sc., were 34(13.3%). 17(6.7%) of the respondents indicated that they were WAEC/GCE/NECO holders and those with other qualifications accounted for 18(7.1%) of the respondents. In terms of the categories of the respondents. It reviewed that 127(49.8%) of the respondents were sales managers while 128 (50.2%) were non-sales managers.

Table 2:Correlation table

Variable	Mean	S.D.	1	2	3	4	5	6	7	8
1. Knowledge Management Acquisition Process	2.15	.70	(.81)							
2. Knowledge Management Conversion Process	2.22	.81	.577**	(.85)						
3. Knowledge Management Application Process	2.00	.78	.686**	.786**	(.77)					
4. Cultural K nowledge Management Infrastructure	4.31	.73	.984**	.791**	.490**	(.87)				
5. Structural Knowledge Management Infrastructure	3.57	.67	.863**	.581**	.281**	.796**	(.79)			
6. Recruitment/Selection	3.27	.85	.597**	.456**	.389**	.866**	.781**	(.79)		
7. Total Reward System	2.97	.77	.617**	.555**	.592**	.643**	.721**	.587**	(.86)	
8. Organizational Effectiveness	3.16	.87	.554**	.335**	.682**	.345**	.613**	.587**	.845**	(.88)

n = 300; r > .14, p < .05 (two-tailed). Numbers in bracket listed in the diagonal are coefficient alpha reliabilities for the constructs.

The correlation Table 2 showed the mean, standard deviation and that the item are positively correlated.

Coefficient[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	**87.762**	6.825		13.634	2.122
	Knowledge Management Acquisition Process	**,112**	.021	.224	-2.133	.003
	Knowledge Management Conversion Process	**.131**	.011	.261	-8.172	.001
	Knowledge Management Application Process	**.345**	.032	.534	-3.551	.010
	Cultural Knowledge Management Infrastructure	**.211**	.018	.412	-3.455	.004
	Structural Knowledge Management Infrastructure	**.134**	.022	.214	-4.521	.020
	Recruitment/Selection	**.435**	.003	.421	-3.563	.000
	Total Reward System	**.511**	.029	.712	-.5.236	.000

a. **Dependent Variable: Organizational Effectiveness**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
	.789[a]	.623	.621	1.506	1.973

a. Predictors: (Constant), KM Practice

ANOVA [a]

Model	Sum of Square	df.	Mean Square	F	Sig.
Regression	11012.112	4	2753.028	63.741	.000[a]
Residual	10797.75	250	43.191		
Total	21809.862	254			

a. Predictors: (Constant), KM Practice
b. Dependent Variable: Organizational Effectiveness

Coefficient Table above from regression analysis, reported that Knowledge Management Acquisition Process exhibited positive relationship with organizational effectiveness (β=.112, P=0.003), Knowledge Management Conversion Process (β=.131, P=0.001), Knowledge Management Application Process (β=.345, P=0.010), Cultural Knowledge Management Infrastructure (β=.211, P=0.004), Structural Knowledge Management Infrastructure (β=.134, P=0.020), Recruitment/Selection (β=.435, P=0.000) and Total Reward System (β=.511, P=0.000).

The β value shows the effect of KM practice on organizational effectiveness. Thus providing the bases for rejecting the null hypothesis and accepting the alternate.

The study further shows the role of strategic human resource activities (recruitment/Selection and Total reward system), indicating their high effect on organizational effectiveness - Recruitment/Selection (β=.435, P=0.000) and Total Reward System (β=.511, P=0.000).The model summary above shows the changes in organizational effectiveness brought about by the effect of KM practice. As indicated, .621(62.1%) of the change in organizational effectiveness is explained by KM practice. The *F*-ratio in the **ANOVA** table above tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(4, 250) = 63.741$, $p < .0005$ (i.e., the regression model is a good fit of the data).

Discussion of Findings

The result of the study showed that there is significant positive relationship between KM practices and organizational effectiveness. This is in accord with (Reisi et al. 2013) who found that there is significant positive relationship between the dimensions of knowledge management process capability (knowledge management acquisition process, knowledge management conversion process, knowledge management application process and knowledge management protection process) and organizational effectiveness have direct and a significant relationship.

The results also show that SHRMA (recruitment/selection and total reward system) positively influence and mediate between KM practice and organizational effectiveness.

This is supported by (Chung-Jen and Jing-Wen, 2007), that strategic human resource practices are positively related to knowledge management capacity which, in turn, has a positive effect on innovation performance and effectiveness.

Conclusion

Managing, creation or generation, sharing and utilization of knowledge effectively is so important for organizations to gain competitive advantage and take full advantage of the value of knowledge which will in turn make the organization to be unique, resulting to effective performances. In order for organizations to manage knowledge effectively, serious attention must be paid to the people, processes and culture so as to ensure organization's effective performance and success. Many organizations have been managing knowledge for decades not recognizing the role of SHRMA. Hence to implement a successful KM strategy, the creation, organization, sharing and application of knowledge must be anchored by HR and taken seriously.

The study concluded that in order for an organization to be effective in its performance, successful and gain competitive edge over its counterparts in the industry, attention must be paid, not only on the processes, but on knowledge and its employees (workforce) who are the sources of knowledge in the organization.

The study thus recommends that the SHRM activities (recruitment/selection and total reward system) should be put in place, encouraged and sustained within the organization to encourage knowledge sharing, along with appropriate infrastructure and a good and vibrant culture to propel KM practice within the organization. And organizations should **institute knowledge management policy to guide KM practice within the organization.**

Reference

Alavi, M. and Leidner, D.E. (2001). Review: knowledge management and knowledge management systems: conceptual foundations and research issues. *MISQuarterly*, 25(1), 107-136.

AmstrongM. (2012) *Armstrong's Handbook of Human Resource Management Practice.* 12th ed. UK. Kogan.

Brikend A, Nexhbi V, Sadudin I (2013) **Human Resources and Knowledge Management.** ***Knowledge management & Innovation inter****national conference*.

Bukh P, Nikolaj D, Christensen D, Skovvang K and Mouritsen J (2005). *Knowledge management and intellectual capital: establishing a field of practice.* Palgrave Macmillan.

Chun-ming, C., Meng-hsiang, H., and Chia-hui, Y. (2012), Factors affecting knowledge management success: the fit perspective. *Journal of Knowledge Management*,16 (6), 847-861.

Dixon, N.M. (1999). *The Organisational Learning Cycle: How We Can Learn Collectively*, 2nd edition. Aldershot: Gower.

Goh, S.C. (2002). Managing effctive knowledge transfer: an integrative framework and some practice implications. *Journal of Knowledge Management*, 6(1), 23-30.

Gold A. H, Arvind; Albert H. S (2001) **Knowledge management: An organizational capabilities perspective** *Journal of Management Information Systems;* 18(1) 185-214.

Grant, R. M. (1991), Toward a knowledge-based theory of the firm. *Strategic Management Journal*, 17 (5), 109-122.

Hammandy, A., Rabeh, D., Jimenez-jimenez, D. and Martinez-costa, M. (2013), Managing knowledge for successful competence exploration. *Journal of Knowledge Management,* 17 (2), 196-207.

Hansen, M.T., Nohria, N., and Tierney, T. (1999). What's your strategy for managing knowledge? *Harvard Business Review*, 77(2), 106-116.

Hislop, D. (2013). *Knowledge management in organisations: A critical introduction*. 3rd Ed. UK: Oxford University Press.

Holzmann, V. (2013). A meta-analysis of brokering knowledge in project management. *International Journal of Project Management*, *31(1)*, 2-13.

Hutchinson K and Quinn B (2005). "The internationalisation of small to medium-sized retail companies: towards a conceptual framework", *Journal of Marketing Management* Vol. 21 No. 1. Pages 149-179.

Iulia C and Dan P (2008) **Human Resources Management in the Knowledge Management***RevistaInformaticaEconomică,* nr. 4(48) Pp. 54-61.

Jimenez-Jimenez, D., &Sanz-Valle, R. (2013). Studying the effect of HR practices on the knowledge management process. *Personnel Review,* 42(1), 28–49.

Juan Carlos Bou-Llusar, Mercedes Segarra-Ciprés, (2006) "Strategic knowledge transfer and its implications for competitive advantage: an integrative conceptual framework", *Journal of Knowledge Management*, Vol. 10 Iss: 4, pp.100 – 112.

Jugdev K and Muller R (2005). "A retrospective look at our evolving understanding of project success", *Project Management Journal* Vol. 36 No. 4. Pages 19-31.

Moses T. K, Joseph M. N² and Augustine A, (2010). Knowledge management and competitive advantage: The interaction

effect of market orientation. *African Journal of Business Management* Vol. 4(14), pp. 2971-2980, *Available online at httpwww.academicjournals.org/AJBM.*

Nguyen, T.N.Q, (2010), *'Knowledge management capability and competitive advantage: an empirical study of Vietnamese enterprises'*, PhD thesis, Southern Cross University, Lismore, NSW.

Nonaka I and Takeuchi H (1995). *The knowledge-creating company*. Oxford University Press: Cambridge.

Omotayo, F. O (2015) "Knowledge Management as an important tool in Organisational Management: A Review of Literature". *Library Philosophy and Practice (e-journal)*. Paper 1238. http://digitalcommons.unl.edu/libphilprac/1238.

Sanchez R (2005). "Knowledge management and organizational learning: Fundamental concepts for theory and practice." *Working Paper Series No 3.*

Shaxson, L.J., & Gwynn, E. (2010). *Developing a strategy for knowledge translation and brokering in public policymaking.* Paper from Knowledge Translation and Brokering workshop, Montreal, Canada, Available: http://r4d.dfid.gov.uk/PDF/Publications/2017-4-11_knowledge-translation-and-brokering.pdf.

Simon, H.A. (1991). Bounded rationality and organizational learning. *OrganizationScience*, 2(1), 125-134.

Storey C (2010). "Service development success: a contingent approach by knowledge strategy." *Journal of Service Management* Vol. 21 No. 2. Pages 140-161.

Tayyab M. (2006). *The Role of Knowledge Management in Supporting Innovation and Learning in Construction.* Ph.D. Thesis. School of Business Information Technology RMIT University.

Walczak, S. (2005). Organizational knowledge management structure. *The LearningOrganization*, 12(4), 330-339.

Wickramasinghe, N. (2003). "Do We Practice What We Preach? Are Knowledge Management Systems in Practice Truly Reflective of Knowledge Management Systems in Theory?" *Business Process Management*, Vol. 9, No. 3, pp.1463-7154.

Zack M (1999). *Knowledge and strategy.* Butterworth-Heinemann: Boston.

Zaim, H., Taoglu, E., and Zaim, S. (2007). Peformance of knowledge management practices: a causal analysis. *Journal of Knowledge Management*, 11(6), 54-67.

A Comparative Analysis of the Effect of Transformational and Transactional Leadership on Employee Performance in Manufacturing Companies

1.Ogbe, Abel L. O
2.Dr. Dedekuma S. E
Department of Business Administration
Delta State University Abraka,

pp 67-79

Abstract

This study was designed to compare the effect of transformational and transactional leadership styles on employee productivity, performance, satisfaction and organizational goals. The study was carried out in a medium and small manufacturing company, Beta-Glass Ughelli, Delta State. The study adopted the survey research design and the convenience sampling method was used. A sample size of two hundred and eleven (211) respondents was used according to Taro Yamani (1984). The questionnaire was used to elicit information from respondents using the modified Likert scale five point rating scale. The data obtained from the field was analyzed using the descriptive statistics and the Statistical Package for Social Science (SPSS) version 21. The multiple regression analysis was used to test the hypotheses. Findings from the study indicates that significant relationship exist between transformational leadership (B= .561, P = 0.01), transactional leadership (B= .116, P=0.02) and employee's performance in manufacturing industries, but the transformational leadership prove to be more effective and efficient and predictive of employee's performance. The study concluded that the style of leadership prevalent in the organization determines how productive employees will become. The study recommends that leaders should be inspirational in leading and encouraging employee to make the most of their skills and capacity to their job by involving them in planning and decision making processes.

Keywords: Transactional leadership, transformational leadership, employee performance, organizational goals.

Introduction

The management function which is mostly directed towards people is leadership; it's a process of influencing people to achieve the stated objective and goals of the organization. The two leadership styles (transformational and transactional leadership styles) and their respective and combined effects on employee's performance and business organizations have been a major issue of consideration in leadership research over the years (Awamleh& Gardner, 1999; Bass, 1985; Conger &Kanungo, 1987; House, 1977) in Cedwyn and Raed (2004).
Similarly employees with high job satisfaction are likely to exert more effort and pursue organizational goals. Leadership plays a very important role in determining employee job satisfaction. It extensively influences employees' motivation and dedication. The interest in this topic is due to the fact that the role of employees is vital to contemporary organizational success. The stronger an Employee's commitment and `performance to the organization, the less likely the person is to quit (Guest, 1997).

There is therefore the need to study the influence of leadership style on employee performance to the organization. It is assumed that leadership style influences employees' sense of engagement, identification and belonging to the organization. Due to the decline of research on Employee's performance in Nigeria and the lack of adequate research attention given to the effect of leadership style on Employee's performance globally as evidenced in previous research, there exists a huge research gap that this study intends to fill (Salami, 2011).

The study is significant for a rapidly developing country such as Nigeria as there is great need to understand how leadership style influences employee attitude of commitment to the organization. This could lead to improvements in workplaces to help employees become more committed to their jobs. Theoretically, it is imperative to enhance our understanding of how corporate culture affects Employee's performance in our institutions of learning. Finally, the study will help organizational leaders in decision making especially in the areas of recruitment, selection, promotion, training, motivation, and instituting change in the organization.
When employees are satisfied with their job, they are committed and usually not tempted to look for other opportunities (Lok, Wang, Westwood & Crawford, 2007). Employee's performance is achieved when the employee strongly beliefs in and accepts the organizational goals and values, when they are willing to do their utmost on behalf of the organization and when they are willing to stay with the organization.

This paper will be done in Small and Medium-size Enterprises (Organizations). They usually have a flatter organization structure. Organizations are often used as an option for unskilled and semi-skilled employees to earn the knowledge and experience before moving to another bigger and or better organization. Therefore Organizations repeatedly experience the loss of skilled employees who could play a part in the improvement of the organizations production. This loss of skilled employees could be the result of them being dissatisfied which could influence their commitment to the organization. It would be interesting to see how leadership influence Employee's performance and what kind of mediating affect job satisfaction has on this relationship within Organizations from this paper.

There are many factors that affect the level of employee's performance in organizations. Effective leadership style will help to enhance employee productivity and involvement in decision making process to bring about sense of belonging. Many of the studies that were earlier mentioned constructs were done in large companies and in different concept relationships, leadership is geared towards organizational goals and objectives. So this paper is out to look at best form of leadership that could maximize employee productivity, performance, satisfaction and organization goals in a medium and small firm, Beta Glass Manufacturing Company, Ughelli, Delta State.

Literature Review

Concept of Leadership Style

For as long as there was interaction between people, leadership existed. The topic of leadership has been the focus of studies for the

past century and gradually became a topic of great interest. This interest sprung forth out of the fact that leaders provide guidelines and they have to motivate their followers to be committed in other to accomplish tasks there by (Gill, 1998).
Earlier on, leadership definitions had the tendency to view the leader as the center or the focus of a group activity. The leader restructures the problems, offers solutions to the problems, establishes priorities and initiates developmental operations (Bass, 1990). Leadership was associated with strength of personality (Bass 1990). A leader was seen as a person with many popular traits of personality and character. The current descriptions of leadership no longer regard only individual characteristics or differences (Avolio 2007; Yukl 2006).

The Three Basic Leadership Style

Managerial styles can further be stated concisely in the following three leadership styles modern concepts according to Lewin et al. (1939) **in** (Dubrin 2004).

Autocratic Leadership: This leadership style is often identified with dictatorial or unreasonable methods, such leaders use fear, threats, authority setting, this style of leadership is consistent with production – centred supervisors. The leaders mainly seek obedience from subordinates. They usually play the dominant role in making decisions and determining the activities of all group members. There are some dangers to this method. If the leader is quarrelsome and aggressive, his subordinates may react negative to his dominant leadership and may react by restricting output. Also, a pattern of relationship which forces group members to be dependent upon the leader for direction may reduce their effectiveness when he is absent.

Democratic Leadership: It is often referred to as participative, that is, it seeks to persuade and considers the feelings of persons and encourage their participation in decision making. This method gives followers greater job satisfaction and enables them cooperate better. Recently, there is the recognition of the fact that if democracy is to progress and if organizations within free societies are to press forward towards the fulfillment of the purpose in the increasingly complex social conditions of the next decade, then good leadership of a quality is already urgently required.

Laizzes – Faire Leadership: This type of leader often keeps himself busy with some paper-work and so stays away from their subordinates. Such a leader sets no goals, makes no decision and believes he is the "goodfellow". The group has instability and a sloppy low output, frustration, failure and insecurity are typical in this directness group which can rarely produce good performance.

Types or Forms of Leadership

Relationships between supervisors and their employees are different now. Leaders now do not depend as much on their legitimate power to convince people to do as they are told but they participate in an interaction with their employees or they widen and raise the interest of their employees (Northouse, 2007).
Based on the new approach to leadership, there are two contemporary leadership styles which will be researched namely transactional and transformational (Bass, 1990):

Transactional leadership: Transactional Leadership, also known as managerial leadership, focuses on the role of supervision, organization, and group performance; transactional leadership is a style of leadership in which the leader promotes compliance of his followers through both rewards and punishments (Odumeru & Ogbonna, 2013). **A leader motivates and directs** followers by appealing to their own self-interest. The focus is on basic management processes like controlling, organizing and short-term planning. This style is more responsive and deals with present issues and the ability of the leaders to motivate followers by setting goals and promising rewards for the desired performance.
An exchange takes place between leaders and followers to achieve the desired performance. These exchanges involve three components of Transactional Leadership (Bass, 1990): identifies them as follows;

I. ***Contingent Reward (CR)*:** Leaders explain their expectations, provide the needed resources, and negotiate agreements between leaders and followers about objectives and task requirements and suitable rewards. According to Lai (2011), contingent reward, describes the extent to which effective transaction and exchange is set-up between leader and followers.

II. ***Management by Exception Active or* Passive *(MBEA)*:** when leaders specify rules and standards. Furthermore they observe the work of the employees, watch for deviations and take corrective actions when mistakes or errors occur; (Active) when Leaders do not intervene until problems occur; they wait for things to go wrong before they take action; (Passive). Monitoring and correcting of, and intervening in follower performance, called management-by-exception (Engen &Willemsen 2001; Bass et. al., 1996). In Lai (2011), shared the view management-by-exception, describes whether leaders act to either prevent (active management) or resolve (passive management) problems as they arise.

III. ***Laissez-Faire (LF):*** The leader renounces responsibility and avoids making decisions which leaves the employees without direction.

Transactional leaders use reward and punishments to gain compliance from their followers. They are extrinsic motivators that bring minimal compliance from followers. They accept goals, structure, and the culture of the existing organization. Transactional leaders tend to be directive and action-oriented (Odumeru and Ogbonna, 2013).

Transformational leaders seek to stimulate change in individuals, unlike transactional leaders who view leadership as a 'transaction' between leader and follower (Jones 2006). Transactional leaders exchange rewards based on performance and use positional resources to encourage desired behaviors (Bartol, 2010; Shivers-Blackwell 2004). Transformational leaders, on the other hand, assess the environment continually, focus on outcomes, gain and build support of people and execute plans in a disciplined way to achieve organizational objectives (Newcomb, 2005).

Transformational leadership: Leaders anticipates future trends, inspires to understand and embrace new possibilities and builds the organization into a community of challenged and rewarded learners. This style also develops others to be leaders or to be better leaders. Its focus is on being proactive, expecting nothing in return, inspiration and motivation of followers to work for goals that go beyond their self- interest. Learning opportunities are created and followers are stimulated to solve problems. The leaders develop strong emotional bonds with their followers and they possess good visioning and management skills. A transformational leader is a person who stimulates and inspires (transform) followers to achieve extraordinary outcomes (Robbins and Coulter, 2007). Transformational leadership theory is all about leadership that creates positive change in the followers whereby they take care of each other's interests and act in the interests of the group as a whole (Warrilow, 2012).

This leadership style has four components which according to (Bodla& Nawaz, 2010; Robbins, 2005, Lai, 2011) discuss below:

I. ***Idealized Influence (II)****:* Leaders act in such a way that they can be perceived as role models by the people they lead. They are admired, respected and trusted. These leaders are willing to take risks and they are described by followers as having exceptional capabilities, being persistent and determined. They have high ethical and moral standards and can be trusted to do the right thing. Idealized influence.

II. ***Inspirational Motivation (IM):*** Inspirational motivation; this characteristic reflects the extent to which a leader is also capable of being a cheerleader, so to speak, on behalf of his or her followers. These leaders demonstrate enthusiasm and optimism, and emphasize commitment to a shared goal. These leaders arouse the team spirit and show enthusiasm and optimism. They involve followers in defining the desired future state of affairs which creates commitment to the goals and the shared vision.

III. ***Intellectual Stimulation (IS):***

Transformational leadership instills creativity and innovation, as well – followers are encouraged to approach problems in new ways. Intellectual stimulation shows the degree to which leaders encourage others to be creative in looking at old problems in new ways, create an environment that is tolerant of seemingly extreme positions, and nurture people to question their own values and beliefs and those of the organization. Mistakes are not publicly criticized.

IV. ***Individualized Consideration (IC):*** Transformational leaders are invested in the development of their followers. The leader act as mentor and coaches, and take into account individual needs and desires within a group. Two-way communication is regularly recognized and differences are accepted. They delegate different tasks to develop followers skill.

Empirical evidence also shows that transformational leadership is strongly correlated with employee work outcomes such as: lower turnover rates, higher level of productivity, employee satisfaction, creativity, goal attainment and follower well-being (Eisenbein and Boerner, 2013; Garcı´a-Morales et al, 2008; Piccolo and Colquitt, 2006; Keller, 1992). In Nongo (2014). Belasen& Frank (2012), opined that authors often refer to transformational leadership as a feminine leadership style (e.g. Carless, 1998; Helgesen, 1990; Loden, 1985; Yammarino, Dubinsky, Comer & Jolson, 1997). In Lai, 2011. Transformational leaders assess the environment continually, focus on outcomes, gain and build support of people and execute plans in a disciplined way to achieve organizational objectives (Bartol, 2010; Newcomb, 2005). In Belasen& frank (2012)

Transformational Vs. Transactional Leadership

For the past decades, as we have discussed above, many researchers have attempted to explore leadership theories, among a vast amount of which, transformational leadership and transactional leadership stand out amongst many other theories. There is lots of evidence that transformational leadership is associated with superior performance. Burns (1978) first coined the term "transforming leadership" to describe a relationship in which "leaders and followers raise one another to higher levels of motivation and morality."

Building on this initial conceptualization, Bass (1990) extended the concept of transformational leadership to describe those who motivate followers to do more than they originally intended to do by presenting followers with a compelling vision and encouraging them to transcend their own interests for those of the group or unit. In fact, a defining characteristic of transformational leadership is the enormous personal impact it has on followers' values, aspirations, ways of thinking about work and interpreting events.

Within the transformational leadership construct, Bass (1990) identifies four factors, or types of leadership behaviors that are classified as transformational:

(1) Idealized Influence (II);
(2) Inspirational Motivation (IM);
(3) Intellectual Stimulation (IS);
(4) Individualized Consideration (IC).

Moreover, Bass (1990) also presents three components that are characteristic of transactional:

(1) Contingent Reward (CR);
(2) Management-By-Exception (MBE);
(3) Laissez-Faire Leadership (LF).

Based on the result of Bass's Multifactor Leadership Questionnaire (MLQ), managers who behave like transformational leaders are more likely to be seen by their colleagues and employees as satisfying and effective leaders than of those who behave like transactional leaders(Bass et al, 1996).

Personality or Trait Theory: This paper is anchored on the leadership trait theory because it combines both the leadership traits qualities and the managerial principles of management, expected of mangers to anchored despite objectives and goals. The personality or trait theory of leadership forms one of the older approaches to who a leader is and what makes an individual a leader. Principally, this theory is of the assumption that leaders are naturally born and not made. It assumes that leadership consists of certain inherent characteristics, or personality traits, which distinguish leaders from their followers (great person's theory of leadership).

According to Zaccaro, (2004) in his support for the trait theory, "leadership is of utmost importance and there is no substitute for it". He states however that leadership cannot be created or promoted neither can it be taught or learned. This assumption however, has been subjected to various studies but findings have so far not identified common personality traits or qualities making for effective or ineffective, successful or unsuccessful leaders.

Although, the trait theory has been criticized on the basis that leaders are not born but are made or developed and that the ability of these personality qualities in making for effective leadership is subjective. It could be realized that the assumptions of this theory are not completely out of place. Miner (2005) however, conclude by saying that the important point as whether leaders are born or made and whether it is an art or a science, is that they are not mutually exclusive alternatives. Indeed the different studies, leadership training programs, seminars and symposia arranged in various organizations today for the purpose of developing effective successful leaders with results, could be strong argument that leadership can be taught and promoted in contrasts. In other words, those distinguishing personal elements in a leader must be developed and propelled to greater effectiveness.

Empirical Review

Prior research suggested that leadership is a key determinant of Employee's performance (Mowday et al, 1999). In particular transformational leadership is positively linked with Employee's performance (Bono & Judge, 2003; Dumdum et al., 2002; Koh, Steers, &Terborg, 1995; Walumbwa& Lawler, 2003). In (Oduneru and Ogbonna, 2013)Leaders with this leadership style includes employees in the decision making process, they encourage them to be critical and use different approaches to solving problems and they recognize and appreciate the need of each employee to develop their own potential (Avolio, 2007; Bass et al, 1996; Yammarino, Spangler & Bass, 1993).Transformational leaders provide mission and vision; enhance the sense of belonging and devotion so that employees want to be a member of the organization. This makes them eager to put in effort for achieving the goals of the organization. The involvement of employees in their work results in high Employee's performance. Transactional leaders however use rewards to influence employee behavior to their benefit at low costs or they have a total disregard for what happens in the organization and do not feel responsible for anything, which often result in dissatisfaction of the employees.

Omar (2011) proved that the relationship of transformational leadership components (individualized consideration, inspirational motivation, idealized influence and intellectual stimulation) showed a positive impact on career satisfaction. The study examined the possible relationship between the perception of supervisor as a transformative leader and job satisfaction and proved that when employees positively perceive their leaders as transformative leaders that's when their satisfaction increases thereby increasing their performance.

Furthermore, Mohammad et al. (2011), in their study showed a statistically significant positive relationship existing between the five dimensions of transformational leadership and the two dimensions of job satisfaction. Intellectual stimulation dimension was the strongest relationship between internal job satisfaction and transformational leadership.

Another researcher, Shibru and Darshan (2011) also found a positive relationship between transformational leadership and subordinate job satisfaction in their studies. From the analysis carried out, the Pearson correlation analysis found that all components of transformational leadership are highly correlated with each other and strongly correlate with subordinate job satisfaction. Only two factors idealized influence and individualized consideration showed very high correlation with each other and high determinant in predicting subordinate job satisfaction.

Moreover, Voon, et al (2011) showed in their study a strong relationship between transformational leadership and job satisfaction increasing employee's performance

Methods

The survey research design was adopted. The collected data was analyzed using descriptive statistics, and regression analysis was used to test the hypotheses. The population consists of 450 staff of Beta Glass Ughelli. The Taro Yamani formular (1994) was used to derived the sample size. Two hundred and eleven (211) employees from 5 different departments participated in the study using convenience sampling method. The number of completed questionnaires was 211. But nine (9) of the questionnaire was wrongly filled, hence the study utilized 202.

The Multifactor Leadership Questionnaire (MLQ form 5X) developed by Bass (1990) has been validated and used to measure leadership styles. Transformational leadership style was measured using the following factors: (a) Idealized Influence, (b) Inspirational Motivation, (c), intellectual stimulation (d) Individualized consideration and (e) Risks acceptance, While Transactional leadership style was measured using the following factors (a) contingent reward and (b) management- by- exception. And finally other factors were used to measure employee performance. The Likert scale modified five point rating scale was used, as shown as fellows

Strongly Disagree (SD) I Point, Disagree (D) 2 Points, Undecided(U) 3 Points, Agreed (A) 4 Points, Strongly Agreed (SA) 5 Points,

Research Hypotheses

- ***i. There is no significant relationship between transformational leadership and employee performance.***
- ***ii. There is no significant relationship between transactional leadership and employees performance***

Results

Two hundred and eleven (211) sets of questionnaire was administered, however two hundred and two sets of questionnaire (202) was returned and used for the study.

From the result of demographic profile of respondents, the sex respondents are made up of 138 male representing 68.3% of total response while 64 respondents are female representing 31.7% of total response. The age distribution of respondents shows that 62 respondents representing 30.7% are between the ages below 30 years, 82 respondents representing 40.6% are within the ages of 30-40 years, 58 respondents representing 28.7% are of the age of 40 years and above. The marital distribution shows that 123 respondents are married representing 60.9% while 79 respondents are single representing 39.1%. The educational qualification distribution shows that 32 respondents representing 15.8% are holder of olevel certificate. 33 respondents representing 16.3% are holder of OND/NCE Certificate, (which are the lower technical cadre). 82 respondents representing 40.6% are holder of HND/B.Sc.(which are the higher cadre). 15 respondents representing 7.4% are holder of MBA. 40 respondents representing 19.8% are management staff and other professional with varied professional skills.

There is no significant relationship between Transformational Leadership Style and Employee's performance.

Table 2: Transformational leadership:

S/N	Questionnaire Items	SD		D		U		A		SA	
	Idealized influence	No	%	No	%	No	%	No	%	No.	%
1	My leader makes others feel good to work with him	3	1.5	10	5	12	5.9	90	44.6	87	43.1
2	Others are proud to be associated with my leader	6	3	10	5	-	-	96	47.5	90	44.6
3	My leader talks about his most important value and beliefs to subordinates	2	1	8	4	-	-	97	48	95	47
	Inspirational motivation										
4	My leader encourages employee to make the mo st of their skills and capacity to their job	2	1	7	3.5	1	.5	102	50.5	90	44.6
5	My leader helps others find meaning in their work	4	2	7	3.5	6	3	95	47	90	44.6
6	My leader articulates a compelling vision for the future	5	2.5	12	5.9	6	3	83	41.1	96	47.5
	Intellectual Stimulation										
7	My lead er encourages others to think about old problem in new ways	2	1	6	3	1	.5	103	51	90	44.6
8	My leader provides others with new ways of looking at problems	-	-	8	4	8	4	94	46.5	92	45.5
9	My leader gets others to rethink idea that they have never questioned before	13	6.4	4	2	5	2.5	98	48.5	82	40.6
	Individualized Consideration										
10	My leader lets other know how he thinks they are doing	2	1	13	6.4	8	4	100	49.5	79	39.1
11	My leader gives personal attention to those who seem rejected	5	2.5	14	6.9	6	3	93	46	84	41.6
12	My leader gives careful attention to the working conditions of my subordinates	10	5	12	5.9	-	-	98	48.5	81	40.1
	Risk Acceptance										
13	My leader thinks intuition is the best guide in making decisions	11	5.4	16	7.9	10	5	82	40.6	83	41.1
14	My leader makes quick decision when necessary	2	1	17	8.4	6	3	99	49	78	38.6
15	My leader thinks making risky decisions alone bothers me	8	4	18	8.9	11	5.4	90	44.6	75	37.1

Source: Analysis of Field Survey, 2017.

As shown above a high number of respondent are in agreement with the measures of transformational leadership style dimensions.

There is no significant relationship between Transactional leadership style and Employee's performance

Table 3. Transactional leadership style;

S/N	Questionnaire Items	SD		D		U		A		SA	
	Contingent Reward	No	%	No	%	No	%	No	%	No.	%
1	My leader tells others what to do if they want to be rewarded for their work	23	11.5	30	15	12	5.9	70	34.6	67	33.1
2	My leader provides recognition/reward when others reach their goal	6	3	10	5	-	-	96	47.5	90	44.6
3	My leader clearly clarifies the responsibility for achieving targets	2	1	38	19	30	15	67	33	65	32
	Management-By- Exception										
1	My leader gets satisfied when others meet agreed upon standard	8	4	10	5	10	5	78	38.6	96	47.5
2	As long as things are working, my leader does not try to change anything	2	1	6	3	5	2.5	92	45.5	97	48
3	My leader tells others the standards they have to know to carry out specific task	25	12.5	26	13	7	3.5	77	38	67	33.1

Sources: Analysis of field survey, 2017.

As shown above a high number of respondent are in agreement with the measures of transactional leadership style dimensions.

Table 4. Employee Performance

S/N	Questionnaire Items	SD		D		U		A		SA	
	I always meet the target set for me on daily basis	2	1	6	3	5	2.5	92	45.5	97	48
	Generally, my boss have assisted me toward improving my job performance.	5	2.5	6	3	7	3.5	97	48	87	43.1
	I recorded better performance at the end of the appraisal year 2016 compared to 2015.	7	3,5	4	2	4	2	102	50.5	85	42.1

Source: Analysis of field survey 2017.

As shown above a high number of respondent are in agreement with the measures of performance dimensions

Table 5: Multiple Regression Analysis for Transformational Leadership, Transactional leadership and Employee Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-1.461	.992		-1.472	.142
	Transformational Leadership	.617	.056	.561	10.974	.001
	Transactional leadership	.365	.055	.116	6.605	.002

a. Dependent Variable: Employee's performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798[a]	.637	.632	1.3250

a. **Predictors: (Constant)**, Transformational Leadership, Transactional leadership.

b. **Dependent Variable: Employee's performance**

Findings

The study *investigated the effect of* transformational and transactional leadership and the most effective for employee performance. The results from the multiple regression analysis recorded the impact of transformational and transactional leadership on employee performance.

Transformational leadership style ($\beta = .561$, $P = 0.01$) exhibited significant positive effect on employee performance. The result indicated that there is significant positive relationship between transformational leadership style and employee performance, thereby leading to the rejection of the null hypothesis. This is supported by (Bono & Judge, 2003; Dumdum et al., 2002; Koh, Steers, &Terborg, 1995; Walumbwa & Lawler, 2003) in Jones, (2006) that transformational leadership is positively linked with Employee's performance. This is further supported by (Voon, et. al., 2011) which showed in their study a strong relationship between transformational leadership and job satisfaction increasing employee's performance.

Moreso, transactional leadership style ($\beta = .116$, $P = 0.02$) exhibited significant positive effect on employee performance. This is further supported by Ekutu (2008) research on the impact of leadership behaviors on employees' satisfaction and employee performance in boutique hotels. The results showed that transactional leadership behaviors had a positive influence on employee performance and employee satisfaction, but that transactional leadership behaviors and laissez-faire behavior on the other hand, produced low levels of satisfaction and employee's performance amongst employees in the boutique hotel industry.

Transactional leaders however use rewards to influence employee behavior to their benefit at low costs or they have a total disregard for what happens in the organization and do not feel responsible for anything, which often result in dissatisfaction of the employees.

The analysis further revealed that .632(63.2%) of employee's performance is being accounted for by the two leadership style (Transformational and transactional leadership style) but Transformational leadership style with ($\beta = .561$, $P < 0.01$) proves to be a higher predictor of employee's performance than the transactional leadership style with ($\beta = .116$, $P < 0.02$).

This is in accord with Lee (2005) who found that transformational leadership showed a stronger influence on organizational commitment than the transactional leadership. This is because transformational leaders have the ability to transform the values, needs and aspirations of subordinates to perform beyond their expectations (Walumbwa 2005).

Conclusion

The review of extant literature reviewed and the analysis shows that leadership is a key determinant of Employee's performance. Transformational leadership is positively linked with Employee's performance. Leaders with this leadership style includes employees in the decision making process, they encourage them to be critical and use different approaches to solving problems and they recognize and appreciate the need of each employee to develop their own potential. Transformational leaders provide mission and vision; enhance the sense of belonging and devotion so that employees want to be a member of the organization. This makes them eager to put in effort for achieving the goals of the organization. This style also develop others to be leaders or to be better leaders.

Transactional leaders however uses rewards to influence employee behavior to their benefit at low costs, motivates and directs followers by appealing to their own self-interest. The focus is on basic management processes like controlling, organizing and short-term planning. This style is more responsive and deals with present issues. It also relies on inducement of rewards, punishment and sanction for unacceptable performance and the ability of the leaders to motivate followers by setting goals and promising rewards for the desired performance. In conclusion the transformational leadership is more effective and efficient than the transactional leadership.

Recommendations

In the light of the findings and conclusion, it is recommended that the management and organizational leaders of the various organizations in Delta State should;

I. Organizational leaders should arouse the team spirit and show enthusiasm and optimism by involving their sales force and followers in defining the desired future state of affairs which creates commitment to the goals and the shared vision.

II. Leaders should learn to be transformational so as to stimulate their followers to be creative and innovative by creating an environment in which their employees are forced to think about old problems in new ways.

REFERENCES

Akpala, A. (1998). Igbo Cultural Factors that may bear on Management and Organizational Performance in Nigeria. In Imaga, E. U. L. &Ewurum, U. J. F. (eds.) Business Management Topics, Vol. 1. Enugu, Oktek publishers.

Avolio, B.J. (2007). *Leadership development in balance*. Mahwah, New Jersey: Lawrence Erlbaum Associates,Inc.

Baron., R.M., & Kenny, D.A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual strategic and statistical considerations. *Journal of Personality and Social Psychology, 51*(6),1173-1182.

Bass, B.M. (1990), *Leadership and Performance Beyond Expectation*, Free Press, New York.

Bass, B.M., Avolio, B.J., and Atwarter, (1996). Predicting Unit Performance by Assessing Transformational and Transactional Leadership. *Journal of Applied psychology, Vol. 88, No.2, pp. 207-218.*

Belasen, R.D., & Frank, T. A. (2012). Person organization fit and the theory of work adjustment: Implications for satisfaction, tenure and career success. *Journal of Vocational Behaviour, 44*, 32-54.

Bodla, M.A. & Nawaz, M.M. (2010). Transformational Leadership Style and its Relationship with Satisfaction, interdisciplinary journal of contemporary research in business. VOL 2, NO 1Listed in ULRICH S. ijcrb.webs.com.

Bolden, R., Terry, (2003) a review of leadership theory and competencyframeworks United Kingdom, center for leadership studies.

Burns, J.M. (1978). *Leadership*. New York: Harper and Row

Carless, R, (1998), *A Corporate Culture.* Reading, M. A. Addison Wesley

Cedwyn F and Raed A, (2004). The Impact of Transformational and Transactional Leadership Styles on Employee's Satisfaction and Performance: An Empirical Test in a Multicultural Environment. ***International Business & Economics Research Journal. 3 (8): 67-68.***

Chen, L. (2004). "Examining the Effect of Organizational Culture and Leadership Behaviors on Organizational Commitment, Job Satisfaction, and Job Performance", Journal of American Academy of Business, Vol 5, No. 1\2, September, pp 432-438.

Daft, L.R (2005). Management. First Edition. Chicago, New York. The Dryden press.

Dubrin, A.J. (2004). Essentials of management. Mason, O.H: Cengage South-Western.

Earle, J.H. (1996). Transforming Leadership: Matching Diagnostics to Leader Behaviours*journal of leadership and organizational studies* Volume 8, Number 1, pp 36-47

Ekutu, I.S. (2008). Relationships among internal marketing, employee job satisfaction and international hotel performance: An empirical study. *International Journal of Management, 22*(2), 282-290.

Fiedler, D. (1998), Advanced Research in Field of Transformational Leadership, *German Journal of Human Resources Research, Vol. 18 Issue 3,pp 21 -37.*

Gill, A. (1998). The Relationship Between Transformational Leadership and employee Desire for Empowerment, *International Journal of Contemporary Hospitality Management, Vol.22 No.2, pp263-273.*

Guest, D.E. (1997). Human resource management and industrial relations. Journal of Management Studies 24,5, 503–521.

Hangis, I,Hillestad, R., Van Roo, B.D., & Yoho, K.D. (2001). Transformational leadership: Characteristics and criticisms. *E-Journal of*

Organizational Learning and Leadership, 5(2). Pp. 54 -67.

Hay, I (2012) Transformational Leadership Characteristics and Criticisms. Retrieved 17th March, 2017.

Holland P, Sheehan, C. & De Cieri, H. (2007). Attracting and retaining talent: Exploring human resources development trends in Australia. Human Resource Development International 10(3): 247–62.

http://highered.mcgrawhill.com/sites/dl/free/0070131570/537224/bartol_foundations2e_sample_ch10.pdf [Accessed on: 19/05/2017).

Jones, A. (2006). The relationship between leadership styles and sense of coherence, self-efficacy and locus of control in a utility organization. http://dspace.nwu.ac.za/bitstream/handle/10394/511/hobkirk_a.pdf?sequence=1 (Accessed on: 09/05/2017).

Krishnan, V.R., (2004). Impact of Transformational Leadership on Followers' Influence Strategies, The Leadership and Organizational Development. *Journal vol.25 No.1,pp 21-34*

Lai, A. (2011). "Transformational-Transactional Leadership Theory" *2011 AHS Capstone Projects.* Paper 17. http://digitalcommons.olin.edu/ahs_capstone_06/06/2017

Lee, J. (2007). Effects of leadership and leader-member exchange on innovativeness. *Journal of Managerial Psychology, 23*(6), 670-687.

Lok, P. & Crawford J. (2004). The Effects of Organizational Culture and Leadership Style on Job Satisfaction and Organizational Commitment: *A Cross-National Comparison Journal of Management Development, 23(4), 321-338.*

Lok, P., **Wang**, Z.P., **Westwood**, B., **& Crawford**, J. (**2007**). The Mediating Effect of Organizational Commitment on the Relationship between Job Satisfaction and Organizational Culture.*International Journal of Business Administration.* Vol. 5, No. 6; Pp. 24 – 37.

Miner, J.B. (2005).Impact of Culture on Commitment, Satisfaction, and Extra- Role Behaviors Among Canadian Physicians, *Lead. Health.*

Mohammad J, Farzana Q.H and Mohmad A.A (2011) job satisfaction and organizational citizenship behaviour: an empirical study at higher learning institutions. *Asian Academy of Management Journal, Vol. 16, No. 2, 149–165.*

Mosadeghrad, A.M. (2003). Principles of Health Care Administration. Tehran: DibagranTehram.

Mowday, R. T. (1999). Reflections on the study and relevance of Employee's performance. *Human Reso*

Newcomb, L.P. (2005). An Investigation of Path - Goal Theory, Relationship of Leadership Style, Supervisor- Related Commitment, and Gender. *Emerging Leadership Journeys,* 6(1), 13-29.

Nongo, S.E. (2014). *The impact of organizational culture on corporate effectiveness: A study of the cement manufacturing industry in Nigeria.* Unpublished PhD thesis, Department of Business Management, BenueState University, Makurdi.

Northouse, P.G. (2007). Leadership Theory and Practice. Thousands Oaks, CA., Sage Publishers.

O'reilly, C. (1989). Corporations, culture and commitment: Motivation and social control in organization.

Odumeru, J.A &Ogbonna, I.G.(2013).Transformational vs. Transactional Leadership Theories: Evidence in Literature. *International Review of Management and Business Research,* 2(2), 355-361

Omar, L.H., **(2011)** Impact of Culture on Commitment, Satisfaction, and Extra- Role Behaviors Among Canadian Physicians, *Lead. Health.*

Omolayo, B.O. (2004) Influence of job variables on workers' commitment and satisfaction in four selected Nigerian manufacturing industries. Unpublished thesis, University of Ado-Ekiti.

Raju, P.M. & Srivastava, R.C. (1994). Factory contributing to commitment to the teaching profession. International Journal of Educational Management, 8(5), 6-13.

Randeree, K. and Chaudhry, A. (2012). "Leadership-Style, Satisfaction and Commitment: An Exploration in the United Arab Emirates' Construction Sector", Engineering, Construction and Architectural Management, Vol 19, No. 1, pp 61-85.

Robbins S.P (2005) **Organizational Behavior, 11th Edition Paperback. https://www.amazon.com/Organizational-Behavior-11th-Stephen-Robbins/dp/8120328752**

Robbins, S.P. (2005). Organizational Behavior, Up Saddle River, New Yesrey, Prentic-Hall.Int. *Journal vol.22 No.8*.

Robbins,S.P. and Coulter A.T (2007). Organizational Behavior, Up Saddle River, New Yesrey, Prentic-Hall.nt. *Journal vol.22 No.8*. pp 56 - 65

Salami, C. G. E. (2011). Management & Organizational Behaviour. Benin City: Mostvirtue

Shibru, B., and Darshan, G.M. (2011). Effects of transformational on subordinate job satisfaction in leather companies in Ethiopia's. International Journal of Business Management, 2, 284-296.

Stogdill, R.M. (1999). Handbook of leadership (1st ed.) New York: Free press

Taro Yamane, T. (1984) statistics: introductory analysis: New York: Harper and Row Publication. *urce Management Journal, 8*(4), 387-401.

Voon, M.L., Lo, M. C., Ngui, K.S., and Ayob, N. (2011). The influence of leadership styles on employees' job satisfaction in public sector organizations in Malaysia. International Journal of Business, Management and Social Sciences, 2 (1), 24-32.

Walumbwa, F.O. (2005). The role of collective efficacy in the relations between transformational leadership and work outcomes. *Journal of Occupational and Organizational Psychology, 77*(4), 515-530.

Warrilow. S (2012) Transformational Leadership Theory - The 4 Key Components in Leading Change and Managing Change. [Retrieved 15/03/2017]. http://EzineArticles.com/?expert=Stephen_Warrilow

Wilson, K.V., and Rosenfeld, L.H., (1990)Impact of Culture on Commitment, Satisfaction, and Extra- Role Behaviors Among Canadian Physicians, *Lead. Health*

Yammarino F.J, Spangler W.D, Bass B.M (1993).Transformational leadership and performance: A longitudinal investigation. *The Leadership Quarterly 4 (1), 81-102*

Yukl G.A. 2006. Leadership in Organizations. Upper Saddle River, NJ: Pearson/Prentice Hall. 542 pp.

Zaccaro, S. J., & Banks, D. (2004). Leader visioning and adaptability: Bridging the gap between research and practice on developing the ability to manage change. Human Resource Management Journal, 43, 367–380.

Interrogating the Nexus between Training and Development and Organisational Performance in Deposit Money Banks in Nigeria

1 Joseph Teryima Sev,
2 Emakwu John
Department of Business Management
Benue State University, Makurdi
Email: josephteryima@gmail.com, emakwu1@yahoo.com
Phone: +2348165306261, +2348127541004, +2348065967031

pp 80-93

Abstract
This research paper critically analyses Training and Development Strategies; as approaches for performance enhancement in goal oriented firms with a focus on Twenty-one commercial banking firms in Nigeria. The study adopted simple empirical survey method or quasi-experimental method which places premium on survey of sample. Both primary and secondary sources of data collection were utilized in a bid to attain the necessary result. Five point Likert rating scale questionnaire were used in obtaining the opinions and views from respondents. The sample size for the study was 398 derived from the employee population of 21 commercial banking firms totaled of 64, 846 as at January, 2017. This was determined using Taro-Yamane's formulae. Bartlett's test of Sphericity and Kaiser-Meyer Oikin measure of sampling adequacy, construct validity test determination and Cronbach Alpha for reliability test determination was applied in this study. Bowley's Allocation formula was applied in determining the individual commercial banking firms sample size. Multiple Regression test was used in processing the three (3) formulated hypotheses. The study findings revealed among others that Training and Development Strategies adopted by commercial banking firms in Nigeria for employees have positive relationship on productivity of the banking firms.. The study recommendations are that, executive management of the commercial banking firms in Nigeria should also ensure that operational analysis, organizational analysis, individual analysis is periodically carried out to determine training and development needs in areas of skills inadequacy, knowledge gap, attitude and behavioral aspects to warrant proper Training and Development.

Keywords: Training, Development, Strategies, Performance Enhancement, Goal Oriented Firms

1. Introduction

Training and development is a major catalyst that makes the company's to attain progress and enhanced its productivity. It has been observed overtime that organization that failed to adopt training and development strategies have been suffering from problem of increased productivity, employee turnover, frustrations, occasional disappointments and failures leading to huge losses, wastage, under capacity utilizations due to lack of knowledge and skills to operate the requisite acquired technologies and production methods and techniques. This has resulted to reduced efficiency, poor innovation in product strategies and work methods, financial losses and production of defective products. At the same time, most organizations in the manufacturing, banking sectors have embraced the culture of training and development over the years as the case of commercial banking firms in Nigeria, but still, the performance levels are low and decline in profit status is recorded by them on a continuous basis leading to distress and outright liquidation in most cases. It is against this background that the researcher wants to establish the true position of commercial banking firms in Nigeria by ascertaining whether training and development are strategies that can positively impact on performance enhancement and goals attainment.

The relevant objectives for this study are; to ascertain the impact of training and development programme/strategies on employee productivity; to examine if skills (i.e technical skills, conceptual skills, human relation skills, design skills, attitudinal skills) and knowledge are acquired by employee in the course of the training and development programme of commercial banking firms; and to find out if training and development programme in commercial banking firms impacted on development of staff by modifying their behavior and attitudes to work.

Research Hypotheses:

The following research hypotheses structured in a Null form may be considered germane for this research endeavor;

H_{01}: Training and development of employees have not impacted on the productivity of commercial banking firms in Nigeria.

H_{02}: Training and development strategies/programmes have not enhanced employee's skills acquisition in commercial banking firms in Nigeria.

H_{03}: Training and development strategies/programmes have not impacted on organization by modifying employees' behavior and their work attitudes.

2. Review of Related Literature

The Concept of Training and Development:

Training is referred to programmes that focused on the preparation and accomplishment of a particular job. Training programmes involved learning whatever knowledge and skills required in carrying out a particular job satisfactorily while development came up after several years of expanding training programmes. Development programmes were specially designed by organization for middle manager and higher level managers. These developments programme involved learning about all the complex duties and responsibilities assigned to managers in the modern day employment. Therefore, development was a better name for the complex learning given to managers than learning (Yoder and Standohar, 1986:233).

To Mcfarland (1968:292), training is the term used to describe the process through which organizations build the skill s and abilities of non-management employees. Development on the other hand, includes the process by which managers and executives acquire not only skills and competence in their present job but also capacity for future managerial tasks of increasing difficulty and scope.

Ojo (1998: 212) emphasized that training refers to the procedure by which people acquire knowledge and skills for a definite purpose but development is not as specific, that is, more general in application.

Training in a work organization is essentially a learning process in which learning opportunities are purposefully structured by the managerial human resources and training staff working in collaboration or by external agents acting on their behalf. The aim of the process is to develop the organization employees, their knowledge, skills and attributes that have been defined as necessary for the effective performance of their work and hence for the achievement of the organizational aims and objectives by the most cost-effective means available.

Nwachukwu (2007) and Sev (2011) maintains that, main objectives of training employees is to enhanced increased in productivity, to lower turnover rates, higher morale (i.e a man trained has confidence in his ability to perform), better coordination will be achieved in the organization as well; there will be skill development of employee and attitude of the staff will be modified.

Analysis of training needs is an essential prerequisite to the design and provision of effective training (Tyson and York, 2000). For Yoder and Straudohar (1986), the diagnosis of training or development needs recognize a variety of symptoms. For example, when staffing plans contemplates requirements for new skills in months ahead, when problems such as absenteeism, excessive waste and scrap, product rejection and when managers do not have assistants ready to fill their vacancies. When these problems occur, they suggest training and development as a logical prescription.

Akinwale (1999), states that training need is the gap between the skill required and the skill available. Katz (1974), Griffin (1997), and Yalokwu (2006) in their respective research presentation identified that every manager needs four (4) basic skills for proper and effective performance. These are Technical Skills, Human Skills, Conceptual Skills and the Design Skills.

People that require these skills are managers from top level, supervisory level and small business managers (Sev, 2013). Rouda and Kusy (1995) are of the opinion that a need assessment is a systematic exploration of the way things are and the way they should be. They reiterate that conducting need assessment will help organization derive the basic training needs required of the organization. The basic steps for conducting training need assessment includes; -

Step 1: Perform a "gap" analysis:

This involves checking the actual performance of organization and people against existing standards, or to set new standards. This will involve;

a) Current situation – There is a need to determine the current state of skills, knowledge and abilities of our current and/or future employees. This analysis also should examine the organizational goals, climate and internal and external constraints.

b) Desired or necessary situation – This requires the identification of the desired or necessary conditions for organizational and personal success. This answer focused on the necessary job tasks/standards, as well as the skills, knowledge and abilities needed to accomplish the task successfully. It is important, that we identify the critical tasks necessary and not just observe current practices. Through this we can distinguish actual needs from perceived needs.

Step 2: Identify Priorities and Importance:

The list of needs for training and development must be examined in view of their importance to organizational goals, realities and constraints for example;

a) Cost effectiveness: – How does the cost of the problem compare to the cost of implementing a situation? In other words, we perform a cost-benefit analysis.

b) Legal mandates: – Are the laws requiring a solution?

c) Executive pressure: – Does top management expect a solution?

d) Population: - Are many people or key people involved?

e) Customers: - What influence is generated by customer specifications and expectations?

Step 3: Identify causes of performance problems and/or opportunities:

The next is to identify specific problems areas and opportunities. In organization we must know what our performance requirements are, if appropriate solutions are to be applied. Two questions should be asked for every identified need.

a) Are people doing their jobs effectively?

b) Do they know how to do their jobs?

Step 4: Identify possible solution and growth opportunities:

Importance is attached to moving people (staff) and their performance into new directions. If people are not doing their jobs effectively; Training may be the solution, if there is a knowledge problem. They also instructed that the use of multiple needs assessment is good. It is important to get a complete picture from many sources and viewpoints. The following assessment techniques can be applied;

i. Direct observation
ii. Questionnaire
iii. Consultation with persons
iv. Interviews
v. Focus group
vi. Test
vii. Record and report studies
viii. Work samples

Cascio (1976) emphasized that, three (3) levels of analysis for determining the training needs are necessary.

a) Operational analysis – This requires a careful examination of the job to be performance after training.

i. A systematic collection of information that describes exactly how jobs are done.
ii. Standards of performance for those jobs can be determined.
iii. How tasks are to be performed to meet the standards.
iv. The knowledge, skills, abilities and other characteristics necessary for effective task performance, job analysis, performance appraisals, interviews and analysis of operating performance (quality control, customer complaints) all provide important inputs to the analysis of training needs (Torrington, Hall and Taylor, 2005).

b) Organizational analysis – This method seeks to identify where within the organization training is needed. It is therefore, important that organizations training needs be properly analyzed to prevent time and money being wasted on programmes of training that do not advance the cause of the organization. Analysis of organizations external and internal environment is pertinent.

c) Individual analysis – This requires determining what skills, knowledge or attitudes an employee must develop if he is to perform the task which constitutes his job in the organization (Sev, 2011).

It is important to note that practical ways of determining training needs can be through analysis of personal reports, employee's attitude surveys, discussion with supervisor, job description and interviewing during performance appraisals in organizations.

Concept of Productivity

Nwachukwu (2007) defined productivity as a total output/total input. Thus productivity of an employee is seen as the relationship between units of labour input and units of output. The effectiveness of the use of the factors of production to produce goods and services is commonly referred to as productivity. The relationship of input to output is

Table 1.0 Number of Commercial banks based on classification and allocation of sample size.

S/NO	Name of Commercial Bank	Population of Staff/Employee	Selected sample size
The first category of Commercial banking firms (employee/staff size above 3500, bigger in size in terms of employees, scope of operations and Assets base).			
1.	Guaranty Trust Bank plc (GTB)	10,000	61
2.	Zenith Bank Plc	6616	41
3.	First Bank Plc	6610	41
4.	Union Bank (Nigeria)	6210	38
5.	United Bank for Africa (UBA) Plc	5561	35
6.	Diamond Bank Plc	4568	28
Second category of Commercial banking firms (employee/staff size between 2000 - 3499, moderately bigger in size in terms of employees, scope of operations and Assets base).			
7.	Sterling Bank plc	3034	19
8.	Eco Bank Nigeria	2410	15
9.	Mainstream Bank Ltd	2250	14
10.	Keystone Bank Ltd	2233	14
11.	Fidelity Bank Plc	2120	13
12.	Stanbic IBTC Holding Plc	2077	13
13.	First City Monumental Bank Ltd	2000	13
14.	Unity Bank Plc	2072	13
Third category of Commercial banking firms (employee/staff size below 2000 smaller in size in terms of employees, scope of operations and Assets base).			
15.	Standard Chartered Bank plc	1120	7
16.	Wema Bank Plc	1317	8
17.	Enterprise Bank Limited	1120	7
18.	Access Bank Plc	900	6
19.	Sky Bank Plc	821	5
20.	Heritage Banking Company Ltd.	657	4
21.	Jaiz Bank Plc	525	3

Source: Commercial banking firms records and field survey, 2017.

Factor and Reliabilty Analysis

Confirmatory factor analysis with Varimax rotation has been performed to examine whether the classification of the variables into the specific factors is valid or not. In this case productivity strategies, technical skills, human skills, conceptual skills, design skills, organizational efficiency, behavior modification strategies and work attitudes as affecting performance output of employees was subjected to analysis.

KMO (Kaiser-Meyer-Olkin) was used to measure the sampling adequacy, accepting a weak threshold (0.5) (Malhotra, 1999) and Bartlett's test of sphericity was also adopted. The total variance explained (TVE) score was also used to measure how data were distributed within a range and also how much the response differs (accepted threshold, 0.6). Further, Cronbach Alpha (α) reliability test has been performed to assess internal consistency of measurement adopting the weak threshold 0.6

Table 2.0 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.854**
Bartlett's Test of Sphericity	Approx. Chi-Square	2076.43
	Df	55
	Sig.	0.000
Overall Reliability Statistics : Cronbach's Alpha		**0.814**

We can see that we have good values for all variables for the MSA but the overall value is a bit high at 0.854, however Bartlett's Test of Sphericity has an associated P value (sig in the table) of < 0.05 as by default SPSS reports p values of less than 0.05 as 0.000, So from the above results we know that we can now continue and perform a valid factor analysis. It can also be seen that Training and Development, Productivity Strategies, Employee's skills acquisition, Organizational Efficiency, Work attitudes and Employee behaviour amongst others were subjected to reliability test using Cronbach's Alpha and in all cases it was high.

The SPSS analysis gives us Cronbach's Alpha values for Training and Development Strategies as Approaches for performance enhancement by goal oriented firms: A survey of commercial banking firms in Nigeria. This is an indication that our instruments are reliable. According to Everitte (2006), an alpha value of less than 0.60 is unacceptable; 0.60-0.65 is undesirable, 0.65-0.70 is minimally acceptable; 0.70-0.80 is respectable; 0.80-0.90 is very good and more than 0.90 means consider shortening the scale by reducing the number of items. As it is for all the commercial banking firms in Nigeria under survey it shows that, the instrument is very reliable, hence our overall reliability statistics: Cronbach Alpha is 0.814. Multiple regression tests are adopted for the testing of formulated hypotheses.

4. Data Presentation and Analysis

Table 1.0 Numerous Benefit derived from Training and Development programme (i.e workshops, conferences, case study analysis, secondments, coaching etc) by Commercial banking firms enhances productivity attainment.

Statement	Respondent category	Degree of response					
		SA	A	U	D	SD	TOTAL
Your Commercial banking organization have benefitted from the Training and Development programme such as workshops, conferences, case study analysis, secondments, coaching, apprenticeship training, vestibule training amongst others leading to productivity attainment.	Top Level Managers	47	20	1	2	3	**73**
	Middle Level Managers	75	44	2	4	2	**127**
	Lower Level Managers	127	64	2	3	2	**198**
	Total	**249**	**128**	**5**	**9**	**7**	**398**

Survey: Field Survey, 2017

Table above 1.0 revealed the respondent opinion concerning the Training and Development programmes offered by the Commercial banking organizations in Nigeria as to whether they are contributing to productivity attainment. The programmes include workshops, conferences, secondments, vestibule training, coaching, lectures, apprenticeship training, case study method, simulation exercise, on the job training, off the job training, assisting, and special assignment, amongst others. 249 respondents representing 62.56% strongly agree. 128 respondents standing for 32.16% agree. 5 respondents (1.25%) were undecided. 9 respondents representing 2.26% disagreed while 7 respondents (1.75%) strongly disagree on the subject matter.

Test of Hypothesis

H01: Training and development of employees have not impacted on the productivity of commercial banking firms in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.863	.859	.359

The value of 0.929 indicates that Training and Devel opment of employees have impacted on productivity of commercial banking firms in Nigeria. The R square is the coefficient of determination which is 0.863 with 86.3% proportion of variance in the dependent variable.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	311.767	11	28.342	220.334	.000[b]
	Residual	49.653	386	.129		
	Total	361.420	397			

The table shows that the independent variables are statistically significantly, $F(11, 386) =$ **220.334**, $P < 0.05$. We reject the hypothesis which s tates that, Training and development of employees have not impacted on the productivity of commercial banking firms in Nigeria.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.267	.098		2.729	.007
	Coaching	.082	.033	.083	1.494	.013
	Lectures	.010	.031	.011	.335	.038
	Conferences	.103	.027	.110	3.798	.000
	Case Study Analysis	.281	.035	.281	8.061	.000
	Secondment	.081	.032	.080	2.517	.012
	Apprenticeship Training	.026	.029	.028	.925	.055
	Assignment	.016	.038	.095	2.533	.012
	Vestibule Training	.064	.029	.066	2.249	.025
	Simulation Exercise	.035	.035	.242	1.778	.000
	On the Job Training	.110	.041	.110	2.674	.008
	Off the Job Training	.024	.041	.024	.579	.063

a. Dependent Vari able: Productivity of Commercial Banking firms in Nigeria

Interpretation.

$\mathbf{y} = X_1 + X_2 + X_3 + X_4 + X_5 + X_6 + X_7 + X_8 + X_9 + X_{10} + X_{11}$ where C is the constant.

Predicted y $= 0.082X_1 + 0.010X_2 + 0.103X_3 + 0.281X_4 + 0.081X_5 + 0.026X_6 + 0.016X_7 + 0.064X_8 + 0.035X_9 + 0.110X_{10} + 0.024X_{11} + 1.267$

The principles of Training and development of employees have a positive relationship on the productivity of commercial banking firms in Nigeria.

Table 2.0 effect of Training and Development on Employee's Skills Acquisition an d Knowledge in Commercial banking firms

Statement	Respondent category	Degree of response					
		SA	A	U	D	SD	TOTAL
Training and Development programme have enhanced employee skill acquisitions (i.e. technical, conceptual, human and design skills) and knowledge in commercial banking organization in Nigeria.	Top Level Managers	41	18	3	4	3	**69**
	Middle Level Managers	76	41	4	6	5	**132**
	Lower Level Managers	121	60	4	5	7	**197**
	Total	**238**	**119**	**11**	**15**	**15**	**398**

Survey: Field Survey, 2017

There is an overwhelming view among the respondent as indicated in table 2.0 above pertaining the notion as to whether Training and Development is a catalyst of enhancing employee skill acquisitions and knowledge in the Commercial banking organization in Nigeria. These skills include (technical skills, conceptual, human relations skills, conceptual skills, design skills). Overwhelmingly 238 respondents (59.79%) feel strongly agree that the above mentioned skills are acquired with elaborate Training and Development programme put in place by Commercial banking firms in Nigeria. Only 119 (29.89%) agree to the subject matter. 11 respondents representing 2.76% were undecided. 15 respondents (3.76%) disagree and 15 respondents strongly disagree (3.76%) on this notion.

H02: Training and development strategies have not enhanced employees' skills acquisition (i.e technical skills, conceptual skills, human relations skills, design skills, attitudinal skills) and knowledge of employees in commercial banking firms in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903[a]	.816	.814	.412

The value of 0.903 indicates that Training and Development strategies have enhanced employees' skills acquisition and knowledge of employees in commercial banking firms in Nigeria. The R square is the coefficient of determination which is 0.816 with 81.6% proportion of variance in the dependent variable.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	294.802	4	73.701	434.786	.000[b]
	Residual	66.617	393	.170		
	Total	361.420	397			

The table shows that the independent variables are statistically significant, $F(4, 393) = 434.786$, $P < 0.05$. We reject the hypothesis which states that, Training and Development strategies have not enhanced employee's skills acquisition and knowledge of employees in commercial banking firms in Nigeria.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.035	.107		.329	.042
	Technical Skills	.251	.032	.256	1.816	.000
	Conceptual Skills	.111	.030	.118	3.733	.000
	Human Skills	.181	.029	.194	6.268	.000
	Design Skills	.071	.032	.472	4.537	.000

a. Dependent Variable: Productivity of Commercial Banking firms in Nigeria

Interpretation.

y $= X_1 + X_2 + X_3 + X_4$ where C is the constant.

Predicted y $= 0.251X_1 + 0.111X_2 + 0.181X_3 + 0.071X_4 + 1.035$

Training and development strategies have a positive relationship on the skills acquisition and knowledge of employees in commercial banking firms in Nigeria.

Table 3.0 impact of Training and Development programme on employee behavior and work attitudes:

Statement	Respondent category	Degree of response					
		SA	A	U	D	SD	TOTAL
Training and Development programme have impacted on banking organizations by modifying behavior of employee and their work attitudes in the Commercial banking firms in Nigeria.	Top Level Managers	53	17	2	2	0	**74**
	Middle Level Managers	70	45	2	2	3	**122**
	Lower Level Managers	130	62	3	4	3	**202**
	Total	**253**	**124**	**7**	**8**	**6**	**398**

Survey: Field Survey, 2017

Information as per data contained in table 3.0 above imply that Training and Development is impacting on organization growth of the banking firms in terms of modifying behavior of employee and their work attitudes. Infact, 253 out of 398 respondents representing 63.56% strongly agree on the notion. 124 respondents (31.15%) agree to the position. 7 respondents standing 1.75% were undecided. 8 respondents (2.01%) disagree while 6 respondents (3.76%) strongly disagree on this subject matter.

H03: Training and development strategies have not impacted on organization by modifying employees' behavior and their work attitudes.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807[a]	.652	.650	.565

The value of 0.807 indicates that Training and Development strat egies have impacted on organization by modifying employees' behavior and their work attitudes in commercial banking firms in Nigeria. The R square is the coefficient of determination which is 0.652 with 65.2% proportion of variance in the dependent variable.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	235.486	2	117.743	369.309	.000[b]
	Residual	125.934	395	.319		
	Total	361.420	397			

The table shows that the independent variables are statistically significant, F (2, 395) = **369.309**, P < 0.05. We reject the hypothesis which states that, Training and Development strategies have not impacted on organization by modifying employees' behavior and their work attitudes in commercial banking firms in Nigeria.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.662	.137		4.837	.000
	Employee Behaviour	.529	.039	.539	13.583	.000
	Work Attitudes	.321	.037	.341	8.596	.000

a. Dependent Variable: Training and Development

Interpretation.

y = $X_1 + X_2$ where C is the constant.

Predicted y = $0.529X_1 + 0.321X_2 + 1.662$

Training and development strategies have a positive relationship on organization by modifying employees' behavior and their work attitudes in commercial banking firms in Nigeria.

5. Discussion of Findings:

It is interesting to note that, the study has produce pertinent and important discoveries as it can be seen from the data presentation and analysis above.

In the test of Hypothesis one (1), the study found out that Training and Development programmes/strategies organized for employees of the banking firms in Nigeria such as workshops, conferences, case study analysis, secondments, coaching, apprenticeship training, vestibule training, on the job training, off the job training, programmed learning, management games, job rotation, special courses, assistant to, simulation exercise, video conferencing, role playing, electronic performance support systems (EPSS), internet based training amongst others have impacted positive on the productivity of the commercial banking firms in Nigeria. This confirms the fact that employees are more effective and efficient in discharging the tasks assigned to them. Better work techniques, methodologies of carrying out the tasks for effective completion are devised by employees and introduced and effectively implemented. There is development of self-efficacy and confidence by the staff of the banking firms to carry out task effectively. Absenteeism, job turnover, lateness to work has now become the thing of the past. Employee behaviors are now modified and reshaped in conformity with the work expectations, work norms and ethical standards. Fraudulent attempts and acts are reported accordingly and unethical behavioral trends are discouraged and extinct by employees. This agrees with the news of Luthans (2002) who emphasized that workplace behavior is a pattern of action by the members of an organization that directly or indirectly influenced organizational effectiveness. The workplace behaviors range from performance, absenteeism, turnover and organizational citizenship. Nigerian Banking firms that are goal oriented are seeking to enhance high performance, high turnover and citizenship behaviors.

Griffins (1997) assert that performance behaviors are the total set of work-related behaviors that the organizations expect the individual to display. With good training and development by banking organizations, high performance will be recorded by the organization. Employee will acquire needed skills, modify behaviors and be highly knowledgeable to discharge task. Mullins (1996) confirms that the purpose of training is to improve knowledge and skills and to change attitudes. He further stressed that;

i. Training will increase the confidence, motivation and commitment of staff.
ii. Provide recognition, enhanced responsibility, and the possibility of increased pay and promotion.
iii. Give a feeling of personal satisfaction and achievement, and broaden opportunities for career progression.
iv. Help to improve the availability and quality of staff.

Therefore training is a key element of improved organizational performance. It helps to reconcile the gap between what should happen and what is happening between desired targets or standards and the actual level of work performance. With this strategy, absenteeism and turnover is discouraged by employees.

The implication of the finding is that, the commercial banking firms in Nigeria should periodically organized training and development programmes aimed at improving employee skills and modifying their behaviours. This will enhance organizational productivity. This may also entails having an adequate financial budget to ensure the possibility of organizing the training and development programme as derived from the findings to attract the enormous benefits the banking firms stand to obtain form it.

In the test of Hypothesis two (2), the study revealed that Training and Development programmes and strategies have enhanced employee skill acquisition in the commercial banking firms in Nigeria. This is shown in the regression value which indicates R to be 0.903 indicating that Training and Development strategies have enhanced employee skill acquisition. The Anova table shows that the independent variables are statistically significant $F(4, 393) = 434.786$, $P < 0.05$. In this case we reject the Null hypothesis which states that, Training and Development strategies have not enhanced employee skills and knowledge in commercial banking firms in Nigeria. This confirms the view of Robert Katz (1974) and Fayol (1930) who in their respective research endeavors noted that every manager needs three basic kinds of skills which can be acquired through Training and Development. These are (i) Technical skills (ii) Human skills (iii) Conceptual skills

Technical Skills are the ability to use the procedures, techniques, and knowledge of a specialized field. Surgeons, engineers, musicians and accountants all have technical skills in their respective fields acquired through Training and Development programmes.

Human Skills is the ability to work with, understand, and motivate other people as individuals or in groups.

Conceptual Skills is the ability to coordinate and integrate all of an organizations interests and activities. It involves seeing the organization as a whole, understanding how its parts depend on one another, and anticipating how a change in any of its parts will affects the whole. Fayol and Katz suggest that although all three of these skills are essential to a manager, their relative importance depends mainly on the manager's rank in the organization.

Technical Skills is not important in the lower levels. Human skills, although important for managers at every level, is the primary skills needed by middle managers, their ability to tap the technical skills of their subordinates is more important than their own technical proficiency. Finally, the importance of conceptual skills increases as one rises through the ranks of a management system. At higher and higher organizational levels, the full range of relationship, and the organizations place in time, are important to understand. This is where a manager must have a clear grasp of the big picture. All these skills require adequate training and development for its proper acquisition by employees. In a nutshell, a skilled employee is generally very productive. The employee who has the necessary skills for his job sees himself as a professional and acts accordingly. He needs little supervision, takes pride of accomplishment and looks forward to a successful career in the organization.

The implications of the finding is that, highly competent based professionals/resource personnel, consultants from KPMG, Auther Anderson, Price Water House, Coopers and Leybrands be engaged by the commercial banking firms for constanttraining and development to facilitate adequate skills acquisition by the employees of the banks. This will pave way for sound operations and attainment for growth, survival, market share growth, expansion, and profit attainment.

In the test of Hypothesis three (3) it is revealing that Training and Development have impacted on the employee of the commercial banking firms in Nigeria by modifying their behavior and their work attitudes. The value of 0.807 of the regression model reveals so and the Anova table shows that the independent variable are statistically significant F (2, 395) = 369.309, $P< 0.05$. This confirms the views of Sev (2003), who opines that in spite of advances in technology that have made possible today unmanned branches of banks, human resources remains not only the most critical factor in the operations of banks but often, the biggest contributor to operating costs. In view of this, there is need to get the best out of these resources and training on manpower development may greatly assure this. Training will not only make staff more efficient but could contribute significantly to desired attitudinal changes required to count and retain customers and return them into clients; on this regard, it is instructive to recount the remarks of two (2) United State of American Presidents:-

Manpower is the basic resource. It is the indispensable means of converting other resources to mankind's use and benefit. How well we develop and employ human skills is fundamental in deciding how much we will accomplish as a nation. The manner in which we do so will more over profoundly determine the kind of nation we become by President John, F. Kennedy. “God says everything at the price of labour” (Bill Clinton, 1993). “Let's make education our highest priority” (Bill Clinton, 1996).

Buchanan and Huczynski (2004) maintain that attending Training and Development by employees will help develop new skills to checkmate undesirable workplace behaviors which need to be eliminated. They further elaborated that; behavior of employees can be modified using techniques such as positive reinforcement, punishment and extinction. Yalokwu (2006) suggested additional strategies for behavior modification as sensitivity or T-group training, transactional analysis.

The implication of the findings is that organizations management/human resources department should encourage the application of behavior modification techniques/strategies to be used by bank to checkmate undesirable behavior, sharp practices, fraudulent acts that will subvert the attainment of the organizational goals such as profit attainment, growth, expansion, market share growth, return of investment amongst others. This will promote the adoption of ethical standards that will yield prudence and sanity in all manner of organizational transactions.

6. Conclusions and Recommendations:

Staff Training and Development are related processes which no organization can afford to ignore. All organization including commercial banking firms needs to train their staff and at the same time develop them for maximum utilization. Organization that adopts this will benefit from skill development of her employees, attitude modification, better education of her employees aiding her staff to assume more tasks and responsibilities thus helping them to realize their full potentials, have turnover rates of employees, and boost their morale by making them have more confidence in their abilities to perform and it also leads to better coordination of resources i.e human, material, financial resources aimed at achieving organizational goals. The research therefore recommends as follows:-

1) Firstly, the executive management of the commercial banking firms in Nigeria should understand that, training and development is the life wire and blood of the organization hence it enhances skill development, attitude modification, it facilitates employees ability to perform their duties effectively resulting to lower turnover rates, increase productivity, staff morale, motivation and promotion to staff amongst others, so it should be periodically organized for staff. This entails having a schedule/calendar for the purpose for all categories of staff.
2) The executive management of the commercial banking firms in Nigeria should have a standing policy that addresses the issues of training and development. This will require that consistent evaluation and review of training manuals, methodologies that confirm to standards of globalized frauds by the Human Resource Department to be carried out or performed to establish areas where gaps or need in training and development exist by checking the actual performance of banking organizations and the people against existing standards, determine the current state of skills, knowledge and abilities of employees against the organizational goals, constraints, identifying priorities, causes of performance problems or opportunities, growth opportunities etc. this if adopted will enhanced attainment of the organizational goals and objectives.

3) The executive management of the commercial banking firms in Nigeria should also ensure that operational analysis, organizational analysis, individual analysis is periodically carried out to determine training and development needs in areas of skills inadequacy, knowledge gap, attitude, behavioral aspects to warrant proper training and development hence customers of the bank needed to be treated with absolute care in order to attract higher market share and profits.
4) Emphasis on E-products training and development is crucial for commercial banking firms in Nigeria that want high level of sustainability and competitive advantage. This is critical for the growth of the banking firm.
5) Review of training and development of employee progress be made bi-annually by the executive management of the commercial banking firms in Nigeria to see areas of success, defects and deviations in expectation to warrant corrections as early as possible.
6) The training and development of employees by commercial banking firms in Nigeria should emphasis changing trends in technology, behavioral norms, processes, structures, systems and innovations in all ramifications to warrant success and possible attainment of organizational goals.
7) Training and development of employees by commercial banking firms in Nigeria should encourage commitment and attainment of mission and vision of the organization and discourage compromising behavior of employees.

Contribution to Knowledge:

It is clearly manifest from empirical research conducted that commercial banking organizations on a periodic basis needs to conduct and carry out a need assessment on training and development by carrying out performance gap analysis, identifying areas of priorities and importance for training, identifying causes of performance problems and/or opportunities, and identifying possible solutions and growth opportunities, operational analysis, organizational analysis and individual analysis were suggested.

The study also contributed in the light that training commercial bank staff in the area of Information Communication Technology (ICT), E-products will enhance sustainability and competitive advantage and will lead to attainment of greater market share, growth and profit attainment of the banks in the current era of globalization hence this will improve their skills for quality service delivery and better operational mechanism.

References

1. Akinwale, A.E.J (1999). *Human Resource Management*. An Overiew; Lagos: Concept Publications Ltd.
2. Armstrong, M. (2009). *Armstorng's Handbook of Human Resource Management practice.* 11th Edition; Philadelphia: Kogan page publishers.
3. Arora, K. C (2009) *Total Quality Management.* New Delha: S.K Kataria and Sons publishers of Engineering and Computer Books.
4. Baridam, D. M (2001).*Research Methods in Administrative Science.* Choba-Port-Harcourt, University of Port Hracourt Publishing House.
5. Buchanan, D and Huczynski, A. (2004). *Organizational Behaviour:* An Introductory Text. 5th Edition, Harlow: F7 Prentice Hall Financial Times.
6. Cole, G.A (2004) *Personnel and Human Resources Management*. 5th edition; London: ELST publishers
7. Dessler, G. (2011). *Human Resource Management*. 12th Edition, Boston: Pearson publishers.
8. Drucker, P. (1973). *Management: Tasks, Responsibilities, Practice.* New York: Harper and Row publishing.
9. Everitte, B. S. (2006). *The Cambridge Dictionary of Statistics.* 3rd Edition, New York: Cambridge University Press.
10. Fayol, H. (1930). *Industrial and General Adminisration,* J.A. Coubrough, trans. (Geneva: International Management Institute).
11. Griffins, R.W (1997). *Management.* 5th Edition; New Delhi: A.I.T.B.S. Publishers and Distributors (Regd).
12. Inyang, B.J. and Akpama, A.M. (2002). *Personnel Management practice in Nigeria*. 1st Edition; Calabar; Merb Publishers.
13. Katz, R.L. (1974). “The skills of an Effective Administrator” *Harvard Business Review,* Sept-Oct 1974, p90-102.
14. Luthans, F. (2002). *Organizational Behaviour,* 9th Edition; Boston:McGraw-Hill Higher Educational Publishers.
15. Magginson (1986). *Management: Concepts and Applications.* New York: Harper and Row.
16. Mali, P (1978) *Improving Total Productivity.* New York: John Wiley and Son Publishing Company, Inc.
17. McFarland, D.E (1969). *Personnel Management Theory.* Stammers, R. and

Patrick, J. (1975), "the Psychology of Training", London: Methen publishers.

18. Mullins, L. J. (1996) *Management and Organizational Behavior.* 4th edition; London: Pitman Publishing.
19. Nwachukwu, C. C (1980). Supervision and Produvtivity in Nigeria Organizations. The *Journal of Management Studies*, University of Ghana, Vol.2, N0.1, March 1980.
20. Nwachukwu, C. C (2007) *Management Theory and Practice*: Revised Edition; Onitsha: African First Publishers Limited.
21. Nwachukwu, C.C. (2011). *Human Resource Management.* 2nd Edition; Port Harcourt: Davidstone publisher Ltd.
22. Ojo, F. (1998). *Personnel Management: Theories and Issues,* Lagos: Ponaf Publishers.
23. President Bill Clinton, 1996. Election TV Advertisement.
24. Richard, B (1969). Organizational Development Strategies and Model. *Reading Journal,* 114.
25. Robbins, S. P. (1998). *Organization Behaviour: Concepts, controversies and Application.* 8th edition, Upper Saddle River, New Jersey: Prentice hall International.
26. Rouda, L. and Kusy, R. (1995). The productive Egde: How productive Edge: How U.S Industries are pointing the way to a new Era of Economic growth. W.W Norton and company: New York, pp191-257.
27. Sev J. T. (2006). *Organization Behaviour: Concepts and Application.* Revised Edition; Makurdi: Traces Publishers.
28. Sev J. T. (2011). The practice of *Human Resource Management.* 1st edition; Makurdi: Oracle Business Publishers.
29. Sev, J.T (2013). *Management: Theory and Practice.* 1st edition, Makurdi: Seron Press.
30. Sev, J.T (2013). Promoting a Healthy Banking Culture in Nigeria, *Journal of Economic and Management Studies,* Vol, 1, No, 1, July-December, 2003.
31. Torrington, D. Hall, L. and Taylor, S. (2005). *Human Resource Management.* 6th edition; England; FT Practice Hall.
32. Tyson, S. and York, A (2000). *Essentials of Human Resource Management*. London: Prentice Hall Publishing.
33. Ubeku, A. (1975). *Personnel Management in Nigeria.* Benin City: Ethiopia Publishing Corporation.
34. Udeze, J.O (2000). *Human Resource Management in Nigeria*. Enugu: Hugotez Publication.
35. Wright, P. M and Noe, R. A (1996). *Management of Organizations*; Boston: USA: Irwin McGraw Hill Publishers.
36. Yalokwu, P.O (2006) *Fundamentals of Management.* 2nd Edition; Lagos; African Centre for Management Education.

Appendix

Research Questionnaire

Department of Business Management,
Faculty of Management Sciences,
Benue State University,
Makurdi, Nigeria, West African.

30th March, 2017.

Dear Sir/Madam,

Here is a questionnaire on: Training and Development Strategies: Approaches for Performance enhancement in goal oriented firms (A Survey of Commercial Banking firms in Nigeria).

You have been chosen as one of the respondent in this study. You are therefore humbly requested to supply honest and sincere answers and responses to the questions by ticking as appropriately as you can in the boxes/space provided.

Questionnaire

1). Your Commercial banking firm have benefitted from the Training and Development programme such as workshop, conferences, case study analysis, secondments, coaching etc leading to productivity?

a) Strongly Agree (SA) [ ]
b) Agree (A) [ ]
c) Undecided (U) [ ]
d) Disagree (D) [ ]
e) Strongly Disagree (SD) [ ]

2) Training and Development programmes have enhanced employee skill acquisition (i.e technical, conceptual, human and design skill) knowledge in Commercial Banking firms in Nigeria?

a) Strongly Agree (SA) [ ]
b) Agree (A) [ ]
c) Undecided (U) [ ]
d) Disagree (D) [ ]
e) Strongly Disagree (SD) [ ]

Creating a Culture of Performance in Organizations through Organizational Change: An Empirical Study

Nwamaka P. Ibeme (Ph.D)
Faculty of Management Sciences
National Open University of Nigeria
emails: nibeme@noun.edu.ngmakspals@yahoo.com

pp 94-103

Abstract

This study examined the strategies for creating a culture of performance in organizations through organizational change management in Nigeria. A survey research design was adopted for this study with National Open University of Nigeria as the study focus. The population of the study was 1,401 comprising principal officials, deans and directors of faculties, academic and administrative staff and students of the university. A sample size of 300 was drawn using Cochran's finite population correction technique, while stratified and simple random sampling techniques were used to select the respondents for the study. Structured questionnaire on a five point Likert-type scale was used to gather the required data. Descriptive statistics was used to analyze the data, while the hypotheses were tested using a parametric statistical tool (ANOVA), all with the aid of Excel spreadsheet and E-views 7.0. The findings of the among revealed that organizational culture, internal structure, technology, and environments play significant role in the efforts aimed at creating a culture of performance in organizations through organizational change management. The study therefore recommends among others that strategic sensitization of employees to re-orientate them against resistance to proposed change be carried out frequently. Also HRM interventionist measures such as training, motivation, clear job description and participatory leadership style be institutionalised in the university.

Keywords: change management, internal structure, organizational change, culture of performance.

Introduction

For some time now, universities in Nigeria has remained an endangered species generally characterized by poor government funding, static or non-dynamic organizational culture, overreliance on obsolete technology, poor technical know-how, poor managerial capability, very poor internal structure, and poor operating environment, among other debilitating factors. The foregoing has led to universities being characterized by poor capacity utilization (generally less than half of installed capacity). As a consequence of the foregoing, the contribution of the universities in Nigeria to academic excellence has been declining over the years particularly since the mid 1980s.

National Open University of Nigeria was established in 1983 as an ODL institution and operates outside the norms of the conventional universities in Nigeria. Yet as an organization it has its challenges. The aim of organizational change is to enhance group outcomes, including effectiveness or performance in organizational setting (Ra him, 2002). That is creation of culture of performance through the application of organizational change management. Owing to a number of factors notably lack of adequate managerial know-how, lack of funds and its associated lack of the political will to acquire modern technology, lack of periodic training and re-training of staff and hostile and generally unconducive operating environment, most universities in Nigeria fail to effectively manage organizational change in their institutions toward success. The first consequence of the foregoing has found expression in poor organizational culture, staff resistance to change, inability to compete favorably at the domestic and international markets, poor performance or complete collapse on the part of the affected institution.

Much more worrisomely, not enough attention of previous researchers on organizational behavior in Nigeria has been focused on the role of organizational change management in attaining organizational performance in Nigeria universities. As a consequence, therefore, there has not been enough research documents available for consultation on the part of current researchers on the topic of this study. This is another problem this present study has to contend with. The broad goal of this study is to examine the role of and strategies for creating a culture of performance through organizational change management in universities in Nigeria. The study, however, pursued the following specific objectives:

1. To examine the impact of organizational culture on creating a culture of performance in organizations through organizational change management.
2. To assess the role internal structure plays in the effort aimed at creating a culture of performance in organization through organizational change management.
3. To explore the role technology plays in the effort aimed at creating a culture of performance in organizations through organizational change management.

Research Hypotheses

The following research hypotheses were put forward for test by the study:

H_{o1}: Organizational culture does not play any significant role in the efforts aimed at creating a culture of performance in organizations through organizational change management.

Ho_2: The internal structure of an organization plays no significant role in the efforts aimed at creating a culture of performance in organizations through organizational change management.

Ho_3: Technology plays no significant role in the efforts aimed at creating a culture of performance in organizations through organizational change management.

National Open University of Nigeria (NOUN)

The NOUN was established by an Act of parliament NOU Act of 1983 as an Open and Distance Learning institution but its activities were suspended in 1984.NOUN was resuscitated in 2003 as the only single mode open and distance learning (ODL) institution in Nigeria to increase access to tertiary education in a cost-effective way. It is also the foremost university in Nigeria that provides highly accessible and enhanced quality education and this, according to the university's motto, is anchored by social justice, equity and national cohesion through a comprehensive reach that transcends all barriers (NOUN Vision Statement, 2006, 4) and "To provide functional cost effective, flexible learning which adds life-long value to quality education for all who seek knowledge" (NOUN Mission Statement; 2006, 4). NOUN gives access and equal opportunity to quality education for all and life-long learning for the teaming population of Nigerians desiring university education but whose desires could not be met by the conventional universities or those who prefer the ODL due to the nature of their work or peculiar circumstances. NOUN provides instructional resources via an intensive us of information and communication technology for the learners.

Conceptual Framework

Organizational Culture

The culture of an organization is that set of beliefs and expectations shared by organization members, which produce norms that shape behavior. Behavior takes the form of styles of action which typically reflect responses that have proven successful in the past (Schwartz Davis, 2011). The culture of an organization binds it together and differentiates it from other groups. At the macro level, we can identify the broad outlines of the dominant organizational culture that public managers share.

Organizational culture is different from world cultures, those tapestries of shared histories, languages, beliefs, and foods, which are the source of our identity. Our personal culture affects how we marry, how we raise our children,, how we celebrate events and how we mourn death. Organizational cultures are not so encompassing, lacking the broad links that help define how we understand ourselves among others. This weakness also implies that organizational cultures are dynamic. The good news is that organizational cultures can adapt and change to new influences quickly (LaGuardia, 2008).

Organizational cultures are interpretive; differences among the cultures of agencies may exist. These differences might take the form of degree of stress give to these general values, or emerge as values represented in some agencies and absent in others. Because organizations are made up of individuals with different talents, personalities, and goals, the organization will have a distinct culture. Some aspects of this culture change when the personnel do; other aspects seem to be fixed and enduring. The anatomy of an organization's culture – how the business functions on a day-to-day basis – can strongly influence that organization's potential for success or failure. In addition, the ability of an organization and its leaders to "cope with change and encourage innovation also impacts its mission effectiveness" (LaGuardia, 2008:113).

Organizational Change

Organizational change refers to any significant alteration of the behaviour pattern of a large number of the individuals who constitute an organization (Dalton, 2008). But to understand the nature of organizational change, managers need to look beyond human factors alone (O'Toole, 2009.) Organizational culture and climate, as well as structure, technology and environment will all be represented in models guiding managers who successfully produce change. The point is that organizational change occurs at three district levels: individual level (micro level), group level (meso level) and organization level (macro level) (Barnard and Stoll, 2010).

Basically, the term organizational change is about significant change in the organization which could either be reorganization or adding or removing new product or service. Organizational change can be viewed from its different forms or dimensions: planned versus unplanned, radical (transformational) versus incremental, reactive versus proactive, remedial versus developmental changes.

Organizational Change Management

Korir, Mukotive, Loice and Kimeli (2012) defined organizational change management as the effective management of a business change such that executive leaders, managers and frontline employees work in concert to successfully implement the needed process, technology or organizational changes. While Moran and Brighton (2011) defined change management as the process of continually renewing an organization's direction, structure and capabilities to serve the ever changing needs of external and internal customers, Burnes (2014) like many others scholars asserted that change is an ever present feature of organizational life, both at the operational and strategic levels. Due to its importance, change management is becoming imperative and needs appropriate managerial skills and strategy. For a firm to survive, succeed, and remain competitive in today's highly volatile and continuously evolving business environment, it must be able to successfully manage change, which is, actually, a necessity. Even though there has not been consensus as to the framework for organizational change management, there seems to be an agreement on two important issues. One, there is a consensus that change, being triggered by internal or external factors, comes in all shapes, forms and sizes (Balogun and Hope-Hailley, 2010; Burnes, 2014;Carnall, 2013; Luecke, 2003) and second, it is agreed that the pace of change is greater now than in the previous business environment (Balgun and Hope-Hailley 2010; Burnes 2014;Cranall, 2013; Noran and Brighton, 2011).Against a background of rapid technological development, a growing knowledge workforce and the shifting of accepted work practices, change is becoming an ever-present feature of organizational life (Burnes, 2014)

One of the most influential perspectives within what are known as planned approaches to change is that of Lewin (1952, in Elrod II and Tippett, 2002) who argued that change involves a three-stage process: firstly, *unfreezing* current behaviour; secondly, *moving* to the new behaviour; and, finally, *refreezing* the new behaviour. Minimising barriers to change and maximising the opportunities of a change effort are accentuated in the *unfreezing* process. In the *moving* stage, recognition of need for change and the acceptance of change have to take place in the workforce. Accordingly, managers as change agents are expected to restore or reinforce the new system actively with all employees in the refreezing step. This simple three-step model explains the importance of implementing successful change by unfreezing the existing situation, followed by change movement and making the new behaviours and norms absolute (Chew, Cheng and Petrovic-Lazarevic, 2006).

The three-step model was adopted for many years as the dominant framework for understanding the process of organizational change (Todnem,2014). Since its formulation, the theory has been reviewed and modified, with stages being divided to make exploration that is more specific, planning, action and integration.

Despite its popularity, Lewin'soriginal theory has been criticised for being based on small-scale samples, and more importantly the fact that it is based on the assumption that organisations act under constant conditions that can be taken into consideration and planned for. As a consequence of such criticisms, an alternative to 'planned approaches' to organisational change was developed that is known as the 'emergent approach' (Barnard and Stoll, 2010:3). The emergent approach to organisational change sees change as being so rapid and unpredictable that it cannot be managed from the top down. Instead, it is argued that change should be seen as a process of learning, where the organization responds to the internal and external environmental changes. Todnem (2014:19) suggests that this approach is more focused on "change readiness and facilitating for change" than for providing specific pre-planned steps for each change project and initiative. Despite not advocating pre-planned steps for change, several proponents of the emergent school have suggested a sequence of actions that organizations should take to increase the chances for change being successful (Kotter, 2006; Kanteret al., 2012;Luecke, 2003). Although they vary in terms of number and type, a set of suggested actions are shared, including creating a vision, establishing a sense of urgency, creating strong leadership, and empowering employees. Although many of these points might be seen as commonsense, research shows they are often overlooked, ignored or underestimated by change leaders, (Kotter, 2006; Fernandez, 2006).

A key assumption underlying emergent theories is that in order to respond to change, managers must have an in-depth understanding of the organization, its structure, strategies, people, and culture. Understanding these will allow managers to choose the most appropriate approach to change and identify the factors that might act as facilitators or barriers to the change (Burnes, 2014). This focus on the organization as a whole entity when considering change in line with the increasing prominence of organizational development (OD) as a framework for thinking about change. Holbeche, an expert in the OD field, explains that this rapidly developing discipline looks at "the total system and the linkage between all the parts of the organization, and at how change in one part will affect the other parts" (Holbeche, 2009).

The emergent approach is itself not free from critics who question the usefulness of the broad-natured action sequences, and their application to unique organizational contexts. Others have suggested a more "situational" or "contingency" approach, arguing that the performance of an organization, managers' responses and strategies for change will also have to vary (Dunphy and Stace, 2013). However, this in turn has been criticised for overemphasising the importance of situational variables, and implying that there is no role for managers of the organization.

Theoretical Framework

This study is anchored on theory of Diffusion of Innovation (DOI).The DOI theory seeks to explain how, why, and at what rate new ideas and technology spread through cultures. This theory was developed by Gabriel and Rogers (professors of rural sociology), who popularized the theory in their 1962 book, *Diffusion of Innovations*. He said that diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. Rogers explained the process of innovation diffusion as one which is dictated by uncertainty reduction behavior amongst potential adopters during the introduction of technological innovations. Innovation Diffusion Theory (IDT) consists of six major components: innovation, characteristics, individual user characteristics, adopter distribution over time, diffusion networks, innovativeness and adopter categories, and the individual adoption process. Arguably, the most popular of the six components of IDT centers on the characteristics of the innovation itself. After analyzing a variety of previous innovation diffusion studies, Rogers singled out the five characteristics of innovations that consistently influence the adoption of new technologies.

Managing Change in Organizations

Change management strategy refers to the techniques adopted to effectively manage change in an environment experiencing change dynamics so as to embrace change and direct it towards positive contribution of a given organization (Warrilow, 2010). Before any strategy is adopted, the organization must know its strengths and weaknesses, opportunities and threats (SWOT), their customers' needs and the nature of the environment in which they operate. A SWOT analysis can be used to benchmark an organization's performance against a range of internal and external competitors (Camp, 2009).

Change usually involves the introduction of procedures, people or ways of working which have a direct impact on the various stakeholders within an organization. The key to successful change management lies in understanding the potential effects of a change initiative on these stakeholders. Will employees be scared, resistant, pessimistic or enthusiastic about your proposed changes? How can each possible reaction be anticipated and managed? As you begin to think about any kind of significant change, be aware how the change will impact others in your organization and your customers. A new vision, set of driving values, mission or goals constitute significant change. So do new performance standards, new policies or procedures, a new significant change. So do new performance standards, new policies or procedures, a new computer equipment installation, or a relocation of your business (Hemamalini Suresh, 2001).

Based on the foregoing, researchers have identified a number of crucial steps that need to be taken towards effective management of organizational change to achieve a culture of performance. Prominent among these steps are briefly discussed below.

1. Managing resistance to change:

Though we all rationally recognize that progress means change, and that we all need to progress, but not even the prospect attaining benefits from change would make everyone ready and willing or be able to embrace change. On the contrary, it is widely believed that most would resist change. Duck (2003:119) posits that "change is intensely personal" and Pietersen (2012:9) reckons that " for many people, the spectre of change produces what is sometimes called the factor-fear, uncertainty and doubt". Since change is widely accepted as almost always top-down induced by the management, those being managed would also almost always resist change, imposing an imperative for managers to overcome the resistance before it could bring the change forward.

Resistance to change is often understood from the management standpoint as a perceived behaviour of organization's members who refuse to accept an organizational change (Cheng &Petrovic-Lazarevic, 2004; Coghlan, 2013). It is also defined as a multifaceted phenomenon, which introduces unanticipated delays, costs, and instabilities into the process of a strategic change (Ansoff, 2008). Bemmels and Reshef (2001) understand it as any employee actions attempting to stop or delay change. Resistance to change is a human condition. Every human being and consequently every organization exists in a current reality; an understanding of themselves and a level of comfort with their current situation (Thomas, 2014). Bringing new skills or knowledge into a company is not always easy. People fear change so management should oversee thisintegration, and smoothen the way by keeping everyone aware of the company's objectives and hownew competencies have valuable part to play.

One strategy for reducing resistance in employees mentioned frequently in organizational change literature is to involve the employees in the change or to empower them to make changes themselves. Empirical studies have supported the efficacy of this strategy for successful implementation of change, especially within the public sector (Warwick, 2005; Denhardt and Denhardt, 2009;Poister and Streib, 2010). However, employee involvement alone is not sufficient with managers still playing a critical role encouraging and rewarding innovation and expressing support for the change (Thompson and Sanders, 2007).

Kotter and Schesinger (2009) have proposed a more emergent view to tacking employee resistance, stating that the circumstances of the change and the content of th change itself will vary largely between organisations and that this should determine the appropriate response. They outline a number of approaches, describing who and when to use them to reduce resistance, and details the advantages and drawbacks of each. These approaches range from sensitization, participation, facilitation (training and support), negotiation and coercion.

2. Human resource management (HRM) interventionist actions.

As the world is becoming more and more competitive, volatile than we could ever imagined, organizations either manufacturing or service based are seeking to gain competitive advantage and turning to more innovative change sources through human resource management interventionist strategies. These strategies have defined as systems that attract, develop, motivate and retain employees to ensure the effective implementation of necessary changes and the survival of the organization and the members. These interventionist strategies are also referred to as set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives (Delery and Doty, 2006). In the same vein, Minbaeva (2005), viewed the human resource management practices as a set of practices used by organization to manage human resources through facilitating the development of competencies that are firm, specific, produce complex social relations and generate organization knowledge to sustain competitive advantage. Human resource management practices can generate increased knowledge, motivation, synergy and commitment of a firm's employees, resulting in a source of sustained competitive advantage for the firm (Hislop, 2003).

The followings are the interventionist strategies and roles of human resource management in successful change management.

(a) Staffing: Organizational change can lead to the need for the human resource department to focus on staffing issues. Organizations undergoing rapid growth may need to add more employees, so human resource may have to focus on expanding its recruiting base or restructure compensation programme to attract more talented workers. A company in decline may require human resource to develop severance packages and carry out employee terminations. Also, human resource workers may have to alter job descriptions for the remaining workers if the layoffs result in a change in job functions.

(b) Allaying or Dispelling Unsounded Fears: Organizational change often creates fear and uncertainty for workers, thus, human resource may need to take steps to alleviate these fears. For example, when a smaller business is purchased by a large company, the process can create apprehension for workers regarding their ability to adapt to new processes and procedures, even whether their jobs may be in jeopardy. This may require the human resource department to assume a public relations role by pointing out the potential benefits of new arrangement, such as enhanced fringe benefits program me, and providing reassurance that jobs are safe, as long as this is the case.

(c) Strategic Communication: Organization change is often a time of widespread confusion, resulting in the need for the human resource department to open the channels of communication with employees. Not only that, keeping employees informed about what to expect during each step of the change process through methods such as written communications and possibly group meetings is necessary. The feedback can let human resource know how well change are being received and whether adjustments may be necessary. Also, effective communications that informs various stakeholders of the reason for change, the benefits of successful implementation as well as the details of the change will aid successful change management.

(d) Designing Good Plan: When top management makes employees aware of a pending change, such as a business expansion requiring the need to hire more workers, the human resource department needs to work with management to develop a plan to implement the change effectively. For example, it can be difficult to effectively recruit and train a large number of workers at one time. Instead, management and human resource can work toward a solution where workers are hired at intervals to ensure a comprehensive vetting process and thorough training.

(e) Integrating the Existing Human Resource Systems: There is the need to incorporate human resource function that will allow a common human resource framework and ensure uniform implementation of same across the organization. The period of integration will include activities such as planning, designing and communicating the human resource programmes and practices to be implemented across the organization and ensuring their effective

(f) Implementation at all levels in the organization. Again, integrating the existing systems include developing a common human resource policy manual that will work for the new entity. The manual include policies on work systems, business conduct guidelines, office timings, leave, travel, benefits, exit, e.t.c

(g) Designing Appropriate and Clear Job Descriptions: Detailed job descriptions need be developed for unique roles in the organization across departments for employees in the new dispensation to understand the nature of their roles and the responsibilities that they will be accountable for in order to ensure the smooth operations of the business. The job descriptions could be prepared by conducting job interviews with specific job incumbents with respect to their primary and secondary responsibilities including actions that they are directly responsible for. Thus, data generated are then used to develop the role and responsibilities document.

3. Sustenance of the Change Already Implemented

Implementing new practice is one element of changing organizations; however, evidence suggests that 'initiative decay', where gains made from change are lost from the abandonment of new practices, is widespread (Buchanan et al., 1999:2013 Doyle et al., 2000:89). As a result, considering how to sustain change is clearly a crucial component of the change management process. Surprisingly, though, while implementing change has been the subject of considerable research and theory, relatively little research has been carried out on the issue of sustainability. Buchanan et al.(2005:56) argued that this is due to the expense of longitudinal research,as well as the generally negative perception of stability as "inertia" and a lack of responsiveness to the changing environment. Drawing from past evidence, several authors have identified eleven (11) factor that affect sustainability of change and concluded that the more these factors are addressed, the better.

Methodology

The empirical method adopted by this study for collection of primary data was cross-sectional field survey. The instrument used in the said survey was structured questionnaire comprising 15 close-ended items:6 the demography of the respondents and 9 on the research constructs of the subject –matter of the topic of the study which centered on organizational change (independent variable)and culture of performance (dependent variable). Prior to going to the field with it, they said questionnaire was at first piloted at two departments of the study area suing 9 target respondents and was later subjected to a reliability and validity tests with a view to ascertaining the questionnaires internal consistency and validity index respectively. The result of the said tests showed that the Cronbach's alpha coefficient (CAC) and content validity index (CVI) of the research constructs averaged 0.86and 8.2 respectively. These were considered high enough and therefore, appropriate for the study, hence the use of the said questionnaire in the field.

The population for the study was 1,401. Out of this population, a sample of 303 was drawn using Cochran formula. Out of 303 questionnaire, 300 were returned well completed, while 2 (0.7%) and 1 (0.3%) were rejected and not returned at all respectively.

In analysing the data, the responses of respondents were first extracted from the questionnaire, coded, and fed into Excel spreadsheet. The data were then exported into a statistical package for social scientists (SPSS) software program known as E-views 7.0. Furthermore, the three research hypotheses earlier on put forward were subjected to empirical tests using a parametric statistical tool known as repeated one-way Analysis of variance (ANOVA).

The following decision rule guided the tests.

1. Reject the null hypothesis where the calculated E-value is greater than the theoretical (Table) F value at 0.05 level of significance (ie $F>F_{0.05}$), then accept the alternate hypothesis and where the
2. Accept the null hypothesis where the calculated F value is less than the theoretical (table) value at 0.05 level of significance (ie $F<F_{0.05}$), then reject the alternate hypothesis

Results and Discussions

This study investigated the strategies for creating a culture of performance in organizations through organizational change management in National Open University of Nigeria. Analysis was done at five percent level of significance. The results of the analysis are presented herein beginning with that of the demographics of the respondents which revealed that 190 of them which constitute 63.3 are males, while 110 (36.7%) are females

Test of Hypotheses

H_{01}: Organizational culture does not play any significant role in the efforts at creating a culture of performance in organizations through organizational change management.

TABLE 1: ANOVA TABLE for Hypothesis No.1

	Sum of squares	Df	Mean square	F*	Sig.
Between Groups	8.882	3	2.961	13.772	.000
Within Groups	63.514	296	0.215		
	72.396	299			From table $F_{0.05}$ = 2.60 with V_1=3 V_2=296

Source: SPSS (E-views 7.0) Output; Field Survey, 2016

The analysis as depicted in table above shows that the calculated F-value is greater than the theoretical table F-value at 0.05 level of significance, with the latter is probability less than 0.05. that is F* (13.772 >F0.05(2.60).

This shows that the null hypothesis is rejected and the alternate type accepted. This means that organizational culture plays significant role in the efforts at creating a culture of performance through organizational change management. The foregoing finding is indeed in line with the previous opinions of O'Toole (2009) and LaGuardia (2008) who had earlier argued that the culture of an organization plays prominent role among the factors that shape organizational change management in organizations.

H02: Internal structure of an organization plays no significant role in the efforts aimed at creating a culture of performance through organizational change management

TABLE 2: ANOVA Table for Hypothesis No.2

	Sum of squares	Df	Mean square	F*	Sig.
Between Groups	25.020	3	8.340	11.599	.000
Within Groups	212.948	296	0.719		
	237.968	299			From table $F_{0.05}$ = 2.60 with V_1=3 V_2=296

Source: SPSS (E-Views 7.0) Output; Field Survey, 2016

The ANOVA table above shown that the calculated F-Value is also greater than the theoretical (table) F-value at 0.05 significance level, with the former's probability being 0.000 which is less than 0.05 that F* (11.599> F0.05(2.60).

This, therefore, compels us to reject the null hypothesis and then accept the alternate type, which states that the internal structure of an organization plays significant role in the efforts aimed at creating a culture of performance through organizational change management. This finding is supported by the previous conclusion of Burnes (2014) and that of Balogun and hope- Hailey (2010) who had in their separate investigations found that among other factors, the internal structure and environment of any organization has significant impact on the overall effort aimed at ingraining performance values in its broad corporate through organizational change management.

H03: technology plays no significant role in the efforts aimed at creating a culture of performance in organization through organizational change management.

TABLE 3: ANOVA Table for Hypo thesis No. 3

	Sum of square	DF	Mean square	F	Sig.
Between groups	39.818	3	13.273	40.84	.000
Within groups	96.053	296	0.325		
	135.871	299			From table $F_{0.05}$ = 2.60 with V_1=3 V_2=296

Source:SPSS(E-views 7.0) Output; Field Survey, 2016

Table 3 above shows that the calculated F-value of the output is far greater than the theoretical (table) F-value at 0.05 significance level, with the former's probability of .000 less than 0.05. that is F (40.84) > $F_{0.05}$(2.60).by this result, we reject the null hypothesis and accept the alternate type, thus leading us to conclude that technology plays significant role in the efforts at creating a culture of performance in organization through organizational change management. This finding is no doubt in line with the opinion of Barnard and stroll (2010) who found that for an organization to remain competitive in the present ever-changing business environment, such organization must keep updating its technology and the stock of the technical skills of its employees.

Conclusion

"Change" has now become a regular feature of business life as part of the desire for increased organizational performance and the ever important need to satisfy stakeholders. It is the findings of this study that organizational culture, internal structure and environment of an organization, technology and the level of human resistance to change constitute the key factors for creating a culture performance through a process of organizational change management.

This being the case, successful management of the changes in technology is a critical factor to achieve any degree of long-term and lasting success as well as sustainability of the strategy to manage change. Also, effective management of change in customers taste would result in overall growth in the performance of the organization because customers are the reasons for profitable or profit oriented business establishment. Therefore, for change to succeed, the human aspect to change management must be successfully addressed in order to avoid resistance to change. Implementation of change often results in periods of organization tension because it involves moving from the known to the unknown and, therefore, risky, stressful and complex. However, it can be effective with participative style of management such as training employees on change during implementation which gives them knowledge, skills and expertise needed during the change process, hence, fostering quick and smooth implementation of the change. To improve performance, changes must be made to the organizations' process and system structures or job roles. However, managers should demonstrate strong leadership throughout the organization by spreading leadership and decision-making responsibilities in order to inspire and motivate employees to play an active role in implementing change thus improving the organizational performance. Lastly this study has provided some discussion on some issues which need to be considered and also suggested programme for implementing major changes based not merely on theoretical studies but on practical experiences.

Recommendations

Informed eagerly by its very objectives problems, and findings, this study therefore, makes a number of recommendations towards enthroning a culture of performance on the part of both the National Open University of Nigeria (NOUN) and its counterpart institutions in Nigeria and even beyond. Strategic planning should be viewed as a major first step realizing that change is not a single continuous process, but rather is broken down into a number of different steps. As part of the preparation towards designing a good strategic plan, the change manager should embark on extensive gathering of information and knowledge about the employees' attitudes to change and other factors likely to impinge on the proposed change.

In implementing the strategic plan, efforts should be made to implement a number of HRM interventionist strategies as it pertains to staffing, communication, motivation, and participatory leadership. Others are periodic reorientation, training and re-training in line with the proposed or the change being implemented.

Then the issue of resistance change management which is considered to be one of the most critical step in change management. As a first step in resistance management, managers need to consider the nature of the psychological contract the organization has with employees and how the changes they are introducing might alter its balance. Crucially, if the balance is altered, managers need to consider how to rebalance it if they want to avoid resistance that could undermine the process. However, the situation is further complicated by awareness that even where employees are not personally resistant to change, a wide range of other factors can prevent the change from taking place or being sustained and these too need to be taken into account.

Finally, in addition to embark on periodic restructuring of the internal structure and environment of the organizations and mustering the funds and political will to procure the latest technology in the organisation, managers of change should also implement and monitor the implementation and not go to rest after implementing the strategic plan for change. Instead they should go ahead to continually implement programs aimed at sustaining the current change.

References

Adeniji, A.A., Osibanjo, O.A. and Abiodun, A.J. (2015), Organizational Change and human Resource Management Interventions: An Investigation of the Nigerian Banking industry, European Journal of Organizational Behaviuor 5 (17), 113-134.

Ansoff Igor (2010) Th new corporate strategy John Wiley & Sons New York, USA

Barnard M. and Stroll N. (2010) organizational change Management: A Rapid Literature Review www.cubec.org.uk Accessed on May 23 2016.

Beckhard U. and Harris, A (2011), change management today, *Personnel Management,* 31 (7), 48 – 71.

Buchanan, D. Fitzgerald, L., Ketlley, D., Gollop, R., Louise Jones, J., Saint Lamont, S., Neath, A. ad Whitby. E (2013) 'Not going back: A review of the literature on sustaining organizational change', international journal of management reviews, 7,3, pp. 189-205

Buchanan, D., Cladon, T. and Doyle M (1999) "Organizational development and change: The legacy of the Nineties', *Human resource Management* 2, pp. 20-37

Cheng, Joseph S.L. and Petrovic-Lasarevic, Sonja. (2005b) The Flair of Resistance to Change: An Employee-Centred Perspective. *Monash University Faculty of Business and economics* Working Paper 9/05.

Cheng, Joseph S.L. and Petrovic-Lazarevic S.(2005c) Resistance to Change. Monash Business Review 1(1): 40-43.

Chew M.M.M. Cheng S.S.L. and Petrovic-Lazareric, S. (2006), managers' Role in Implementing Organizational changes; case of the Restaurant Industry in Melbourne Journal of Global Business and Technology 2 (1) Spring 58-67

Coghlan David. (2013) A person-centred approach to dealing with resistance to change.*Leadership & Organization Development Journal,* 14(14): 10-14.

Denhardt, R.B. and Denhardt, J.V. (2009) *Leadership for Change*: *Case Studies in American Local Government*. (Washington, DC: IBM Centre for the Business of Government)

Doyle, M., Claydon, T. and Buchanon (2010) 'Mixed results, lousy process: Contrasts and Contradictions in the management experience of change. *British Journal of Management*, 11, pp. 59-80

Duck, Jeanie D. (2003) Managing change: the art of balancing. *Harvard Business review,* 71(6): 109-118.

Dunphy, D and Stace, D., (2003) 'The strategic management of corporate change'. *Human* Relations 46, 8 pp 16-19

Fernandez R. and Rainey HG (2006) 'Managing

Successful Organizational Change in the Public Sectors' *Public Administration Review*, March/April, pp 168 – 176

Fernandez R. and Rainey HG (2012) 'Managing Successful Organizational Change in the Public Sectors: An Agenda for Research Practice', Public administration review, March/April, pp 168 v- 176 (2)

Kanter, R.M., Stein, B.A. and Jick, T.D (1992 (The Challenge of Organizational Change (New York: The free Press)

Kotter J.P. (2006) Leading Change (Boston, MA: Harvard Business School Press)

Kotter, J.P. (2005) 'Leading Change: Why Transformation Efforts Fail' Harvard Business Review, 732, pp. 59-67

Kotter, J.P. and Schlesinger, L.A (2009) 'Choosing strategies for change', Harvard Business Review 57,2, pp. 106-114

LaGuardia D. (2008), "Organizational culture and change" In Organizational Culture New York: Sage 112-116.

Lavasseur, Robert E. (2011) People Skills: Change Management Tools – Lewin's Change Model *Interfaces,* 31 (4): 71-73

Lewin, K. (1951). Field theory in social science. New York: harper and row.

Luecke, R (2003) *Managing Change and Transition* (Boston,, MA: Harvard Business School Press)

Lynn, B.D. (2012), Strategic HRM and Change Management, *Industrial Management,* 43,(4), 85-98

Maurer, Z.B (2013. (2013) Resistance to Change: A Toolket for Management, Harvard Business Review, 50 (3) 201-218.

Miller, T. and Friesen B. (2013) Change and Performance in the 21st Century, Harvard Business Review 51 (2), 219 – 226

Oreg S. (2006) 'Personality, context, and resistance to organizational change', *European Journal of Work and Organizational Psychology*, 15,1, pp. 73-101

Oreg S. (2013) 'Resistance to change: Developing an Individual differences measure', *Journal of applied Psychology*, 88, 4, pp. 587-604

Pietersen, Willie. (2012) The Mark train Dilemma: the theory and practice of change leadership. *Journal of Business strategy* 23 (5): 32-37.

Richard, D.E, Dong, M., LaGuardia, D, (2016), Organizational change Management and Corporate Performance, (*Harvard Business Review*, 49 (16),, 106-126

Robertson, T. and Seneviratne, K (2015), Organizational change and Boom in technological Development, *Industrial Management*, 43 (7) 102 - 121

Seel, Richard (2011) Anxiety and incompetence in the large group: A psychodynamic perspective. *Journal of Organizational Change Management*, 14(4): 493-503.

Strebel, P. (2014) Leadership, change, and Organizational Corporate Culture *European Journal of Organizational Behaviour* 30(7) 257 – 269

Thomas, O.O. (2014), change management and its effects on organizational performance of Nigerian Telecoms Industries. Empirical Insight from Airtel Nigeria, International Journal of Humanities Social Sciences and Education (IJHSSE), 1(11) November, 170-179.

Todnem R. (204) 'Organizational Change Management: A Critical Review', *Journal of Change Management* 5,4, pp. 369 -380

Waddell, Dianne (2011) SohalAmrik S. 1998. Residence: A Constructive Tool for Change Management. *Management Decision 36 (8): 543-548.*

Warrilow, M. (2010) Managing change London pitman Publishing

Effect of Forensic Accounting Evidence on Litigation Services in The Nigerian Judicial System

Daniel Orsaa Gbegi Ph.D
Department of Accounting and Finance
University of Agriculture, Makurdi
gbegidan@gmail.com

Ezekiel, Habila
Department of Accounting
University of Jos, Jos

pp 104-113

Abstract

The study examines effect of forensic accounting evidence on litigation service in the Nigerian Judicial system. Primary data were sourced through questionnaires, a descriptive and causal (cause-and-effect) research design adopted while Chi Square (X^2) test of significance was used for testing the hypotheses formulated. The findings revealed that forensic accounting evidence (documentary evidence, demonstrative evidence, physical evidence and oral evidence) has significance influence on litigation services in the Nigerian judicial system. The study recommended that Forensic accounting evidence should be constantly employ by the Nigeria court of law in other to positively enhance litigation services in Nigeria, and Forensic accounting oral evidence should be administer in the court of law and should be given by expert witness that has the training and communication skills such as forensic accountants.

Key Words: Forensic Accounting, Litigation Services and Judicial system.t, internal structure, organizational change, culture of performance.

INTRODUCTION

The issue of fraud, money laundry and other related corrupt practice in business and government organizations has necessitated the application and practice of forensic or investigative accounting. Forensic or investigative accounting is that branch of accounting that deals with recovering proceeds of fraud, money laundering and other related corrupt practices that may occur in an organization, (Okoye and Gbegi, 2013). Once fraud is perceived or suspected in an organizational setup, a professional set of people called the forensic accountants are called upon to help investigate and possibly detect so as to furnish the management of the organisation with related and substantial evidences that can be presented and admitted in the court of law as a basis of litigation for the prosecution of those involved in the fraud, (Okoye and Gbegi, 2013). 'Forensic' which means evidence or material(s) required to be used in a court of law has been incorporated into accounting and finance as a result of increase in white collar crimes (Imam,Kumshe and Jegere 2015). Imam *e'tal* also observed that law enforcement personnel in recent years have become more aware of white collar crimes, but lacked expertise and training in combating such crimes.

Enyi (2012) also asserted that it takes an accountant to catch a corrupt or fraudulent accountant, as a man is expected to know the trick of a monkey in order to catch it. Strict ethical conducts must be applied by an auditor in order to carry out forensic accounting successfully. An auditor must be fully independent and must be aware of the tricks of management staff and employees in perpetrating fraud in an organization. Bologna and Ghosh and Benergie (2011) asserted that forensic accounting as a discipline encompasses fraud knowledge, financial expertise and a sound knowledge and understanding of business reality and the working of the legal system. Forensic or investigative accounting is that branch of accounting that deals with recovering proceeds of fraud, money laundering and other related corrupt practices that occur in an organisation. Once fraud is perceived or suspected in an organisational set-up, a professional set of people called the forensic accountants are called upon to help investigate and possibly detect the fraud so as to furnish the management of the organisation with related and substantial evidences that can be presented and admitted in the court of law as a basis of litigation for the prosecution of those involved in the fraud. Forensic which means evidence or material required to be used in a court of law has been incorporated into accounting and finance as a result of hyper increase in white collar crimes (Kennedy and Anyaduba, 2013).

Forensic accounting is one of the most effective and efficient ways to decrease and check accounting fraud. Presently, forensic accounting has gained popularity worldwide. Degboro and Olofinsolo (2007) noted that forensic investigation is about the determination and establishment of fact in support of legal cases. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor and Obaretin, 2010). Forensic accounting evidence therefore, is fundamental in achieving effective litigation and prosecution. According to Adeniyi (2016) the primary responsibilities of a forensic accountant are to investigate and analyse financial transactions; reconstruct incomplete accounting records and to conduct embezzlement investigation. On the basic of this, it is viewed that forensic accounting evidence plays a significant role in litigation services based on the expert witness function of a forensic accountant.

One of the major approaches adopted by forensic accounting technique in fraud management in Nigeria is the provision of reliable, valid and substantial forensic accounting evidence in fraud prosecution and for litigation services by the Nigerian judicial system. With the application of forensic accounting services and evidence to legal proceedings, litigation services are expected to have been improved so as to ensure effectiveness of the system. However, litigation services in the Nigerian judicial system are perceived to be ineffective. The documentary, demonstration, physical and oral forensic evidences which are expected to yield fruitful effect on proceedings of the Nigerian judicial system may be falling short of reality. Nowadays, a series of frauds and other fraudulent activities are being committed in almost all organisations covering both the public and the private sectors of the global economy. The rate at which the occurrence of fraud is growing particularly in the Nigerian economy is too alarming. It is also important to note that even with the involvement of forensic accountants in fraud management; frauds are still being committed on a daily basis. Ojaide (2000) submits that there is an alarming increase in the number of frauds and fraudulent activities in Nigeria emphasizing the visibility of forensic accounting services. Owojori and Asaolu (2009), Okoye and Gbegi (2013), Gbegi and Adebisi (2015) and

Kennedy and Anyaduba (2013) recognized in their separate works that the increasing incidence of fraud and fraudulent activities in Nigeria has taken a centre stage and as such has become a matter of concern. These studies have argued that in Nigeria, financial fraud is gradually becoming a normal way of life. Adeniyi (2016) opines that the perpetuation of financial irregularities is becoming the specialty of both private and public sector in Nigeria as individuals perpetrate frauds and other corrupt practices according to the capacity of their office. However, there has not been adequate emphasis, especially on how forensic accounting evidence influence litigation services. Consequently, the study fills this gap by addressing the issue on how forensic accounting evidence can influence litigation services in the Nigerian judicial system.

The main objective of this study is to examine the effect of forensic accounting evidence on litigation services in the Nigeria court of law. Specific objectives are as follows:

1. To examine the extent to which forensic documentary evidence influence litigation service in the Nigeria court of law.
2. To determine the effect of demonstrative evidence on litigation services in the Nigeria court of law.
3. To investigate whether physical evidence influences the judgment on litigation services in the Nigeria court of law.
4. To assess the extent to which oral evidence influences litigation services in the Nigeria court of law.

Literature Review

The Concept of Forensic Accounting

Forensic accounting is the integration of accounting, auditing and investigative skills (Zysman, 2004). Dhar and Sarkar (2010) define forensic accounting as the application of accounting concepts and techniques to legal problems. It demands reporting, where accountability of the fraud is established and the report is considered as evidence in the court of law or in administrative proceedings.

Degboro and Olofinsola (2007) noted that forensic investigation is about the determination and establishment of fact in support of a legal case. That is, to use forensic techniques to detect and investigate a crime is to expose all its attendant features and identify the culprits. In the view of Howard and Sheetz (2006), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor and Obaretin, 2010).

Joshi (2003) stated that forensic accounting demands reporting, where the accountability of the fraud is established and the report is considered as evidence in the court of law or in the administrative proceeding. It provides an accounting analysis that is suitable to the court, which will form the basis of discussion, debate and ultimately dispute resolution (Zysman, 2004).

The Nigeria judicial system

Nigeria operates a three-tier legal system, outside of customary courts. These are the State and the Federal High Courts, the Court of Appeal and the Supreme Court of Nigeria. The state and the federal high courts were set up in 1976. They handle the bulk of the commercial cases including Company Law Matters, Copyright Patents & Trade Marks, Admiralty, Aviation Matters, Immigration, Mineral Law Matters, cases which touch and concern the revenue of the Federal Government of Nigeria and suits which concern the Federal Government or any of its Agencies. All appeals lie to a single intermediate appellate court, the Court of Appeal, which has divisions in different zones within the country. Appeals there after lie from the Court of Appeal to the Supreme Court of Nigeria. This is the apex court. The work and integrity of this court has remained the most enduring symbol of Nigerian's commitment to the rule of law (Owolabi, Dada and Olaoye, 2013).

Concept of Evidence

According to Lee (2000) **evidence is anything (tangible objects, documents, and testimony) that relates to the truth or falsity of an assertion made in an investigation or legal proceeding. The goal of the fraud investigator is to collect evidence relevant to the fraud under investigation. Such evidence, when well organized, provides answers to the basic questions about fraud of who, what, when, where, how and why? The very first question is what. That is what happened? Was there fraud? If so, what was the fraud? What was the loss?**

Types of Forensic Accounting Evidence

William (1990), Lee (2000) and Kim (1998), Forensic accounting evidence can be grouped into four types. They include documentary evidence, demonstrative evidence, physical evidence and oral evidence described below:

a) Documentary Evidence: As most financial crimes investigation is reactive or historic in nature, documents generated prior to or during the commission of that offence are essential and normally make the majority of evidence. Bank records, accounting records, legal documents or instruments are normally the basis for the case.

b) Demonstrative Evidence: Demonstrative evidence, on the other hand, is evidence that in-and-of itself has no probative value, but rather serves to illustrate and enhance oral testimony

c) Physical evidence: The term physical evidence involves any physical entity that can furnish some degree of proof or disproof. Physical evidence may be used to establish an element of a crime such as the presence of an accelerant at the point of origin of a fire in a suspected arson.

d) Oral Evidence: Testimonial evidence is evidence spoken directly from a witness's mouth or read into evidence from a deposition. Testimonial evidence may be provided by live or recorded witness statements. This evidence is usually offered to prove or disprove a material fact. In other words, it is usually offered substantively rather than demonstratively.

Theoretical Framework

The theory for this work is fraud scale theory. The purpose of adopting the aforementioned theory for this study is that it captured the essence of the work.

Fraud Scale Theory

The fraud scale theory was developed by Albrecht, Howe, and Romney (1984) as an alternative to the fraud triangle model. The fraud scale is very similar to the fraud triangle; however, the fraud scale uses an element called personal integrity instead of rationalization. This personal integrity element is associated with each individual's personal code of ethical behaviour. Albrecht et al. (1984) also argued that, unlike rationalization in the fraud triangle theory, personal integrity can be observed in both an individual's decisions and the decision-making process, which can help in assessing integrity and determining the likelihood that an individual will commit fraud. This study is adopted fraud scale theory because its deal with personnel integrity and a forensic accountant ought to demonstrate integrity in all their dealings.

Review of Empirical Studies

Gbegi and Adebisi (2014) examined forensic accounting skills and techniques in fraud investigation in the Nigerian public sector. The population of this study comprised of 129 senior staff of the three Anti-Corruption Agencies in Nigeria (EFCC, ICPC, and CCB). The study methodology includes both primary and secondary sources of data collection; questionnaire was used in collecting primary data while secondary data were obtained from EFCC, ICPC and CCB. The data generated for this study were used for the testing of hypotheses using Analysis of variance (ANOVA) and time series analysis with the aid of SPSS version 17.0. Our findings show that, first, forensic accounting skills and techniques have significant effect on uncovering and reducing fraud in the Nigerian public sector. The research recommends that, anti-corruption agencies in Nigeria should establish forensic units and forensic laboratories to allow room for more effective and efficient investigation of suspected and confirmed fraud cases.

Olola (2016) investigated **the role of forensic accounting in combating the menace of corporate failure**. *Therefore, the aim of this paper is to conceptually review the impact of forensic accounting toward utilizing professional judgments, accounting skills, auditing and law procedures to fight the dreaded disease of corporate liquidation and the paper concluded that forensic auditing can go a long way to influence financial scandals in corporate organization. Forensic accountants must be well trained in the rules of evidence, financial data, Accounting Information System Software, auditing and communication skills to be able to address the global menace of corporate failure.*

Adeniyi (2016) conducted a study on *the effect of forensic auditing on financial fraud in Nigerian Deposit money Banks (DMBs). The study adopted cross sectional survey design. The population of the study comprised the staff of banks and audit firms in Abeokuta, Ogun State. The study used purposive sampling technique for questionnaire administration while logistic regression analysis was used for data analysis. The results of the study revealed that forensic audit has significant effect on financial fraud control in Nigerian DMBs with P value (0.007) which is less than 0.05 and that forensic audit report significantly enhances court adjudication on financial fraud in Nigeria with P value (0.000) which is less than 0.05. The study concluded that the application of forensic audit to tackle financial fraud in Nigerian DMBs is still at the infant stage. The study recommended that organizations should have a strong internal control system in place to reduce the occurrence of fraud.*

Okoye and Gbegi (2013) examined f**orensic accounting: a tool for fraud detection and prevention in the public sector: a Study of selected ministries in Kogi State**. The purpose of this study is to examine forensic accounting as a tool for fraud detection and prevention in the public-sector organizations with particular reference to Kogi State. Both primary and secondary sources of data were appropriately used. 370 questionnaires were administered to staff of five (5) selected ministries in

Kogi State of Nigeria, along with interviews conducted with those ministries out of which 350 were filled and returned. Tables and simple percentages were used to analyze the data. The statistical tool used to test hypothesis is the chi-square test. Among the findings was that the use of forensic accounting does significantly reduces the occurrence of fraud cases in the public sector, and that there is significance difference between professional forensic accountants and traditional external auditors and therefore the use of Forensic Accountants can help better in detecting and preventing fraud cases in the public-sector organizations. The research therefore recommended that Forensic Accountants be used to replace the external auditors in Kogi State, proper training and retraining on Forensic accounting should be provided to staff of Kogi State and proper adherence to accounting and auditing standards should be followed.

Methodology

Statement of Hypotheses

In line with the objectives of this study, the following hypotheses are formulated.

H_{o1}: Forensic accounting documentary evidence has no significance influence on litigation services in the Nigeria court of law.

H_{o2}: Forensic accounting demonstrative evidence has no significance effect on litigation services in the Nigeria court of law.

H_{o3}: Forensic accounting physical evidence has no significance on litigation services in the Nigeria court of law.

H_{o4}: Forensic accounting oral evidence has no significance influence on litigation service in the Nigeria court of law.

The research design adopted a descriptive and causal (cause-and-effect) research method. This cause-effect method explores the relationship between forensic accounting and litigation services in the Nigerian judiciary system. The method of data collection for this study was done through the primary data. This research adopted the Yamane formula to determine the sample size of 255 from the population of 707 Lawyers in Jos, Plateau State. The primary data was collected using a self-administered questionnaire. Descriptive statistics of frequency and percentage was use to analyze the questionnaire and Chi-square test was also deployed for this study to test the hypotheses, with the aid of SPSS 23.0. The hypotheses will be tested at 0.05 level of significance. If $p<\alpha$ rejects the null hypothesis.

Data Presentation and Analysis

Table 4.1: The extent to which forensic accounting demonstrative evidence influences litigation service in the Nigeria Court of law.

		High	Moderate	Low	No response
1	What is the level of body sign in fraud prosecution?	102(40%)	94(36.7%)	59(23.3%)	0
2	What is the level of life video in fraud prosecution?	150(58.7%)	83(32.6%)	15(6%)	7(2.7)
3	What is the level of visual image in fraud prosecution?	133(52%)	68(26.7%)	48(18.7%)	7(2.7%)
4	What is the level of model of an eye in fraud prosecution?	91(35.7%)	91(35.7%)	68(26.7%)	10(4%)
5	What is the level of demonstrative evidence in fraud prosecution?	105(41.3%)	66(26%)	77(30%)	7(2.7%)

From table 4.1, 102(40%) said the level of body sign in fraud is high, 94(36.7%) said the level of body sign in fraud is moderate and 59(23.3%) said the level of body sign is low. 150(58.7%) said the level of life video in fraud is high, 83(32.6%) said the level of life video in fraud is moderate, 15(6%) said the level of life video sign is low, 7(2.7%) have no idea about level of life video in fraud prosecution. 133(52%) said the level of visual image in fraud is high, 68(32.6%) said the level of visual image in fraud is moderate, 48(18.7%) said the level of visual image sign is low, 7(2.7%) have no idea about level of visual image in fraud prosecution. 91(35.7%) said the level of model of an eye in fraud is high, 91(35.7%) said the level of model of an eye in fraud is moderate, 68(26.7%) said the level of model of an eye is low, 10(4%) have no idea about level of model of an eye in fraud prosecution. 105(41.3%) said the level of demonstrative evidence in fraud is high, 66(26%) said the level demonstrative evidence in fraud is moderate, 77(30%) said the level of demonstrative evidence is low, 7(2.7%) have no idea about level of demonstrative evidence in fraud prosecution.

Table 4.2: The extent to which forensic documentary evidence influence litigation service in the Nigeria court of law.

		High	Medium	Low	No response
1	What is the level of bank record in fraud prosecution in the Nigerian court of law?	184(72%)	41(16%)	30(12%)	0
2	What is the level of accounting record in fraud prosecution in the Nigerian court of law?	148(58%)	74(28.7%)	30(12%)	3(1.3%)
3	What is the level of legal documents in fraud prosecution in the Nigerian court of law?	132(52%)	87(34%)	26(10%)	10(4%)
4	What is the level of electronic documents in fraud prosecution in the N igerian court of law?	71(28%)	87(34%)	82(32%)	15(6%)
5	What is the level of documentary evidence in fraud prosecution in the Nigerian court of law?	153(60%)	72(28%)	30(12%)	0

From table 4.2, 184(72%) said the level of bank record in fraud is high, 41(16%) said the level of bank record fraud is moderate and 30(12%) said the level of bank record is low. 148(58%) said the level of accounting record in fraud is high, 74(28.7%) said the level of accounting record fraud is moderate, 30(12%) said the level of accounting record is low, 3(1.3%) have no idea about level of accounting record legal in fraud prosecution. 132(52%) said the level of legal documents in fraud is high, 87(34%) said the level of legal in fraud is moderate, 26(10%) said the level of legal documents is low, 10(4%) have no idea about level of legal documents in fraud prosecution. 71(28%) said the level of electronic documents in fraud is high, 87(34%) said the level of electronic documents in fraud is moderate, 82(32%) said the level electronic documents is low, 15(6%) have no idea about level of electronic documents in fraud prosecution. 153(60%) said the level of documentary evidence in fraud is high, 72(28%) said the level documentary evidence in fraud is moderate, 30(12%) said the level documentary evidence is low.

Table 4.3: The extent to which forensic accounting physical evidence influence litigation service in the Nigeria court of law.

		High	Medium	Low	No response
1	How do knife as an evidence influence fraud prosecution in Nigeria court of law?	97(38%)	82(32%)	76(30%)	0
2	How do drugs as evidence influence fraud prosecution in Nigeria court of law?	87(34%)	76(30%)	92(36%)	0
3	How do computer as evidence influence fraud prosecution in Nigeria court of law?	102(40%)	102(40%)	51(20%)	0
4	How do gun as an evidence influence fraud prosecution in Nigeria court of law?	92(36%)	66(26%)	97(38%)	0
5	What is the level of physical evidence in fraud prosecution in Nigeria court of law?	112(44%)	92(36%)	36(14%)	15(6.0%)

From table 4.3, 97(38%) are of the high opinion that knife as an evidence influence fraud prosecution in Nigeria court of law, 82(32%) are of the moderate opinion that knife as an evidence influence fraud prosecution in Nigeria court of law and 76(30%) are of the low opinion that knife as an evidence influence fraud prosecution in Nigeria court of law. 87(34%) are of the high opinion that drugs as an evidence influence fraud prosecution in Nigeria court of law, 76(30%) are of the moderate opinion that drugs as an evidence influence fraud prosecution in Nigeria court of law and 92(36%) are of the low opinion that drugs as an evidence influence fraud prosecution in Nigeria court of law. 102(40%) are of the high opinion that computer as an evidence influence fraud prosecution in Nigeria court of law, 102(40%) are of the moderate opinion that computer as an evidence influence fraud prosecution in Nigeria court of law and 51(20%) are of the low opinion that computer as an evidence influence fraud prosecution in Nigeria court of law. 92(36%) are of the high opinion that gun as an evidence influence fraud prosecution in Nigeria court of law, 66(26%) are of the moderate opinion that gun as an evidence influence fraud prosecution in Nigeria court of law and 97(38%) are of the low opinion that gun as an evidence influence fraud prosecution in Nigeria court of law. 112(44%) are of the opinion that is the level of physical evidence in fraud prosecution in Nigeria court of law is high, 92(36%) are of the opinion that is the level of physical evidence in fraud prosecution in Nigeria court of law is moderate, 36(14%) are of the opinion that is the level of physical evidence in fraud prosecution in Nigeria court of law is low, 15(6%) have no idea on the level of physical evidence in fraud prosecution in Nigeria court of law.

Table 4.4. The extent to which forensic accounting oral evidence influence litigation service in the Nigeria court of law.

		High	Medium	Low	No response
1	What is the level of confession in fraud prosecution?	128(50%)	97(38%)	30(12%)	0
2	What is the level of testimony in fraud prosecution?	112(44%)	122(48%)	21(8%)	0
3	What is the level of eye witness in fraud prosecution?	138(54%)	87(34%)	30(12%)	0
4	What is the level of hearsay in fraud prosecution?	30(12%)	103(40%)	92(36%)	30(12%)
5	What is the level of oral evidence in fraud prosecution?	71(28%)	118(46%)	36(14%)	30(12%)

From table 4.4, 128(50%) claimed that the level of confession in fraud prosecution is high, 97(38%) claimed that the level of confession in fraud prosecution is moderate and 30(12%) claimed that the level of confession in fraud prosecution is low. 112(44%) claimed that the level of testimony in fraud prosecution is high, 122(48%) claimed that the level of testimony in fraud prosecution is moderate and 21(8%) claimed that the level of testimony in fraud prosecution is low. 138(54%) claimed that the level of eye witness in fraud prosecution is high, 87(34%) claimed that the level of eye witness in fraud prosecution is moderate and 30(12%) claimed that the level of eye witness in fraud prosecution is low. 30(12%) claimed that the level of hearsay evidence in fraud prosecution is high, 103(40%)claimed that the level of hearsay evidence in fraud prosecution is moderate, 92(36%) claimed that the level of hearsay evidence in fraud prosecution is low, 30(12%) claimed that the level of oral evidence in fraud prosecution is high. 71(28%) claimed that the level of oral evidence in fraud prosecution is high, 36(46%) claimed that the level of oral evidence in fraud prosecution is moderate, 118(14%) claimed that the level of oral evidence in fraud prosecution is low, 30(12%) claimed that they have no idea about the level of oral evidence in fraud prosecution.

Test of Hypothesis

H_{01}: Forensic accounting documentary evidence has no significance influence on litigation services in the Nigeria court of law.

Table 4.5 -Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	121.320[a]	9	.000
Likelihood Ratio	117.536	9	.000
Linear-by-Linear Association	38.477	1	.000
N of Valid Cases	750		

From table 4.5 , the value of Pearson chi -square statistics=0.00 is lower than $\propto$=0.05, we therefore reject the null hypothesis and conclude that forensic accounting documentary evidence has significance influence on litigation services in the Nigeria court of law.

H_{02}: Forensic accounting demonstrative evidence has no significance effect on litigation services in the Nigeria court of law.

Table 4.6 -Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	80.625[a]	9	.000
Likelihood Ratio	73.117	9	.000
Linear-by-Linear Association	22.937	1	.000
N of Valid Cases	500		

H_{02}: Forensic accounting demonstrative evidence has no significance effect on litigation services in the Nigeria court of law.

Table 4.6 -Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	80.625[a]	9	.000
Likelihood Ratio	73.117	9	.000
Linear-by-Linear Association	22.937	1	.000
N of Valid Cases	500		

From table 4.6 , value of Pearson chi -square statistics=0.00 is lower than $\propto$ =0.05, we therefore reject the null hypothesis and conclude that forensic accounting demonstration evidence has significance effect on litigation services in the Nigeria court of law.

H_{03}: Forensic accounting physical evidence has no significance on litigation services in the Nigeria court of law.

Table 4.7-Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	77.164[a]	9	.000
Likelihood Ratio	76.854	9	.000
Linear-by-Linear Association	33.072	1	.000
N of Valid Cases	554		

From table 4.7, value of Pearson chi -square statistics=0.00 is lower than $\propto$ =0.05, we therefore reject the null hypothesis and conclude that forensic accounting physical evidence has significance effect on litigation services in the Nigeria court of law.

H_{04}: Forensic accounting oral evidence has no significance influence on litigation service in the Nigeria court of law.

Table 4. 8-Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.921[a]	9	.000
Likelihood Ratio	105.822	9	.000
Linear-by-Linear Association	42.509	1	.000
N of Valid Cases	490		

From table 4.8, the Pearson chi-square significance level is 0.000 which is less than $\propto = 0.05$ we reject the null hypothesis and therefore conclude that forensic accounting oral evidence has significance influence on litigation service in the Nigeria court of law.

Discussion of Results

Findings from test of hypothesis one revealed that forensic accounting documentary evidence has significance influence on litigation services in the Nigeria court of law. This agrees with the findings of *Gbegi and Adebisi (2014), that* forensic accounting skills and techniques have significant effect on uncovering and reducing fraud in the Nigerian public sector.

From test of hypothesis two revealed that that forensic accounting demonstration evidence has significance effect on litigation services in the Nigeria court of law. This is consistent with the findings of **Kennedy and Anyaduba (2013) which revealed that** *there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality.*

Findings from test of hypothesis three revealed that forensic accounting physical evidence has significance effect on litigation services in the Nigeria court of law. This agrees with the findings of **Owolabi, Ajao and Olaoye (2013), that it is evident that forensic accounting technique can go a long way in the investigation and detection of corrupt practices.**

Findings from test of hypothesis four revealed that forensic accounting oral evidence has significance influence on litigation service in the Nigeria court of law.

Conclusion

This study is on the effect of forensic accounting evidence on litigation service on Nigeria judicial system. The study examined the effect of forensic Accounting evidence on litigation services in the Nigeria judicial system. Specifically the study examined the extent to which forensic accounting documentary evidence, demonstrative evidence, physical evidence and oral evidence influences litigation services in the Nigeria court of law. The study concludes that forensic accounting evidence has effect on litigation services in the Nigeria court of law

Recommendations

Base on the findings the following recommendations are made;

1. Forensic accounting documentary evidence should be constantly employed by the Nigeria court of law in other to positively enhance litigation services in Nigeria.
2. Forensic accounting demonstrative evidence should be employ in other to improve the effectiveness of litigation services in the Nigeria judicial system.
3. Forensic accounting physical evidence should be appropriately and properly recognised in the Nigerian judicial system so as to ensure the credibility and reliability of litigation services.
4. Forensic accounting oral evidence should be administer in the court of law and should be given by expert witness that has communication skills and presenting information as exactly received.

References

Adeniyi A. A. (2016). Forensic Auditing and Financial Fraud in Nigerian Deposit Money Banks (DMBS): *European Journal of Accounting Auditing and Finance Research, 4(1)*

Albrecht W; Howe K. & Romney M. (1984). *"Deterring Fraud: The Internal Auditor's Perspective":* Altamonte springs, FL: The Institute of International Auditors Research Foundation.

Gbegi D. O. & Adebisi J. F. (2015). Fraud and the Nigerian Public Sector Performance: The Need for Forensic Accounting: *International Journal of Business, Humanity and Technology, 5(5).*

Gbegi, D.O & Adebisi, J. F. (2014). Forensic Accounting Skills and Techniques in Fraud Investigation in the Nigerian public Sector: *Mediterranean Journal of Social Sciences*, *5(3).*

Degboro D. & Olofinsola J. (2007). Forensic Accountants and the Litigation Support Engagement: *The Nigeria Accountant, 4(2)*

Dhar P. & Sakar A. (2010}. Forensic Accounting: An Accountant's Version: *Vidyasagar University J. Commerce, 15(3).*

Enyi E. P. (2009). Detection causes of in operational outputs of Manufacturing Organizations: A Forensic Accounting Investigation Approach. *http/ssrn.com/abstract.ed. retrieved on 20/04/2017.*

Ghosh I. & Benergie K. K. (2011). Forensic Accounting another Feather in that Hat of Accounting: The Chartered Accounting.

Howard S & Sheetz M. (2006) . *Forensic Accounting and fraud Investigation for Non-Experts:* New Jersey: John Wiley and Sons Inc.

Imam A. Kumsha A.M. & Jajere M.S (2015). Applicability of Forensic Accounting Services for Financial Fraud Detection and Prevention in the Public Sector of Nigeria:

International Journal of Information Technology and Business Management.

Joshi, M.S.(2003). Definition of forensic Accounting (www.forensicaccounting.com ed.retrieved on 20/4/2017).

Kennedy P.M & Anyaduba J.O. (2013). Forensic Accounting and financial Fraud in Nigeria: Empirical Approach: *International Journal of Business and Social Science,4(1)*

Kim, M.J.C., (1998). *"Evidence of the Financial Crime: A Police Perspective"*: International Symposium on the Prevention and Control of Financial Fraud: Beijing, People's Republic of China.

Okoye E.I. & Gbegi D.O. (2013).An Evaluation of Forensic Accounting to Planning Management Fraud Risk Detection Procedures: *Global Journal of Management and Business Research, 13(1)*

Okoye E.I. & Gbegi D.O. (2013). Forensic Accounting: A Tool for fraud Detection and prevention in the public sector: A Study of Selected Ministries in Kogi State: *International Journal of Academic Research in Business and Social Sciences,3(1).*

Okunbor J.A. & Obaretin O. (2010). Effectiveness of the Application of Forensic Accounting Services in Nigerian Corporate Organizations: *AAU. JMS, Ed.1(1)*

Olola O. A. (2016). The Role of Forensic Accounting in Combating the Menace of Corporate Failure : *International Journal of Economics, Commerce and Management 4(1).*

Owolabi S.A., Dada S.O. & Olaoye S.A. (2013). Application of Forensic Accounting Technique in Effective Investigation and Detection of Embezzlement to comet corruption in Nigeria: *Unique Journal of Business Management Research, 1(1).*

William, J.C. (1990). *Physical Evidence Manual: Crime detection Laboratory.*

Zysman, A. (2004). Forensic Accounting Demystified: World Investigators Network Standard Practice for Investigative and Forensic Accounting Engagement: *Canadian Institute of Chartered Accounting.*

Stakeholders' Perception On Resolving A Deterministic Budget Benchmark In Nigeria: A Case For Tax Based Budgeting

U.I. MAFIANA[1], Phd, CNA
E. JEROH[2], Phd, ACA
[1&2]Department of Accounting and Finance,
Faculty of Social Sciences,
Delta State University, Abraka.

pp 114-121

Abstract

This paper examines stakeholders' perception on the resolve for a deterministic budget benchmark in Nigeria by proposing a tax based budgeting system for Nigeria instead of the present commodity (or crude oil) based system. In the course of writing this paper, information was obtained from journals, textbooks, periodicals and newspapers. Responses were also obtained from 314 participants in an opinion poll that was specifically conducted. Hypothesis was formulated and tested at 5% level of significance using the F-test, via Stata 13.0 regression software. Result showed that stakeholders strongly believed that switching from crude oil price benchmark to tax based benchmark would provide a more deterministic budget benchmark in Nigeria. It was also found that the present system of budgeting has not motivated states to be inward looking and creative in generating revenue internally. Instead, states relied mainly on the statutory allocation from the central government. It is therefore recommended that budgeting should be tax-based rather than oil or commodity sales based. Also, the need for tax reform that will revamp tax justice and administration in Nigeria through the plugging of existing loopholes is thus justified.

Keywords: Tax Based Budgeting; Crude Oil Price; Budgeting System; Statutory Allocation

I Introduction

Budgets are comprehensive details of proposed government activities (economic and otherwise) for specified years. Apart from containing details of expected or proposed activities of governments, budgets outlines governments' objectives, policy strings and strategies designed to accomplish such objectives. Budgets are usually projections on anticipated expenditures based on anticipated revenues (Ugoh & Ukpere, 2009). Every country and governments prepare budgets and most governments are judged by the level of budget performance for successive years. The importance of budgets to governments was well capture by Ogboru (2016) who pointed that the absence of budgets will make governments to wonder aimlessly.

In Nigeria, budget preparation has always been based on projected revenue from commodities (agriculture products in time past, and oil revenue for the now). One key problem with the commodity sales budget is that individuals and states focus on their share of the 'national cake' from the distributable funds from the centre which is currently crude oil, which inhibits creativity. Another problem of benchmarking budgets on projected commodity sales (e.g. crude oil sales - the case of Nigeria) is that when the price of the commodity slumps as it has done recently, the budget virtually collapses and budget performance plunges. Where revenue is based on taxes, individuals and states becomes more imaginative and creative in establishing the infrastructure that will stimulate a productive base that will yield greater revenue through taxation. Noteworthy thus, with the establishment of better infrastructure base, it is hoped that diverse investment opportunities can be explored to attain enhanced tax revenue base. It is on the above premise that this study aims at assessing stakeholders' perception on the need for an alternative budget benchmark for Nigeria.

II Conceptual Framework

Budgets and Budgeting in Government

Budgets are prominent financial instruments in all sectors (public or private). Edame & Ejue (2013) noted that *budget* as a term, came from the French word *"Bourgettee"* which meant wallet containing papers/documents on various countries' or organizations' financial plans. In today's usage, this meaning has gone beyond mere wallet, to become a fundamental fiscal policy instrument employed in exercising control over government receipts (revenue) and expenditures (Edame, 2010; and Edame & Ejue, 2013).

Budgeting for a country or state connotes all planned allocation and use of resources in quantitative and financial terms in advance of a period/time. Budgets are designed on the basis of the expected net revenue that will accrue to the state/country/jurisdiction within the said period.

Budgets and budgeting is essential to every economic set up. Hence, the relationship between economic growth and budgets/budgeting has generated strings of academic discourse. According to Taiwo & Abayomi (2011), the pattern and manner of growth in an economy's output is dependent on the magnitude of her government's spending; questions on how such spending affect economic growth creates a lacuna yet to be empirically resolved.

Notwithstanding however, an analysis of the genetics of government budgeting in Nigeria reveals dismal budgeting patterns where expenditures mostly exceed revenues (Nurudeen & Usman, 2010; Chude & Chude, 2013; Aigheyisi, 2013; and Obinyeluaku, 2013). The consequence of this trend is widened budget deficits, budget mismatch, inadequate provisioning *cum* inefficient budget performance. Studies have thus queried the budgeting patterns in Nigeria given these recurring problems, with little concern on the benchmark on which such budgets were based.

Budget Benchmark

Budget preparation requires the determination of a yardstick or measure upon which budgets would be based. This is where budget benchmarks come in. Budget benchmarks are points of reference upon which budgets are pegged, prepared or measured. Resolving a deterministic benchmark for budgets requires conscious evaluation of several factors. In Nigeria, budgets are pegged on crude oil price based on government objectives, crude oil production costs, among others (Abiola & Okafor, 2013). The common practice of anchoring Nigeria's budget on crude price became evident since 2005, while policy makers have continuously relied on the Moving Average Method (MAM) in benchmarking budgets and in the budget preparation process (BOF, 2012). The idea of adopting the MAM in benchmarking Nigeria's budget on crude oil price has multiplier effects budget efficiency and budget administration so far in the country. The above according to Abiola & Okafor (2013) has consequently triggered further short-run economic challenges and unexpected fluctuations affecting Nigeria's development. The present economic trend in Nigeria occasioned by the recent global decline in crude oil price (Ezenwe ,2014 and Abiola & Abraham, 2015) speaks better of this situation.

Budgeting Methods

Several types/forms of budgeting methods exist. These include input budgeting, output budgeting, probabilistic budgeting, planning, programming budgeting system (PPBS), incremental budgeting and zero-based budgeting. In this current study, only the incremental budgeting and the zero-based budgeting (ZBB) being implemented/recommended for use in Nigeria at both local, state and federal levels will be discussed.

- **Incremental Budgeting Method (IBM)**

In this method, a certain percentage is usually added to the previous budget figure to make allowance for anticipated inflation and for possible unforeseen contingencies. It gives room for the administrators to maneuver and possibly have a surplus eventually. The basic advantage of IBM is that it is easier to prepare. A major disadvantage of IBM is that wrong assumptions might be made at the initial preparation stage and this may continue to be part of the following years' budget. This method discourages innovation.

- **Zero-Based Budgeting (ZBB)**

In this method, every expenditure is reviewed from the nick and justified based on need and cost-benefit analysis and other positive considerations. The process is repeated for every budget each year. Any unjustifiable expenditure is dropped. One advantage of ZBB is that it is more cost effective and leads to the optimal utilization of resources. Conversely, it is time consuming and requisite skills/experience is needed at the preparation stage. ZBB is preferred for a country like Nigeria because it minimizes wastages and wrong assumptions since every expenditure must be deemed as justified, giving rise to proper spending of the taxpayers' money. Besides, it allows for innovation.

III. Taxes, Reforms and the Levies Approved For All Tiers of Government

Taxation is compulsory levy by a state on its citizens, entities and organizations. One main problem of tax revenues is that many people evade and avoid tax leading to a serious shortfall in tax revenue for the country. There is therefore the need for tax justice by including all eligible citizens both in the formal and the informal sectors.

Tax Reforms

To achieve tax justice and increase revenue, there is dire need for tax reforms and creativity in the collection of taxes. Evidence from Benue State for instance reveal that tax reform enhanced IGR from "as low as N1.2 billion in 2009 to close to N1 billion monthly in 2011" (Ayabam, 2011). This development followed the enactment of a law making the State's Revenue Agency semi-autonomous. Among other things, the agency engaged in sensitizing the public using billboards and state's tax agency made efforts to reach out to several markets by establishing offices in the markets and helping/assisting taxpayers in preparing their tax accounts through a simple format for tax returns that was designed.

Approved Levies For Federal State and Local Government

A. Federal Government

i. Companies Income Tax
ii. Withholding tax (WHT) on companies
iii. Petroleum profit tax
iv. Value added tax
v. Education tax
vi. Stamp duties (corporate entities)
vii. Personal income tax (*wrt* armed forces and police personnel, police personnel, Abuja (FCT) residents, external affairs officers and non-residents

B. State Governments

i. Personal income tax (PAYE, direct assessment and WHT (individuals only)
ii. Capital gain tax
iii. Stamp duties (individuals)
iv. Pools betting, gaming, lotteries/casino taxes
v. Road taxes
vi. Registration/renewal levy of Business premises: Urban areas (as defined by each state)
vii. Rural areas registration N2,000 p.a. and renewal of N1,000 p.a.
viii. Development levy (individuals only) not more than N1,000 p.a.
ix. Street Naming registration fee (state capitals only).
x. Fees for Rights of occupancy (state capitals only)
xi. Market Rates (where state finances are involved)

C. Local Governments

i. Shops/kiosk rates
ii. Tenement rates
iii. On/off liquor license
iv. Slaughter-slab fees
v. Marriage, birth ,death etc registration fees
vi. Streets (naming) registration fees (excluding state capitals)
vii. Rights of occupancy fees (excluding state capitals)
viii. Market/motor park fees (excluding markets built, managed and financed by state govt.)
ix. Domestic animal license
x. Bicycle, truck, canoe, wheelbarrow and car fees
xi. Cattle tax
xii. Merriment/closure of road fees
xiii. Radio/television (other than radio/tv transmitter) licenses and vehicle radio license (to be imposed by the local government in which the car is registered)
xiv. Wrong parking/tyre lock charges
xv. Public convenience, refuse disposal/sewage charges/fees.
xvi. Customary/burial ground/religious permits; and
xvii. Signboards/advertisement permit.

The essence of this listing is to highlight areas where each tier (local,state and federal) can harness tax revenue and also to avoid the incidence of multiple taxation.

IV. Tax and Internally Generated Revenue: Examples of Lagos, Rivers and Edo State

A look at the gross summary of statutory revenue allocation and VAT which was released by the Revenue Mobilization and Fiscal Commission (RMAFC.) in March 2013 (Table 1), revealed that apart from the under-listed States, no other states received up to N10billion naira from the Federation Account.

Table I: Revenue Profile

S/N	States	Amount ₦
1.	Akwa Ibom	22,205,383,781
2.	Rivers	20,934,686,737
3	Delta	17,057,045,907
4.	Lagos	14,219,026,551
5.	Bayelsa	13,350,351,654
6.	Kano	12,333,095,855

(Sunday Guardian, January 18, 2015, pp17): States' IGR: The Hope in Trying Times? By Ikechukwu Onyewuchi)

From the Nigeria Bureau of Statistics (NBS), the figures for IGR for selected states in Nigeria are as follows:

Table II: Some States IGR

S/N	States	Amount ₦
1.	Lagos	384,259,410,959
2.	Rivers	87,914,415,268
3	Delta	50,208,229,986
4.	Enugu	20,203,802,864
5.	Edo	18,899,233,710
6.	Akwa Ibom	15,398,828,428
7.	Kwara	13,838,085,972
8.	Bayelsa	10,500,916,262
9.	Ondo	10,498,697,469
10.	Anambra	8,731,599,912
11.	Plateau	8,486,806,640
12.	Benue	8,373,720,592
13.	Katsina	6,852,511,585
14.	Kogi	5,020,349,741
15.	Bauchi	4,937,242,873
16.	Niger	4,115,777,679
17.	Kebbi	3,732,343,145
18.	Taraba	3,344,006,052
19.	Yobe	3,072,006,052
20.	Zamfara	3,039,396,601

Source: RMAFC, 2013.

From the figures given by the RMAFC and Nigeria Bureau of Statistics (NBS), Lagos State collected N14,219,026,551 from the Federal Account and Generated Internally, N384,259,410,959. On the other hand, Rivers State collected N20,924,686,737 from the Federation Account and generated internally, the sum of N87,914,415,268. Olotu (2012) observed a monthly increase in revenue from N275million to over N1.6billion per month in Edo State which was attributed mainly to increase in tax revenue. The common characteristics of Lagos and Rivers State is that their internally generated revenues (IGR) are more than what they collected from the Federation Account. In the case of Edo State with the advent of the then Comrade Governor, (Oshiomole), the IGR more than quadrupled per month.

There are practical lessons to be drawn from these three states. One of which is the provision of infrastructure especially for the case of Lagos and Rivers State. However the case of Edo State shows another dimension in the sense of enforcing existing tax rules and closing loopholes in order to improve on IGR through taxation.

Table III: Non-Oil Taxes

Year	2004	2005	2006	2007	2008	2009	2010	2011
Types of taxes	**₦bn**	**₦bn**	**₦bn**	**₦bn**	**₦bn**	**₦bn**	**₦bn**	**₦bn**
PPT	876.60	1,352.20	1,352.20	1,132.00	2,060.90	939.40	1,480.40	3,115.82
CIT	130.80	170.20	246.70	332.40	420.60	607.80	666.10	654.49
VAT	163.30	192.70	232.70	312.60	401.70	484.40	564.90	656.15
TETF	17.10	21.80	28.40	59.60	59.50	137.80	89.20	130.74
Consolidated	5.00	4.90	5.90	10.30	27.00	27.90	32.90	43.87
NITDEF	-	-	-	-	2.50	6.20	5.90	8.68
Total	**1,194.80**	**1,741.80**	**1,866.20**	**1,846.90**	**2,972.20**	**2,203.50**	**2,839.40**	**4,609.75**

Source: CBN Statistical Bulletin, 2012.

Table IV: Federal Government and States Budget for 2013 and 2014

	2013		2014	
	Capital	Recurrent	Capital	Recurrent
States	**₦bn**	**₦bn**	**₦bn**	**₦bn**
Abia	137.8	149.6	87.5	62
Adamawa	95	97.9	39.7	58.2
Anambra	110.96	140	100.29	39.71
Akwa Ibom	599.180	*469.374	308.870	165.504
Bauchi	137.3	*133.7	68	65
Bayelsa	304.05	*299.2	136.7	162.5
Benue	130.992	*105.1	41.6	63.4
Borno	184.3	*178.5	121.784	56.717
Cross River	151.37	176.311	123.418	52.893
Delta	472	*391.51	231.51	159.78
Ebonyi	104.374	*99.84	53.473	41.368
Edo	154.125	159.213	85.595	73.617
Ekiti	97.6	103.88	52.78	50.12
Enugu	84.77	93.29	53.94	39.34
Gombe	107.893	*107.454	63.9	43.5
Imo	197.744	*137.027	75.272	61.384
Jigawa	115.4	N/A	N/A	N/A
Kaduna	176.4	198.679	124.4	74.2
Kano	238.281	*219.309	148.66	70.621
Katsina	114.584	*113.603	80.573	32.422
Kebbi	119.9	*131.7	100.1	31.6

Kogi	132.6	*129.7	70.02	79.6
Kwara	124.498	124.526	58.7	48.543
Lagos	507.105	*489.69	255.025	234.665
Nasarawa	110.2	114.5	54.9	59.6
Niger	83.7	98.852	51.562	47.29
Ogun	211.78	*210.29	117.51	92.7
Ondo	152.5	162	69.68	92.31
Osun	234.269	*216.745	119.137	97.608
Oyo	152.12	188.9	92.795	96.041
Plateau	136.641	228.743	147.107	81.634
Rivers	490.32	N/A	N/A	N/A
Sokoto	115.84	152.87	72	52
Taraba	73.4	79.6	37.9	41.7
Yobe	86.7	102.899	67.43	35.46
Zamfara	119.9	*114.8	67.7	47.1
FCT	235.2	-	-	-
FG	4.7trn	4.6trn	1.1trn	3.5trn
Total	**₦11.535trn**	**₦10.602trn**	**₦4.480trn**	**₦6.123trn**

Source: NBS, 2014

* Represents a decline in the federal government and states budget for the respectively years.

V Methodology and Statement of Hypothesis

By adopting the survey design, this study sought to examine stakeholders' perception on resolving a deterministic budget benchmark in Nigeria using tax based budgeting as an alternative. Questionnaire was designed and responses sought from an opinion poll in which 342 respondents participated in. Of this, responses from 28 participants were considered void given the nature of their responses, thus leaving a balance of 314 as the sample size of this study. The subjects/participants were majorly academics/researchers and professionals in Accounting and Finance covering different states in Nigeria. Specifically, participants/respondents were sought to among others, attest whether switching from crude oil price benchmark to tax based benchmark would provide a more deterministic budget benchmark in Nigeria Responses/opinions to the posed question were analysed and used to test the formulated hypothesis that:

H_o: *Switching from crude oil price benchmark to tax based benchmark would not provide a more deterministic budget benchmark in Nigeria.*

VI Results and Discussion

We present below, the results and analysis of participants' responses. Table V presents summary of responses from participants to the question used to test the formulated hypothesis, while Table VI and VII presents results of descriptive stat., and test of hypothesis respectively. Note that the test of hypothesis was at 5% level of significance using the F-Stat. from the AVOVA table.

Table V: Summary of Responses From The Questionnaire Items

STATES	RESPONSES					TOTAL
	SA	A	U	D	SD	
PARTICIPANTS	116	155	21	15	7	**314**
Percentage	36.94	49.36	6.69	4.78	2.23	**100**

Sources: Authors' Compilation, 2017.

Table V above clearly shows that about 86.30% of the participants believed that switching from crude oil price benchmark to tax based benchmark would provide a more deterministic budget benchmark in Nigeria, while only 13.7% had contrary opinion. This is an indication that stakeholders may be of the view that given dwindling prices of crude oil in recent times, countries, Nigeria inclusive, that may have hinged their budgets on crude prices should start considering other measures; tax base being an alternative.

Table VI: Descriptive Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
Factor	314	4.738854	0.4399607	4	5
Response	314	4.140127	0.9005401	1	5

Source: Author's Computation From Stata 13.0 Output, 2017

Table VI presents results of the descriptive statistics. Notice that total observation was 314. Participants were first questioned on the level of their versatility of the concept of budget benchmarks. Responses on this question stood as factor variable. All were gauged with the 5-point Likert-Scale with response alternatives ranging from strongly agree (SA) to strongly disagree (SD). Result from the table indicates that minimum and maximum values of factor variable is 4 and 5 respectively meaning that all 314 respondents either agreed (4) or strongly agreed (5) that they are versatile with this study's subject matter. This is a proof that responses from the participants could be relied upon given their versatility/knowledge and understanding of the thrust of the opinion poll. Minimum value of 1 and maximum value of 5 for response variable clearly indicates the range of responses (from 1(SD) to 5 (SA).

Test of Hypothesis

Responses presented in Table V were subjected to statistical analysis using the ANOVA technique via Stata 13.0 regression software. Results from hypothesis test is presented in Table VII below.

Table VII: Analysis of Variance (ANOVA)

Source	SS	Df	MS	F	Prob>F
Between Groups	110.636409	2	55.3182044	120.14	0.0000
Within Groups	143.197986	311	0.460443685		
Total	**253.834395**	**313**	**0.810972508**	F_{tab} = 3.84	
Bartlett's test (equal variance): chi2(2) = 69.3201				**Prob>chi2 = 0.000**	

Source: Author's Computation From Stata 13.0 Output, 2017

From Table VII, the F_{cal} is 120.14 (table value (F_{tab}) = 3.84. The p-vale obtained is 0.0000 indicating the presence of a significant relationship (p-value<0.05). The null hypothesis that switching from crude oil price benchmark to tax based benchmark would not provide a more deterministic budget benchmark in Nigeria is hereby rejected. Thus, our conclusion is that the general belief of stakeholders is that switching from crude oil price benchmark to tax based benchmark would basically provide a more deterministic budget benchmark for Nigeria. The implication of this result is that by switching from crude oil price benchmark to tax based benchmark, the Nigerian government would be forced to channel her resources towards improving her revenue base and increasing IGR which will help to reduce fluctuations in budget figures. Also, the need for tax reform that will revamp tax justice and administration in Nigeria through the plugging of existing loopholes is thus justified.

VII. Conclusion

Given the revenue profile of some states (see Table I and Table II) and the IGR for Lagos, Rivers and Edo States, it can be deduced that following the challenges in Nigeria's budgeting preparation and processes occasioned by the dwindling crude oil price, a change to taxation as the benchmark for budgeting in Nigeria may lead to a broader revenue base for budgeting purposes. This however informed the hypothesis of this study. Table III on non-oil taxes showed an increase of N1,194.8 billion in 2004 to N4,609.75 billion in 2011 an increase of over three hundred percent. This shows the prospects for improvement in tax based budget benchmark in the facade of dwindling returns from oil revenue given the fluctuations in oil prices.

However, from the results of our analysis and test of hypothesis we conclude that switching from crude oil price benchmark to tax based benchmark would basically provide a more deterministic budget benchmark for Nigeria and this seem to be the general consensus of knowledgeable stakeholders. Notwithstanding Nigeria's budget figure which has consistently fluctuated since 2012 rather than making steady increase, the fact that a change to tax based budgeting will reduce fluctuation in revenue base becomes a major consideration that government should give credence to.

VIII. Recommendations

The outcome of this study forced the authors to recommend that the country, Nigeria should change from commodity based budgeting to tax based budgeting. Facts and figures have confirmed that Nigeria's revenue based can be improved through increase in IGR and benchmarking the country's budget on tax revenue can help to reduce fluctuations in budget figures. Furthermore, the need for tax reform that will revamp tax justice and administration in Nigeria through the plugging of existing loopholes is thus justified. The cases of Benue and Edo States illustrate the practical approach where Inland Revenue could design efforts at reaching out to some big markets in a few towns should be contended to all the main markets in the whole country. Tax authorities nationwide should be further empowered through legislation by making them more autonomous (a case in point is that of Benue State). The payment of taxes should be advertised to sensitize the citizens of the urgent need to pay their taxes rather than evading or avoiding tax payments.

References

Abiola, A.G. & Okafor, H. O. (2013). Searching for appropriate crude oil price benchmarking method in the Nigerian budgeting process, *Developing Country Studies,* 3(12),57-71.

Abiola, A. G. & Abraham, T. W. (2015). Benchmarking Nigeria's crude oil price in a climate of falling prices, *Journal of Research in Economics and International Finance* 4(2), 34 – 38.

Aigheyisi, O. S. (2013). The relative impacts of federal capital and recurrent expenditures on Nigeria's economy (1980-2011). *American Journal of Economics,* 3(5). 210-221.

Ayabam, (2011). *The Guardian*, April 7, 2011,p.12

Chude, N. P. & Chude, D. I. (2013). Impact of government expenditure on economic growth in Nigeria. *International Journal of Business and Management Review*, (14). 64-71.

Edame, E. (2010). *Development economics and planning in Nigeria* .(3rd ed), Calabar; Favoured Trust Ltd.

Edame, G. E. & Ejue, M. O. (2013). Budgeting role on infrastructural development and economic growth in Nigeria. *European Journal of Business and Social Sciences*, 2(6),1-15.

Ezenwe U. (2014). Options for managing the real sector (Agriculture and Industry) effects of the emerging oil price shocks in Nigeria, *A Paper Presented at the Policy Dialogue Organized by the National Institute for Legislative Studies (NILS) and the Nigerian Economic Society (NES)*, December 2nd Rockview Hotel (Royale), Abuja – Nigeria.

Nurudeen, A & Usman, A (2010). ***Government Expenditure and Economic Growth in Nigeria 1970-2008: A Disaggregated Analysis. Business and Economics Journals.*** **4, 1-11.**

Obinyeluaku, M. (2013). **Monitoring fiscal sustainability in Africa: Symptoms and Sources.** *International Trade Administration Commission of South Africa, August, 1-32.*

Ogboru, I. (2016). BUDGET transparency and economic development in Nigeria: An imperative for North Central States, *Being A Keynote Address Presented At The North Central Zonal Launch Showcasing The Outcome Of Budget Transparency Survey To Government Directors Of Budget In The Six States Of The Zone* , Held at Tal Hotel, Lafia, Nasarawa State

Olotu, G. E. (2012). Welcome address by the chairman, Chartered Institute of Taxation of Nigeria (CITN), *14th Annual Tax Conference*, 10th May.

Taiwo, M. & Abayomi T. (2011). Government expenditure and economic development: empirical evidence from Nigeria *European Journal of Business Management.* 3(9). 18-28.

Ugoh, S. C. & Ukpere, W. I. (2009). Problems and prospects of budgeting and budget implementation in Local Government System in Nigeria, *African Journal of Business Management* 3(12), 836-846,

Appendix

Budget Benchmark based on Crude Oil Price (2013-2016)

Year	Price
2013	$75.00 per barrel
2014	$77.50 per barrel
2015	$65.00 per barrel
2016	$38.00 per barrel

Firm Characteristics, Ceo Characteristics And the Adoption Of Management Accounting Tehniques By One-man Owned Furniture Companies In Nigeria

Alexander Olawumi DABOR
Department of Accounting and Finance
Veritas University, Abuja

Eguasa Beauty Ekiomado (PhD)
Department of Accounting,
Faculty of Social and Management Sciences
Benson Idahosa University
Benin City

pp 122-126

Abstract

This study is aimed at ascertaining effects of firm attributes on the adoption of management accounting techniques by one- man owned furniture companies. The study covered a sample of forty-five "one-man owned" furniture companies in Benin City. The study employed inferential statistic technique. The results reveal that there is a positive relationship between firm size and the adoption of management accounting. The results further revealed that there is no significant relationship between level of literacy of owners and the adoption of management accounting. Finally the study indicates that there is positive relationship between firm age and the adoption of management accounting. It was recommended that statutory accounting bodies should encourage small scale companies in Nigeria to adopt management accounting techniques

KEY WORDS: Management, Accounting, Firm Size and Firm Age

1.0 INTRODUCTION

There seems to be a wide gap between relevant management accounting and it's fulfillment to managerial needs (Ahmed &Zabri 2012) This gap is wider in the case of small business like furniture companies in developing countries where the management has little or no management accounting knowledge at all. Recent investigations revealed that most Small and Medium Size Enterprises (SMEs)owners in Nigeria and Ghana rarely employ management accounting techniques in their daily business activities because most of them are not schooled in accounting or in some cases consider employment of management accounting system too expensive to maintain. Kaplanand Atkinson (1989) report that there is no ambiguity in management accounting and it is traditionally task of providing information that aids decision making. Some indigenous authors report that majority of small scale furniture owners in Nigeria have little or no education, hence the adoption of management become almost impossible.

According to Nanda (2010) the dynamic nature of the business world coupled with product diversification and more overhead intensified production activities caused by other factors in the ecosystem rather than volume have caused conventional accounting techniques to be of less value and have the adoption of management accounting imperative. Some scholars are of opinion that adoption of modern management accounting techniques has been very slow in many organizations especially in SMEs due to some inert factors. Nanda (2010) opines that management accounting has invariable become a useful tool for making various strategic decisions. Anecdotal evidence shows that there is an increasing shift in focus from traditional to modern management accounting techniques in order to meet emerging demands of decision makers. Management accounting information analysis has a vital managerial instrument for both small and medium scale enterprises in recent times. This instrument that was referred as passive instrument has graduated into an informative mechanism that provides information for decision-makers (Kibera, 2000).

According to Mbogo (2011) prudent management accounting in aspects like information analyses as well as integrating training level and managerial accounting capabilities of SME owners and the managers results to a stronger, positive and significant influence on the decision making and consequently are critical for SMEs growth and survival.

Some notable scholars suggest that furniture companies use product costing approaches that are, from an academic perspective, considered it suboptimal. Deloitte Touche and Tomatsu, (2007) report that many small businesses are expensing production costs that should form part of the cost of inventory. Furniture companies in developed countries are beginning to recognize the need for them to acquire management skill, and take positive steps to ensure its actualization.

In recent years, the roles of management accounting and technology in inter-organisational management have become quite significant given the importance of management of strategic dimensions such as value chain, supply chain, networks, alliances and trusts (Tomkins, 2001). According to Scapens (2006) today management accounting information and analysis is crucial in managing large enterprises as well as SMEs, moving from a passive role as information providers for decision making, to taking a more proactive role in strategic and day to day resource management decisions. Despite the role management accounting plays in strategic decision making in recent times many small size businesses are faced with several challenges in adopting management accounting techniques. Some authors argue that factors like employee attributes go a long to determine the adoption of management accounting while others are of opinion that external factors like inflation rate, cost of raw materials, minimum wage mention but a few are factors that determine the adoption of management accounting. However, to best of authors knowledge little nothing was said about impact of factors within the firm (firm attributes) on the adoption of management accounting techniques. From foregoing the objective of this study is ascertain the impact of firm attributes on the adoption of management accounting techniques by small size furniture companies in Nigeria

Literature Review

Management Accounting Thought

National Association of Accountants (1981) defines management accounting as: "the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control an organization and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities."

The Report of the Anglo-American Council of Productivity (1950) defines management accounting as the presentation of accounting information in such a way as to assist the management in creation of policy and the day to day operation of an undertaking". Globalization and industrial evolution gave birth stiff competition, product diversification, activities driven cost arrangement and adoption of strategic management hence adoption of management becomes inevitable for any firm that wish to remain in business (Scapens, Ezzamel, Burn, & Baldvinsdottir, 2003).Conservative management accounting and control systems (MACS) such as budgets, standards, performance measurement and evaluation, overhead allocation and transfer pricing, among others, were all more or less fully developed as far back as 1925. There are varied results on whether management accounting practices are changing in line with the changing needs of organisations operating in a gradually more multifaceted environment(Scapens, et al. 2003).Quantitative studies such as those based on questionnaire surveys show that there is a slow pace in the growth of management accounting techniques, while those based on more qualitative approaches such as case and field-based studies suggest adoption of more advanced techniques entwined with strategy such as activity-based costing, value chain analysis, balanced scorecard and other newer developments (Scapens, 2006). Jones and Dugdale (2002) suggest that qualitative approach is needed in developing MACS thoughts. This form of costing that was unknown at the time of the 'relevance lost' debate in early 1988which graduated to activity–based costing later in the same year. In view of this fact, management accounting has come to the forefront, and in a very short span of time several new strategic techniques have evolved as a result of increased global and domestic competition, advancements in manufacturing sector, rise of service sector and developments in communications and information technologies.

Some argued (Flamholtz, 1992; Johnson, 1992) that relevance cost may be regained in the near future provided a whole new culture was developed in relation to broader roles of accountants and future research. In recent years, the roles of management accounting and technology in inter-organisational management have become quite significant given the importance of management of strategic dimensions such as value chain, supply chain, networks, alliances and trusts (Tomkins, 2001). According to Scapens (2006) today management accounting information and analysis is crucial in managing large enterprises as well as SMEs, moving from a passive role as information providers for decision making, to taking a more proactive role in strategic and day to day resource management decisions

SMEs and adoption of management accounting techniques

SMEs represent a major business sector in the industrial world and are of great significance in less developed countries. In many countries they represent over 65% of all businesses, employ around 75% of the workforce and contribute about 65% to GDP (Ballantine, Levy &Powel, 1998).

Furniture companies tend to depend on a small number of customers, produce standard products or services, and have little influence on market pricing. Furniture companies also tend to have independent ownership where owners retain close control as the principal decision makers and provide the majority of capital required for operations. Storey (1995) performs a study on the determinants of the adoption of management accounting in US. His results reveal that firm size does not have positive relationship with the adoption of management accounting. Oyerogba (2015) carried out work in Nigeria to find out the factors that determine the adoption of management accounting techniques by Nigerian companies. The results show that firm size and firm age have positive relationship with the adoption of management accounting techniques in Nigeria.

Sian and Roberts (2009) investigate the determinants of the adoption management accounting by SMEs. Their results show that literacy level of SMEs owners has a positive impact on the adoption of management accounting techniques by small scale businesses.

Wenglas and Douglas (2013) carried out a research to find the relationship between firm age and adoption of management accounting techniques. Their findings show that there is a positive relationship between firm age and adoption management accounting practices

From foregoing the following hypotheses were developed:

Ho_1: Firm size has no significant relationship with the adoption of management accounting techniques

Ho_2: Firm age has no significant relationship with the adoption management accounting techniques

Lucas, Prowle and Lowth (2013) performed an experimental survey in UK to find out the relationship between owner characteristics and adoption of management accounting techniques. The study reveals that there is a significant relationship between educational background, professional qualification of owner and the adoption of management accounting techniques. Magdy and Robert (2006) show that there is a positive relationship between owner's educational qualification and the adoption sophisticated management accounting techniques

Tuan, (2010) performs a study to ascertain the relationship between literacy level of owners of SMEs . The result show owner of SMEs literacy level has no significant impact on the adoption management accounting techniques. The following hypothesis is developed from foregoing

Ho_3: There is no significant relationship between owner literacy level and the adoption of management accounting techniques

3.0 Methodology

Population and Sample size

The population of the study comprises all the (107) one- man furniture business in Benin City. In considering sample size, Saunders, Lewis and Thornhill (2003) suggest that a minimum number of 30% of the population for statistical analyses provide a useful rule of thumb. However, because of the nature of this study, we used forty-five One- man furniture businesses in Benin City. The employed simple random sampling technique to draw the sample this done in order to that all members in population are given equal opportunity to be chosen. The study used the both secondary and primary source of information via questionnaire distributed to owners of the selected firm. Secondary Data were gotten from Edo State Chamber of Commerce and Industry.

Method of Data Analysis

Model Specification

AMA=f(Fsize, LLEV, FIRAGE)

Where,

AMA=adoption of management accounting

Fsize=firm size (measured by number of employees)

LLEV=literacy level of owners (education qualification of owner)

FIRAGE=firm age(number of year from day the firm was establish till date)

This study used the inferential regression technique to ascertain the relationship between SMEs attribute and management accounting practices of One-man owned furniture company in Nigeria. We performed some preliminary statistical test such as descriptive statistics and correlation matrix. Simple Z- test will be performed to test the hypotheses. The analysis of this research was conducted using micro soft word excel sheet.

Table 1Correlation

	AMA	FSIZE	LLEV	FIRAGE
AMA	1			
FSIZE	0.0786207	1		
LLEV	-0.16778171	0.017108162	1	
FIRAGE	-0.1954122`	0.096135155	0.467827215	1

Table 1 shows the Pearson correlation coefficient result for the variables. MV shows positive relationship with FISIZE (0.07) while it show a negative relationship with LLEV(-0.16) and FIRAGE. We also discover that FIRAGE is positively correlated with FSIZE (0.096) and LLEV (0.46). It is evident from above that the magnitude of the correlation between variables is weak. This also implies that the presence of multicollinearity is unlikely.

Table 2. **Regression analysis**

VARIABLES	COEFFICIENT	STD ERROR	t-STATISTIC	P –VALUE
Constant	4972.395602	2513.8711	1.9779	0.0505
FSIZE	120.0540012	119.04723	2.800	0.03155
LLEV	-9.19250012	1.0416056	-0.8825	0.37950
FIRAGE	533.079011	356.77011	2.4944	0.01380

Researcher's computation 2017

R=0.78

R^2=0.55

F=0.11

AdjustedΔ^2=0.495

Interpretation

We start the analysis by checking out the fitness of the model. We discovered that it has a p value of 0.11 at 95%.levl of confidence .The result also shows that coefficient of determination R-square (R^2) stood at a value of 0.55.Adjust R-square stood at a value of 0.495. This implies that about 50% of dependent variable (AMA) can be explained by the explanatory variables (FSIZE, LLEV&FIRAGE) while the rest 50 % could not be accounted for.

The result shows that there is a significant positive relationship between firm size (p=0.03.<0.05,t=2.8) and adoption of management accounting(AMA) . A coefficient value of 120.0 indicates that increase in size of firm will lead a unit increase in adaptation of management accounting techniques. The result further shows that FIRAGE has a significant positive (p=0.013<0.05,t= 2.49) relationship with adoption management accounting techniques. Firm age (FIRAGE) has a coefficient value of 533, meaning that a unit increase in FIRAGE will lead to a correspondingly increase in adoption management accounting techniques by 553.

Finally, the result reveals that there is a positive but not significant relationship between literacy level (LLEV) and adoption (AMA)

Conclusion and Recommendations

This study is aimed at determining the adoption of management accounting by one- man furniture companies. The result reveals that there is a significant positive relationship between firm size and adoption of management accounting. We concluded that adoption of management accounting will lead to better running of furniture companies in Benin City. Our result also shows that there is no significant relationship between level of literacy of owners and adoption of management accounting. Finally the result reveals that there is significant relationship between firm age and adoption of management accounting.

The study recommended that owners of furniture companies should embrace management accounting to enhance better performance. Since there were many accounting systems available to small scale enterprises, the Ministry of Commerce and Industries should help the small business owners to avail themselves the opportunity to use the accounting systems that are relevant for the day to day reporting of their business transactions. Also, researchers who intend to go into this area of study should focus their works on the adoption of management accounting by quoted manufacturing companies

REFERENCES

Ahmed,A.S., Duellman.S., &Abdel-Meguid, A.(2006). Auditor independence and client importance: Does monitoring by the board or institutional shareholders mitigate the effects of client importance? Working Paper.

Ahmed, K., & Zabri, S. M. (2012). *The Uptake of management accounting practises among Malysian firms in SMEs Sector*. Paper presented at the International Conference on Technology Managemnt, Business and Entreprenuership, Malaysia.

Ballantine, J., Levy, M.,& Powell, P. (1998). Evaluating information systems in SMEs:Issues and evidence.*European Journal of information systems*, 7 (4), 241- 251

Deloitte Touche Tomatsu. (2007). Wine Australia: Directions to Benchmarking GuideSmall Wine Business.

Johnson, H. T. (1992).*Relevance Regained.* New York.The Free Press.

Jones, C. T.,& Dugdale, D. (2002).TheABC Bandwagon and the Juggernaut ofModernityAccounting, *Organisations and society,*27 (12), 121 – 163.

Joseph,C.N.K., Mwangi,E.,& Nyaanga, P. (2015). Adoption management accounting techniques by SMEs in Kenya.Retrived from htt//managementbusiness.retrived on 21/2/2017

Kaplan, R. S., & Atkinson, A. A. (1989). *Advanced Management Accounting*. EnglewoodCliffs, NJ: Prentice Hall.

Kibera, L. (2000). *The role of small Scale enterprisesd in socio-economic development and poverty alleviation in Kenya:a gender perspective.* Paper presented at the 7th Annual International Management Conference,

Magdy, A.K & Robert, L. (2006). Management accounting practices in the UK food and drinksindustry. *Chartered Instituteof Management Accountant Journal*, 2(8), 1-7

Marriott, N., & Marriott, P. (2000). Professional accountants and the development of amanagement accounting service for the small firm: barriers and possibilities.*Management Accounting Research, 11(2)*, 475-492.

Mbogo, M. (2011). Influence of Managerial accounting skills on Growth of Small and MediumEnterprises in Kenya. *Journal of Language, Technology andEntrepreneurship in Africa, 3*(1),15

Nanda, D.(2010). European Accounting Association, Istanbul, Turkey .Leases, Off-Balance Sheet Leverage, and the Pricing of Credit Risk.

Oyerogba,S.(2016). Management accounting practices in development economies. *Journal of accountingand management accounting* 5(2)76-86.

Scapens, R., Ezzamel, M., Burns, J. &Baldvinsdottir, G. (2003).*The FutureDirection of UK Management AccountingPractice,* CIMA, Elsevier, Oxford.an,

Sian,A., & Roberts, C. (2009). UK small owner-managed businesses: accounting andfinancial reporting needs. *Journal of Small Business and Enterprise Development,16*(2), 289-305.

Tomkins, C. (2001).Interdependences, Trusts and Information in Relationships, Alliances and Networks", *Accounting, Organisations and Society,* 26 (2),161- 191

Appendix 1

Responses to questions on the questionnaire

	SA		A		IND		D		SD		TOTAL	
	freq	%	freq	%	Freq	%	freq	%	Freq	%	freq	%
Literacy of owners	20		20		0		3		2		45	100
Sizeof firm	25		8		1		10		1		45	100
Age of firm	31		5		4		3		2		45	100

Source: field survey 2017

Personal Income Tax and the Performance of Internally Generated Revenue in Benue State - Nigeria

Tyoakosu, Simon Aondoakaa
Department of Accounting & Finance,
Federal University of Agriculture, Makurdi, Nigeria.
Email : styoakosu@gmail.com;
GSM: +2347030559716

Awuhe, Patrick Orbanga
Department of Accountancy,
Fidei Polytechnic, Gboko, Nigeria.

pp 127-138

Abstract

This paper examined the income profile of Benue State Government and assessed the impact of personal income tax on the internally generated revenue accruable to the state. Adopting the ex-post facto research design, secondary data was obtained from Benue State Board of Internal Revenue Service (BIRS) from 2007 – 2016 and analyzed using descriptive statistics, correlation and ordinary least square multiple regression technique. The study found that pay-as-you-earn has significant positive contribution to internally generated revenue in Benue state while direct assessment has insignificant negative contribution to internally generated revenue in the state over the study period. It was recommended among others, that the tax authority and government of Benue state should conduct a thorough census and aggressive registration of the self-employed in order to drag them into the tax-net of the state to further enhance tax revenues accruing to the state through direct assessment.

Keywords: Personal Income Tax, Pay-As-You-Earn, Direct Assessment, Internally Generated Revenue, Board of Internal Revenue Service.

1. Introduction

Government's money-needs are tapped from various sources of revenue, among which are; taxation, borrowing (loans), profit from government companies and miscellaneous incomes which include aids from other countries or organizations. Of all these sources, tax is the most important. This is because it contributes more than 50 percent of the total government revenue. However in recent times, government budgets at both state and federal levels are inundated with high borrowing as the major means of financing government expenditures. There has been dwindling Internally Generated Revenue (IGR) at all levels of government in Nigeria as only three out of the thirty-six states of the federation are capable of raising adequate revenues from IGR that can cover the states' financial obligations. IGR, the income that accrues to the State and Local Governments from within as a result of their internal efforts as opposed to allocations received centrally from the federation account includes personal income taxes (PAYE and Direct Assessments), road tax, fines and fees, licenses, stamp duties, land registration and survey fees, rents of government properties, interest repayment/dividends and reimbursement refunds (Abiola & Ehigiamusoe, 2014). According to Dike (2000:36) the overriding objective is to 'collect the maximum revenue with the minimum cost and without interference with the legitimate trade of the taxpayer'.

In Nigeria today, only salary earners pay Personal Income Tax (PIT) faithfully through the Pay as You Earn (PAYE) system, which deducts tax at source. It has remained difficult, if not impossible to get the self-employed to pay tax faithfully and since the government has not been able to effectively device means of assessing the income of those in self-employment, they have been evading tax successfully (Omogui, 2007). The situation now is such that, people with means are walking on the streets free without paying any tax at all to the government thus contributing to inadequate IGR accruable to the states.

Benue State government, like most other state governments in Nigeria, always runs short of funds relative to their expenditure. The need for all tiers of government to generate adequate revenue from internal sources has become a matter of extreme urgency and importance, following the increased responsibility on the part of the government to its citizens amidst a decrease in the funds available for distribution to the Federal and State Governments from the federation account. This need underscores the eagerness on the part of states and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. Aguolu (2004) and Oseni (2013) observed that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from it, taxation is the most important source of revenue to the government from the point of view of certainty, and consistency of tax revenue. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances.

Since the responsibility of every government is to avoid a collapse of its economy by providing a conducive atmosphere where all micro and macro-economic variables thrive and this responsibility can only be achieved with a buoyant strong revenue base, and of course requisite human capital (Wole, 2008), **this paper seeks to** assess the relationship between PIT and IGR in Benue state, with a view to examining the extent to which PIT contributes to revenue generation in the state.

One of the greatest developmental challenges facing Benue State since its creation is the low IGR base of the State. It is true that the problem of lack of financial capacity and autonomy is not peculiar to Benue State alone; the problem is more acute in Benue State because of the near absence of federally established industries or parastatals. The IGR profile of States in Nigeria was worsened by the dire consequences of the global economic crisis on the finances of all tiers of government in the country, such that the Nigerian Governors Forum (NGF), in its First National Round Table on IGR, sought ways and means of boosting revenue generation in the country. Benue State has been relying almost solely on one source of revenue derived from the Federation Account. Since the global economic meltdown, revenue accruing to the State has steadily declined. Over the years, revenue derived from PIT has been very low in Benue State, which could be the reason for low pace of physical development and non-payment of the state workers stipends in recent times; hence its impact on the poor is insignificantly felt. There has been an increase in the demand for governmental service for the masses. Government is expected to satisfy collective wants and regulate the economic and social policies of the nation. Therefore, the fact that Benue State is predominantly a civil service and small business state, there is need to ascertain the impact of the various sources of PIT revenue on the total IGR in the State. Thus, the main problem investigated in this study is to ascertain whether Pay-As-You Earn (PAYE) and Direct Assessment (DA) are making significant impact on total IGR in Benue state of Nigeria.

2. Review of Related Literature and Hypotheses Formulation

Theoretical Framework

The issue of income generation from tax is guided by several theories as taxation is said to be a product of theories. This study however adopted two of the theories as the basis for the work; these are the ability-to- pay and the pecking order theory.

The Ability – to – Pay Theory

The Ability – to – pay theory propounded by Kendrick (1939) is deemed to be the dominant theory of taxation. It states that taxes should be based on the ability to pay, that is, those who have more income should pay more taxes. This principle makes a great deal of sense, especially for the provision of public goods that are consumed by all. If everyone benefits from public goods, without exclusion, then everyone should pay. However, not everyone can pay, so those who can afford to pay need to bear the burden more.

This theory is usually interpreted in terms of sacrifice. It is hard to justify progressive taxation under any one of these three possible interpretations of sacrifice: the equal, equal-proportional, and least-sacrifice theories. These theories rest in turn on three assumptions: the declining marginal utility of money with an increase in its supply, the existence of sacrifice. Analysis discloses each of these supports to be defective and thereby breaks down the theory of ability to pay. Progressive taxation may, however, be justified on other grounds. These grounds should be founded on the broad realities of the economic system. Taxes have economic effects, and these effects entail social consequences. The choice of the taxes to be laid and rates at which they are to be applied express a preference for one set of economic effects, and hence of social consequences, to another. **The ability – to – pay theory relates to this study because it is of the view that personal income taxes should be levied based on the ability of the taxpayer, which is capable of generating adequate revenue from the most capable hands into government coffers**

Pecking Order Theory

This study is also anchored on the Pecking Order Theory popularized by Myers and Majluf (1984) together with the law of increasing state activities. According to this theory, firms and government authorities prefer internal funding over external funding. It holds that, in case organizations require external funding they would prefer debt over equity, and equity is generated as last resort. So the firms do not have predetermined or optimum debt to equity ratio due to information asymmetry. The organizations adopt conservative approach when it comes to dividends, and use debt financing to maximize the value of firm. In corporate finance, **pecking order theory** postulates that the cost of financing increases with asymmetric information. Financing comes from three sources, internal funds, debts and new equity. Companies prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a "last resort". Hence, internal financing is used first; when it is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is utilized.

This study adopts the pecking order theory since government, when faced with fund raising issues, seeks to raise its funds internally than to resort to external financing, like debt (government borrowing). The internal approach of fund raising by a government is mainly through the imposition of taxes more equally, conveniently, and economically on the income of its citizens (both corporate and individuals), which has huge potentials to impact positively on the IGR.

Revenue Generation and Personal Income Tax

The sources of revenue of the state government can be divided into two parts viz: recurrent revenue and capital receipts (Adam, 2006; Soyode & Kajola, 2006; Adesopo & Akinlola, 2004). The Recurrent Revenue include: taxes, licences, earnings from economic activities, allocation from the Federation Account and VAT allocations while capital receipts include: grants, loans, and financial aids. It is however, noted that sources of revenue are by no means uniform among the states. States derive their revenue depending on the resources available to them (Adam, 2006; Anyafo, 1996).

Hofer and Schedal (1978) as cited in Adesoji and Chike (2013) defined strategy of revenue generation as the fundamental pattern of present and planned resource department, and environmental interaction that indicates how an organization will achieve its aims and objectives. However, for effective revenue generation, Hofer and Schedal (1978) suggest the following strategies: Introduction of additional sources of revenue; Providing an incentive for extra efforts of the revenue generation staffs; Periodic raiding by officer of the revenue generation; Efficient and effective collection of existing taxes; and Public enlightenment and campaigns that will educate the tax payer on the importance of prompt tax payment.

While tax policy and tax laws create the potentials for raising tax revenues, the actual amount of taxes flowing into the government treasury, to a large extent, depends on the efficiency and effectiveness of the revenue administration agencies. Weaknesses in revenue administration lead to inadequate tax collections. Financing of the resulting budget deficit through borrowing can cause unsustainable increases in the State public debt. In the alternative, revenue shortfalls shrink the budgetary resource envelope thus, affecting the government's ability to implement its policies and programmes and provision of public services. Unexpected dips in revenue collections also cause budget cuts that result in major inefficiencies in the public expenditure management. Benue State in recognition of this, granted full autonomy to the State Board of Internal Revenue in 2010 targeted at increasing internal revenue accruable to the government.

According to Soyode and Kajola (2006), there are basically two types of tax; they are direct taxes and indirect taxes. Direct tax includes Personal Income Tax (PIT), poll tax, company tax, Capital Gain Tax (CGT) and so on while indirect tax include import and export duties, excise duty, Value Added Tax (VAT) and so on. Personal Income Tax as a form of direct tax is however, the field to which this study relates. Personal income tax Act of 1993 (PITA, 1993) which repeals the Income Tax Management Act 1961 (ITMA 1961) defined personal income tax as the tax charged on individuals' chargeable income. It is a compulsory levy imposed on employment income and income or profit of individuals derived from a trade, business, profession or vocation. The income tax also includes other benefits-in-kind relating to the employment such as houses and cars provided by employers for employees' use. Sources of Personal Income Tax include: Basic salary, all allowances subject to certain limits, investment income such as dividend, interest and rent and business income or profit.

The PAYE system of tax payment is an example of personal income tax used to describe a situation whereby an employee pays tax on whatever income he earns from his employment in any particular month at the end of that month (Ekpe, 2012). Under this system, the employer deducts the relevant tax from the employee's total earnings, including allowances on monthly basis and the employer remits such deductions to the SBIR.

The employee at the beginning of each year is expected to render returns of his income to the relevant tax authority. The returns are usually made on 'Form A' where the employee supplies his income to be earned for the year. The details in the return form are then entered into a Tax Deduction Card used for operating the PAYE system. However, in practice, the PAYE system of tax deduction is not followed and the computation of personal income tax is not also followed according to the provisions of the tax law on personal income taxation. Various salaries are partially operated on the PAYE system as employees pay as they earn their salaries.

Ekpe (2012) depicts that direct assessment is one of the systems of personal income tax based on the proportion of the taxable income of self-employed persons from trade, business, profession or vocation. The self- employed persons are expected to render returns of their annual income at the beginning of each year to the relevant tax authority. A self-evaluation is usually done by the individual, or corporation sole from which the tax authority calculates the tax liability of the individual or corporation sole. This is usually referred to as self-assessment.

Empirical Review

Studies that have investigated the relationship between Personal Income Tax and IGR are rather sparse. The results of a few cases of studies that have examined the impact of personal income tax on **IGR** are summarized in the table below.

Table 1: Results of prior studies on impact of personal income tax on IGR.

Author (s)	Year	Study Focus	Methodology	Findings of Study
Samuel and Tyokoso	2014	Effect of taxation on revenue generation in Nigeria	OLS regression technique	Taxation had a significant contribution to revenue generation in the sampled states.
Afuberoh and Okoye	2014	Impact of taxation on IGR in Nigeria	OLS regression technique	Taxation has a significant contribution to IGR and also on Gross Domestic Product (GDP)
Dabo, Aimuyedo and Tanko	2014	Effect of PIT Amendment Act on Revenue Generation in Nigeria	Chi – square and t – test statistics	The 2011 PIT laws have not successfully encouraged tax payers to voluntarily comply with self – assessment and compliance; It has therefore not improved the revenue generated by the state boards of internal revenue.
Adesoji and Chike	2013	Effect of IGR on state government resources in Lagos-Nigeria	Spearman's rank correlation analysis	There is a positive relationship between IGR and the state government resources.
Oseni	2013	The proportions of internally generat ed revenues to total revenues of states	Descriptive statistics	States getting additional revenue from the statutory allocations as derivation have lower proportions of IGR to their total revenues than other states.
Jamala, Asongo, Mahai and Tarfena	2013	Appraisal of revenue generation in Numan, Southwestern Adamawa State in Nigeria.	Descriptive statistics	Tax authorities normally employ the use of law enforcement agents to assist in revenue collection to improve revenue generation in Adamawa State.
Olusola	2011	Impact of internal sources of revenue on the total revenue in Ogun State	OLS multiple regression	Internal sources of revenue impact positively on total revenue of sampled local governments and rates, fines, fees, licenses and rent sources of reven ue are significant factors influencing IGR in Ogun State
Nassar and Fasina	2005	Impact of personal income tax on the income accruable to Oyo state.	Stepwise regression technique.	Personal income tax has a significant positive contribution to IGR in Oyo s tate. It also revealed that both taxes and licenses jointly and significantly accounted for variations in IGR in the state.

Sources: Authors Compilation 2017

Hypotheses

From the studies examined in table 1 above, it is evident that the few available research works on the relationship between PIT and IGR have focused mainly on assessing the impact PIT has on IGR without giving much consideration to ways of enhancing IGR through improved PIT in the studied populations. *While a lot has been written about inter-governmental fiscal relations and the need for improved allocation to states and Local Governments from the Federation account, not much attention is paid to the management of available funds in states across the country or the perpetual inability of states to tap available resource base through improving their IGRs. This study is therefore an attempt to fill the existing gap* assessing the impact of PIT on the **IGR** accruable to the states with a view to suggesting ways to improve IGR in the state.

Following from the above arguments, hypotheses for this study are stated as follows:

***$H0_1$*:** PAYE has not significantly affected IGR generation in Benue State.

***$H0_2$*:** DA has not significantly affected IGR generation in Benue State.

3.0 Methodology

This study adopts ex-post facto research design on a purposive selected case study, Benue State Board of Internal Revenue Service (BIRS) **covering a period of ten years from 2007–2016. S**econdary source of data obtained from the State Ministry of Finance, and Budget and Planning office of Benue State were used.

The data gathered for the study was subjected to descriptive and inferential statistics. The statistical tools that were used for data analysis includes correlation and ordinary least squares (OLS) multiple regression analysis to examine the relationship between variables under study. The research hypotheses in the study were tested at a five percent (5%) level of significance (0.05), with the aid of STATA Version 14 using a regression equation for the prediction expressed as:

$IGR_t = \alpha + \beta_1 PAYE_t + \beta_2 DA_t + \beta_3 MR_t + ?_t$

where: IGR_t = Dependent Variable, (Internal Generated Revenue) for time t,
$_t$ = Independent Variable, (Pay–As–You–Earn) for time t,
DA_t = Independent Variable (Direct Assessment) for time t,
MR_t = Control Variable (Miscellaneous Revenue) for time t.
β_1- β_3 = Coefficient of Variables
α = Constant (intercept);
$?_t$= error term (unexplained variance).

The a-priori expectations of variables are: $\beta_1 > 0$; $\beta 2 > 0$; and $\beta_3 > 0$.

Results and Discussion

This section presents the descriptive statistics, analysis and interpretation of the results relating to the data collected for the study. Details of the STATA output are attached in the appendix $A_1 - A_9$.

Descriptive Statistics

The summary of the descriptive statistics is shown in Table 2.

Table 2: Descriptive Statistics

VAR	MEAN	SD	MIN	MAX	SKEW	KURT	N
IGR	40086110915.0	18031183896.0	19718357612.5	70780101870.0	0.12686	1.52472	10
PAYE	2080690761.3	1981068299.4	875390900.0	7386813224.0	1.21031	3.50191	10
DA	95425819.7	93225811.9	13632999.2	286943384.2	0.18595	1.77232	10
MR	37909994333.8	16683221201.7	18712191671.5	67656126767.0	0.09414	1.53514	10
Source: STATA Output on Appendix A1 - A4.							

Table 2 shows that the mean IGR of Benue State during the period of study was N40,086,110,915.0 with a standard deviation (SD) of N18,031,183,896.0. This is an indication that the IGR of the state deviate from both sides of the mean by N18,031,183,896.0, which means that the data is widely spread from its mean. The IGR also has a minimum and maximum value of N19,718,357,612.5 and N70,780,101,870.0 respectively. See appendix B_1 and B_2 for details. The data for IGR is positively skewed with a coefficient of 0.12686, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 1.524718 shows that the data was normally distributed. The table also shows that the mean PAYE of Benue State during the study period was N2,080,690,761.3 with a standard deviation (SD) of N1,981,068,299.4. This is an indication that the data is widely spread from its mean. The PAYE also has a minimum and maximum values of N875,390,900.0 and N7,386,813,224.0 respectively. The data for PAYE is positively skewed with a coefficient of 1.21031, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 3.501909 shows that the data was abnormally distributed, which is explained by the wide range N6,511,422,324. In the same vein, the mean DA of the state for the period was N95,425,819.7 with a SD of N93,225,811.9. This shows that the DA deviates from both sides of the mean by N93,225,811.9. The DA also has a minimum and maximum values of N13,632,999.2 and N286,943,384.2 respectively. The data for DA were positively skewed with a coefficient of 0.18595, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 1.77232 shows that the data was abnormally distributed.

Table 2 also shows that the mean MR of the state during the period was N37,909,994,333.8, with an SD of N16,683,221,201.7. This shows that the MR deviates from both sides of the mean by N16,683,221,201.7, meaning that the data were widely spread from the mean. The MR also has a minimum and maximum value of N18,712,191,671.5 and N67,656,126,767.0 respectively. The data for

MR were positively skewed with a coefficient of 0.09414, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 1.53514 shows that the data was normally distributed.

Correlation Coefficients

The summary of the correlation coefficients of the variables under study and P -values are presented in Table 3.

Table 3: Correlation Matrix

VARIABLES	PAYE	DA	MR
PAYE	1.0000		
DA	0.0723	1.0000	
	'0.8426'		
MR	*0.7293*	0.5314	1.0000
	'0.0167'	'0.1139'	
Source: STATA Output on Appendix A8.			

Table 3 shows that there is an insignificant positive statistical correlation between PAYE and DA of the state during the period, which was explained by the 0.0723 correlation coefficient, which was statistically insignificant at 84.26% level of significance (P-Value = 0.8426). MR has a significant positive correlation with PAYE at the correlation coefficient of 0.7293 and 1.67% level of significance (P-Value = 0.0167) and an insignificant positive correlation with DA at 0.5314 correlation coefficient and 11.39% level of significance (P-Value = 0.1139).

Diagnostic Tests

To ensure that the data for this study are fit for the model, three (3) diagnostic tests, the Shapiro-Wilk W Test for Normal Data, the Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity and the Variance Inflation Factor (VIF) Test for Multicollinearity, were carried out on the data.

Shapiro-Wilk (W) test for data normality was conducted to check the variables emanate from a normally distributed population. It tests the null hypothesis that the data is not normally distributed at a 0.05 level of significance. The result of the test is shown in Table 4 below.

Table 4: Result of Shapiro-Wilk W Test for Normal Data

VARIABLE	W	V	Z	P-VALUE	OBS
IGR	0.91853	1.255	0.399	0.34489	10
PAYE	0.82806	2.65	1.856	0.03170	10
DA	0.94314	0.876	-0.223	0.58840	10
MR	0.92434	1.166	0.267	0.39460	10
Source: STATA Output on Appendix A5.					

Table 4 shows the P-Values of 0.34489, 0.03170, 0.58840 and 0.39460 for IGR, PAYE, DA and MR respectively. Therefore, the study rejects the null hypothesis that the data were not normally distributed, except for PAYE, which was significant at 3.17 % (P-Value = 0.03170). This indicates validity of IGR, DA and MR data. However, the abnormality of PAYE calls for heteroskedasticity and multicollinearity tests to ascertain whether or not the standard errors of the data values have constant variance and perfect collinearity.

Breusch-Pagan/Cook-Weisberg test was conducted to ascertain the existence or otherwise of heteroskedasticity and further test the null hypothesis that there is absence of heteroskedasticity among the standard errors of the data at a 0.05 level of significance. The result of the test is contained in Table 5 below:

Table 5: Result of Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity

VARIABLE	Chi2	P-VALUE
Fitted Values of IGR	3.24	0.0718
Source: STATA Output on Appendix A6.		

Table 5 shows that the fitted values of IGR have a Chi-square (Chi^2) of 3.24 with the P-value of 0.0718. Therefore, the study accepted the null hypothesis that there is absence of heteroskedasticity among the standard errors of the fitted values of IGR and concludes that data values for the study are homoscedastic.

Multicollinearity is a situation where there is high correlation between independent variables. If VIF = 1, the set of independent variables is uncorrelated, while if VIF ? 5, the set of independent variables is highly inter-correlated (Gelman & Hill, 2007). The VIF was conducted to ascertain the existence or otherwise of multicollinearity between independent variables of the study. The result of the VIF test is contained in Table 6.

Table 6: Result of Variance Inflation Factor (VIF) Test

VARIABLE	VIF	TOLERANCE (1/VIF)
PAYE	3.03	0.329573
DA	1.98	0.505259
MR	4.21	0.237742
MEAN VIF	3.07	
Source: STATA Output on Appendix A7.		

Table 6 shows the VIF? 5 in all the dependent variables of 3.03, 1.98 and 4.21 for PAYE, DA and MR respectively with the mean VIF of 3.07. The tolerance levels also were greater than 0.10 in all the cases. This result has shown that there is absence of perfect multicollinearity between the independent variables, indicating the fitness of the model.

Regression Analysis

The result of the OLS regression of IGR, PAYE, DA and MR is presented in Table 7 below.

Table 7: Result of OLS Regression Analysis

IGR	COEFFICIENT	T-VALUE	P-VALUE
CONST.	-0.0227589	-0.27	0.796
PAYE	0.0526167	6.34	0.001***
DA	-0.0010681	-0.24	0.817
MR	0.9591385	65.08	0.000***
R Square	0.9997		
Adjusted R Square	0.9996		
F-VALUE (3, 6)	6679.13		
P-VALUE	0.0000		
IGR = -0.0227589 + 0.0526167 PAYE - 0.0010681 DA + 0.9591385 MR + e			
Source: STATA Output on Appendix A9.			

*** The results are significant at 1%.

The result from table 7 show that PIT has accounted for 99.96% (Adjusted R Square = 0.9996) of variations in the IGR of Benue State during the study period and 0.04% is accounted for by other factors. In addition, the F-Value of 6679.13 at the significance level of 0.0000 indicates that the model for the study is fit. The coefficient of the constant (CONST.) is -0.0227589, which determines the value of IGR given a unit increase or decrease in any of the independent variables, while all others are rendered zero. PAYE has a coefficient of

0.0526167 at a T-value of 6.34 and P-Value of 0.001, indicating that all things been equal, PAYE significantly and positively affects IGR at 99% confidence level. This finding is consistent with the apriori expectation of this study (β_1? 0) and it is similar to the findings of Nassar and Fasina (2005) and Adesoji and Chike (2013), who found that PIT has a significant positive contribution to the IGR of Oyo and Lagos states respectively. DA has a coefficient of -0.0010681 at a T-Value of -0.24 and P-Value of 0.817, indicating that all things been equal, DA will insignificantly and negatively affect IGR at 18.3% confidence level. This is inconsistent with the apriori expectation of this study (β_2 ? 0). The reason could be that most self-employed tax-payers were not registered or captured in the tax net of Benue state, leading to the low tax revenue from DA. This finding contradicts the work of Nassar and Fasina (2005) and Adesoji and Chike (2013), who found a significant positive relationship between PIT and IGR. It is however consistent with the findings of Dabo, Aimuyedo and Tanko (2014) who concluded that the PIT laws have not successfully encouraged tax payers to voluntarily comply with self – assessment and compliance, therefore not improved the revenue generated by the state boards of internal revenue. MR has a coefficient of 0.9591385 at a T-Value of 65.08 and P-Value of 0.000. This is in line with the apriori expectation of this study (β_3 ? 0) and indicates that, all things been equal, MR significantly affect IGR at 99% confidence level.

Test of Hypotheses

HO$_1$: PAYE has not significantly affected IGR generation in Benue State.

Table 8: Regression between PAYE and IGR

IGR	Coeff.	Std Error	t	P ? |t|	[95% Conf. Interval	
CONST.	-0.0227589	0.0842963	-0.27	0.796	(0.229025)	0.183507
PAYE	0.0526167	0.0082935	6.34	0.001	**0.032323**	**0.072910**
MR	0.9591385	0.014739	65.08	0.000	**0.923074**	**0.995204**
Source: STATA Output on Appendix A9.						

Table 8 indicates that the coefficient of PAYE is 0.0526167 with T-Value of 6.34 and P-Value of 0.001. This shows that PAYE has a significant and positive influence on the IGR. This is significant at 99% level of confidence. Therefore, we reject the null hypothesis and accept the alternative hypothesis that PAYE has significantly and positively affected IGR generation in Benue State.

HO$_2$: DA has not significantly affected IGR generation in Benue State.

Table 9: Regression between DA and IGR

IGR	Coeff.	Std Error	t	P ? |t|	[95% Conf. Interval	
CONST.	-0.0227589	0.0842963	-0.27	0.796	(0.229025)	0.183507
DA	-0.0010681	0.0044246	-0.24	0.817	**(0.011895)**	**0.009759**
MR	0.9591385	0.014739	65.08	0.000	**0.923074**	**0.995204**
Source: STATA Output on Appendix A9.						

Table 9 indicats that the coefficient of DA is -0.0010681 with T-Value of -0.24 and P-Value of 0.817. This shows that DA has an insignificant and negative influence on the IGR. This is insignificant at 18.3% level of confidence. Therefore, we accept the null hypothesis and reject the alternative hypothesis that DA has insignificantly and negatively affected IGR generation in Benue State.

Conclusion and Recommendation

Based on the result of analysis carried out and the discussion on the impact of personal income tax on the internally generated revenue of Benue state for a 10-year period from 2007 to 2016, the study finds that PAYE has significantly and positively contributed to IGR of Benue state, while DA has insignificantly and negatively contributed to IGR of Benue state during the study period. Sequel to the findings, the study concludes that PAYE has a strong positive impact on the IGR of Benue state during the study period and DA has an insignificant negative impact on the IGR of Benue state during the study period of 2007 to 2016.

Since there is a significant positive impact of PAYE on IGR, the BIRS in Benue State should ensure that the relationship is maintained. This will entail collaborating with the state civil service and private employers of labour in the state to ensure proper assessment, deduction and remittances of PAYE to the state treasury to boost the internally generated revenue of the state. Again, since DA has an insignificant negative impact on the IGR, the Benue State BIRS should put in place measures that would ensure that the self – employed pay their taxes appropriately. One of such measures could be to conduct a thorough census and registration of the self – employed in the state. This would guarantee an aggressive and massive dragging of the self – employed into the tax net that would boost the DA source of PIT and subsequently improve IGR of the State.

References

Abdulkadir, S. A. (1998). High Mobility Group Protein Functions as a Specific Co–factor for Oct–2A: Mapping of Interaction Domains. ***Journal of Leukoc Biol,*** **64 (5), 681 – 691.**

Abiola, G. A. & Ehigiamusoe, U. K. (2014). Analysis of Internally Generated Revenue and its implications on Fiscal viability of State Governments in Nigeria. ***Journal of Empirical Economics, 2*** **(4), 216 – 228.**

Abolo, E. M. (1996). Tax Functions in the Nigerian Economy: An Empirical Analysis. *Journal of the Institute of Chartered Accountants of Nigeria*, 29 (1), 30 - 35.

Adam, W. N. (2006). ***The Future of Sustainability: Rethinking Environment and Development in the 21st Century.*** **Report of IUCN Renewed Thinkers Meeting, January, 29 – 31.**

Adams, C. (2001). *For Good and Evil: The impact of Taxes on the Course of Civilization*. U.S.A: Madison Publishers.

Adekanola, O. (1996). *Legality of the Appointment of Consultants for Revenue Generation. Paper delivered* at a seminar organized by the Chartered Institute of Taxation in Nigeria.

Adesoji, A. A. & Chike, F. O. (2013). **Effect of Internal Revenue Generation on Infrastructural Development: A study of Lagos State Internal Revenue Service.** *Journal of Educational and Social Research, 3 (2): May, 2013.*

Adesola, S. M. (1999). *Tax Law and Administration in Nigeria*, Lagos: University of Lagos press, pg. 25.

Adesopo, A. A. & Akinlola, Y. (2004). Centralization of Inter-governmental Fiscal Power and the lower levels of Government in a Federation: The Nigerian experience. *Journal of Social Sciences*, 8 (3), 179-195.

Afuberoh, D. & Okoye, E. (2014). Impact of Taxation on Revenue Generation in Nigeria: A Study of Federal Capital Territory and Selected States. ***International Journal of Public Administration and Management Research,*** **2 (2):** *22-47.*

Aguolu, O. (2004). *Taxation and Tax Management in Nigeria*, (3rd Ed). Enugu: Meridan Associates.

Amawhe, A. S. C. (1997). *Obtaining and Sustaining Voluntary Compliance in the Tax System,* Lagos: University of Lagos Press.

Angahar, P. A. & Alfred S. I. (2012). Personal Income Tax Administration in Nigeria: Challenges and Prospects for Increased Revenue Generation from Self– Employed Persons in the Society. *Global Business and Economics Research Journal,* 1(1), 1 – 11.

Anyafo, A. M. O. (1996). ***Public Finance in a Developing Economy: The Nigerian Case.*** **Enugu: UNEC.**

Arthur, J. A. (2010). *Practical Research Methodology Design Analysis and Reporting*, (5th Ed). Lagos: Jovilla Publishers.

Banabo, E. & Koroye, B. (2011). Stimulating Internally Generated Revenue in Nigeria: The Entrepreneurial option revisited. *European Journal of Social Sciences,* 23 (4), 520 – 530.

Bhatia, H. L. (2001). *Public Finance,* (22nd Ed). New Delhi: Vikas Publishing PVT Limited.

Brealey, R. A. & Myers, S. C. (1996). ***Principles of Corporate Finance.*** **USA: McGraw Hill Companies Inc.**

Clave, J. I. & Sincich, T. (2000). *Statistics,(8th Ed).* New Jersey: Prentice-Hall Inc.

Constitution of the Federal Republic of Nigeria (1999). Section 162-168, Items A & D of Part II Second Schedule.

Dabo, Z., Aimuyedo, M. & Tanko, M. (2014). The Effect of Personal Income Tax Amendment Act on Revenue Generation in Nigeria. Available at http://ssrn.com/abstract=2488098 Retrieved on 1st August, 2016.

Davies, D. G. (1970). The significance of Taxation of Services for the Pattern of

Distribution of Tax Burden by Income Class. *Proceedings of the 62nd Annual Conference of the National Tax Association – Tax Institute of America,* 138 – 146.

Dike, M. A. C. (2000). *New Perspectives on Examination of Accounts.* Lagos: University of Lagos Press.

Ekpe, D. A. (2012). *Personal Income Tax in Nigeria*, (2nd Ed.). Abuja: Panuf Press.

Fatoyinbo, I. (2006). *Introductory Statistics for Tertiary Institutions.* Ilaro: Delak Ventures: 10 - 13.

Gelman, A. & Hill, J.(2007). Data Analysis using Regression and Multilevel /Hierarchical Models. New York: Cambridge University Press.

Gordon, H. R. (2010). Taxation and Corporate Use of Debt: Implication for Tax Policy. *National Tax Journal,* 63 (1), 151 – 174. Available at: https://auth.athensams.net/?ath_returl Accessed on 26/08/2016.

Hamid, K. T. (2008). Toward Enhancing Revenue Generation at State Level: A study of Bauchi, Kaduna and Kano States. *The Treasury Manager,* 1 (2), 64 – 72.

Hassan, Y. A. (2010). Corporate Governance Mechanisms and Performance of Money Deposit Banks (MDBs) in Nigeria. MSc Accounting and Finance Thesis Submitted to the Department of Accounting, ABU Zaria (Unpublished).

Jamala, G. Y., Asongo, A. I., Mahai, S. & Tarfena, H. J. (2013). Appraisal of Revenue Generation in Numan Southwestern Adamawa State, Nigeria. *IOSR Journal of Economics and Finance,* 2 (2), 01 – 06.

Kendrick, M. S. (1939). The Ability – to – pay Theory of Taxation. *American Economic Review,* 29(1), 92 – 101.

Kohler, U. & Kreuter, F. (2009). *Data Analysis using STATA, (2nd Ed.).* Stata Press.

Laffer, A. (2009). Taxes, Depression, and our current Troubles. *Wall Street Journal*, 22nd Sept. Eastern Edition. Retrieved from http://www.proquest.com/ on 20/08/2016.

Lopez, A. & Kadar, Z. (2001). *International Tax Review: World Tax 2002,* 6-11. Available from http://proquest.umi.com/pqd Accessed on 27/08/2016.

Lymer, A. & Oats, L. (2010). *Taxation Policy and Practice*, (16th Ed.). Birmingham: Fiscal Publication.

Meekyaa, U. J. (1992). *The Preparation and Presentation of Research Projects: An Ecclectic Guide.* Jos: Midland Press Ltd.

Miller, A. & Oats, L. (2009). *Principles of International Taxation*, (2nd Ed.). West Sussex: Tottel publishing.

Modugu, K. P. & Alade, S. O (2013). An Appraisal of Personal Income Tax Evasionin Nigeria. *Asian Economic and Financial Review, 4* (1), 33 – 40.

Myers, S. C. & Majluf, N. S. (1984). Corporate Financing and Investment Decisions when Firms have Information that Investors do not have. *Journal of Financial Economics,* 13 (2), 187 – 221.

Nassar, M. L. & Fasina, H. T. (2005). Impact of Personal Income Tax on Internally Generated Revenue Performance in Oyo State. *International Journal of African Culture and Ideas,* 5 (1), 26 –38.

Nightingale, K. (2002). *Taxation Theory and Practice, (4th Ed.).* England: Pearson Education Limited.

Ojo, S. A. (2008). *Principles of Nigerian Tax*. Ilorin: Sagribra Publishing House.

Ola, C. S. (2001). *Income Tax Law and Practice in Nigeria.* Ibadan: Heinemann Educational Books Nigeria Limited.

Olaoye, C. O., Adebayo, A. I. and Dada, R. A. (2014). Harnessing Internally Generated Revenue: A Panacea to Tax Evasion and Avoidance in Nigeria: A Study of Ekiti State. *International Journal of Management, Information Technology and Engineering*, 2 (3), 53-72.

Olusola, O. O. (2011). Boosting Internally Generated Revenue of Local Governments in Ogun State, Nigeria: A Study of selected Local Governments in Ogun State. *European Journal of Humanities and Social Sciences,* 8 (1), 336 – 348.

Omogui, I. (2007). *Omogui and the Tax Burden.* Nigeria Tribune Daily, Wednesday, 29th March.

Oseni, M. (2013). Internally Generated Revenue in Nigeria: A Panacea for State Development. *European Journal of*

Humanities and Social Sciences, 21 (1), 1050 – 1066.

Osunkoya, D. (2009). Nigeria Tax System needs Autonomy. *Next*, 19th December.Available from:"http://234next.com/csp/cms/sites/Next/Money/Finance/story.csp"Accessed 20/09/2016.

Popoola, N. (2009). A Good Tax System enhances Economic Development. *Punch*, 31st Jan. Available from: http://www.punchng.com/Articl.aspx Accessed 22/09/2016.

Public Finance General Directorate (2009). ***The French Tax System.*** **Available from http://www.impots.gouv.fr/portal/deploiement/pl/fichedescriptive_1006.pdf Accessed on 14/09/2016.**

Samuel, S. E. & Tyokoso, G. (2014). Taxation and Revenue Generation: an Empirical Investigation of selected States in Nigeria. ***Journal of Poverty, Investment and Development, 4,*** **102 – 114.**

SAS Institute Inc. (1999). *SAS/ETS User's Guide, Version 8.* Cary NC: SAS Institute Inc.

Smith, A. (1904). *The Wealth of Nations.* London: Methuen and Company Limited. Soyode, L. and Kajola, S. O. (2006). *Taxation Principles and Practice in Nigeria,* (1st Ed.). Ibadan: Silon Publishing Company, 6-12, 62.

Udeh J. (2002): ***Petroleum Revenue management: The Nigeria perspective.*** **World Bank Petroleum Revenue Management Workshop, 2002.**

Wole, A. (2008). ***Generating Revenue for Development, the e-Formula,*** **in Thisday Newspaper** Vol. **13 (4833): 69 of 15th July.**

Effect of Firm Characteristics on Environmental Reporting Practices of Listed Manufacturing Firms In Nigeria

Uyagu David Benjamin
Department of Accounting
Nigerian Defence Academy, Kaduna, Nigeria
benmekus91@gmail.com

Joshua Okpanachi
Department of Accounting
Nigerian Defence Academy Kaduna, Nigeria
Okpasmg82@gmail.com

Terzungwe Nyor
Department of Accounting
NigerianDefence Academy Kaduna, Nigeria

Muhammad Liman Muhammad
Dept of Accounting,
Bayero University Kano, Nigeria

pp 139-148

Abstract

This study examines the effect of firm characteristics on environmental reporting practices of listed manufacturing firms in Nigeria. The population of the study comprises of sixty-one (61) manufacturing firms with a sample size of 29 firms drawn using judgmental sampling technique. Data were gathered using annual reports and accounts of the sampled firms through content analysis and analysed using multiple regression technique. The study found that the firm characteristics of firm size, leverage, return on assets and firm age have significant and positive effect on environmental reporting practices of listed manufacturing firms in Nigeria. Based on the findings, the study recommends that listed manufacturing firms should be raising fresh funds by retaining a good portion of their profits for the acquisition of assets to enhance environmental reporting practices in Nigerian listed manufacturing firms.

Keywords: firm characteristics, environmental reporting, listed manufacturing firms

1 Introduction

Economic development efforts have resulted into environmental activities such as growing pollution, global warming, deforestation and desertification. There is also a growing social awareness that increases the pressure on firms regarding their responsibility to the environments in the conduct of businesses. Consequently, many firms take as much responsibility for environmental protection as they do for economic issues and a major reason for this is that firms are reflecting growing environmental protection expectations from various stakeholders. Responsibility is reflected in reports made by these firms through their annual reports on a regular basis concerning environmental issues. Gray (2005) opines that environmental accounting has become necessary, because the traditional accounting system which handles most environmental costs as overhead costs, is insufficient in providing managers with proper information for strategic decision making. This is because under the traditional accounting approach, a business success is judged by the volume of profit it makes and the market value of its shares while significant environmental issues are neglected.

Despite the clear benefits of environmental accounting, the decision whether a firm engages in environmental reporting or not can be influenced by a lot of factors as documented in the literature. Firm characteristics such as firm size, leverage, profitability of the firm, age of firm amongst others influence firms' environmental reporting practices. It is also widely believed that firm characteristics influence the quality and quantity of environmental information reported by firms (Gray, 1995; Hackstone& Milne 1996 and Patten 2005). Presently in Nigeria there is no reporting standard regulating environmental information to be reported in annual reports in line with global best practices which encourages voluntary reporting. The analysis of International Accounting Standard (IAS) and international financial reporting standard (IFRS) shows that no international standard is exclusively dedicated to the provisions of such information but there are numerous direct and indirect remarks on the topic of environmental accounting in the different accounting standards (Goyal, 2013).However, the application of environmental reporting based on standard disclosures is expected to improve corporate environmental performance and also enhance the image of the firms as having good corporate governance practices of moral obligation to render environmental information to its numerous stakeholders (Alena, 2011). Uwigbe (2011) opines that one of the most widely known international standards for assessing environmental activity of firms is the International Organization for Standardization (ISO 14031) disclosure requirements which provides voluntary standards of reporting. This is because, it provides sustainability standards capable of monitoring environmental issues in relation to long-term corporate growth, efficiency, performance, competiveness by incorporating economic and environmental issues into corporate management. Therefore, environmental activities of firms are translated into useful and robust reports to various stakeholders through the use of environmental reporting by applying ISO 14031 checklists as a standard benchmark.

Studies on the effect of firm characteristics and environmental reporting practices have been conducted by many researchers but very limited in the context of Nigeria. In Nigeria, the study conducted by Bassey, Effiok and Etom (2013) examine the relationship between firm characteristics and environmental reporting practices using only profit as a firm characteristic in relation to the level of corporate environmental reporting practices in the petroleum industry. This was a limitation on the findings and it is one of the gaps the study intends to fill. Similarly, Uwigbe (2011) uses profit, financial leverage and firm size as firm characteristics in relation to the level of environmental reporting practices using data covering the period of 5 years (2005-2009). There is a limitation in scope of the study and this presents a gap in period that this study also intends to fill. The main objective of this study therefore is to examine the effect of firm characteristics and environmental reporting practices of listed manufacturing firms in Nigeria using data covering the period 2000-2015.

In order to achieve the objective of the study the hypotheses below are formulated in null forms

Ho_1: There is no significant effect of firm size on environmental reporting practices of listed manufacturing firms in Nigeria.

Ho_2: There is no significant effect of leverage on environmental reporting practices of listed manufacturing firms in Nigeria.

Ho_3: There is no significant effect of return on assets on environmental reporting practices of listed manufacturing firms in Nigeria.

Ho$_4$: There is no significant effect of firm age on environmental reporting practices of listed manufacturing firms in Nigeria.

The scope of the study covers the period 2000-2015and the period was chosen because it saw the increasing awareness on issues of sustainability requiring firms to engage in environmental reporting even though on a voluntary basis. The choice of manufacturing firms is that by their mode of operation they are more prone to environmental pollution.

2.0 Literature Review

Hibbitt, (2003) notes that firm characteristics in the context of corporate environmental reporting refer to aspects of an organization which identifies measures and relates to that organization. There is evidence that firm characteristics influence the firm's choice of internal governance mechanism especially with respect to performance measures including environmental reporting (Engel, Gordon & Hayes, 2002). Karuna(2009) in examining company attributes, divides them into three categories: uncontrollable, partially controllable and controllable. Uncontrollable attributes are those which fall outside the direct control of the firms and include organizational size and structure. Partially controllable attributes are those that cannot be changed at will by the firm but susceptible to change in the long run and include organizational resources and organizational maturity while the controllable attributes are those under the control of the firm such as leverage.

Henderson and Peirson (2004) suggest that environmental reports by firms cover sustainability efforts made by firms in a manner that reflect concerns about environmental protection, intergenerational equality, the protection of the earth and its resources. Furthermore, Gray, Kouhy and Lavers (1995) define corporate environmental reporting as the process of communicating the environmental effects of organizations' economic action to particular interest groups within society and to society at large, thereby influencing the public's perception towards their operations. Similarly, Gray *et al*. (1995) opine that companies use their environmental reports to construct themselves and their relationships with others as they strive to create and maintain the conditions for their continued profitability and growth. Environmental report helps them to rationalize and justify the corporate entity not merely describing effective management, but legitimizing corporate power and maintaining confidence of the public. Based on these concepts of environmental reporting, it is clear that the advocates of environmental reporting are convinced that reporting is a crucial lever for change in the direction of improved environmental performance and in the longer term bring about eco-efficiency and sustainability.

There are firm characteristics which usually influence firms to respond to environmental sustainability concern (Karuna, 2009). For example, previous studies document evidence that firm size influences the reporting of environmental information (Gray 1995, Hackstone& Milne, 1996 and Patten, 2005). Furthermore, studies have been conducted relating environmental reporting to profitability and leverage (Patten, 2005).

Under legitimacy theory, firms' continued existence depends on the acceptance of the society where they operate. Since the firms can be influenced by the society, legitimacy is assumed to be an important resource determining their survival (Deegan, 2002). The theory suggests that larger firms are more likely to come under public scrutiny and are expected to have more influence on general business environment. A number of studies over the past decades have tested the influence of firm size on the level of environmental disclosure. Most studies report a positive relationship between company size and the extent of environmental disclosure in both developing and developed countries (Ahmed & Nicholls 1994 and Hossain, Islan& Andrew, 2006).**For example,** Spicer (1978) surveys 125 listed manufacturing firms and analyzed the annual reports of these companies for the period. Findings from the study show that firms' size as a factor influencing pollution control had a better record in environmental disclosure than smaller firms. In line with this result, Ferreri and Parker (1987) find that larger firms tend to report more environmental information because larger firms are highly visible, make greater impact on the society, and have more shareholders who might be concerned about environmental activities undertaken by firms. In addition, findings by Mohammed and Tamoi (2006) show that company's size as measured by log of total assets provides an explanation on the variability of environmental report among Malaysian companies.

In Greece, Galvani, Graves and Stavropoulos (2011) examine the extent to which Greek companies implement a set of environmental accounting practices and the data is analysed using estimated multiple linear regression model, the relationship between various firm characteristics and environmental disclosures are examined. 100 listed firms are selected for the study and a disclosure index is constructed which consists of 15 items of information in order to identify the factors that may have a significant influence on the disclosure level of environmental information by the firms. The results of the study show that there is a positive relationship between corporate size and the disclosure of environmental information in annual reports of 2009. Thus, from the foregoing literature reviews, firm size has a great impact on environmental reporting practices because the larger the firm the more the tendency it impacts on the environment in the pursuit of economic activities. Also, based on the legitimacy theory, it's expected that large firms will disclose more social and environmental information than smaller firms because the society expects more environmental concern from them.

Legitimacy theory proposes a relationship between corporate environmental disclosure and community concerns, so that management must react to community expectations and changes. Roberts (1992) in Omar (2014) observes that a high degree of dependence on debt would encourage a company to increase social activities and disclose more environmental information in order to meet its creditors' expectations on environmental issues.

In Malaysia, Trotman and Bradley (1981) using the content analysis technique examine the association between environmental sustainability reporting and firm characteristics. Data are collected from a sample of 120 manufacturing firms covering 5 years (1976-1980) and is analysed using regression technique. It finds that a positive relationship exists between firms' financial leverage and the extent of voluntary environmental disclosure. However, Chow and Wong-Boren (1987) also evaluate environmental disclosure by Mexican listed firms with leverage as the independent variable while environmental disclosure is the dependent variable. A sample of 52 manufacturing firms is drawn for the year and analysed using ordinary least square regression model. The study finds no statistical relationship between leverage and environmental disclosure.

Also, Uwigbe (2011) examines corporate environmental reporting practices by a comparative study of Nigeria and South Africa. A total of 900 copies of questionnaire were distributed among members of the selected states/provinces using Yamane (1967) sample selection formula in determining the sample size of the study. In addition, content analysis technique is used to elicit data relating to corporate attributes from the annual reports and corporate websites of selected 60 listed companies over the period 2005-2009. Multiple regression analysis is used to investigate the effect of leverage on the level of corporate environmental disclosure among the sampled listed firms in Nigeria and South Africa. It finds a significant negative effect of financial leverage on the extent of corporate environmental disclosure in the two countries.

Similarly, in Bangladesh, Hossain, Islam and Andrew (2006) evaluate corporate social and environmental information from annual reports and accounts of 107 sampled companies listed on the Dhaka Stock Exchange over the period 2002-2003 using multiple linear regression technique. The results show that corporate environmental disclosure levels are associated with some company attributes in Bangladesh, among which are the nature of the industry and leverage which are found to be positively significant in determining disclosure levels. Thus, from the foregoing, the influence of leverage on environmental reporting practices is mixed and this may be as a result of differences in sample sizes, countries of operation, period of study and the number of environmental disclosure index used.

Deegan, (2002) stated that, legitimacy theory hypothesize that companies are bound to an unwritten social contract within the society where they operate. Failure to comply with their legitimacy will threaten the companies' performances and survival. Therefore, more profitable companies can be expected to disclose more voluntary social and environmental information than non-profitable companies. Profitability as well as corporate financial performance are used by a number of studies as an explanatory variable for differences in environmental disclosure level. However, the relationship between corporate financial performance and corporate environmental disclosure is arguably one of the most controversial issues yet to be resolved because of mixed results that have been found (Choi, 1998).

Freedman and Jaggi (1988) investigate the association between environmental disclosures and the financial performance of firms in four highly polluting industries. The results indicate that there is no association between environmental disclosures and financial performance. Wiseman (1982) examines the relationship between the annual reports of 26 firms covering the period 1980-1981 in three industries with their financial and environmental performances using the ISO 14031 environmental reporting guideline. Content analysis was used to measure the extent of disclosures using 60 disclosure items to evaluate the quality and accuracy of environmental disclosures. The performance indicators it uses in the analysis of the level of financial performance of the selected firms included; earnings per share, price-earnings ratio and dividend yield. Regression analysis is used to estimate the model and the findings indicate that the voluntary environmental reports are incomplete, providing inadequate disclosure for most of the environmental performance items included in the disclosure items. The findings also disclose that no relationship exists between the contents of the firms' environmental disclosures and the firms' financial performance.

Furthermore, the impact of environmental accounting and reporting on organization performance of selected oil and gas companies in Niger-Delta region of Nigeria is examined by Bassey, Effiok and Eton (2013). Data is analysed using Pearson's Product Moment Correlation Coefficient after a sample of 30 non-listed firms is arrived at using random and stratified sampling techniques. Data are gathered from primary and secondary sources covering the period 2008-2010. It finds that the level of environmental disclosure had positive association with firm's profitability.

In addition, Hannifa and Cooke (2002) investigate the impact of profit and corporate governance on environmental disclosure in listed Malaysian firms. Using a sample of 226 listed firms over the period 1999-2000, the data is analysed using ordinary least square regression and It finds that there is a significant positive association between the level of environmental disclosure and profitability of the firm. They observe that the economic performance of a firm is considered as an important factor in determining whether environmental issues will be a priority or not. This is because in periods of low economic performance, the firm's economic objectives may be given more attention than environmental concerns.

In China, Fan (2006) examines the determinants of environmental disclosure among Chinese firms, over the period 2000-2004. Data is obtained from a sample of 226 firms listed in Malaysia and analysed using multiple linear regression. It reports that profitability has a significant impact on voluntary environmental disclosure. On the contrary in a study of accounting guidelines for environmental issues by Smith (2007), the study applies data of 6 years (2001-2005) using a sample of 148 firms. The data is analysed using ordinary least square regression analysis and finds a significant inverse relationship between environmental disclosure and the return on assets of firms in the Malaysian context. Thus, from the literatures reviewed on various scholars in different countries, it is clear that more profitable firms are likely to disclose more environmental information while less profitable firms tend to be more secretive and conservative in terms of environmental disclosure.

Firm age under the legitimacy theory posits that companies' societal existence depends on the acceptance of the society where they operate. Since the companies can be influenced by the society, legitimacy is assumed an important resource determining their survival (Deegan, 2002). Therefore, older companies with longer societal existence may have taken relatively more legitimacy and may have a higher reputation and involvement of social responsibility than younger companies. As a company operates longer in terms of age, there will be more communication needed with the outside community. This provides companies with wide social networks, affecting their public images (Yang, 2009). Previous studies support the positive and significant association between age of firm and environmental information disclosure (Yang, 2009). Omar (2014) examines the determinants of corporate social and environmental disclosure in Bahrain using data of 2012 which is obtained from a sample of 33 listed firms and is analysed using multiple linear regression. It reports that age had no significant impact on voluntary environmental disclosure. Based on the above discussion, it might be expected that the longer a company has been listed on the Stock Exchange, the more likely the company would disclose social and environmental information

A number of different theories have been used to explain why corporations might voluntarily disclose social and environmental information to outside parties. According to Gray et al. (1995) the theories that seem to have been most successful in explaining the content and the level of social and environmental information disclosures are the legitimacy theory and the stakeholder theory. Hooghiemstra (2000) states that, according to legitimacy and stakeholder theories, social and environmental disclosure is used in order to guard corporations' reputation and identity. However, Guthrie and Parker (1990) states that, legitimacy theory is one of the most adopted theories for explaining corporate social and environmental disclosures. Perrow (1970) in Omar (2012) defines legitimacy as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, value, beliefs, and definitions. In contrast to agency theory, the legitimacy theory provides a more comprehensive viewpoint on corporate social disclosure as it clearly recognizes that organizations are bound by the social contract in which they agree to perform various socially desired actions in return for approval of their objectives, which guarantees their continued existence and their successful operations (Guthrie & Parker, 1989; Brown and Deegan, 1998; Deegan, 2002;). From the foregoing theoretical review, Legitimacy theory suggests a relationship between corporate environmental disclosure and community concerns so that management must react to community expectations and changes. Therefore, this study is anchored on the legitimacy theory because management must react to environmental issues concerning the environment they operate to gain acceptance of the society and survival of their firm.

3.0 Methodology

This is a longitudinal panel data study and the target population is all the sixty-one (61) listed manufacturing firms operating in Nigeria as at 31st December 2015 from which a sample of 29 firms is drawn from the Nigerian Stock Exchange using purposive/judgmental sampling method after applying a criterion where all the manufacturing firms that met it had a chance of being selected. The criterion is that the listed manufacturing firm must not have made a loss more than five times over the period of the study (2000-2015) because, profit making firms are likely to make more environmental reports (Hannifa & Cooke, (2002), Bassey, Effiok & Eton, 2013).

A dichotomous procedure of content analysis technique of gathering data is used in codifying qualitative information into categories in order to derive quantitative values. Any of the sampled firm selected could score a maximum of sixty (60) points and a minimum of 0. The formula for calculating the reporting score using the sixty (60) disclosure index items in ISO 14031benchmark as adopted from previous studies by (Wiseman 1982 and Uwigbe 2011) is shown below.

$$RS = \sum_{1=1}^{60} ri$$

Where:

RS = Reporting score ri = a score of (1) if the item is reported and (0) if not reported.

i = 1, 2, 3, ….60. All the reported items are then summed up and divided by 60 to arrive at a value for the dependent variable.

For the purpose of finding the strength of the effect of corporate environmental disclosure as the dependent variable on firm characteristics of firm size, leverage and profitability as independent variables, multiple regression analysis is adopted. The functional relationship is given as follows.

Evd = f (Fsz, Lev, Roa)……………………………………………………………...(1)

With the aid of this equation the study arrived at a model which is presented as follows

$Evdi_t = \beta 0 + \beta 1fszi_t + \beta 2levi_t + \beta 3roai_t + \beta 4agei_t + Ui_t$,.......................................(2)

Where, Evd=Environmental Reporting measured by unweighted disclosure approach and a firm is scored "1" for an item reported in the annual report and "0" if it is not reported. Fsz=firm size and is measured by Log of Total Assets of the firm at the date of statement of financial position for each year (as measured by Mohammed &Tamoi, 2006). Lev=leverage is measured by the ratio of total debts to total equity of the firm at the end of each year (as used by Uwigbe, 2011). ROA= Return on assets is measured by ratio of Net profit divided by total assets of the firm for each year (as measured by Hannifa & Cook, 2002). Age is measured as the number of years after the firm was listed on the Nigerian Stock Exchange (as used by Omar, 2014). βo is the intercept. β 1-4 are the coefficients of the independent variables.

The following robustness tests are conducted to enrich the analysis of data

i. Multicolinearity test, Variance Inflation Factor (VIF) and Tolerance values are conducted to ensure that some or all of the explanatory variables in a multiple regression analysis are not highly inter-correlated to cause multicolinearity problems in the data
ii. Heteroscedasticity test is conducted to check whether the variability of error terms is constant or not.
iii. Hausman specification test is conducted to

enable the study choose between fixed and random effects

4.0: Results and Discussion

Table 1 shows the summary statistics of the dependent and independent variables in terms of the mean, standard deviation, minimum and maximum values. Evd, has a mean of 13.09 with a standard deviation of 6.53, a minimum of 0 and a maximum of 36 suggesting that there is no wide dispersion in environmental disclosure of listed manufacturing firms in Nigeria.

Table 1 Descriptive statistics

Variables	Obs	Mean	Std Deviation	Minimum	Maximum
Evd	464	13.09	6.53	0	36
Fsz	464	9.36	2.32	0	13.92
Lev	464	0.57	0.93	0	9.45
Roa	464	0.11	0.26	-0.59	4.27
Age	464	24.20	10.68	0	50

Source STATA 14 Output 2016

Firm size (Fsz) has a mean of 9.36 with a standard deviation of 2.32, minimum and maximum values of 0 and 13.95 respectively. This suggests a wide dispersion in firm sizes of manufacturing firm because some of the firms are small compared to others. Leverage had a mean and standard deviation values of 0.57 and 0.93 respectively, implying that on the average the firm capital structure had 57% debt financing. The return on assets on the average is 11%, oscillating between a loss of 59% and return on assets of 427%. The average age of the manufacturing firms is 24 years the youngest is 0 because some firms had no data as a result of the panel nature of the study while the oldest is 50 years. The standard deviation of the firm ages is 10.68 suggesting a wide dispersion of the firm age of manufacturing firms in Nigeria because some are very young relative to others that are much older.

The correlation between the dependent and independent variables are presented in table 2 and it shows that there is a positive correlation between the dependent variable (Evd) and all the independent variables of the study.

Table 2 Correlation Matrix

Variables	Evd	Fsz	Lev	Roa	Age	Vif
Evd	1.000					
Fsz	0.593	1.000				1.19
Lev	0.005	0.117	1.000			1.17
Roa	0.092	-0.000	-0.098	1.000		1.03
Age	0.399	0.380	-0.002	0.003	1.000	1.01

Source: STATA 14 Output 2016

This implies that as the firm size, leverage, return on assets and firm age increase, the level of environmental reporting practices of listed manufacturing firms in Nigeria also increases. Kaplain (1982) as cited in Hussain, Islam and Andrew (2006) suggest that that multicolinearity may be a problem when the correlation between independent variables is 0.9 and above where as Emory (1982) considers more than 0.80 to be problematic. Therefore, it is evident from the above table that the magnitude of the correlation amongst the explanatory variables generally indicates no severe multicolinearity problems in the study because the highest correlation coefficient is 0.593 between evd and fsz. To determine the presence of collinearity problem, a Variance Inflation Factor (VIF) test is carried out and the results provide evidence of the absence of collinearity because the results of the VIF test range from a minimum of 1.01 to a maximum of 1.19 and a mean of 1.10. VIF of 5.00 can still be a proof of absence of collinearity (Neter, Kutner, Nachtsheim & Wasserman 1996)

Furthermore, the data collected for the explanatory variable- firm size is transformed using natural logarithm to do away with any outlier that might obstruct normality. Pauline and Mathews (2002) suggest that data transformation should be applied for skewed data set to eliminate outliers that exist within the huge data range from the larger to smaller firm. By doing so, it blends the data set to the extent, which can be guaranteed that the details of each data were taken into the statistical measure. Moreover, the test of heteroscedasticity is conducted to check whether the variability of error terms is constant or not. The presence of heteroscedasticity signifies that the variation of the residuals or term error is not constant which would affect inferences in respect of beta coefficient, coefficient of determination (R^2) and F-statistic of the study. The result of the test reveals that there is presence of heteroscedasticity because the probability of the chi square is statistically significant at 1%. This further necessitates the study to run for fixed effect regression model and random effect regression

The use of regression model to estimate the coefficient of any panel data requires the determination of whether the fixed effect or the random effect model suits the data more efficiently using Hausman statistical test (Gujerati, Porter &Gunasekar 2012) the results of the Hausman statistics test shows that the fixed effect is more appropriate for the study because the result is significant at 1% with a p value of 0.000. The regression results of Ordinary Least Square (OLS) and the Fixed Effects (FE) results are presented in table 3

Table 3 Regression Result

Ind. Variables	Coefficients OLS	T- Values OLS	P-Values OLS	Coefficients Fixed effects	T Values Fixed effects	P-Values Fixed effects
Constants	-3.643	-3.63	0.000	-4.62	-5.17	0.000
Fsz	1.466	13.24	0.000	0.574	5.45	0.000
Lev	-0.330	-1.28	0.201	0.543	2.58	0.010
Roa	2.182	2.39	0.017	1.459	2.44	0.015
Age	0.122	5.10	0.000	0.490	12.42	0.000
No of Obs	464	464	464	464	464	464
R-Squared	0.398			0.494		
F- Value	75.9			105.22		
P-Value	0.000	0.000	0.000	0.000		0.000
R-squared..						
Adjusted R-Squared	0.3929					
Within				0.494		
Between				0.163		
Overall				0.243		
Rho				0.767		
F value u i				28.92		
p-value				0.000		0.000
Hausman				26.47		
P-value				0.000		

Source, Field work 2016 (STATA version 14 output)

From the p-values which are statistically significant, the validity of the model under each of the estimations is evident. The R-squared of 39.8% of the OLS and 49.4% for the fixed effect show that the changes in environmental reporting practices are substantially accounted for by the explanatory variables. This implies that the independent variables can explain 39.8% of the changes in the dependent variable under OLS, while that of FE is 49.4%. Furthermore, for the fixed effect estimation, the F-statistics of 105.22 and p-value of 0.000 confirm the fitness of the model.

In the OLS and fixed effect (FE) firm size has positive coefficient of 1.466 and 0.574 respectively. Each of the estimations also had a p-value of 0.000 at 1% level of significance. The implication of this is that as firm size increases the level of environmental reporting practices also increases. This finding supports the studies conducted by Mohammed and Tamoi (1999); Galvani, Graves and Stavropoulos (2011) who documented that there is a significant effectbetween environmental reporting practices and firm size and contradicts those by Hussain, Islam and Andrew (2006) that find no significant effect between environmental reporting practices and firm size. This finding also lays credence to legitimacy theory which posits that the firm tries to meet the needs of stakeholders to gain acceptance as its size increases because legitimacy is assumed an important resource determining their survival. The implication of this to investors that are environmentally friendly is to encourage growth in asset base of the firms they are interested in to enhance the ability of the firms to carry out sustainability activities.

Considering leverage, the OLS estimates an insignificant effect between leverage and environmental reporting practices of Nigerian listed manufacturing firms while the fixed effects estimate a positive significant effect between leverage and environmental reporting practices at 1% confidence level. Hall (2005) argues that OLS is biased because it fails to address the problem of endogeneity and as a result the study leans towards the fixed effect result, besides it is more consistent with the correlation result of the study. The implication of this is that as the leverage increases, the level of environmental reporting practices also increases. This finding is consistent with those of Hussain Islam and Andrew (2006) who fined that there is a positive and significant effect between leverage and the level of environmental reporting practices. This finding is also in line with legitimacy theory which posits that a firm with a high degree of dependence on debt would encourage a company to increase social and environmental activities by disclosing more environmental information in order to meet its creditors' expectations on environmental issues. The study opposes those of Ahmed and Nicholls (1994) and Uwigbe (2011) that found an insignificant effect of leverage on environmental reporting practices.

The two estimations of both OLS and fixed effects agree that return on assets is significant and positively related to environmental reporting practice of Nigeria listed manufacturing firms at 5% confidence level with p-values of 0.017 and 0.015 respectively. This implies that there is a significant positive effect between return on assets and environmental reporting practices of Nigerian listed manufacturing firms. This finding confirms those of Bassey, Effiok and Eton (2013) who assert that there is a significant positive effect between return on assets and environmental reporting practices of non-listed petroleum firms in Nigeria and also in line with legitimacy theory which posits that as a firms' profit increases its social contract with the environment it operates also increases because the society expects more from them to enjoy more acceptance. This finding is not consistent with that of Smith (2007) who finds an insignificant effect of return on assets on environmental reporting practices. This finding implies that as the profit of listed manufacturing firms in Nigeria improves environmental reporting practices also increases.

Considering firm age, the two estimations of both OLS and fixed effects agree that firm age is significant and positively related to environmental reporting practice of Nigeria listed manufacturing firms at 1% confidence level with p-values of 0.000 each. This implies that as the age of a firm increases, its level of environmental reporting practices also increases. This finding is in line with legitimacy theory which posits that as a company operates longer, there will be more communication needed with the outside community. This provides companies with wide social networks, affecting their public image. This finding opposes that of Omar (2014) who documents that there is no association between firm age and the level of environmental reporting practices

5.0 Conclusion and Recommendations.

This study examines the effect of firm characteristics on environmental reporting practices of listed manufacturing firms in Nigeria as at financial year end 2015. The study covers twenty-nine firms out of the sixty-one firms operating in the manufacturing industry in Nigeria. The findings have a clear policy implication on environmental reporting practices in Nigeria based on the results of the descriptive statistics, correlation matrix, the OLS and the fixed effect of the study. The results of the study show that the level of environmental disclosure in Nigeria based on the ISO 14031 is low. The results of the study also show that all the firm characteristics examined in the study are statistically significant at 1% confidence level. The study recommends, based on the findings, that listed manufacturing firms should be raising fresh funds by retaining a good portion of their profits for the acquisition of more assets to enhance environmental reporting practices in Nigerian listed manufacturing firms. Also, manufacturing firms should imbibe cost-saving consciousness so that firms can be making enough profits to enhance environmental reporting practices. Furthermore, government should no longer allow environmental reporting to be voluntary but make it compulsory using ISO 14031 guideline among manufacturing firms in Nigeria for the purpose of obtaining detailed reports and easy comparison among firms by using it as a common standard.

References

Ahmed, K., & Nicholls, D. (1994), The impact of non-financial company characteristics on mandatory compliance in developing countries: The case of Bangladesh, *The International Journal of Accounting,* **29(1)**:60-77.

Alena K. (2011) Corporate environmental reporting practices and sustainability; *Journal of Economics and Management ISSN1822-6515*

Bassey B.E., Effiok S.O. &Etun E.O. (2013). The impact of environmental accounting and reporting on organizational performance of selected oil and gas companies in Niger-Delta region of Nigeria. *Research Journal of Finance and Accounting* ISSN 2222-2847 Vol. 4 No. 3

Brown, N. and Deegan C. (1998). The public disclosure of environmental performance information – A dual test of media agenda setting theory and legitimacy theory, *Accounting and Business Review,* 29(1), 21–41

Choi, J. S. 1998. "*An investigation of the initial voluntary environmental disclosures made in Korean Semi-Annual financial reports*", A conference paper accepted for the second asian Pacificinterdisciplinary research in accounting, Osaka University, Japan.

Chow, C.W., & Wong-Boren, A. (1987): Voluntary financial disclosure by Mexican corporations. *The accounting review, LXII* (3). 533-541

Deegan, C (2002). Introduction: the legitimizing effect of social and environmental disclosures – a theoretical foundation. Accounting, auditing and Accountability Journal, 15(3), 282-311.

Emory, E. 1982. *Business Research Methods*. Homewood, IL: Irwin

Engel, E.,Gordon, E. & Hayes, R. 2002. The roles of performance measures and monitoring in annual governance decisions in entrepreneurial firms. Journal of Accounting Research, 40: 485-518.

Fan J.P.H (2006) Corporate governance in Asia: A summary international review of finance. Vol. 3 No 2 pp. 71-93

Freedman, M., &Jaggi, B. (1988). An analysis of the association between pollution disclosure and economic performance. *Accounting, auditing andaccountability Journal*, *1*(2), 43-58.

Ferari, G and Parker, K. (1997). *Environmental reporting: An analysis of company annual reports of the Australian extractive industries 1985-1994*. (Doctoral Thesis). Portland, ME: University of New England.

Galani D. Graves E. &Starropoulos A. (2011) The Relationship between Firm Size and Environmental Disclosure. International Conferences on Applied Economies.

Goyal, N. (2013) Integrating corporate environmental reporting & IFRS/IAS: Need of the hour *International Journal of Management and Social Sciences Research (IJMSSR)*ISSN: 2319-4421Volume 2, No. 3.

Gray, R.H., Owen, D., & Maunders, K., (2005): Corporate environmental reporting: accounting and accountability. Prentice-Hall International, London.

Gray, R.H., Kouhy, R., & Lavers, S. (1995a): Corporate social and environmental reporting: A Review of the literature and a longitudinal study of United Kingdom disclosure, accounting, *Auditing, and Accountability Journal,* Vol. 8, No. 2, pp. 47-79.

Gujerati, D. N., Porter, D. C., &Gunasekar, S. (2012). Basic econometrics (5th ed.). New Delhi:Tata McGraw Hill Education Limited.

Guthrie, J. and Parker L. (1989). Corporate social reporting: A rebuttal of Legitimacy Theory, accounting and business review, 19(3), 343–352

Guthrie, J., and Parker, L. (1990). Corporate social disclosure practice: a comparative international analysis. Advances in Public Interest Accounting, 3, 159-176.

Hackston, D. & Milne, M. J. (1996): Some determinants of social and environmental disclosures in New Zealand companies, *Accounting, auditing and accountability Journal,* Vol. 9 No 1, pp.77–108.

Hall. A. R. (2005). *Advanced Texts in Econometrics*, books.google.com

Haniffa, R.M. & Cooke, T.E. (2002) „Culture, corporate governance and disclosure in Malaysian corporations", *ABACUS*, vol. 38, no. 3: 27-60

Henderson, S., &Peirson, G. (2004). *Issues in financial accounting*. French's Forest, NSW: Pearson Education Australia.

Hibbit, C (2003) External environmental disclosure and reporting by large European companies. **An** Unpublished**Ph.D Thesis Submitted to the Department of Accounting Limperg Institute**

Hooghiemstra, R. (2000). Corporate communication and impression management: New Perspectives why companies engage in corporate social reporting, *Journal of Business Ethics*, 27(1/2), 55–68.

Hossain M., Islan K. & Andrew J. (2006) Corporate social and environmental disclosure in developingcountries: evidence from Bangladesh. Proceeding of the Asian Pacific conference on international accounting issues Hawaii October.

Karuna, C. (2009). Industry attributes and their influence on managerial pay and the use of performance measures. *Journal of Accounting and Economics,* 43(2): 275-298

Mohammed T.Y &Tamoi G.J (2006). A Study of social accounting disclosure in the annual reports of Nigerian Companies. *Asian Journal of Business Management*, *3* (3), 145 - 15

Neter, J., Kutner, M. H., Nachtsheim, C. J. & Wasserman, W. (1996). *Applied Linear Statistical Models,* Irwin Company Inc., Chicago, U.S.A

Omar J. (2014) Determinants of corporate environmental disclosure on Websites. *Universal Journal of Accounting and Finance* 2(4) 77-87

Patten, D. M. (1992b): Intra-industry environmental disclosures in response to the Alaskan Oil Spill: A note on Legitimacy Theory, *Accounting, Organizations and Society* Vol. 17, No. 5, pp.471–475.

Smith, L. M. (2007). "Accounting guidelines for environmental issues" available http://acct.tamu.edu/smith/envacct/ accteuv.htm, accessed 20.10.2015.

Spicer, B. H. (1978), Investors, corporate environmental performance and information disclosure: An empirical study. *Accounting Review,* 53: 94-111.

Trotman, K. T. & Bradley, G. W. (1981) "Associations between social responsibility disclosure and characteristics of companies", accounting, organizations and society, Vol. 6, No. 4, pp. 355-362.

Uwigbe U. (2012). Corporate environmental reporting practices: A comparative study of Nigerian and South African firms. An unpublished Ph.D thesis submitted to the department of accounting, Covenant University, Ota, Ogun State

Wiseman, J. (1982). An evaluation of environmental disclosure made in corporate annual reports. *Accounting, Organisations and Society*. Vol. 7. No. 1: 53-63.

Yang, C. F. (2009). Empirical study on the influential factors of social responsibility of Chinese enterprises, The Economists, 69-79

Socially Responsive Endeavour And Tax Evasive Behaviour of Quoted Firms In Nigeria

Prince Umor C. Agundu; Phd
Department of Banking & Finance,
Federal University Wukari,
Taraba State, Nigeria
princeagundufed@fuwukari.edu.ng;
08037757642.

Akeem A. Siyanbola
Department of Accounting,
Federal University Wukari,
Taraba State;

pp 149-157

Abstract

Socially responsive endeavour (SRE), in organized industrial settings, connotes corporate social responsibility (CSR) in actuality. It is a pragmatist disposition that preferentially commends itself for adoption as an uncommon conceptual nomenclature in socio-analytical architecture. Utilizing requisite data from 13 firms featured among top 30 on the Nigerian Stock Exchange (NSE), this study examined the relationship between two SRE dimensions (governance improvement and social investment) and tax evasive behaviour (TEB). Data collected was Analysed using descriptive statistics as well as correlation and regression analyses, with consideration of robust, fixed and random effects. The findings indicated that social improvement has significant relationship with TEB, while governance improvement is not significantly associated with the tendency. In the light of these, it was recommended that government and listed corporate entities should mutually accentuate better sensitizing, higher incentivising, and greater synergizing in terms of fiscal management and business environment enhancement. This behavioural antidote is imperative for overall systemic sustainability.

Key Words: Fiscal inclusiveness, Social responsiveness, Tax effectiveness.

1. Introduction

In modern day economies, the relationship between socially responsive endeavour (SRE) andtax evasive behaviour (TEB) continues to generate research interest, particularly as corporate outfits seek to minimize outflows and maximize inflows in favour of shareholders. These concerns often feature in scholarly contributions as corporate social responsibility (CSR) and tax evasion (or aggressiveness) respectively. In carrying out such studies, some researchers adopt a mono-dimensional approach, using CSR composite data; while some others adopt a multi-dimensional approach, utilizing major analytical components of CSR. Contributions identified with the former approach are criticised for shrouding individual predictor components, thereby minimizing constituent materiality and affording grounds for manoeuvrability (Adewuyi & Olowookere, 2010; Gregory, Tharyan & Whittaker, 2014).

To fix such reservations, the analytical advocacy goes in favour of the latter approach, as exemplified by the works of Lanis & Richardson (2013) in Australia; Laguir, Staglianò & Elbaz (2015) in France; Landry, Deslandes & Fortin (2013) in Canada; and Hoi, Wu & Zhang (2013), Huseynov & Klamm (2012), and Lanis& Richardson, 2015) in the United States (US).Given that tax avoidance is apparently allowable in corporate fiscal behaviour analysis, it becomes more compelling for investigations to address tax evasion, which is designated herein as TEB. Towing this path in basis articulation, Siyanbola (2016), also featured environmental and community involvement among the predictor dimensions. This study, therefore, identifies with the multi-dimensional approach in examining the relationship between SRE and TEB, beaming on top quoted firms in Nigeria. The SRE component features are governance improvement and social investment, while effective tax rate is the proxy for TEB. Examining the relationship between the focal variables in the light of the possibility of manoeuvrability, the pertinent research questions were thus:

- To what extent is governance improvement related with tax evasive tendency?
- To what extent is social investment dimension related with tax evasive tendency?

Progressing with these, the hypotheses elicited are:

Ho_1: Governance improvement has no significant relationship with evasive tax behaviour.

Ho_2: Social investment has no significant relationship with evasive tax behaviour.

Basically, studies on CSR are anchored on the legitimacy theory which asserts that social contract exists between business and society, which seeks not only the fundamental satisfaction of management, employees, and shareholders but also the all-encompassing satisficing of sundry stakeholders.

2. Literature Review

Tax revenue occupies a strategic place in the fiscal transmission mechanism of government. From the annals of the Federal Ministry of Finance in Nigeria, the Federal Government, in the exclusive legislative list, has several responsibilities which borders on accounts of the federation; arms, ammunition, defence and national security; aviation, railways, federal trunk roads and maritime matters; immigration and internal affairs; financial laws, currency issue and exchange control; and more, including labour and public services of the federation, and establishment of federal agencies. For these are other running concerns, huge financial commitment is required, hence Gbosi (2008) contends that in both developed and less-developed nations, taxes serve several socio-economic functions such as:

- provision of revenue for government to provide essential goods and services,
- regulation and control of commodities considered to be harmful to health,
- regulation and control of consumption of expensive commodities such as alcoholic drinks,
- protection of infant industries from unhealthy foreign competition thereby reducing unemployment;
- promotion of business and commerce by granting subsidy to the ones being favoured;
- inhibition/control of monopoly thereby fostering healthy competition;
- minimization of inflation by making less income available to households and businesses; and
- distribution of income, as persons with higher income has to pay more to the fiscal coffers of the government.

Functionally, Hubert (1979) expresses *tax yield* as a product of the object to which tax is applied (which is designated as the *tax base*) and the amount of tax applied per unit of the tax base (designated as the *tax rate*). Under the central administrative oversight of the Federal Ministry of Finance in Nigeria, a profile of tax jurisdiction is highlighted as follows:

a) *For the Federal Government:*
- Companies Income Tax,
- Petroleum Profits Tax,
- Value Added Tax,
- Education Tax (on companies only),
- Capital Gains Tax (on corporate bodies and Abuja residents),
- Stamp Duties (on corporate bodies),
- Withholding Tax (on companies),
- Personal Income Tax (on personnel of the Armed Forces, Police, External Affairs and Abuja residents),
- Mining Rents and Royalties,
- Custom Duties (i.e. Import Duties and Export Duties), and
- Excise Duties.

b) *For the State Government:*
- Personal Income Tax (on residents of a State),
- Capital Gains Tax (on individuals only),
- Stamp Duties (on individuals only),
- Road Taxes (e.g. vehicle licences),
- Betting and Gaming Taxes,
- Business Premises and Registration Levies,
- Development Levy (with fixed maximum per annum on taxable individuals only),
- Street Name Registration Fees (State Capital only),
- Right of Occupancy Fees (State Capital only),
- Market Fees (where the market is financed by State Government), and
- Miscellaneous Revenues (e.g. Rents on Property).

c) *For the Local Government:*
- Tenement Rate,
- Shop and Kiosk Rates
- Liqour Licence Fees,
- Slaughter Slab Fees,
- Marriage, Birth, and Death Registration Fees,
- Street Name Registration Fees (excluding State Capital),
- Market/Motor Park Fees (excluding State-owned markets),
- Domestic Animal Licence Fees,
- Bicycle, Truck, Wheelbarrow, Carts, and Canoe Fees,
- Right of Occupancy Fees (excluding State Capital), and
- Cattle Tax.

For government to attract greater revenue harvest, Akpa (2008) harps on the imperativeness of flexible tax system that affords room for periodic reforms. He enumerates the specific objectives of tax system reforms in Nigeria to include creating a conducive climate for the promotion of economic development through encouragement of savings and investment, thus minimizing tax evasion; and making tax authorities at all levels of government to be effective and efficient towards raising the productivity of the machineries for revenue administration, thus enhancing yield from approved sources. Highlighting the features of the currently revised National Policy in Nigeria, Adeosun (2017) contends that the essence is to foster orderly development of the Nigerian tax system, while ensuring competitive and robust macroeconomic environment. Most particularly note-worthy is the recent increase in Value Added Tax (VAT) on luxury goods, particularly affecting champagne, yachts, private jets, luxury cars based on engine capacity, expensive cosmetics/perfumes, top-notch mobile phones (iPhone and iPad), designer watches, jewelry and retailer clothing. According to Eke (2017), the increasing gap between the rich and the poor undermines development by hindering inclusive economic progress, weakens democratic life and threatens social cohesion. This is further aggravated by factors such as:
- poor domestic policy implementation,
- financial globalization,
- skill-based technical change with associated wage increase,
- monetary policies that deemphasize economic growth,
- fiscal policies that prioritize fiscal consolidation at the expense of social expenditure,
- labour policies that weaken workers' bargaining power, and
- retrogressive tax regimes.

Accordingly, stakeholders are required to redouble political commitment to social protection at all levels of governance, while government allocates more resources to boost social protection programmes, with more emphasis on strengthening equity and good governance features. In complying with the associated fiscal expectations, traces of manoeuvrability have been noticed. In a study conducted by Hoi, WU & Zhang (2013) in the US, multiple dimensions of tax aggressiveness were examined over the period 2003-2009. The focal variables included discretionary book-tax difference, permanent book-tax difference, change in effective tax rate, and tax shelter (proxies for tax aggressiveness); and negative social ratings (proxy for CSR). The results indicated that firms with negative ratings have high tax aggressiveness.

In France, Laguir, Staglianò & Elbaz (2015), examined the impact of CSR activities on tax aggressiveness for the period 2003-2011. The composite criterion variable was disaggregated into four dimensions, thus featuring social, governance, economic, and environmental concerns. The results revealed that tax aggressiveness is a function of the nature of CSR. The social and economic dimensions had more dominant (significant) impact on tax aggressiveness, positively and negatively respectively. These outcomes reveal that the more firms are socially responsive (particularly diligent and expedient in governance, employee composition/relations, environment/human rights, and ethical business behaviour), the lower their tax evasive tendency. **A synoptic illumination of focal research variables subscribed in this study is presented in Table 1:**

Table 1: Highlight of Research Variables

Variable	Contextualization
Effective tax rate (etr)	etr, the proxy for tax evasion, represents tax paid in year t+1 divided by profit before tax of year t, as adopted by Lanis & Richardson (2012), Hoi, WU & Zhang (2013), and Laguir, Staglianò & Elbaz (2015).
Socially responsive endeavour (sre_1)	sre_1, symbolizing the governance improvement dimension has disclosure index ranging between 0 and 1, as adopted by Fodio, Abu -Abdissamad & Oba (2013) and Lanis & Richardson (2012).
Socially responsive endeavour (sre_2)	sre_2, symbolizing the social investment dimension has disclosure index ranging between 0 and 1, as adopted by Fodio, Abu -Abdissamad & Oba (2013) and Lanis & Richardson (2012).
Dominant control variable (cv_1)	cv_1, symbolizing capital intensity relativity represents net property, plant, and equipment divided by total assets, as adopted by Huseynov & Klamm (2012), and Landry, Deslandes& Fortin (2013).
Dominant control variable (cv_2)	cv_2, symbolizing corporate financial leverage represents interest bearing debt divided by total assets, as adopted by Huseynov & Klamm (2012), and Landry, Deslandes& Fortin (2013).
Dominant control variable (cv_3)	cv_3, symbolizing comparable firm size is represented by natural logarithm of total assets, as adopted by Huseynov & Klamm (2012), and Landry, Deslandes & Fortin (2013).
Dominant control variable (cv_4)	cv_4, symbolizing corporate return on equity represents profit before tax divided by shareholders funds, as adopted by Laguir, Staglianò & Elbaz (2015).

Source: Synoptic literary profile

3. Methods

This study has 10-year time frame (2006-2015) and focuses on top quoted firms on the Nigerian Stock Exchange (NSE). These firms are distinguished majorly by market capitalisation and liquidity fundamentals (NSE, 2013; Siyanbola, 2016). Among them are 13 firms marked out as featuring regularly on 31st December of each financial year, especially those defined for the purpose of analysis. They constitute the focal sample of this study, of which the model facilitating the relational analysis is specified thus:

$$etr = \beta_0 + \beta_1 sre_{1it} + \beta_2 sre_{2it} + \beta_3 cv_{1it} + \beta_4 cv_{2it} + \beta_5 cv_{3it} + \beta_6 cv_{4it} + \varepsilon_{it}$$

Where: etr = Effective tax rate,

sre_1 = Governance investment, the first predictor dimension,

sre_2 = Social investment, the second predictor dimension,

cv_1 = Capital intensity relativity, the first dominant control variable,

cv_2 = Corporate financial leverage, the second dominant control variable

cv_3 = Comparable firm size, the third dominant control variable; and

cv_4 = Corporate return on equity, the fourth dominant control variable.

i = Sampled firms (1 to 13),

t = Time frame/period (2006-2015),

β_0 = Intercept, and

$\beta_1 - \beta_6$ = Variables' slope coefficients.

4. Results

From NSE profiling, four sectors account for the top 30 listed firms, of which the more distinguished 13 made the sample. Accordingly, the sector groupings include agriculture, conglomerates, construction/real estate, consumer goods, financial services, healthcare, information and communication technology (ICT), industrial goods, natural resources, oil and gas, as well as services and utility. Aggregating these industrial constituents within the specified time frame yields 130 sample observations, composed of:

- Consumer goods firms, presenting50 (38.46%),
- Financial services firms, presenting 40 (30.77%),
- Oil and gas firms, presenting 30 (23.08%), and
- Healthcare firms, presenting10 (7.69%).

In addition to descriptive statistics, the more analytically assertive proceedings involved ascertaining normality of data, multicollinearity, heteroscedasticity, fixed and random effects. The computations were facilitated by Stata 12.0 software package, with capacity to detect and remedy possible infractions. Given peculiar kurtosis manifest, Spearman Correlation was employed, as multicollinearity was tracked with correlation coefficients and variance inflation factor. Analysis of the homogeneity of variance of error term involved heteroscedasticity test, while there was relative absence of outliers among the regression residuals. Progressing with robust regression, the time series and cross sectional data were further treated under the fixed effects model (FEM) and random effects model (REM) frames. The sector highlights are presented in Table 2, while descriptive statistics and other assertive specifics are presented in Tables 3 to 6:

Table 2: Quoted Industrial Sector Constituents

NSE Classification	Freq.	Percent	Cum.
Financial Services	40	30.77	30.77
Consumer Goods	50	38.46	69.23
Oil and Gas	30	23.08	92.31
Healthcare	10	7.69	100.00

Source: NSE Factbook Profile

Table 3: Analytical Descriptive Statistics

Variable	N	Mean	Standard Deviation	Minimum	Median	Maximum
Etr	130	.2032	.1134	-.23	.22	.60
sre_1	130	.2057	.2848	0	0	.88
sre_2	130	.4272	.2323	0	.50	.83
cv_1	130	.2903	.2443	0	.28	.98
cv_2	130	.3015	.3182	0	.17	.89
cv_3	130	10.9012	.4558	9.41	11.02	11.60
cv_4	130	.3222	.5221	-3.69	.27	1.36

Source: Research Data (2016).

Table 4: Analytical Correlation Statistics

Variable	Etr	sre_1	sre_2	cv_1	cv_2	cv_3	cv_4	VIF
etr	1							
sre_1	-0.12	1						4.91
sre_2	-0.14	0.73*	1					3.18
cv_1	0.24*	0.03	-0.16***	1				2.65
cv_2	-0.23*	0.22***	0.24*	-0.61*	1			2.42
cv_3	0.08	0.39*	0.18**	-0.09	0.45*	1		1.83
cv_4	0.31*	0.12	-0.03	0.63*	-0.31*	0.12	1	1.32

* Denotes significance at 1% level.
** Denotes significance at 5% level.
*** Denotes significance at 10% level.

Source: Research Data (2016).

Table 5: Analytical Regression Statistics

Variable	**Predicted sign**	**OLS Robust**	**Fixed Effects Model**	**Random Effects Model**
sre_1	-	-.0329	.0673	.0009
sre_2	-	.1146	.2366	.2395*
cv_1	+	-.0874	-.2045**	-.1753**
cv_2	+	-.1142**	-.1169	-.1111*
cv_3	+	.0702***	.0067	.0345
cv_4	+	.0877***	.0775***	.0811***
cons		-.5508**	.1420	-.1690

From the statistical features, the average effective tax rate (etr) is 20%, which is below 30% basis rate. Also, the focal socially responsive endeavour (sre) dimensions indicated moderate disclosures, as governance (sre_1) and social investment (sre_2) disclosure recorded 54% and 60% respectively. Average investment, representing, capital intensity relativity (cv_1) was 29% of their total assets. The interest bearing debt, representing corporate financial leverage

(cv_2) was 30% of total assets; comparable firm size ((cv_3) averaged 10.9, with a standard deviation of 11.02; while earnings (return on equity), representing corporate financial performance (cv_4) averaged 32%. In view of these statistical highlights, effective tax rate is significantly and positively related with capital intensity relativity (cv_1) and corporate financial performance (cv_4) indicated by return on equity, but not with corporate financial leverage (cv_2) and comparable firm size (cv_3). This implies that higher levels of interest-bearing debt are associated with higher TEB (decreasing etr); and higher levels of investment in capital assets and attendant improved financial performance are associated with lower TEB (increasing etr). Ultimately, therefore, the analytical outcomes of this study evoke:

- acceptance of null hypothesis one, affirming that governance improvement is not significantly associated with TEB; and
- acceptance of alternate hypothesis two, affirming that social investment is significantly associated with TEB.

The works of Hoi, WU & Zhang (2013), Huseynov & Klamm (2012), and Lanis & Richardson (2013) lend credence to these analytical outcomes.

5. Discussion

The governance improvement dimension negatively but insignificantly relates with TEB. This is affirmative of null hypothesis one; and reasonably consistent with the position of Laguir, Staglianò & Elbaz (2015) who examined the effect of CSR dimensions on tax aggressiveness in France. The social investment dimension is also positively and significantly related with TEB. This is non-affirmative of null hypothesis two; and also in tandem with the position of Laguir, Staglianò & Elbaz (2015). Regarding the control variables, capital intensity relativity and corporate financial leverage are negatively related with effective tax rate; corporate financial performance (indicated by return on equity) is negatively and significantly related with effective tax rate; while comparable firm size is not significantly related with effective tax rate. The intrigues involving the choice of treatment of depreciation expenses for tax and financial reporting purposes are worthy of cautious consideration, particularly with respect to capital intensive firms (Hoi, WU & Zhang, 2013; Laguir, Staglianò & Elbaz, 2015; and Lanis & Richardson, 2015). Again, capital intensity relativity is negatively and significantly related with effective tax rate; consistent with the result obtained by Huseynov & Klamm (2012) but differing with the position of Laguir, Staglianò & Elbaz, (2015) and Lanis & Richardson, 2016).Albeit, they contend that higher capital intensity relativity is related with lower TEB.

Considering the effect of corporate financial leverage – driven incentives on evasive tax behaviour, tax deductibility of interest expenditure is material (Lanis & Richardson, 2016). Hence, as capital intensity relativity is negatively and significantly related with TEB, it implies that the more firms finance with interest bearing instruments, the lower their TEB. This synchronizes with the opinion of Hoi, WU & Zhang (2013), and contrasts the stance of Huseynov & Klamm (2012) and Lanis & Richardson (2016). However, comparable firm size is not significantly related with evasive tax behaviour, which contrastingly challenges the position of Laguir, Staglianò & Elbaz, 2015 (2015) and Lanis & Richardson (2015). Thus, the large firms in the period under study did not leverage on economic/political fortunes to modify their tax aggressiveness. Regarding profitability, the results affirm that corporate financial performance (indicated by return on equity) is positively and significantly related with TEB. This sustains the stance of Huseynov & Klamm (2012) that higher corporate profitability is associated with higher evasive tax behaviour (as effective tax rate decreases).

6. Conclusion

This study examined the relationship between disaggregate SRE dimensions with TEB, focusing on top listed firms on the NSE. Two critical dimensions, governance improvement and social investment, were examined in relation to effective tax rate (the proxy for TEB). The analysis involved descriptive statistics and other assertive tests for ascertaining normality of data, multicollinearity, heteroscedasticity, fixed and random effect estimates. The results affirmed that governance improvement is not significantly related with TEB; while social investment is significantly related with TEB. The social investment dimension was particularly featured as pivotal antidote for TEB in view of the position that the more a firm disburses social investment outlay and discloses adequately, the lower the tax evasive tendency. This is actually auspicious for today's governmental dispensations which are in dire need of fiscal resources for national economic recovery and growth (Agundu, 2012; 2016).

Concerning the control variables (capital intensity relativity, corporate financial leverage, comparable firm size, and corporate financial performance),the extent of relationship with ETB is potent. For capital intensity relativity, in particular, more investment in property, plant and equipment precipitates greater corporate financial economies. To sustain the flow, it is imperative to advance the objectives of tax system reforms, which Akpa (2008) broadly outlined to include:

- enhancing of fair and equitable taxation of individuals,
- ensuring investment decisions free of distortion,
- encouraging fair allocation of savings amongst investment opportunities,
- ensuring that incentives to hard-work or risk bearing in business are sustained,
- attracting foreign investments or at least avoiding capital flight to countries with lower taxes,
- reducing tax evasion, tax avoidance and the growth of underground economy as well as encouraging voluntary compliance by taxpayers, and
- reducing complexities in the Nigerian tax system to the advantage of tax administrators and taxpayers.

Furthermore, in the interest of continuous systemic vitality and viability, government and strategic corporate entities, in particular, should mutually ensure better sensitizing, higher incentivising, and greater synergizing in the focal areas of fiscal management and business environment enhancement.

References

Adeosun, K. (2017). On the revised National Tax Policy.*DailySun, February 14, p.15.*

Adewuyi, A. O.& Olowookere, A. E. (2010). CSR and sustainable community development in Nigeria: WAPCO: A case from the cement industry. *Social Responsibility Journal*, *6*(4), 522–535.

Agundu, P. U. C. (2012). *Vintage: Strategic Financial Management and Macroeconomic Advancement*. Port Harcourt: MPP.

Agundu, P. U. C. (2016). Prudence in public institutions management: The strategic financial efficiency challenge in Nigeria. *African Research Review*, 10(3), 161-180.

Akpa, A. (2008). *Public Finance and Budgeting: Isues, Imperatives and Challenges from Nigerian Perspective*. Ibadan: Spectrum Books.

Eke, M. (2017). Addressing social inequality. *DailySun, May 17, p.17.*

Fodio, M. I., Abu-Abdissamad, A. M.& Oba, V. C. (2013). Corporate social responsibility and firm value in quoted Nigerian financial services. *International Journal of Finance and Accounting*, *2*(7), 331–340.

Gbosi, A. N. (2008). *Modern Public Finance and Fiscal Policy. Port Harcourt: Harey Publications.*

Gregory, A., Tharyan, R.& Whittaker, J. (2014). Corporate social responsibility and firm value: Disaggregating the effects on cash flow, risk and growth. *Journal of Business Ethics*, *124*(4), 633–657.

Hoi, C. K., Wu, Q.& Zhang, H. (2013). Is corporate social responsibility (CSR) associated with tax avoidance? Evidence from irresponsible CSR activities. *Accounting Review*, *88*(6), 2025–2059.

Hubert, B. F. (1979). *Modern Public Finance. New York: Richard Irwin.*

Huseynov, F.& Klamm, B. K. (2012).Tax avoidance, tax management and corporate social responsibility. *Journal of Corporate Finance*, *18*, 804–827.

Laguir, I., Staglianò, R.&Elbaz, J. (2015). Does corporate social responsibility affect corporate tax aggressiveness? *Journal of Cleaner Production*, *107*, 662–675.

Landry, S., Deslandes, M.& Fortin, A. (2013).Tax aggressiveness, corporate social responsibility and ownership structure. *Journal of Accounting, Ethics & Public Policy*, *14*(3), 99–132.

Lanis, R.& Richardson, G. (2012). Corporate social responsibility and tax aggressiveness: An empirical analysis. *Journal of Accounting and Public Policy*, *31*, 86–108.

Lanis, R.& Richardson, G. (2013). Corporate social responsibility and tax aggressiveness: A test of legitimacy theory. *Accounting, Auditing & Accountability Journal*, *26*(1), 75–100.

Lanis, R.& Richardson, G. (2015). Is corporate social responsibility performance associated with tax avoidance? *Journal of Business Ethics*, *127*(2), 439–457.

Lanis, R.& Richardson, G. (2016). Outside directors, corporate social responsibility performance, and corporate tax aggressiveness: An empirical analysis. *Journal of Accounting, Auditing & Finance*, 14–28.

NSE.(2013). *NSE Factbook*. Abuja.

Siyanbola, A. A. (2016). Corporate social responsibility and tax aggressiveness: A study of NSE 30 (Unpublished PhD Accounting seminar paper), Bayero University. Kano, Nigeria.

Effect of Audit Quality on Performance of Deposit Money Banks (DMBs) In Nigeria

Gabriel M. Tyokoso PhD
Department of Accounting & Finance,
University of Agriculture, Makurdi
Email: gtyokoso@gmail.com , Phone: 07063812097

Martin M. U-ungwa
Department of Accounting,
Ahmadu Bello University, Zaria

Anaja G. Ojonimi
Department of Accounting,
Ahmadu Bello University, Zaria

pp 158 - 165

Abstract

We examined the effect of audit quality, represented by audit firm size, auditor tenure, client importance and auditor specialization on the performance, represented by Tobins Q, of listed Deposit Money Banks (DMBs) in Nigeria. Secondary data extracted from annual report and accounts of of 8 DMBs was analyzed using panel multiple regression technique. Result of Hausman specification test suggests that the Ordinary Least Square (OLS) regression result was most appropriate for the dataset. The regression result indicates that auditor tenure has significant positive effect on Tobins Q of DMBs in Nigeria. In contrast, client importance has a significant negative relationship with Tobins Q while audit firm size and auditor specialization respectively have insignificant positive and negative effect on Tobins Q of DMBs in Nigeria. Based on the result, the study recommends among others auditor tenure of three years and above for Nigerian companies as it is capable of enhancing the performance of Deposit Money Banks in Nigeria.

Key words: Audit Quality, Deposit Money Banks, Auditor Tenure,

1.0 Introduction

Increase in business complexity has necessitated separation of management from ownership. This divorce of management from ownership in modern corporations has made stewardship accounting inevitable. Managers, under the agency arrangement, are responsible for running the affairs of the company on behalf of the owners. However, due to ostensible information asymmetry and conflict of interest, owners require mechanisms that compel managers to safeguard the interests of diverse stakeholders (Farouk & Hassan, 2014) in the firm. External audit is one of the measures that are believed to check these managerial excesses.

Audit of financial statements reduces information asymmetry in a firm and protects the interests of stakeholders through provision of assurance on the correctness, truthfulness and fairness of the financial statements prepared by management. This is in view of the fact that high quality audit is expected to detect material misstatements, errors, and losses which results from managerial opportunism in the quest to increase their economic largesse at the expense of other stakeholders of the firm (**Alaswad & Stanišić, 2016; Tyokoso, Sabari, Dogarawa & Hassan, 2017)**.

Audit of financial statements is therefore an important part of the regulatory and supervisory framework which is of significant public interest. The extent to which audit lends credence to the reliability of financial statements in turn depends on the quality of audit services rendered (Smii, 2016). Audit quality is the joint probability that the auditor detects and reports questionable accounting practices of the firm (Tyokoso & Tsegba, 2016). Audit quality is therefore capable of influencing corporate performance, through mitigation of risks and significant misstatements. The lower risk of misstatements consequently, increases the confidence of capital market investors in financial reports which also lowers the cost of capital and increases the market valuation of the firm (Heil, 2012). Users of audited financial statements therefore believe that the information it contains are completely free from material bias and so depend on it to allocate scarce economic resources with expectations of commensurate returns. Investor confidence is therefore associated with the level of truthful and fair presentation of financial statements which in turn is a product of audit quality (Okolie & Izedonmi ,2014) Consequently, audit quality and its association with performance of firms is a major concern of researchers in accounting literature. The importance of a study of the relationship between audit quality and the performance of listed firms in Nigeria cannot be over emphasized in view of the fact that many Nigerian firms are struggling to regain credibility amidst national and international investors (Farouk & Hassan, 2014). This need has sparked academic debate on the relationship between audit quality and performance of firms in Nigeria recently. Though the literature is awash with many studies, most of them from both Nigeria and foreign literature documented mixed and inconsistent evidence between audit quality and firm performance (Farouk & Hassan, 2014; Ching, Teh, San & Hoe, 2016; Smii, 2016).

In addition, there are relatively few studies in Nigeria that examine the relationship between audit quality and performance of listed firms even though some companies in Nigeria such as DMBs have been accused of inflating performance amidst clean audit reports from highly reputable audit firms in Nigeria. This calls to question the quality of audit services and reported performance of listed Nigerian companies. More so, some of the recent studies in Nigeria which investigates the relationship between audit quality and performance of firms such as Farouk and Hassan (2014) proxied firm performance by accounting measures such as ROA. However, the use of accounting- based measures of firm performance in previous studies on audit quality and firm performance is erroneous and so renders the results of such studies doubtful. This is because audit quality has no direct effect on the accounting based performance of listed firms but capital market- based performance according to the signaling theory of audit.

In addition, given the fact that many reported cases of corporate scandals in Nigeria involve DMBs, the credibility of audited financial statements in the banking sector becomes doubtful. It is therefore imperative to examine the effect of audit quality on the performance (proxied by a market- based performance measure, Tobins Q) of banks in Nigeria to restore the lost public confidence in financial statements of listed companies which is capable of impacting negatively on the market performance of banks and Nigerian companies generally.

Despite these gaps, previous studies such as Farouk and Hassan (2014), Okolie and Izedonmi (2014), and Modum, Ugwoke and Onyeanu (2013) have not addressed the subject matter especially within the context of Deposit Money Banks (DMBs) in Nigeria. This study therefore examines the effect of audit quality on the performance of Deposit Money Banks in Nigeria to fill the gaps in the local literature. Consequently, the study hypothesized that audit quality proxied by audit tenure, client importance, auditor industry specialization and audit firm size have no significant effect on the performance (proxied by Tobins Q) of listed Deposit Money Banks in Nigeria. The rest of the paper is organized into literature review and theoretical framework in section 2, methodology in section 3, results and discussion in section 4, and conclusion and recommendations in section 5.

2.0 Literature Review and Theoretical Framework

Business performance is a term that is used synonymously with firm performance which is a subset of organizational effectiveness that covers both operational and financial outcomes. Although the conceptual proposal of Venkatraman and Ramanujan (1986) is widely referred to by strategic management scholars, measures of firm performance used in empirical studies show a wide variety of approaches. The most commonly used measures are growth, profitability, market value, customer satisfaction, employee satisfaction, social performance and environmental performance. In this study, market value (represented by Tobin's Q) is used as a performance measure. Audit quality according to DeAngelo (1981) is the market-assessed joint probability that a given auditor detects a breach in the client's accounting system and reports the breach to stakeholders. The European Supreme Audit Institution (EUROSAI) extends this definition to include the degree to which a set of inherent characteristics of an audit fulfills requirements such as legal and professional requirements. Traditionally, the audit process assesses the probability of material misstatements and reduces the possibility of undetected misstatements to an appropriate assurance level (Knechel, 2009). The proper execution of an audit assignment influences the integrity of financial reporting and investors' confidence in the financial reports of the firm (Levitt, 1998).

The definition of DeAngelo (1981) captures two key issues: the competence of the auditor which indicates the likelihood of detecting financial misstatements and the independence of the auditor which shows the ability to report detected financial misstatements to stakeholders. In his view, Khan (2006) itemized three fundamental perspectives from which audit quality may be perceived: input, output, and context factors. From the input perspective, audit quality is represented by the auditor's personal attributes such as skills and experience, ethical values and mindset, soundness of audit technology and the availability of adequate technical support geared toward supporting a high quality audit. From the output dimension, audit quality is attributed to important influences on audit which affect stakeholders assessments of audit quality such as auditor's report and auditor communications to those charged with governance of the firm. From the context perspective, audit quality is represented by factors that influence the auditors work such as sound corporate governance, law and regulation, and the quality of applicable financial reporting framework. Despite non- availability of a universally accepted definition of audit quality in the accounting literature, this study views audit quality as the probability that the auditor both detects and reports fraudulent accounting practices of the client.

Theoretically, extant literature documents many theories which explain the relationship between audit quality and firm performance. Prominent among these theories is the agency theory which revolves around information asymmetry between the principal (shareholders) and the agent (management) of the firm. Agency problems arise as a result of the separation of ownership from control in modern business organizations where the agent uses the economic resources entrusted to him at the detriment of the principal. To mitigate information asymmetry associated with agency relationship, shareholders engage the services of high quality external auditors to protect their interests. High quality audit is therefore capable of reducing the costs of misstatements in financial statements; restore confidence in a firm's financial reporting quality and increases market valuation of the firm.

Another theory that relates audit quality to corporate performance is the signaling theory which sees audit as a mechanism that can mitigate information asymmetry among related parties. Signaling theory, according to Spence (1973), suggests that companies with good performance use financial information disclosure to send favourable signals to the market about their potentials. Companies with high quality auditors such as the big 4 auditors, send signals to the market that their financial statements are more credible than those audited by lower quality auditors.

The market therefore associates auditors such as big audit firms and specialist auditors with higher audit quality than other auditors and rewards companies audited by high quality auditors with larger improvements in share prices (Teoh & Wong, 1993; Krishnan & Yang, 1999). The positive signal of transparency and credibility which high audit quality sends to the market, provides assurance to the stakeholders about the quality of earnings disclosed in financial statements and suggests a positive association between market based performance and audit quality.

The theory of inspired confidence also explains the association between audit quality and market based performance of firms. This theory was developed by the Limperg Institute in Netherlands in 1985. The theory suggests that the auditor, as a confidential agent, derives his function in the society from the need for expert and independent examination, and professional judgment. In performing his duties, the auditor is expected to approach his work with due care and diligence, realizing that the public expect no audit failures. The auditor must therefore plan and perform his duties in a manner that minimizes the risk of undetected material misstatements in financial statements (Limperg Institute, 1985).

The auditors' theory of inspired confidence explains the users' requirement for credible and reliable financial reports and the capacity of the audit processes to meet those needs. The theory suggests that the duties and responsibilities of the auditor are derived from the confidence which the public places on the success of the audit process and the assurance which the audit opinion provides. Auditors are therefore expected to maintain reasonable quality assurance in view of the fact that audit failure is a career-ending event. Though several theories explain the association between audit quality and firm performance, this study is anchored on signaling theory in view of the fact that it best explains the context for audit and the relationship between audit quality and the market- based performance of listed Deposit Money Banks (DMBs) in Nigeria.

Following the theoretical link between audit quality and firm performance, empirical studies have also examined the effect of audit quality on firm performance in both Nigeria and foreign literature. For instance, Ching, Teh, San and Hoe (2015) investigated the relationship between audit quality and financial performance of listed companies in Malaysia. Fifteen companies from the industrial products and consumer products industry listed on the Main Board of Bursa, Malaysia were sampled from 2008 to 2013. The findings of the study indicate that audit quality have a significant positive effect on firm performance.

Similarly, Smii (2016) *examined the effect of audit quality on the performance of six (6) listed Tunisian firms from 2005 to 2009. The study found that size of the audit firm, auditor specialization, the co-commissioner and the size of the audit committee are positively associated with firm performance. Also,* Okolie and Izedonmi (2014) investigated the relationship between audit quality and market value per share of companies quoted on the Nigerian Stock Exchange. The study sampled 57 companies over the period of six years from 2006 to 2011. Audit quality was represented by audit firm size, audit fees, auditor tenure and audit client importance. The result of the study indicates that audit quality exerts significant influence on the market value per share of quoted companies in Nigeria.

In another study, Martinez and Moraes (2014) examined the association between Tobin's Q and audit fees of 12 Brazilian companies from 2009 to 2011. The results suggest a significant relationship between Tobin's Q, audit fees and non-audit fees of firms.

3.0 Methodology

Our study adopts correlational research design because this design enables us to test the relationship between audit quality and performance of Deposit Money Banks in Nigeria. The population of the study comprises all the fifteen (15) listed Deposit Money Banks (DMBs) in Nigeria as at 31st December, 2015. The sample is however, made up of eight (8) Deposit Money Banks selected based on data availability. The eight selected banks are those that disclose full information about their auditors such that the study variables can be measured. The sample represents 53% of the study population which is considered adequate in view of the large representation of the population which is the hallmark of sampling. Secondary data were extracted from the annual report and accounts of the sampled companies downloaded from the official websites of the banks from 2009 to 2015. The data collected for the study was later analyzed using panel multiple regression technique with the help of Stata version 11.

The study variables and their measurement are presented in table 1 below:

Table 1: Variables and their Measurement

Variable	Symbol	Measurement
Tobin's Q	TQ	Total market value of the firm/total assets value of the firm
Audit firm size	FS	A dummy variable 1, if the firm is audited by a Big 4 auditor, 0 otherwise
Audit firm tenure	AT	Number of consecutive years the client has retained a particular audit firm. Dummy variable 1 for 3 years^{+}, 0 otherwise
Client Importance	CI	Ratio of client's sales to the sum of all clients' sales audited by an auditor within the sample size
Auditor specialization	AS	A dummy variable 1 if market size (MS) of the auditor =20 percent and 0 otherwise.

The linear relationship between the dependent and independent variables is represented in the panel multiple regression model below:

$TQ_{it} = \beta_o + \beta_1 AT_{it} + \beta_2 CI_{it} + \beta_3 FS_{it} + \beta_4 AS_{it} + e_{it}$

Where:

TQ_{it}= Tobin's Q for firm i in time t.

AT_{it} = Audit firm tenure for firm i in time t.

CI_{it}= Client Importance for firm i in time t.

FS_{it}= Audit firm size for firm i in time t.

AS_{it}= Auditor specialization for firm i in time t.

β_o, β_1, β_2, β_3 and β_4= Model coefficients.

e_{it}=Error term.

4.0 Results and Discussion

The descriptive statistics of the study variables are presented in table 2 below:

Table 2: Descriptive statistics

Variable	Mean	Std dev	Min	Max	Obs
TQ	0.58125	0.51825	0.05	0.98	56
AT	0.60714	0.49280	0	1	56
CI	0.54190	0.34051	0.02804	1	56
FS	0.76785	0.42602	0	1	56
AS	0.61818	0.49031	0	1	56

Source: Output from Stata

Table 2 shows that the mean value of TQ is 0.58125, while the minimum and maximum values are 0.05 and 0.98 respectively. The standard deviation of TQ is 0.51825, which suggests low variability of performance among the sampled firms. The table also indicates that AT has a mean value of 0.60714, minimum and maximum values of 0 and 1 respectively, with a standard deviation of 0.49280 which is below the mean, suggesting low variability of auditor tenure among the sampled firms. Also, the mean value of CI from table 2 above is 0.54190 with minimum and maximum values of 0.02804 and 1 respectively. The standard deviation of CI which is 0.34051 shows low level of variability of client importance among the sampled firms. Similarly, the mean value of FS is 0.76785, minimum value is 9 and maximum value of 1. The standard deviation of FS is 0.42602 which explains low level of variability in the FS of the firms under study. Finally, FS has mean value of 0.61818, minimum value of 0 and maximum value of 1, with standard deviation of 0.49031 which indicates low level of variability in the FS of the firms under study. Furthermore, the association between and among the variables of the study was determined using Pearson Correlation analysis. The result of correlation matrix is presented in table 3 below:

The result of correlation analysis as presented in table 3 shows that AT and AS are positively correlated with TQ while CI and FS are negatively correlated with TQ. The table also reveals that CI and AT, FS and CI, AS and CI are negatively correlated while FS and AT, AS and AT, AS and FS are positively correlated.

Table 3: Correlation Matrix of the study variables

Variable	TQ	AT	CI	FS	AS
TQ	1.0000				
AT	0.2404	1.0000			
CI	-0.4484	-0.0176	1.0000		
FS	-0.0505	0.1639	-0.2325	1.0000	
AS	0.1099	0.2750	-0.3953	0.2675	1.0000

Source: Output from Stata, 2017

To enhance the robustness of regression results normality, heteroskedasticity, multicollinearity and Hausman specification tests were performed. Result of Shapiro-Wilk normality test shows that data for all the variables except PRO and FS were normally distributed and insignificant at 5%. Result of Breusch-Pagan/Cook-Weisberg test for heteroscedasticity shows a chi-square of 1.93 which is not significant at 5%. This means that variation in the error term across the variables is homoscedastic. Multicollineaarity test was carried out using Variance Inflation Factor (VIF) and tolerance values. VIF values were consistently below the maximum threshold of 10 (rule of thumb) confirming that there is no multicollinearity problem in the data used.

Hausman specification test was carried out to enable us select between the fixed effect and random effect regression results considering the panel attribute of the dataset. The result of Hausman test shows a chi-square of 5.82 which is not significant at 5%, and indicates that random effect regression result should be selected. In addition, Breusch and Pagan Lagrangian multiplier test for random effect was carried out to enable us select between OLS and random effect regression results. The result suggests that OLS regression result is most appropriate for the dataset. On the basis of the above tests, the OLS regression result is presented in table 4 and analyzed below:

Table 4: Regression Results

Variable	Coefficient	T-value	Sig
AT	0.3056071	2.35	0.023
CI	-0.8194342	-4.15	0.000
FS	-0.2358222	-1.57	0.124
AS	-0.1399534	-0.97	0.336
Cons	1.102226	5.35	0.000
R-squared			0.3069
Adj			0.2515
F-statistics			5.54
Probability			0.0009

Source: Output from Stata, 2017

The regression result presented in table 4 shows that the coefficient of AT is 0.3056071 which implies that AT has a significant positive relationship with TQ of listed Deposit Money Banks in Nigeria. This is an indication that one percent increase in AT leads to a corresponding 0.3056071 increase in TQ of listed DMBs in Nigeria. Based on this evidence, the study rejects the first hypothesis which states that there is no significant relationship between auditor tenure (AT) and firm performance (represented by Tobins Q) of DMBs in Nigeria. This finding is consistent with the finding of Okolie and Izedonmi (2014) which documented a significant association between AT and firm performance.

The result presented in table 4 also indicates that CI has coefficient of -0.8194342 which suggests negative relationship between CI and TQ of the firms under study. This means that a one point increase in CI leads to 0.8194342 point increase in TQ of the firms under study. The t-value of CI is -4.5 which is significant at 1%. Based on this result, the null hypothesis of no significant relationship between CI and TQ is rejected.

The table also shows a coefficient of -0.2358222 for FS which indicates that a one point increase in FS leads to 0.2358222 point decrease in TQ of the firms under study. The relationship between FS and PRO is not significant as FS has a t-value of -1.57 which is not significant at 5%. On the basis of this outcome, the null hypothesis of no significant relationship between FS and TQ is not rejected.

Similarly, the table shows a coefficient of -0.1399534 for AS which means that AS has a negative relationship with TQ of the firms under study. The result indicates that a one point increase in AS is accompanied by 0.1399534 point increase in TQ of the sampled firms. The t-value of -0.97 for AS is not significant at 5%. Hence, the null hypothesis which states that there is no significant relationship between AS and TQ is not rejected. This finding is contrary to the finding of Okolie and Izedonmi (2014).

5.0 Conclusion/Recommendations

The study examined the effect of audit quality on financial performance of listed Deposit money Banks in Nigeria. The result of regression analysis shows that AT and CI have significant effect on TQ of listed Deposit Money Banks in Nigeria while FS and AS were found to have no significant effect on TQ of the firms under study. The study therefore concludes that audit tenure and client importance play a prominent role in the determination of TQ of Nigerian firms.

Based on the findings of the study, the following recommendations were made:

i. The study recommends auditor tenure of three years and above for Nigerian companies as it is capable of enhancing the performance of Deposit Money Banks in Nigeria.
ii. Public companies in Nigeria should disclose all payments made to the external auditor since client importance has a significant influence on the performance of Deposit Money Banks in Nigeria.

References

Alaswad, S. A. and Stanišić, M. (2016). Role of internal audit in performance of Libyan financial organizations. *International Journal of Applied Research*, 2(2), 352-356.

Al-Matari, Y. A. , Al-Swidi, A. K., Fadzil, F. H., Al-Matari, E. M. (2012). Board of Directors, Audit Committee Characteristics and Performance of Saudi Arabia Listed Companies. International Review of Management and Marketing, 2(4), 241-251.

Ching, C. P., The, B. H., San, O.T. and Hoe, H. Y. (2016). The Relationship among Audit Quality, Earnings Management, and Financial Performance of Malaysian Public Listed Companies. International Journal of Economics and Management 9 (1): 211 – 229.

DeAngelo, L. E. (1981). Auditor size and audit quality, Journal of Accounting and Economics, 3 (3), 183 – 199.

Farouk, M. A. and Hassan, S, U. (2014). Impact of Audit Quality and Financial Performance of Quoted Cement Firms in Nigeria. *International Journal of Accounting and Taxation*, 2(2), 1-22.

Heil, D. (2012). The influence of the auditor on the earnings quality of their clients. (Unpublished Masters Thesis). Department of Accounting, Auditing and Control, Erasmus University, Rotterdam.

Khan, T. (2006). Financial reporting disclosures: an international perspective (Unpublished), Victoria University, Australia.

Knechel, W. R. (2009). Audit lessons from the economic crisis: rethinking audit quality. Inaugural lecture delivered at Maastricht University on Friday, September 11.

Krishnan, J. and Yang, J. S. (1999). Auditor industry specialization and earnings response co - efficient, working paper. Temple University, April.

Limperg Institute (1985). The social responsibility of the auditor. A basic theory on the auditor's function, by Professor Theodore Limperg (1879-1961) of the University of Amsterdam, *Amsterdam, The Netherlands, Limperg Institute.*

Martinez, A. L. and Moraes, A. J. (2014). Association Between Independent Auditor Fees and Firm Value: A Study of Brazilian Public Companies. Journal of Modern Accounting and Auditing, 10 (4), 442-450.

Modum, U., Ugwoke, R. O. and Onyeanu, E. O. (2013). Audit Committees and Corporate Performance of Selected Companies Quoted in the Nigerian Stock Exchange: a Perception Analysis. *Research Journal of Finance and Accounting*, 4(16), 115-124.

Okolie, A. O. and Izedonmi, F. I. O. (2014). The Impact of Audit Quality on the Share Prices of Quoted Companies in Nigeria. *Research Journal of Finance and Accounting, 150-166.*

Smii, T. (2016). The impact of the audit quality on that of the accounting profits: the case of companies listed on the Teran Stock Exchange. International Journal of Managing Value and Supply Chains (IJMVSC), 7(1), 39-54.

Spence, M. (1973). Job market signaling. The quarterly Journal of Economics, 87(3), 355-374.

Teoh, S. H. and Wong, T. J. (1993). Perceived auditor quality and earnings response co-efficient. The Accounting Review, 68 (2), 346 – 366.

Tyokoso, G. M., & Tsegba, I. N. (2016). Audit quality and earnings management of listed oil marketing companies in Nigeria. European Journal of Business and Management, 7 (29), 34 – 42.

Tyokoso, G. M., Sabari, M. H., Dogarawa, A. B., & Ibrahim, H. (2017). Effect of audit quality on earnings management of listed oil marketing companies in Nigeria. Nigerian Journal of Accounting Research (Forthcoming).

Venkatraman, N. and Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. Academy of Management Review, 1(4), 801-808.

Effect of International Financial Reporting Standards Disclosure Compliance on The Quality of Financial Reporting of Deposit Money Banks In Nigeria

J. F. Adebisi Ph.D
Director General,
Nigerian College of Accountancy,
Kwall, Jos, Plateau State
adebisijf@yahoo.com

F. O. Otuagoma
Department of Accounting ,
University of Agriculture,
Calabar

A. O.Abah
Department of Accounting,
University of Jos, Jos

pp 166 - 173

Abstract

This research is designed to determine the level of International Financial Reporting Standards (IFRS) disclosure compliance in the financial statements of the Nigerian Deposit Money Banks (DMBs). It also tried to examine the effect of IFRS on the quality of financial reporting. Three hypotheses were tested using disclosure index, the collected data was analyzed using multiple regression analysis, ANOVA and SPSS version 22 was employed to run the data. Unweighted disclosure checklist, scored using dichotomous scoring procedure, containing sixty four (64) items was also used. The findings and conclusion drawn was that positive relationship exists between the IFRS and disclosure compliance level. It means that all the banks under study maintain the same level of mandatory disclosure compliance with the International Financial Reporting Standards, which implies that an increase in the IFRS disclosure compliance has a positive relationship with the quality of financial reporting. Based on these findings, the study recommended that Nigerian Deposit Money Banks should ensure strict compliance with mandatory disclosure requirements and should increase the level of voluntary information in other to boost the confidence of its stakeholders.

Key Words: International, Financial Reporting, Standards, Disclosure, Compliance, Quality, Deposit Money Banks.

1.0 Introduction

The move towards globalization is a concern for many countries particularly developing countries as it has the potential of having a deep impact on the economy at large. The adoption of IFRS as a global and uniform standard is gaining ground as more countries are adopting IFRS or have intentions of adopting the standard. The European Union commenced the adoption in 2005 by ensuring that all listed companies in the European Union implement IFRS in their financial report (Odia and Ogiedu, 2013). The adoption of IFRS in Nigeria was inaugurated in September 2010 by the then Honorable Minister of Commerce and Industry; Senator Jubril Martins-Kuye. The adoption required that all Public Listed Companies apply IFRS for the presentation of their financial statement by January 2012. Other Public interest entities are required adopted IFRS by January 2013 while SME's (Small and medium sized entities) adopted IFRS by January 2014.

However before the adoption of IFRS in Nigeria the Generally Accepted Accounting Principles was the National Accounting Standards. The adoption of IFRS will have an effect on the banks and capital market's earnings, credit evaluation, communication between market and stakeholders, long term financial planning, capital management, training, performance measurement, product offering and debt covenants, (Abata, 2015). The extent and quality of disclosure within published corporate reports however, vary from company to company and from country to country (Umoren, 2009). Literature reveals that the level of reliable and adequate information disclosure by listed companies in developing countries lag behind than in developed ones and government regulatory forces are less effectives in driving the enforcement of the existing accounting standard **(Ali, Ahmed and Henry, 2004)**.The immature development of accounting practice and the structural weakness of the government regulatory bodies and the accounting profession are some of the factors responsible for the debilitating condition in the disclosure environment in the developing nations (Osisioma, 2001).

Nigerian banks over the years have been observed to exhibit weak disclosures in financial statement, operational inefficiencies, undercapitalization and a weak corporate governance practice that impede their performance and make it difficult to detect problems easily. The quality and standard of financial reporting in Nigeria banking sectors seems not to match the high standard of reporting in the banking sector of more developed countries (Garba, 2013).

According to Adekunle and Asaolu (2013), the convergence from Nigerian Generally Accepted Accounting Principles (NGAAP) to IFRS will improve comparability, accountability, integrity and transparency in financial reporting, which is evidence in countries such as Ghana which is believed to have an improved financial reporting. This is pertinent to deal with the crisis in the financial sector in Nigeria. Beke (2011) also stressed the fact that a global accounting standard will result to a rise in market liquidity, fall in transaction costs for investors, and cost of capital reduction. The disclosure of financial information in corporate annual reports and their determinants has attracted considerable attention in the West, but, there has been much less concern in developing countries. Only a handful of works have been carried out in developing countries on the issues of disclosure and its determinants. Therefore, very little is known about the degree of disclosure and corporate attributes influencing it. Additional empirical evidence on mandatory and voluntary disclosures and the factors influencing them in Nigeria will enhance the quality of literature in this field of study, hence the need for this study, which will focus on new and upgraded financial instruments standards. Again, existing studies have not focused in details on the application of IFRS and the quality financial reporting, therefore, this study will examine the application of IFRS using a disclosure checklist and the latest financial reports for four years ending 2012 to 2015 with the following Specific objectives;

i. To examine the level of compliance with IFRS disclosure requirements by Nigerian Deposit Money Banks;
ii. To examine the effect of IFRS on the quality of financial reporting.
iii. To find out whether Nigerian Deposit Money Banks disclose discretionary information more than the minimum required by IFRS.

2.0 Literature Review

Conceptual Review

The International Accounting Standards Board (IASB) is an independent organization based in London, United Kingdom, that issues Accounting rules known as International Financial Reporting Standards (IFRS) previously known as International Accounting Standards (IAS). The IAS was renamed International Financial Reporting Standards (IFRS). In 2002, U.S. Financial Accounting Standards Board (FASB) and IASB held a joint meeting and issued a memorandum of understanding pledging convergence of their accounting standards and coordination of their work programmes. In 2004, European Commission endorses all IASs and IFRSs for use in Europe. These countries include Austria, Belgium, Cyprus, Czech Republic, Denmark. Germany. Estonia. Greece, Spain, France, Ireland. Italy, Latvia. Lithuania, Luxembourg. Hungary. Malta. Netherlands. Poland, Portugal, Slovenia, Slovakia. Finland, Sweden and U.K. During the same period, Australia, Hong Kong, New Zealand, and Philippines adopt improved IASs and IFRSs. Widespread international adaptation of the IFRSs offer advantages such as accurate, timely and comprehensive financial statement information, reduces cost of information processing, enhances international comparison of financial statements, and removes barriers to cross-border acquisitions and divestitures (Owolabi and Iyaha, 2012).

Presently, NASB is making frantic efforts of adapting IFRSs to suit Nigerian environmental peculiarities. However, the Executive Secretary of the Nigerian Accounting Standards Board (NASB), narrated that it is not possible to fully adopt the IFRS taking into cognisance local needs. He said: "Nigeria is at a different level of development compared to some of the IFRC countries. We will converge by adaptation. We take each standard and look at how relevant it is to the economy before we adopt it or converge" (Sani and Umar 2014). A number of leading banks have started making voluntary decisions to improve the transparency and exposure level of their books by using IFRS for the presentation of their financial statements. These banks are First Bank of Nigeria Plc, Guaranty Trust Bank Plc, Access Bank Plc, and EcoBank Transnational International (ETI). The Nigerian Stock Exchange (NSE) has urged quoted companies to comply with the International Financial Reporting Standards (IFRSs) by 2011.

Theoretical Framework

This study focused on Agency and Signaling theories and how they affect disclosure.

Agency Theory

This theory was proponded by Jensen and Meckling (1976), to explained relationship in a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent, (Akingunola, Adekunle and Adedipe, 2013) . The theory therefore is used to explain the behavior of both parties as a result of separation of ownership and firm control. It is presumed that the parties are utility maximizers with varying philosophies and this could result in divergent and misaligned interest between them. Agency theory also suggests that profitable firms are subject to greater public scrutiny and will indulge in disclosure to avoid any external regulation (Akingunola, Adekunle and Adedipe, 2013). And they are motivated to disclose more information to support the continuance of their position and boost their compensation and to show and explain to shareholders that they are acting in their best interests and justify their compensation packages (Adekunle and Taiwo, 2013). Agency theory also holds a view that quality auditing firms assist in alleviating the conflicts of interest between management and investors. This is because empirical evidences establish that the audit firm of a company can influence significantly the amount of information disclosed in the annual report to reduce the agency costs borne by principal and agent. Therefore, agency theory predicts positive association between disclosure level and corporate size, leverage, profitability and audit type. Agency theory has a direct nexus with this research study because, in the study, accounting disclosure presents an ample opportunity to apply positive agency theory.

The Signaling Theory

Signaling theory was initially developed to explain behavior in the labour market. Beke (2011) maintains that signaling is a general phenomenon applicable in any market with information asymmetry. Meaning, corporations are keen to signal any news to the market to avoid undervaluation of their shares. The theory therefore, shows that information asymmetry can be reduced by the company with more information signaling to the market. It predicts that healthy and profitable companies will be interested in disclosing more information in order to justify the level of their profits and to signal their strong financial position to the investors. Therefore, signaling theory suggests that a good quality auditing firm is positively associated with a firm's greater information disclosure.

Signaling theory is as well connected to the study because there are several determinants of voluntary disclosure jointly used by signaling theory and agency theory. After examining the logical relationship between signaling and agency theories, Beke (2011) concludes that these two theories are consistent theories rather than competing ones.

Considerable overlap exists between the two theories: rational behavior is common to both; information asymmetry in signaling theory is implied by monitoring costs in agency theory; 'quality' in signaling theory can be defined in terms of agency theory variables; and signaling costs are implicit in some bonding devices of agency theory.

Empirical Review

Lawal Ibrahim (2014), investigated Accounting Information Disclosure by Selected Nigerian Deposit Money Banks (DMBs), his dissertation was designed to determine the determinants of disclosure in the financial statements of the Nigerian DMBs. It was also intended to examine the extent of compliance with the statutory requirements of the SAS by the DMBs and to determine whether the banks disclose discretionary information over and above the SAS requirements. Three hypotheses were tested using descriptive statistics and OLS were developed. Content analysis was adopted on the 2011 annual reports. Using convenience sampling technique, nine banks were selected from the twenty one listed DBMs. Six explanatory variables, were regressed against the ODI. Unweighted disclosure checklist, scored using dichotomous scoring procedure, containing thirty four (34) items was also used.Invoking agency and signaling theories, the study concluded that there is full compliance with SAS by the Nigerian DMBs, discretionary information is low vis-à-vis the SAS requirements and finally, size and auditor type significantly determine the extent of disclosure by the DMBs. It was recommended that some voluntary items of information need to be incorporated into the reporting framework. Finally, professional affiliation between the big-4 and non big- 4 needs to be encouraged by the FRCN. Suggestions for further research were proffered particularly longitudinal studies covering more companies, years and SAS.

Wallace (1988) is one of the pioneer researches on the Nigerian corporate reporting environment. He investigated the extent of disclosure using statutory and voluntary 92 disclosure items. Wallace's choice of information items was relevant to the user group - accountants, top civil servants, managers, investors and other professionals. He used a sample of 47 companies, 54% of the total population of listed firms quoted at the Nigerian Stock Exchange during 1982 and 1986. Disclosure is treated as a dichotomous item, 1 for an item disclosed and 0 for those not disclosed. The scoring system is informed by its intensity. Two types of disclosure indexes were constructed, unweighted and weighted. The weighted disclosure index reflects the preferences of the six-user groups. The result of the analysis revealed that companies which publish annual reports do not adequately comply with the disclosure regime. The overall disclosure index reveals the weakness in the disclosure practice in Nigeria, ranging from 37.55% to 43.11%. There is a high level of disclosure relating to balance sheet, historical items and valuation methods, whereas there are apparent weaknesses in status data, social reporting, income statement items and projections.

Umoren (2009) analysed the level of compliance with the SAS disclosure and IFRS/IAS disclosure not contained in the SAS and the consequences of non-compliance with the disclosure requirements of SAS and IFRS/IAS by the Nigerian quoted companies. The variables utilized in the study are: company size, profitability, leverage, company age, industry type, size of audit firm, number of shareholders and multinational affiliation.

Survey and content analysis method were adopted in collecting the data used in the study. For the survey method, questionnaire were administered to a random sample of auditors, 94 accountants and accounting information users (bankers, stockbrokers, financial analysts and educators) from the six geopolitical zones in Nigeria. For the content analysis, the extent of compliance by Nigerian listed companies was measured using disclosure index on ninety listed companies, selected using stratified random sampling. The finding of the study is that some corporate characteristics are statistically significant determinants of corporate disclosure.

Umoren and Peace (2011) investigated the association between corporate governance, company attributes and voluntary disclosures among Nigerian listed companies. In order to examine this association, two disclosure indexes (weighted and unweighted) were built using a sample of 50 listed companies in Nigeria. The first index contains twenty items which are mandatory according to a number of selected IFRS but which are voluntary in Nigeria for the year 2008.The second index contains sixty voluntary accounting and non-accounting items. The study uses univariate, multivariate and cross-section models to explore the relationship between each disclosure index and corporate attributes. The corporate attributes are the independent variables comprising corporate governance and company characteristics. The results of the regression analysis reveal that only board size has a significant positive relationship with the extent of voluntary disclosures on the sample companies. The Board composition, leverage, company size, profitability, and auditor type have statistically positive and insignificant impact on disclosures. The effect of Board ownership is positive for IFRS disclosures but negative and insignificant for Non-IFRS disclosures while sector is negative for both disclosures and significant.

Adekunle and Taiwo (2013), an empirical investigation of the financial reporting practices and banks' stability in Nigeria, *This study examined financial reporting practices among post consolidation banks in Nigeria and the subsequent stability of the banks. Specific objectives include the identification of the different regulatory provisions for banks' information disclosure and report presentation, the evaluation of information disclosure practices by the banks and an examination of the relationship between reporting practices and corporate stability of the banks. The study relied on secondary data collected through in-depth content analysis of published annual reports and accounts of 13 out of the 21 banks quoted on the Nigerian Stock Exchange between 2005 and 2009. Reporting practices by the banks were predicated on scores obtained from a Composite Disclosure Index (CDI) computed from a checklist from SASs and Prudential Guidelines' requirements. The results indicated a high level of compliance with the mandatory disclosure requirements for banks by scoring high on the CDI (mean in excess of 90%). In addition, the regression results showed that disclosure has a positive and significant influence on banks stability (as defined by ROA and liquidity). The study concluded that though compliance with the existing regulatory requirements was high, this has not removed the banks' exposure to internal weakness and consequent distress. It therefore seems evident that the existing mandatory information disclosure requirements are inadequate and require to be strengthened. Similarly, it concluded that regulatory authorities are to strengthen the monitoring process by identifying non compliant banks promptly and imposing sanctions equally promptly. This will give better meaning to the reporting prescriptions and minimize the tendency of regulatory authorities coming up too late only to declare banks as troubled when it would be rather late to rescue such banks.*

3.0 Methodology

Statement of Hypotheses

H_{o1}: There is no significant difference in the level of compliance with IFRS disclosure requirements by Nigerian Deposit Money Bank.

H_{o2}: There is no significant effect of IFRS on the quality of financial reporting.

H_{o3}: The Nigerian Deposit Money Banks do not disclose discretionary information above what is required by the IFRS

Research Design and Methods

Descriptive research design was adopted for this study. Five banks (Zenith Bank, Guaranty Trust Bank, First Bank, Access Bank and United Bank for Africa) were selected as study sample based on their ranking as the top five banks in Nigeria out of twenty one (21) listed banks that constitute the population of the study. Secondary data was obtained from financial statements summary of the selected banks for the period of Four years (2012- 2015), and each financial statements report is carefully scrutinized and scored as a disclosure index based on a researcher-developed checklist. The instrument employed for collection of the secondary data was a researcher designed checklist. They are in two parts viz; IFRS checklist, Voluntary checklist. The Overall disclosure checklist is the combination of the two checklists.

The collected data was analyzed using multiple regression analysis, ANOVA and SPSS version 22 was employed to run the data.

Model Estimation

In a three variable model we have,

$Y = \beta_O + \beta_1 X_1 + \beta_2 X_2 + ?_1$

This portrays a relationship in a multiple regression equation

Where:

Y_i = dependent variables

X_1, X_2 = independent variables

β_O, β_1 and β_2 = are the regression coefficient

$?_i$ = error associated with the i^{th} observation

$Y = \beta_O + \beta_i X_{1i} + \beta_2 X_{2i} + ?_i$ ---------- (i)

The estimation equation:

4.0 Data Presentation and Analysis

Table 1: **Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969[a]	.958	.877	.35356

From the Model summary, it can be seen that the value of R and adjusted R-square coefficient of multiple regression are 0.969 and .958. That is, the linear relationship variation in the Dependent variable (IFRs) explained by the predictors (compliance and quality of financial report) are 96% and 95%. This shows that a strong linear relationship exist between IFRs and compliance level and quality of financial report.

The regression coefficient table shows that holding of compliance, Financial Reporting and Deposit Money Banks at zero, the levels of compliance with IFRS disclosure requirements by Nigerian Deposit Money Banks is 6.731. The table also shows the effect of IFRS on the quality of Financial Reporting is -0.134(p=0.00, t=7.071) and the study shows that Nigerian Deposit Money Banks disclose discretionary information more than the minimum required by IFRS by 980(P=0.000, t=51.636).

Table 2: Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.731	.081		96.199	.000
	C	-.477	.067	-.134	-7.071	.000
	Q	-.959	.019	-.980	-51.636	.000

a. Dependent Variable: IFRS

Test of Hypotheses

H_{01}: There is no significant difference in the level of compliance with IFRS disclosure requirements by Nigerian Deposit Money Bank.

Table 3: ANOVA [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.308	1	8.308	1.5107	.188[b]
	Residual	340.926	62	5.499		
	Total	349.234	63			

a. Dependent Variable: Yes

b. Predictors: (Constant), No

From the ANOVA table the significance level=0.188 is greater than $\propto$=0.05, we accept the null hypothesis and conclude that there is no significant difference in the level of compliance with IFRS disclosure requirements by Nigerian Deposit Money Bank

H_{02}: There is no significant effect of IFRS on the quality of financial reporting.

Table 4: ANOVA [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	312	1	312	718	.000[b]
	Residual	13.876	32	.434		
	Total	312	63			

a. Dependent Variable: Yes

b. Predictors: (Constant), No

From the ANOVA table the significance level=0.000 is less than $\propto$ =0.05, we reject the null hypothesis and conclude that there is a significant effect of IFRS on the quality of financial reporting.

H_{03}: The Nigerian Deposit Money Banks do not disclose disc retionary information above what is required by the IFRS

Table 5: ANOVA [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.437	3.31	4.06	4.06	.001[b]
	Residual	.000	1	.000		
	Total	13.437	63			

From the ANOVA table the significance level=0.001 is less than $\propto$=0.05, we reject the null hypothesis and conclude that the Nigerian Deposit Money Banks disclose discretionary information above what is required by the IFRS

Discussion of Findings

The levels of compliance with IFRS disclosure requirements by Nigerian Deposit Money Banks are 6.731. The above result means that deposit money banks comply with IFRS disclosure requirements, this finding is consistent with the findings of Lawal Ibrahim (2014). However the test of hypothesis revealed that there is no significant difference in the level of compliance with IFRS disclosure requirements by Nigerian Deposit Money Bank.

The findings also revealed that the effect of IFRS on the quality of Financial Reporting is -0.134(p=0.00, t=7.071), this implies that IFRS has a good level of effect on the quality of financial reporting; this finding is consistent with the findings of Lawal Ibrahim (2014). The test of hypothesis revealed that there is a significant effect of IFRS on the quality of financial reporting.

The study also went further to show that Nigerian Deposit Money Banks disclose discretionary information more than the minimum required by IFRS by -980(P=0.000, t=51.636)., this entails that the level at which Nigerian Deposit Money Banks disclose discretionary information is low. The finding is consistent with the findings of Umoren (2009). The test of hypothesis also shows that the Nigerian Deposit Money Banks disclose discretionary information above what is required by the IFRS.

5.0: Conclusion and Recommendations

Conclusion

This study generally concludes that the Nigerian deposit money banks comply with the IFRS disclosure requirements for the years ended 31st December 2012 to 2015. Results obtained in this study confirm that a positive relationship exist between the IFRS and the disclosure compliance level. This however, implies that an increase in IFRS compliance in banks leads to high quality financial reporting. This suggests that banks should increase their level of compliance with IFRS and consistently be updated on recent development on IFRS.

Recommendations

Based on the findings of this study, the following recommendations were made:

1. Nigerian Deposit Money banks should keep up complying with disclosing mandatory disclosure requirement of IFRS in the preparation, interpretation, and disclosure of financial statements so as to give confidence to the existing and potential stakeholders. Bodies like FRCN and NASB should be empowered with the monitoring and ensure

that banks adhere in order not to relent in compliance.

2. The compliance by the Nigerian Deposit Money Banks with the IFRS disclosure requirements require high level of technology, DMBs should improve on their investment in information technology.
3. Nigerian Deposit Money banks should disclose more discretionary information not just for the benefits of its shareholders but for the general public. Some of the voluntary information should be incorporated into the standard of best practice.

REFERENCES

Abata, M. (2015). Impact of IFRS on Financial Reporting Practices in Nigeria (a case of KPMG*). Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics* (GJCRA). Vol. 1, issue 1, Lagos, Nigeria.

Adekunle A.A. & Taiwo A. (2013). An Empirical Investigation of the Financial Reporting Practice and Banks' Stability in Nigeria. *Kuwait Chapter of Arabian Journal of Business and Management Review*. Vol. 2. No. 5, Ile Ife, Nigeria.

Adekunle, A. and Asaolu, T. (2013). An Empirical Investigation of the Financial Reporting Practices and Banks' Stability in Nigeria, Kuwait Chapter of *Arabian Journal of Business and Management Review*, Vol. 2, No.5; Jan. 2013

Akingunola, R., Adekunle, O., and Adedipe, O. (2013). Corporate Governance and Banks Performance in Nigeria. (Post-banks consolidation). *European Journal of Business and Social Sciences* 2(8).

Ali, M. J., Ahmed, K., and Henry, D. (2004). Disclosure Compliance with National Accounting Standards by Listed Companies in South Asia. *Accounting and Business Research,* 34 (3), 183-199.

Barako, D.G., Hancock, P. and Izan, H.Y. (2006). Relationship between Corporate Governance Attributes and Voluntary Disclosure in Annual Reports: Kenyan Experience. *Financial Reporting, Regulation and Governance,* 5 (1), 1-25.

Beke, J. (2011). How Can International Accounting Standards Support Business Management? *International Journal of Management and Business Research. 1(1), 25-34.*

Central Bank of Nigeria (25, November, 2015). List of Financial Institutions: Commercial Banks. *The Nigerian Gazette, Abuja.*

Garba, S. (2013). IFRS and Bank Performance in Nigeria. https://www.academia.edu. Retrieved on 20/4/2017.

Lawal I. (2014). *Accounting Information Disclosure by Selected Nigerian Deposit Money Banks (DMBs).* M.Sc dissertation submitted to the postgraduate school, Usmanu Danfodiyo University, Sokoto, Nigeria.

Odia, J., and Ogiedu, K. (2013). IFRS Adoption: Issues, Challenges and Lessons for Nigeria and other Adopters. *Mediterranean Journal of Social Sciences.* 4(3), 389-399.

Osisioma, B.C. (2001). Fine Tuning Corporate Reporting Task for Accountants, *The Certified National Accountants,* 9 (2), 40-55.

Owolabi A. & Iyoha, F.O (2012). Adopting International Financial Reporting Standards (IFRS) in Africa: Benefits, Prospect and Challenges. *African Journal of Accounting, Auditing and Finance, 1(1).*

Qu, W. (2011): A Study of Voluntary Disclosure by Listed Firms in China, Unpublished Ph. D. Thesis Submitted to Deakin University.

Sani S. & Umar D. (2014). An Assessment of Compliance with IFRS Framework at First-Time Adoption by the Quoted Banks in Nigeria. *Journal of Finance and Accounting. 2(3). 64-73*

Umoren A. and Peace, O. (2011). Corporate Governance, Company Attributes and Voluntary Disclosures: A Study of Nigerian Listed Companies, *International Journal of Research in Computer Application* and *Management*,1, (2), 1-16.

Umoren, A. O. (2009). Accounting Disclosure and Corporate Attribute: A Study of Tested Nigerian companies. Ph. D thesis, Covenant University, Ogun State, Nigeria.

Wallace, R. S. O. (1988a). Intranational and International Consensus on the Importance of Disclosure Items in Financial Reports: A Nigerian Case Study. *British Accounting Review*, (20) 223-265.

Wallace, R. S. O. (1988b). Corporate Financial Reporting in Nigeria. *Accounting and Business Research,* 18 (72), 352-362.

The Impact of Credit Risk Management on Deposit Money Banks Performance in Nigeria

Patrick Ojiakor Njoku Ph.D, FCA, CISA
Department of Banking & Finance
Federal University, Ndufu-Alike Ikwo
Ebonyi State
paty_njoku@yahoo.com
08023210707

Ikenna Jude Ezeudu, Ph.D
Department of Banking and Finance,
College of Management Sciences,
Michael Okpara University of Agriculture Umudike
ikennaezeudu2014@yahoo.com
08036716491

Ekemezie Livinus Ifeanyichukwu, Ph.D
Department of Marketing,
University of Nigeria, Enugu Campus.

pp 174 - 186

Abstract

This paper investigated the impact of credit risk management on the performance of commercial banks in Nigeria. Financial reports of seven commercial banking firms were used to analyze for seven years (2005 – 2011). The panel regression model was employed for the estimation of the model. In the model, Return on Equity (ROE) and Return on Asset (ROA) were used as the performance indicators while Non-Performing Loans (NPL) and Capital Adequacy Ratio (CAR) as credit risk management indicators. The findings revealed that credit risk management has a significant impact on the profitability of commercial banks' in Nigeria.

Key Words: Commercial Bank, Risk, Management, Resources, Assessment

Introduction

The health of financial system has important role in the country (Das and Ghosh, 2007) as its failure can disrupt economic development of the country. Company's financial performance is ability to generate new resources, from day to day operation over a given period of time and being gauged by net income and cash from operation. The bank performance measure can be divided into traditional measures and market based measures (Aktan and Bulut, 2008). New banking risk management techniques emerged in early 1990's. To be able to manage the different types of risk one has to define them before one can manage them. Credit risk, interest rate risk, liquidity risk, market risk, foreign exchange risk and solvency risk are the most applicable risk to the banks. According to Appa (1996), Risk management is the human activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources, but credit risk is the risk of loss due to debtor's non–payment of a loan or other line of credit (either the principal or interest or both) (Campbell, 2007). A commercial bank is an institution that provides financial services, including issuing money in various forms, receiving deposits of money, lending money and processing transactions and the creating of credit (Campbell, 2007).

The importance of credit risk management to banks cannot be overemphasis and it also forms an integral part of the loan process. Credit risk management maximizes bank risk, adjusted risk rate of return by maintaining credit risk exposure with view to shielding the bank from the adverse effects of credit risk. It is expedient to then ask; what is the relationship between performance (ROE, ROA) and the non–performing loans of banks in Nigeria? Is there any relationship between performance (ROE, ROA) and the capital adequately ratio of banks in Nigeria.

Therefore this study seeks to investigate whether investment in credit risk management is viable to the banks, and to investigate the impact of credit risk management on commercial banks' performance in Nigeria.

Objectives of the Study

(i) To examine the relationship between performance (ROE, ROA) and the non– performing loans of banks in Nigeria.

(ii) To establish the relationship between performance (ROE, ROA) and capital adequacy ratio of banks in Nigeria.

Hypotheses

Ho1: There is no significant relationship between performance and the non–performing loans of banks in

Nigeria.

Ho2: There is no significant relationship between performance and the credit adequacy ratio of banks in Nigeria.

Brief review of related Literature

Credit risk is found in all activities in which success depends on counterparty, issues or borrower performance. Credit risk management arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. Thus risk is determined by factor extraneous to the bank such as general unemployment levels, changing socio-economic conditions, debtors' attitudes and political issues. Credit risk according to Basel Committee of Banking Supervision (2001) and Gostineau (1992) is the possibility of losing the outstanding loan partially or totally, due to credit events (default risk), failure to pay a due obligation, repudiation/moratorium or credit rating change and restructure. Basel Committee on Banking Supervision (1999) defined credit risk as the potential that a bank borrower or counterparty will fail to meet its obligation in accordance with agreed terms. Heffernan (1996), observed that credit risk as the risk that an asset or a loan becomes irrecoverable in the case of outright default, or the risk of delay in the servicing of the loan. Bessis (2002) opined that Credit risk is critical since the default of a small number of important customers can generate large losses, which can lead to insolvency.

Basel Committee on Banking Supervision (1999) observed that banks are increasingly facing credit risk (or counterparty risk) in various financial instruments other than loans, including acceptances, interbank transactions, trade financing foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transaction. Anthony (1997) asserts that credit risk arises from non-performance by a borrower, and this may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner. Brownbrigde (1998) claimed that the single biggest contributor to the bad loans of many of the failed local banks was insider lending. He further observed that the second major factor contributing to bank failure were the high interest rates charged to borrowers operating in the high–risk. The most profound impact of high non-performing loans in banks portfolio is reduction in the bank profitability especially when it comes to disposals.

Basel Committee on Banking Supervision (1982) stated that lending involves a number of risks such as funding risk, interest rate risk, clearing risk and foreign exchange risk. Basel Committee on Banking Supervision (2006) observed that historical experience shows that concentration of credit risk in asset portfolios has been one of the major causes of bank distress. According to Robert and Gary (1994), the most obvious characteristics of failed banks is not poor operating efficiency, however, but an increased volume of non-performing loans and non-performing loans in failed banks have typically been associated with regional macroeconomic problems. DeYoung and Whalen (1994) observed that the US Office of the Comptroller of the Currency found the different between the failed banks and those that remained healthy or recovered from problems was the caliber of management. Superior managers not only run their banks in a cost efficient fashion, and thus generate large profits relative to their peers, but also impose better loan underwriting and monitoring standards than peers which result to better credit quality.

Koehn and Santomero (1980), Kim and Santomero (1988) and Athanasoglou et al. (2005), suggested that bank risk taking has pervasive effects on bank profits and safety. Bobakovia (2003) asserts that the profitability of a bank depends on its ability to foresee, avoid and monitor risk, possible to cover losses brought about by risk arisen and it also has the net effect of increasing the ratio of substandard credits in the bank's credit portfolio and decreasing the bank's profitability. The banks supervisors are well aware of this problem, it is however very difficult to persuade bank managers to follow more prudent credit policies during an economic upturn, especially in a highly competitive environment. The conservative managers might find market pressure for higher profits very difficult to overcome. Philip (1994) observed that the deregulation of the financial system in Nigeria embarked upon from 1986 allowed the influx of banks into the banking industry, as a result of alternative interest rate on deposits and loans, credits were given out indiscriminately without proper credit appraisal. These inappropriate credit appraisal systems make banks to have non-performing loans that exceed 50 per cent of the bank's loan portfolio. Sanusi (2002) observed that the increased number of banks over-stretched their existing human resources capacity which resulted into many problems such as poor credit appraisal system, financial crimes, accumulation of poor asset quality among others and this led to increase in the number of distressed banks. Other factors identified are bad management, adverse ownership influences and other forms of insider abuses coupled with political considerations and prolonged court process especially as regards debts recovery.

According to Umoh (2002) few banks are able to withstand a persistent run, even in the presence of a good lender of last resort as depositors take out their funds, the bank hemorrhages and in the absence of liquidity support, the bank is forced eventually to close its doors. Thus, the risks faced by banks are endogenous, associated with the nature of banking business itself, whilst others are exogenous to the banking system.

Owojori et al. (2011) highlighted that available statistics from the liquidated banks clearly showed that inability to collect loans and advances extended to customers and directors or companies related to directors/managers was a major contributor to the distress of the liquidated banks. At the height of the distress in 1995, when 60 out of the 115 operating banks were distressed, the ratio of the distressed banks' non-performing loans and leases to their total loans and leases was 67% (Central Bank of Nigeria, 1995). The ratio deteriorated to 79% in 1996; to 82% in 1997; and by December 2002, the licenses of 35 of the distressed banks had been revoked. In 2003, only one bank (Peak Merchant Bank) was closed. Therefore, the number of banks revoked increased, following their failure to meet the minimum re-capitalization directive of the CBN. At the time, the banking licenses were revoked, some of the banks had ratios of performing credits that were less than 10% of loan portfolios. In 2000 for instance, the ratio of non-performing loans to total loans of the industry had improved to 21.5% and as at the end of 2001, the ratio stood at 16.9%. It deteriorated to 21.59% in 2003, and in 2004, the ratio was 23.08% (NDIC Annual Reports – various years).

In a collaborative study by the CBN and the Nigeria Deposit Insurance Corporation (NDIC) in 1995, operators of financial institutions confirmed that bad loans and advances contributed most of the distress (Central Bank of Nigeria, 1990). In their assessment of factor responsible for the distress, the operations ranked bad loans and advances first, with a contribution of 19.5%.

In 1990, the CBN issued the circular on capital which relate bank's capital requirement to risk-weighted assets directing the banks to maintain a minimum of 7.25 percent of risk-weighted assets as capital; to hold at least 50 percent of total components of capital and reserves; and to maintain the ratio of capital to total risk-weighted assets as a minimum of 8 percent from January, 1992. In spite these measures and reforms listed in legal documents such as CBN Act No. 24 of 1991 and banks and other financial institutions (BOFIA) Act No. 25 of 1991 as amended, the number of technically insolvent banks increased significantly during the 1990s.

Athanasoglou et al, 2005 observed that the role of bank remains central in financing economic activity and its effectiveness could exert positive impact on overall economy as a sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Bank performance determinants have attracted the interest of academic research as well as of bank management. Studies dealing with internal determinants employ variables such as size, capital, credit risk management and expenses management. The need for risk management in the banking sector is inherent in the nature of the banking business. Poor asset quality and low levels of liquidity are the two major causes of bank failures and represented as the key risk sources in terms of credit and liquidity risk and attracted great attention from researchers to examine the their impact on bank profitability.

Credit risk is by far the most significant risk faced by banks and the success of their business depends on accurate measurement and efficient management of this risk to a greater extent than any other risk (Gieseche, 2004). Increases in credit risk will raise the marginal cost of debt and equity, which in turn increases the cost of funds for the bank (Basel Committee on Banking Supervision, 1999).Researchers employed a number of ratios to measure credit risk. The ratio of Loan Loss Reserves to Gross Loan (LOSRES) is a measure of bank's asset quality that indicates how much of the total portfolio has been provided for but not charged off. Indicator shows that the higher the ratio the poorer the quality and therefore the higher the risk of the loan portfolio will be. In addition, Loan loss provisioning as a share of net interest income (LOSRENI) is another measure of credit quality, which indicates high credit quality by showing low figures. In the studies of cross countries analysis, it also could reflect the difference in provisioning regulations.

Assessing the impact of loan activities on bank risk, Bourke (1989) uses the ratio of bank loans to assets (LTA). The reason to do so is because bank loans are relatively illiquid and subject to higher default risk than other bank asset, implying a positive relationship between LTA and the risk measures. In contrast, relative improvements in credit risk management strategies might suggest that LTA is negatively related to bank risk measures (Altunbas, 2005). Bourke (1989) reported the effects of credit risk on profitability appear clearly negative. This result may be explained by taking into account the fact that the more financial institutions are exposed to high risk loans, the higher is the accumulation of unpaid loans, implying that these loan losses have produced lower returns to many commercial banks (Miller and Noulas, 1997; Kolapo et al., 2012). The finding of Felix and Claudine (2008) also shows that return on equity (ROE) and return on asset (ROA) all indicating profitability was negatively related to the ratio of non-performing loan to total loan NPL/TL of financial institutions therefore decreases profitability.

Basel Committee on Banking Supervision (1999) asserts that loans are the largest and most obvious source of credit risk, while others are found on the various activities that the bank involved itself with. However, every bank needs to identify measure, monitor and control credit risk and also determine how credit risks could be lowered. This means that a bank should hold adequate capital against these risks and that they are adequately compensated for risks incurred. This is stipulated in Basel II, which regulates banks about how much capital they need to put aside to guide against these types of financial and operational risks they face. In response to this, commercial banks have almost universally embarked upon an upgrading of their risk management and control systems. Also, it is in the realization of the consequence to deteriorating loan quality on profitability of the banking sector and the economy at larger that this research work is motivated.

Methodology

The study is both historical and descriptive as it seeks to describe the pattern of credit risk of Nigerian banks in the past, also to empirically examine the quantitative impact of credit risk management on the commercial banks performance in Nigeria over the period of years (2005 – 2011). A non-profitability method in the form of judgment sampling technique was employed. The sample size is based on the following criteria:

(i) The availability of consistent financial reports and accounts.

(ii) The seven banks relatively account for over sixty percent of the total deposit liability in the industry. As at December 2011, the total deposit in the industry was about N10.99 trillion, out of which the seven selected banks accounted for N7.06 trillion, representing 64.24% of the total deposit.

(iii) The selected banks are listed and quoted on the Nigeria Stock Exchange (NSE).

(iv) The banks have a large customer base.

Seven out of twenty banks in Nigeria were selected; this constitutes 35 percent of the total population. The banks are Access Bank PLC, EcoBank Nigeria PLC, First Bank Nigeria PLC, Guaranty Trust Bank PLC, Union Bank of Nigeria PLC, United Bank of Africa PLC and Zenith Bank PLC and data collected are for the period of 2005–2011 from the financial reports and accounts of the chosen banks. Time-series and cross section of data on loans and advances, non-performing loan, total deposits, profit after tax and total assets of the sampled banks were used. In the study, the ratio of non–performing loan to loan and advances; ratio of total loan and advances to total deposits; the capital adequacy ratio is measured as shareholders fund to total assets while the ratio of profit after tax to total equity known as return on equity (ROE); and the ratio of profit before tax to total asset known as return on asset (ROA) indicates performance. With the seven years financial reports and accounts of the seven banks, we had a total of 49 (7 by 7) observation for the analysis. The pooled data was analyzed using panel regression model. The regression output was obtained through the use of SPSS 15.

The panel regression model used takes the form of:

P?t (ROE, ROA) = F (Y?t, Z?t) + e it

Where Pit represent performance of bank ? at time.t .Yit is the vector of variable characteristic of banks i at time t. Zit represent features of the commercial bank. e it is the error term.

The empirical framework for the investigation of the link between credit risk management practices and commercial banks' performance is given as follows:

P?t = β0 + β1NPL?t + β2CAR?t+ e ?t

The meanings of the variable in the empirical model have been explained in the table below.

Abbreviation	Variable	Meaning of Variables
P?t	ROE (Return on Equity)	**ROE** is profit after tax divided by equity. It measures the performance of bank i at time t.
	ROA (Return on Asset)	**ROA** is profit before tax divided by total assets. It measures the performance of bank i at time t.
NLP?t	NPL (Non-performing Loan)	**NPL** is the total losses of commercial banks i at time t.
CAR?t measured as	CAR (Capital Adequacy Ratio)	**CAR** is regulatory capital requirement which is shareholders' fund divided by total assets

Sources: *Authors Assumptions*

Reliability of the Research Variables

Return on Equity (ROE) represents a dependent variable and it measures the return on shareholders' investment in the bank. ROE was used as the indicator of the profitability in the regression analysis because ROE along with ROA has been widely used in earlier research (Altunbas, 2005). It shows the effectiveness of management in the utilization of the funds contributed by shareholders of a rural bank.

Return on Asset (ROA) is a dependent variable and it measures the bank profit before interest and taxes (PBIT) against its total net assets.

Non–Performing Loans (NPL) is an independent variable and it is chosen because it is an indicator of credit risk management. NPL, in particular, indicates how banks manage their credit risk because it defines the proportion of loan losses amount in relation to Total Loan amount (Hosna et al., 2009). We expected non-performing loans to have an adverse relationship with RCBs performing.

Capital Adequacy Ratio (CAR) is also an independent variable and is chosen because it is the core measure of a bank's financial strength from a regulator's point of view. Capital adequacy ratio consists of the types of financial capital considered as the most reliable and liquid, primarily shareholders' equity. Bank with good Capital Adequacy Ratio have good profitability. With good capital requirement, commercial banks are able to absorb loans that have gone bad.

Data Presentation

The table below gives a descriptive summary of Net profit, Non-performing loans (NPL) and Capital Adequacy Ratio (CAR) of commercial banks from 49 observations covering 7 years period.

Table-2. Descriptive Statistics

Variables	Observation	Mean	Standard deviation	Minimum	Maximum
Net profit	49	301578	332550.5	- 147205.3	1740459
NPL	49	25669.99	28104.31	478.9081	130915.8
CAR	49	0.234835	0.2335449	- 0.2858362	0.160355

Source: Authors Computation through SPSS 15

From the table it is revealed that, over the 7 years period, NPL has a minimum value of 478.9081 and maximum of 130915.8 with average (Mean) of 25669.99 representing huge loan default by customers. NPL has a percentage change of 27236.31% (130915.8 – 478.9081/478.9081 x 100). The underlying of this huge loan loss by commercial banks is poor credit risk management which is a reflection of the increasing NPL over the years.

Capital Adequacy is very important for

the solvency and profitability of banks. This is because the business of banking is risky due to the possibility that loans may not be paid back leading to financial losses to the bank. Banks are therefore required to have adequate capital, not only to remain solvent, but to avoid the failure of the financial system. The CBN require commercial banks maintain a 15% capital adequacy ratio.

CAR has a negative minimum value of – 0.2858362 and maximum of 0.160355 with an average (mean) of 0.234853% equity. Although this is above the 15% statutory requirement it indicates that the commercial banks are highly geared. That is, they rely more on the funds from long term liabilities to finance their assets. Such a situation may lead to bankruptcy in the commercial banking industry.

The Panel Data Regression Results

Panel data analysis normally involved two main models, and these are: Fixed effect and Random effect.

Fixed effect model is used when you want to control omitted variables that differ between cases but are constant over time (Samy, 2003). This model helps to track changes in the variables over time to estimate the effect of independent variables on dependents variables.

The main technique used for analysis of panel data is fixed effect. Statistically, fixed effect is always a reasonable thing to do with panel data because they give consistent result but may not be the most efficient model to run.

The random effect is used where some omitted variables may be constant over time but vary between cases, others may be fixed between cases but vary over time. To compare between fixed effect and random effect the Hausman test is used. Hausman Test compares fixed effect with random effect in SPSS. Running a Hausman specification test at five (5) percent level enables the researcher to choose between fixed and random models.

The Hausman Test evaluates the Null hypothesis that the coefficient estimated by the random effect estimator is the same as the ones estimated by the constant fixed effect estimator. If the Hausman test is insignificant (Prob> Chi2 greater than .05), then the fixed model will be used (Torres-Reyna, 2007). In this study, both the fixed and random effects gave the same result and thus the fixed effect was used in the analysis.

Table-3. Panel Regression Results (Fixed Effect)

Net Profit	**Coefficient**	**Standard Error**	**T**	**P>/t/**	**T**	**P>/t/**
NPL	9521.82	.8011396	8.74	0.000	8.74	0.000
CAR	7.0048	90125.3	1.06	0.294	1.06	0.294
CONS	99239.06	34477.84	2.88	0.007	2.88	0.007
Prob>F=0.000	Within = 0.6733	Between = 0.3440	Overall = 0.4543			

Source: *Authors computation through SPSS 15*

Relationship between Non-Performing Loans (NPLs) and Commercial Bank Performance

Non–performing loans are used to measure the positive and fitness of a bank's credit risk management. Surprisingly, NPL is positive and statistically significant at 1 percent significance level. This finding is unusual because, theoretically NLP is expected to have an inverse relationship with a bank's profitability. Our result however, shows a strong positive association between non–performing loans and commercial banks performance.

The positive relationship between non–performing loans and profitability of banks indicates that, even though there is huge loan default, non-performing loans are increasing proportionately to profitability. This implies that, commercial banks do not have effective institutional measures to deal with credit risk management. The banks shift the cost on loan default in form of higher interest rate on loans to other customers.

Higher interest margin charged on loan by commercial banks due to weak credit risk management practices prevent microenterprises from accessing loans. Such a situation prevents business expansion and industrialization which underpins the economic growth and development.

The result in this study lends support to a similar study by Hosna *et al.* (2009). They indicated that since each bank has different characteristics and risk management policies, credit risk management affect performance on different levels in each bank. NPL fairly affect profitability of some banks and this is a result of shifting cost on loan default to other customers. Nair and Fissha (2010) also discovered high levels of non–performing loans among commercial banks and indicated the danger that this posses to the industry.

Capital Adequacy Ratio (CAR) and Commercial Bank Performance

It is theoretically acceptable that banks with good capital adequacy ratio have a good profitability. A bank with a strong capital adequacy is also able to absorb possible loan losses and thus avoids bank 'run', insolvency and failure. Our result indicates that, although capital adequacy ratio is positive, it is not significant. The insignificant impact of the level of CAR on commercial banks' profitability seems to confirm the directive of the Central Bank of Nigeria (CBN) to commercial banks to increase their capital from N25 billion.

Conclusion and Recommendations

The general objective of the study was to establish the impact of credit risk management on the commercial banks performance and the specific objectives were to examine the relationship between performance and the non-performing loan of banks in Nigeria, to establish the relationship between performance and the capital adequacy of banks in Nigeria. The findings indicate that the sampled have poor credit risk management practices; hence the high levels of the non-performing loans in their loans portfolios. Despite the high levels of the NPLs, their profit levels keep rising as an indication of the transfer of the loan losses to other customers in the form of large interest margins.

The changing of higher rates is likely to discourage microenterprises from accessing loans from commercial banks. Those who are able take up such loans may also find it very difficult to repay because of the exorbitant interest rates. This situation has the tendency of creating *'loan-losses high-interest cycle'* phenomenon. Commercial banks are thus recommended to establish sound and competent credit risk management units which are run by best practices in risk management such as the institution of a clear loan policy and the adherence to underwriting authority and limits. Staffs of commercial banks credit units such as project and advance managers, credit/loan officers and field officers perform a range of functions from project appraisals through credit disbursement, loan monitoring to loans collection. Thus issues pertaining to their selection, training, placement, job evaluation, discipline, and remuneration need to be tackled effectively.

The study also revealed that commercial banks with higher capital adequacy ratio can better advance more loans and absorb credit losses whenever they crop up and therefore record better profitability. The regulatory authority should pay more attention to banks' compliance to relevant provisions of the Bank and other Financial Institutions Act 1991 and prudential guidelines.

REFERENCES

Anthony, M.C., 1997. Commercial bank risk management; An analysis of the process.

The wharton school. University of Pennsylvania. Financial Institutions Centres.

Appa, R., 1996. The monetary and financial system. 3rd Edn: London Bonkers Books Ltd.

Athanasoglou, P., S.N. Brissimis and M.D. Delis, 2005. Bank-specific, industry specific and macroeconomic determinants of bank profitability. MPRA Paper No. 153.

Basel Committee on Banking Supervision, 1982. Management of banks' international lending, country risk analysis and country exposure measurement and control. Available from www.bis.org.

Basel Committee on Banking Supervision, 1999. Principles for the management of credit Risk, CH – 4002 basel, Switzerland Bank for International Settlements.

Basel Committee on Banking Supervision, 2001. Risk management practices and regulatory capital: Cross-sectional comparison.

Basel Committee on Banking Supervision. Available from www.bis.org.

Basel Committee on Banking Supervision, 2006. Studies on credit risk concentration, An overview of the issues and a synopsis of the results from the research task force project.

Bessis, J., 2002. Risk management in banking. John Wiley & Sons.

DeYoung, R. and G. Whalen, 1994. Banking industry consolidation: Efficiency issues, Working Paper No. 110. A Conference of the Jerome Levy Economics Institute, Office of the Comptroller of the Currency, Washington, DC.

Kolapo, T.F., R.K. Ayeni and M.O. Oke, 2012. Credit risk and commercial banks' performance in Nigeria: A panel model approach. Australian Journal of Business and Management Research, 2(2): 31-38.

Sanusi, J., 2002. Central bank and the macroeconomic environment in Nigeria. Quarterly Review, 3(3): 25-34.

Umoh, P.N., 2002. Bank loans, recovery: The roles of the regulatory/supervisory authorities. Judiciary Law Enforcement Agencies and the Press. NDIC Quarterly, 4(3): 8.

Are Earnings and Cash Flows Dividends Smoothing Agent in The Listed Non-Financial Firms in Nigeria?

Maryam Ahmed Jibril
Department of Accounting
Kaduna State University
maryamjibril13@gmail.com

pp 187 - 196

Abstract

This paper ascertained how determinants (earnings and cash flows) effect dividends smoothing of listed non-financial firms in Nigeria. The paper examined how earnings and cash flows affect dividends policy through smoothing of dividends. Correlation research design was adopted using a cross-section of 10firms for a period of 7 years (2010-2016). Generalized Least Squares (GLS) technique of analysis was used and the study found a significant positive effects of cash flows, current earnings and previous year earnings on dividends smoothing. The study concludes that**,** listed Nigerian non-financial firms use more earnings and less of current cash flow in dividends smoothing and making changes in dividends policy. Thus, earnings, and cash flows are dividends smoothing agents, and the more they are considered in dividends payout decisions, the higher dividends smoothing. The study recommends that regulators and the board of directors of listed non-financial firms in Nigeria should establish regulations and guidelines on the level and rate of dividends for the listed companies.

Keywords: Earnings, Cash Flows, Dividends Smoothing Agent, Listed Non-Financial Firms in Nigeria

1. Introduction

Dividends decision is one of the most critical aspects of financial management because of its relationship with firm value, finance and investment. Although there are opposing propositions in theory regarding the relevance and irrelevance of dividends, rational investors as well as corporate managers consider dividends when making future decisions and policies about their entity. The classical work of Miller and Modigliani (M&M, 1961) indicates that under perfect markets and constant investment, dividend policy is irrelevant for firm value. Empirical evidences (eg Allen &Michaely2003) strongly suggest that dividend is irrelevant to managers and markets. Rather dividends are "smoothed," as dividends are rarely decreased, and investors react positively to dividend increases and negatively to dividend decreases (Michaely& Roberts, 2006).

Dividend behavior as well as the incentives for changing dividend policies usually arises from either information asymmetry or agency problems between managers and shareholders. For instance, under asymmetric information, dividends are used as a signal to convey information about future profitability, while from agency theories; dividends are a means to mitigate perquisite consumption, empire building, or other value-destroying activities. Therefore, information asymmetry between shareholders and managers induces dividend smoothing (Guttman et al., 2010); dividend smoothing can also arise as a means to limit the agency costs of free cash flow, and the existence of external finance costs also drives dividend smoothing (Aivazian et al., 2006; Philip 2016).However, Jeong (2013) found that in South Korea, it is not agency problems nor information asymmetries that cause firms to smooth dividends, but rather the institutional factors of the financial market, such as the interest rate level and tax rate.

Dividend smoothing connotes the variation in dividends that is different from the variation in earnings, that is, keeping the dividends per share constant or stability of dividends in other words.

Finance literature is of the view that managers smooth dividends if they follow a constant nominal dividend payment policy with a partial adjustment strategy. This was the premise upon the Lintner's model; in his seminal work on partial adjustment hypothesis held that firms realizing the transitory nature of current earnings adjust only partially to its desired level of dividend with a time lag. Lintner observed that the main firms' priority is the stability of dividends, and instead of setting dividends each quarter, firms first consider whether they need to make any changes from the existing rate (Apedzan, Normah &Norhayati, 2015). This was later supported by the M&M that changes in dividends depend largely on management's expectations of future earnings and cash flows. Lee (1983) also argued that dividend payment should be based on cash flows, not on earnings, because cash flows better reflect the position of the firm. Moreover, the empirical work of Healy (1985) argued consistent with Lintner's position that cash flows are more reliable in determining firm value than earnings because the latter can easily be manipulated by managers to maximise their own compensation.

However, there has been a renewed debate in modern finance and accounting literature concerning the key determinants of dividends payout policy decisions vis-a-vi dividend smoothing. For instance, in Germany Andres *et al.* (2009) found that German firms base their dividend decisions on cash flows rather than published earnings. In a sample of UK firms, Al-Najjar and Belghitar (2012) concluded that UK firms rely more on cash flows to pay dividends, butLintner's (1956) partial adjustment model seems not to work very well in the UK.

This study is motivated by the lack of coherent conclusion with regards dividend policy in relation to smoothing dividend through earnings and/or cash flows. Moreover, there is no empirical study in Nigeria that tested the Lintner'smodel constituting a gap in theory, which this study intends to fill. The apriori of this study is that earnings are the key determinants of changes in dividends decisions as well as dividend smoothing among listed non-financial firms in Nigeria. The main objective of the study is to examine how the cash flows and/or earnings determine dividends smoothing in the listed non-financial firms in Nigeria. The specific objectives of the study are:

i. To determine the impact of earnings on dividends smoothing of non-financial firms in Nigeria.
ii. To determine the impact of cash flows on dividends smoothing of non-financial firms in Nigeria.

Research Hypotheses

Consistent with both theoretical and empirical predictions and in line with the objectives of the study, the following hypotheses are formulated in null form;

H_{01}: Earnings have no significant effect on dividends smoothing of listed non-financial firms in Nigeria.

H_{02}: Cash flows have no significant effect on dividends smoothing of listed non-financial firms in Nigeria.

2. Literature Review

Dividend Smoothing

According to Lintner (1956), dividends smoothing is the variation in dividends that is different from the variation in earnings. In the words of Guttman*et al.* (2001), the term refers to the keeping of dividends per share constant over two or more consecutive years, i.e. stability of dividends. It therefore involves setting a dividend payout policy that does not necessarily conform to earnings.

Alternatively, dividend smoothing can be described as a method managers use to avoid adverse stockholder reactions when setting the dividend level. Lintner's work of 1956is the pillar and the foundation of later research of dividend smoothing phenomenon. Lintner interviewed CEOs and other key managers of 28 American companies to draw conclusions on firms' dividend policy behavior and why firms smooth their dividends relative earnings. He found that managers target a long-term payout ratio when deciding upon dividend policy. Moreover, he found that firms do not decide what level dividends should be set at each new period but rather how much the dividends should change. Managers only raised their dividends partly of the amount that was actually supported by the financials after a strong financial result. If additional increases in dividends were still justified, the managers would continue to raise the dividends in the subsequent years. He referred to this as dividends being “conservative”, and argue that strong avoidance of “erratic changes” in dividend policy is very important to firms. This is due to management's strong belief in the market preferring stable dividends over more volatile payments. Lintner's (1956) study implied that management thought that in the eyes of investors a change in current net earnings was the solely valid factor in changing the dividend rate. That is why management targets net earnings in the payout ratio.

Theoretical Framework and Model Development

According to Miller and Modigliani (1961), under the conditions of a perfect capital market, a managed dividend policy does not affect the firm value and therefore it is irrelevant. However, many academics argue that real world capital markets are subject to various market imperfections (e.g. information asymmetries, differential taxes, transaction costs and agency problems) and suggest that dividends may be used as a very important mechanism to minimise such imperfections. Indeed, Lintner (1956) observe that US managers follow extremely deliberate (managed) dividend policies, contrary to M&M's prediction. In his pioneering study, Lintner finds that US managers tend to smooth dividends relative to earnings; they only increase their dividend payments when they believe that earnings can sustain higher dividend levels permanently, and are reluctant to cut dividends unless adverse circumstances are likely to persist, since dividend cuts are bad signals to the market.

On the other hand, the dividend signaling theory is based on the belief that investors prefer stable dividend over the years and firms are reluctant to cut dividends. John and Williams (1985) show that, in equilibrium, the optimal dividend policy is to pay smoothed dividends relative to stock prices. Their model implies that when dividends are used as a signalling mechanism firms are expected to smooth their dividends. Similarly, Guttman et al. (2008) show that dividend smoothing can arise from a coarse signalling equilibrium in a setting where managers have private information about firm value. Al-Yahyaee et al. (2011) find that Omani firms use dividends to signal their future prospects. Dividends are smoothed with respect to earnings to be a credible signal (Jeong, 2008). On the contrary, smoothing of dividends has been explained by agency issues or information asymmetry. That in order to reduce the agency-principal conflict, dividend stability is pursued so as not to cause unnecessary price volatility for publicly listed firms due to uncertainty. Therefore, reducing uncertainty stemming from unpredictable dividend payouts make managers opt to establish a stable growth path of dividend payments (Servaes &Tufano, 2006).

On this premise, Lintner (1956) develops a mathematical model based on his extensive in-depth interviews with US managers to test for the stability of cash dividend payments. His model reveals that firms set current dividend payments in line with their current earnings and previous year dividend payments, and they make partial adjustments to a target payout ratio and do not match immediately with the earnings changes. Fama and Babiak (1968) re-evaluate and extend the Lintner model, by adding supplementary variables or undertaking more comprehensive approaches, and they all confirm the original findings of Lintner that US companies follow stable dividend policies. In contrast, Aivazian et al (2003a) find that the Lintner model does not work very well for the eight emerging market (Turkey, Thailand, India, Pakistan, Jordan, Malaysia, South Korea, Zimbabwe) firms.

Lintner (1956) contends that dividends are adjusted to changes in earnings but only with a lag. He argues that when earnings increase to a new level, a company increases dividends only when it feels it can maintain the increase in earnings. Stability of dividends has been explained by Lintner (1956), Fama and Babiak (1968) and Wolmoran (2003) using regression models they constructed to determine values of speed of adjustment and target payout ratio. Lintner's partial adjustment model estimates coefficients for adjustment speed and target payout to determine whether dividend policy is stable or not. The speed of adjustment is particularly important and is a common measure of dividend smoothing. The speed of adjustment estimates how fast the target payout ratio is adjusted in relation to changes in a firm's earnings. The slower the target payout ratio is adjusted, the higher the degree of smoothing. Lintner (1956) argues that the constant in this model will be positive for the most firms because of the reluctance of managers to cut dividends.Fama and Babiak (1968) explained dividend stability by determining coefficients for adjustment speed and target ratio using absolute values of dividend per share regressed against changes in earnings and absolute values of previous dividend.

This research is underpinned by the signaling theory and agency-cost theory to examine the Partial Adjustment Model of Dividend smoothing in the listed non-financial firms in Nigeria.

Review of Empirical Studies

The empirical work of Lintner (1956) on partial adjustment hypothesis held that firms realizing the transitory nature of current earnings adjust only partially to its desired level of dividend with a time lag. Lintner (1956) surveyed managers on their attitudes towards dividend policy and concluded that managers target a long-term payout ratio. He also found that dividends are sticky, tied to long-term sustainable earnings, paid by mature companies and is smoothed from year to year. Adaoglu (2000) investigated instability in the dividend policy of the Istanbul Stock Exchange (ISE) corporations and found that dividend policy behaviour of corporations operating in emerging markets is significantly different from the widely accepted dividend policy behaviour of corporations operating in developed markets. His empirical results show that the ISE corporations follow unstable cash dividend policies, and the main factor that determines the amount of cash dividends is the earnings of the corporation in that year. Brav*et al.* (2005) find that managers are willing to raise external capital or even forego positive net present value (NPV) investments to avoid cutting dividends.

Andres *et al.* (2009) conducted their research in Germany and found that German firms payout a lower proportion of their cash flows, but a higher proportion of their published profits than UK and US firms. They estimated partial adjustment models and report two major findings. First, German firms base their dividend decisions on cash flows rather than published earnings, as published earnings do not correctly reflect performance because German firms retain parts of their earnings to build up legal reserves, and as published earnings are subject to more smoothing than cash flows. Second, to the opposite of UK and US firms, German firms have more flexible dividend policies, as they are willing to cut the dividend when profitability is only temporarily down.

Al-Yahyae*et al.* (2011) conducted their research in Oman, a developing economy on “Dividend smoothing when firms distribute most of their earnings as dividends”. The research found that Omani firms have unstable dividend policies and target payout ratios, and they adjust their dividend policies very quickly and are willing to cut their dividends. Appannan and Sim (2011) examines the leading determinants affecting the dividend payment decision by company management in Malaysia listed companies for food industries under the consumer products sector and concluded that debt equity ratio and past dividend per share were the important determinants of dividend payment.

Al-Najjar and Belghitar (2012) conducted their research on “The information content of cash flows in the context of dividend smoothing” using a modified dividend partial adjustment model. In their model, they replaced current year's earnings with FCF, as according to them, UK firms rely more on their cash flows to pay dividends and that Lintner's (1956) partial adjustment model seems not to work very well in the UK. That their results were consistent across the different models and show that cash flows are superior to earnings in dividend smoothing, suggesting that cash flows are the key determinant of dividend payments. This is because their proposed dividend partial adjustment model has a lower adjustment coefficient than Lintner's model, suggesting that their estimates are much closer to reality. They concluded that the modified version of Lintner's model explains better the smoothing process of dividends for UK firms:

Andres *et al.* (2009) and Adelegan (2003) re-evaluate the incremental information content of cash flows in explaining dividend changes, given earnings in Nigeria and found a significant relationship between dividend changes and cash flow unlike previous studies. The empirical results reveal that the relationship between cash flows and dividend changes depends substantially on the level of growth, the capital structure choice, size of each firm and economic policy changes

Al-Najjar (2009) also reports that the Lintner model successfully explains Jordanian markets' dividend behaviour, and further suggests that Jordanian firms have target payout ratios and they partially adjust dividends to their target but relatively faster than those in US (developed) market. Chemmanur et al. (2010) compare dividend policies of Hong Kong firms and US firms. Their study indicates that dividend payments in Hong Kong are more closely related to current year earnings and thus the extent of dividend smoothing by Hong Kong firms is considerably less than those in the US.

Al-Ajmi and Abo Hussain (2011) show that current dividends are determined by lagged dividends and current earnings as proposed by Lintner in Saudi Arabia; however, Saudi firms have more flexible dividend policies since they act quickly to increase dividend payments and are willing to cut or skip dividends when earnings decline.Leary and Michaely (2011) highlight the relationship between the levels in dividend payout and the degree of smoothing. They find that firms that pay higher degrees of dividends also smooth their dividends more.Al-Malkawi et al. (2014) examine dividend smoothing in Oman, and find that Omani firms adjust their dividends toward their target payout ratio gradually, more interestingly with a relatively low speed of adjustment, as compared to other firms in developed and emerging economies.

Apedzan, Normah and Norhayati (2015) found that Malaysia non-financial firms consider current earnings more important than current cash flow while making dividends payout decisions, and prior year cash flows are considered more important in dividends decisions than prior year earnings. They conclude that Malaysian non-financial firms participate actively in dividends smoothing where cash flow and earnings are taking into consideration while deciding on dividend payout policy of these firms.

3. Research Methodology

Research Design

This study adopted correlation research design in assessing the effect of cash flows and earnings on dividends smoothing in the listed non-financial firms in Nigeria. The population of this study comprises of all the 64 listed non-financial firms on the floor of the Nigerian Stock Exchange (NSE) Market as at 31st December, 2016. However, all the firms that were not in the NSE listing for all the period (2010 through 2016) covered by the study were filtered out, because of the difficulties in accessing their data. Similarly, firms that were not consistently paying dividends were also removed. Based on this, the population was reduced to 10firms, and hence the sample of the study.

The study used secondary data from the annual reports and accounts of the sampled firms for the period of 7 years (2010-2016). Therefore, our database consists of 70 observations, that is, 10firms for 7 years. The study employed panel regression technique of data analysis using Generalized Least Squares (GLS) regression estimators. **The analysis is conducted using Statistics/Data Analysis Software (STATA 13.0).**

3.2 Variables Measurements and Model Specification

This study employed the modified empirical model of Fama and Babiak (1968) "Extended Partial Adjustment Model). The model is mathematically expressed as follows;

$$\mathbf{DIV_{it} = \gamma_0 + \gamma_1 DIV_{it-1} + \gamma_2 ERN_{it} + \gamma_3 ERN_{it-1} + \gamma_4 CFO_{it} + \gamma_5 FSZ_{it} + \mu_{it}} \ldots\ldots\ldots\ldots\ldots i$$

Where

DIV_{it} is dividend smoothing of firm I in year t, measured by the absolute annual dividends (Fama & Babiak 968), divided by annual earning; DIV_{it-1} previous year dividend of firm i; ERN_{it} current year earnings, measured as earnings divided by number of shares outstanding; ERN_{it-1} previous year earnings of

firm I; CFO_{it} cash flows of firm I in year t, measured by operating cash flows divided by shares outstanding; FSZ_{it} size of firm I in year t, measured as a log of total assets. And γ_0 is the intercept, while γ_1, to γ_5 are the coefficients/estimators. μ_{it} is the Residual.
The study expect significant +ve coefficients from ERN_{it} and CFO_{it}, and to find which better explains dividends smoothing, the study compares the significant coefficient of ERN_{it} with that of $CFO_{it.}$

4. Results and Discussions

Descriptive Statistics

This section chapter presents and discusses the descriptive statistics of the data collected, as presented in Table 1;

Table 1: Descriptive Statistics

Variables	Mean	SD	Min	Max	N
DIV	0.2831	0.0959	0.0946	0.4184	70
LgDIV	0.3612	0.0409	0.1718	0.4145	70
ERN	0.3493	0.1263	-0.1490	0.5526	70
LgERN	0.3539	0.1404	-0.3732	0.5526	70
CFO	0.2257	0.0607	-0.2518	0.2518	70
FSZ	7.6106	0.5507	5.8800	8.5400	70

Source: STATA OUTPUT (Appendix)

Table 1 indicates an average dividends payout (DIV) of 28.31% of earnings with standard deviation of 0.0959, and minimum and maximum values of 9.46% and 41.84% of earnings respectively. The standard deviation signifies that the data deviate from both sides of the mean value by 0.0946. The Table also shows that the sample firms have an average lag dividends payout ratio (lgDIV) of 36.12, with standard deviation of 0.0409, and the minimum and maximum values of 17.18% and 41.45% respectively. The standard deviation suggests that the data is dispersed from the mean value by 0.0409. The descriptive statistics indicates that the average earnings (ERN) during the period is 34.93K with standard deviation of 0.1263, and minimum and maximum values of -14.9k and 55.26k respectively. Table 1 also shows an average lag earnings of 35.39k, with standard deviation of 0.1404, and the minimum and maximum values of -37.32k and 55.26k respectively. The standard deviation suggests that the data is dispersed from the mean value by 0.1404. The results in Table 1 indicate that the average cash flows (CFO) of the sample firms is 22.57% with standard deviation of 0.0607, and minimum and maximum values of -25.18% and 25.18% respectively. Lastly, Table 1 indicates an average firm size (FSZ) of 7.61 with standard deviation of 0.5507, and minimum and maximum values of 5.88 and 8.54 respectively. The standard deviation signifies that the data deviate from both sides of the mean value by 0.5507.
In order to ensure the normal distribution of the data, the study employs Shapiro Wilk test for normal data to find statistical evidence. The results of the test are presented in table 2 as follows;
The correlation matrix from Table 3 shows a significant positive association between DIV and lgDIV of the sample firms, from the correlation coefficient of 0.2002 which is statistically significant at 10% level of significance. The results from Table 3 shows a statistical negative relationship between DIV

Table 3: Correlation Matrix

Var.	DIV	lgDIV	ERN	lgERN	CFO	FSZ
DIV	1.0000					
lgDIV	0.2002***	1.0000				
ERN	-0.0161	-0.6092*	1.0000			
lgERN	0.4974*	0.3831*	-0.2414*	1.0000		
CFO	0.3589*	0.1413	-0.2441*	0.2701**	1.0000	
FSZ	-0.6523*	-0.0103	-0.1676	-0.0728	-0.0909	1.0000

**significant at 1% level* ***significant at 5% level* ****significant at 10% level*

Source: STATA OUTPUT (Appendix)

and current earnings (ERN) of the sample firms, from the correlation coefficient of -0.0161 which is not statistically significant at all levels of significance. The table also indicates that there is a significant positive correlation between DIV and previous year's earnings (lgERN), from the correlation coefficient of 0.4974 which is statistically significant at 1% level of significance. Table 3 shows a significant positive association between DIV and cash flows (CFO) of the sample firms, from the correlation coefficient of

0.3589 which is statistically significant at 1% level of significance. Moreover, Table 3 shows a significant negative association between DIV and size of the firm (FSZ), from the correlation coefficient of -0.6523 which is statistically significant at 1% level of significance.

Regression Results and Hypotheses Testing
This section presents and analyzes the regression results of the model of the study. The section used the results presented in table 4.Table 4 shows that the model is fit at 99% confidence level, from the WaldChi2 of 72.23 and the P-value of 0.0000. However, the results **show an absence of Heteroskedasticity in the panel as indicated by the** Breuch Pagan/Cook-Weisberg test for Heteroskedasticity Chi2 of 0.31 with p-value of 0.5789. This proved that the assumption of constant variance of the error term (Homoscedasticity) is been met. The table on the other hand, indicated the absence of the perfect Multicolinearity among the explanatory variables, as shown by the mean VIF of 1.29. The decision criterion for the Variance Inflation Factor is that a value of 10 and above implies the presence of perfect Multicollinearity.

Table 4: Regression Model Summary and GLS Estimators

Variables	Coefficients	Z	P-Values
lgDIV	0.1151	2.67	0.008
ERN	0.1225	3.26	0.001
lgERN	0.1665	5.01	0.000
CFO	0.0493	1.82	0.069
FSZ	-0.1278	-3.39	0.001
CONST.	-0.4405	-9.47	0.000
HETTEST	0.31		0.5789
Mean VIF	1.29		
Overall R^2	0.6763		
Hausman Test	37.91		0.0000
WaldChi2	72.23		0.0000
LM Test	7.70		0.0028

Source: STATA OUTPUT (Appendix)

The results from table 4 show that the explanatory variables explained 67.63% of the total variations in the dependent variable (dividend smoothing), from the overall R square of 0.6763. The table shows that lagDIVhas a significant statistical positive effect on the dividend smoothing (DIV) during the period of the study, from the coefficient of 0.1151 with Z-value of 2.67 and p-value of 0.008, implying that the results is statistically significant at 1% level of significance. Table 4 indicates that current earnings (ERN) has a statistical significant positive effect on the dividend smoothing (DIV) of the sample firms during the period, from the coefficient of 0.1225 with z-value of 3.26 and p-value of 0.001, suggesting that the result is significant at 99% confidence level. Similarly, the results indicated that lag earnings has statistical significant positive effect on the dividend smoothing of the sample firms during the period, from the coefficient of 0.1665 with z-value of 5.01 and p-value of 0.000, suggesting that the result is significant at 991significance level. Moreover, cash flows (CFO) has a statistical significant positive effect on the dividend smoothing of the sample firms during the period, from the coefficient of 0.0493 with z-value of 1.82 and p-value of 0.069, suggesting that the result is significant at 10% level. Lastly, the results show that firm size (FSZ) has a statistical significant negative effect on the dividend smoothing during the period, from the coefficient of -0.1278 with z-value of -3.39 and p-value of 0.001, suggesting that the result is significant at 1% level.

The results show after controlling for firm size significant impact of current and prior year earnings on dividends at 99% confidence level. Based on this, the study rejects the null hypothesis one (H01), which states that earnings have no significant effect on dividends smoothing of listed non-financial firms in Nigeria. The impact is more from prior year earnings, followed by current earnings. This means that listed non-financial firms in Nigeria consider current and prior year earnings while taking dividends payout decisions. The results also show after controlling for firm size significant impact of cash flow on dividends at 99% confidence level. Based on this, the study reject the null hypothesis two (H02), which states that cash flows has no significant effect on dividends smoothing of listed non-financial firms in Nigeria. The study infers that listed non-financial firms in Nigeria consider cash flows while taking dividends payout decisions.

These findings support Jensen (1986) on agency theory, that managers of firms pay dividends from free cash flow to reduce agency conflicts. The findings are also consistent with those of Apedzan, Normah and Norhayati (2015).

5. Conclusion and Recommendations
Based on the analysis conducted on the data collected,

the study concludes that, listed Nigerian non-financial firms use more earnings and less of current cash flow in dividends smoothing and making changes in dividends policy. The findings imply that current earnings and cash flows are dividends smoothing agents, and the more they are considered in dividends payout decisions, the higher of dividends smoothing. The findings also implied that if dividends smoothing is encouraged, it could lead to dividends-based earnings management.

The study recommends that regulators and the board of directors of listed non-financial firms in Nigeria should establish regulations and guidelines on the level and rate of dividends for the listed companies.

References

Apedzan, E. K., Normah, H. O., and Norhayati, M. (2015),"Corporate cash flow and dividends smoothing: a panel data analysis at Bursa Malaysia", Journal of Financial Reporting and Accounting, Vol. 13 Iss 1 pp. 2 – 19

Adaoglu, C. (2000), "Instability in the dividend policy of the Istanbul Stock Exchange (ISE)Corporations: evidence from an emerging market", *Emerging Markets Review*, Vol. 1 No. 3,pp. 252-270.

Adelegan, O.J. (2003), "An empirical analysis of the relationship between cash flow and dividend changes in Nigeria", *African Development Review*, Vol. 15 No. 1, pp. 35-49.

Al-Najjar, B. and Belghitar, Y. (2012), "The information content of cashflows in the context of dividend smoothing", *Economic Issues*, Vol. 17 No. 2, pp. 57-70.

Al-Yahyaee, K.H., Pham, T.M. and Walter, T.S. (2011), "Dividend smoothing when firms distribute most of their earnings as dividends", *Applied Financial Economics*, Vol. 21 No. 16, pp. 1175-1183.

Andres, C., Betzer, A., Goergen, M. and Renneboog, L. (2009), "Dividend policy of German firms: a panel data analysis of partial adjustment models", *The Journal of Empirical Finance*, Vol. 16 No. 2, pp. 175-187.

Appannan, S. and Sim, L.W. (2011), "A study on leading determinants of dividend policy in Malaysia listed companies for food industry under consumer product sector", *Proceeding of 2nd International Conference on Business and Economic Research*, *Holiday Villa Beach Resort and Spa, Langkawi Kedah*, Vol. 2, pp. 945-976.

Allen, F., and R. Michaely, 2003, Payout Policy, in Handbook of Economics, ed. G. Constantinides, M. Harris, and R. Stulz, Elsevier/North-Holland.

Aivazian, V. A., Booth, L., and Cleary, S. (2006). Dividend Smoothing and Debt Ratings. Journal of Financial and Quantitative Analysis, 41(02):439{454.

Aivazian, V., Booth, L., &Clearly, S. (2003). Do emerging market firms follow different dividend policies from U.S. firms? *Journal of Financial Research, 26* (3), 371–387.

AL-Malkawi, H.N., Rafferty, M., Pillai, R. (2010). Dividend policy: A review of theories and empirical evidence. *International Bulletin of Business Administration (9)* 171-200. Available at www.eurojournals.com.

Brav, A., Graham, J., Harvey, C. and Michaely, R. (2005), "Payout policy in the 21st century", *Journal of Financial Economics*, Vol. 77 No. 3, pp. 483-527.

Leary, M. and Michaely, R. (2011), "Determinants of dividend smoothing: empirical evidence", *Review of Financial Studies*, Vol. 24 No. 10, pp. 3197-3294.

Lintner, J. (1956), "Distribution of incomes of corporations among retained earnings, and taxes", *American Economic Review*, Vol. 46 No. 2, pp. 97-113.

Miller, M.H. and Modigliani, F. (1961), "Dividend policy, growth and valuation of shares", *Journal of Business*, Vol. 34 No. 4, pp. 411-433.

Jensen, M.C. (1986), "Agency cost of free cash flow, corporate finance, and takeovers", *American Economic Review*, Vol. 76 No. 2, pp. 323-329.

Lee, T.A. (1983), "Funds statements and cash flow analysis", *Investment Analyst*, pp. 13-21.

Healy, P. (1985), "The impact of bonus schemes on the selection of accounting principles", *Journal of Accounting and Economics*, Vol. 7 No. 1, pp. 85-107.

Fama, E.F. and Babiak, H. (1968), "Dividend policy: an empirical analysis", *Journal of the American Statistical Association*, Vol. 63 No. 324, pp. 1132-1161.

Guttman, I., Kadan, O. and Kandel, E. (2001), "A theory of dividend smoothing 1", Working Paper, Graduate School of Business, Stanford University

John, K., and J. Williams, (1985). Dividends, Dilution, and Taxes: A Signaling Equilibrium, The Journal of Finance 40, 1053-1070

Michaely, R., and M. Roberts, (2007). Dividend Smoothing, Agency Costs, and Information Asymmetry: Lessons from the Dividend Policies of Private Firms, working paper

Philip T. F. (2016). Dividend Smoothing, Financial Flexibility and Capital Structure

Servaes, H. &Tufano, P. (2006). The theory and practice of corporate dividend and share repurchase policy (ed). *Liability Strategies Group. Deutsche Bank,* February 2006, 1-73.

Wolmaran, H.P (2003). Does Lintner's dividend model explain South African dividend payments? *Meditari Accountancy Research,* 11, 243-254. York: HarperCollins

Appendices

```
. xtset id year, yearly
       panel variable:  id (strongly balanced)
        time variable:  year, 2010 to 2016
                delta:  1 year

. xtsum div lgdiv ern lgern cfo fsz

Variable         |      Mean   Std. Dev.       Min        Max |    Observations
-----------------+--------------------------------------------+----------------
div      overall |  .2830784    .0958706   .0945787   .4183578 |     N =      70
         between |              .0827113   .1144421   .3789294 |     n =      10
         within  |              .0542669   .1712551   .4238459 |     T =       7
                 |                                            |
lgdiv    overall |  .3612301    .0408903   .1718192   .4146023 |     N =      70
         between |               .034315   .2704546   .3830988 |     n =      10
         within  |              .0244314   .2625947   .4465107 |     T =       7
                 |                                            |
ern      overall |  .3493086     .126586  -.1490184   .5525732 |     N =      70
         between |              .0970844   .2512448   .5213108 |     n =      10
         within  |              .0856473  -.0539842   .5125661 |     T =       7
                 |                                            |
lgern    overall |  .3538635    .1408691  -.3731699   .5525732 |     N =      70
         between |               .102126    .184245   .5213108 |     n =      10
         within  |              .1008994  -.2809894   .5131774 |     T =       7
                 |                                            |
cfo      overall |  .2256714    .0608616   -.251844    .251844 |     N =      70
         between |               .021686   .1693678   .2417208 |     n =      10
         within  |               .057002  -.1955404   .3061476 |     T =       7
                 |                                            |
fsz      overall |  7.610671    .5506646       5.88       8.54 |     N =      70
         between |              .4711477   6.754286   8.252857 |     n =      10
         within  |              .3171025   6.736286   8.463429 |     T =       7

. swilk div lgdiv ern lgern cfo fsz

                   Shapiro-Wilk W test for normal data

    Variable |       Obs       W           V         z       Prob>z
-------------+------------------------------------------------------
         div |        70    0.94372      3.464     2.702    0.00345
       lgdiv |        70    0.97453      1.568     0.978    0.16410
         ern |        70    0.99014      0.607    -1.086    0.86129
       lgern |        70    0.52082     29.496     7.359    0.00000
         cfo |        70    0.69075     19.035     6.407    0.00000
         fsz |        70    0.96869      1.927     1.427    0.07683
. reg div lgdiv ern lgern cfo fsz

      Source |       SS       df       MS              Number of obs =      70
-------------+------------------------------           F(  5,    64) =   27.97
       Model |  .602487873     5  .120497575           Prob > F      =  0.0000
    Residual |  .275721396    64  .004308147           R-squared     =  0.6860
-------------+------------------------------           Adj R-squared =  0.6615
       Total |  .878209269    69  .012727671           Root MSE      =  .06564

------------------------------------------------------------------------------
         div |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       lgdiv |   .1423823   .0425377     3.35   0.001     .0574035    .2273611
         ern |   .1500339   .0379366     3.95   0.000     .0742467     .225821
       lgern |   .1703995   .0339621     5.02   0.000     .1025524    .2382466
         cfo |   .0719065   .0263907     2.72   0.008     .0191841     .124627
         fsz |  -.1896328   .0319915    -5.92   0.000    -.2534432   -.1256223
       _cons |   -.437994   .0431129   -10.16   0.000     -.524122    -.351866
------------------------------------------------------------------------------

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of div

         chi2(1)      =     0.31
         Prob > chi2  =   0.5789
```

```
. vif

    Variable |       VIF       1/VIF
-------------+----------------------
       lgdiv |      1.54    0.650012
         ern |      1.37    0.728578
       lgern |      1.35    0.739069
         cfo |      1.16    0.861449
         fsz |      1.04    0.959870
-------------+----------------------
    Mean VIF |      1.29

. xtreg div lgdiv ern lgern cfo fsz, fe

Fixed-effects (within) regression               Number of obs      =        70
Group variable: id                              Number of groups   =        10

R-sq:  within  = 0.3847                         Obs per group: min =         7
       between = 0.7079                                        avg =       7.0
       overall = 0.5817                                        max =         7

                                                F(5,55)            =      6.88
corr(u_i, Xb)  = 0.4507                         Prob > F           =    0.0000

------------------------------------------------------------------------------
         div |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       lgdiv |   .1000879   .0447337     2.24   0.029     .0104397    .1897362
         ern |   .1077541   .0372687     2.89   0.005      .033066    .1824421
       lgern |   .1526412   .0333384     4.58   0.000     .0858295     .219453
         cfo |   .0221017    .027942     0.79   0.432    -.0338953    .0780987
         fsz |  -.0369865   .0440509    -0.84   0.405    -.1252665    .0512936
       _cons |  -.4706147    .049258    -9.55   0.000      -.56933   -.3718994
-------------+----------------------------------------------------------------
     sigma_u |  .06721574
     sigma_e |  .05054239
         rho |  .63880701   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(9, 55) =     5.88              Prob > F = 0.0000

. est store fixed

. hausman fixed random

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
       lgdiv |    .1000879     .1151289        -.015041        .0117007
         ern |    .1077541     .1224902       -.0147361               .
       lgern |    .1526412     .1665426       -.0139014        .0027114
         cfo |    .0221017     .0493492       -.0272475        .0065629
         fsz |   -.0369866    -.1277524        .0907659        .0228266
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =       37.91
                Prob>chi2 =      0.0000
                (V_b-V_B is not positive definite)

. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        div[id,t] = Xb + u[id] + e[id,t]

        Estimated results:
                         |       Var     sd = sqrt(Var)
                ---------+-----------------------------
                     div |   .0127277       .112817
                       e |   .0025545      .0505424
                       u |   .0008095      .0284522

        Test:   Var(u) = 0
                             chibar2(01) =     7.70
                          Prob > chibar2 =   0.0028
```

Effect of Accounting Estimates on the Profitability of Listed Firms in Nigeria

Nwarogu, Innocent Augustine (Ph.D)
Department of Accounting,
College of Management Sciences,
Michael Okpara University of Agriculture
Umudike, Umuahi, Abia State.
(iannwarogu@yahoo.com)

pp 197 - 203

Abstract

This study examined the effect of accounting estimates on the profitability of listed agricultural firms in Nigeria. The scope of the study in relation to time covers a period between 2010-2015. The study used ex post factor research design and the secondary data gathered were analyzed using regression analysis. The regression result shows there is a very strong relationship between (PEB,PBD) and PROF at 85.0%. It was further observed that there is no significant effect of Provision for bad debt on profitability of firms but there exist a significant effect of provision for employee benefit on the profitability of firms. In consonance with this study's findings, it was recommended that Listed firms in Nigeria should make Proper estimates in other to capture the real cost incurred so as to determines its effect on firms profitability. Firms should also be more focus on their estimates to enable them makes the right decisions as regards their debt policies.

Keywords: Provision for bad debt, Provision for employee benefits and Profitability

1.0 INTRODUCTION

Studies carried out on the determinants of firms' decisions to provide quantitative sensitivity disclosures about Accounting estimates (AE), "material" and "highly uncertain" accounts requiring judgment (SEC 2002; SEC 2003). Accounting estimates comprise a large and growing component of financial statements, making the dividing line between fact and conjecture largely unknown to investors (Lev, Li, and Sougiannis 2010).

Since capital market inefficiencies can result if investors are led by estimates-based accounting information to misallocate resources, the SEC mandates that firms provide quantitative AE information when "quantitative information is reasonably available and will provide material information for investors" (Lev et al. 2010, SEC 2003,). Consistent with AE disclosures informing investors about the reliability of accounting estimates, AE disclosures reduce the value relevance of reported accounting numbers (Glendening 2014).

Common accounting estimates seen in AE disclosures include defined-benefit pension plans, sales returns, inventory obsolescence, warranty reserves, and uncollectible accounts receivable (Cassell, Dreher, and Myers 2013). Though management has ultimate responsibility for financial reporting, the auditor and the audit committee have important oversight responsibilities (Cohen et al. 2004). Recognizing this shared oversight role, the New York Stock Exchange (NYSE) and the Public Company Accounting Oversight Board (PCAOB) require audit committee/auditor discussion AE (Cohen et al 2004). Thus, this study examines the effect of accounting estimates on the profitability of firms in Nigeria. Its specific objectives includes to:

- Ascertain the effect of Provision for liabilities on the profitability of quoted firms in Nigeria.
- Determine the effect of provision for employee benefits on the profitability of quoted firms in Nigeria.

The scope of the study covers the five listed agricultural firms on the Nigerian stock exchange market but for the constraint of getting financial statement the study looks at 4 between 2010-2015 (a period of 6 years).

Research Hypotheses

The following null hypothesis has been formulated to guide the researcher in the investigation.

Ho_1: provision for liabilities has no significant effect on the profitability of quoted firms in Nigeria.

Ho_2: Provision for employee benefits has no significant effect on the profitability of quoted firms in Nigeria.

2.0 Review of Related Literature

Concept of Accounting Estimates

A past history of a business may show that a portion of receivable balances is not recovered due to unforeseen circumstances. Therefore, it may be prudent as started by Wood & Sangster (2009) to create an estimate for doubtful debts in addition to other specific estimates. These estimates may be calculated on the basis of past experience concerning recoverability ofdebts. However, creating a general provision has been on the decline after revisions in the International Financial Reporting Standards (IFRS). Specifically, International Accounting Standards (IAS) 39 prohibits creation of general provisions on the basis of past experience due to the subjectivity involved in creating such an estimate. Instead, reporting entity is required to carry out impairment review to determine the recoverability of the receivables and any associated allowance.

Zhang (2012) note that "accurately evaluating the credit risk posed by financial institutions loan granting decisions cannot be underestimated" They note this is clearly demonstrated by the large credit defaults in recent years. Also, Zhang (2012) noted that credit-recording methods are not new phenomena. They have been used for decades to group customers into two categories: good credit and bad credit. A credit worthy customer otherwise a good credit customer is likely to repay the debt whereas a bad credit customer is likely to default. A proper bad debt accounting entry for debtors can provide a good measurement for solving debts related problems However, every interested business entity must have seen the warning sign in the year 2000, regarding debts.

Walther, (1997) verified the implications of the rapid rate of growth in consumer debt and attributed it to aggressive and overly generous credit granting policies amongst others. He called for banks and companies to be cautioned in their way of handling debts granting. According to Walther, (1997) "massive inflows of foreign capital through the U.S. capital market depressed loan rates and contributed to credit expansion by making additional loan funds available at relatively lower costs." This attracts many borrowers. Therefore, keeping a close attention to the efficiency of recording and follow up of the receivables (debts) is worthwhile. Furthermore, Li (2008) discovered that default receivables (debts) recording and verification has gained a great deal of attention. Banks are called upon to be efficient in accounting because it helps them develop the risk of default hence; banking authorities can determine the overall strength of the banking system and its ability to handle adverse debt default conditions. The best method for analyzing and recording bad debt hence making an estimate for debts that are likely to go bad will depend not only on the data structure, the characteristics of the data but more largely on the ability of a person handling the task to classify the data, and lastly on the objectives of classification.

Determinants in Estimating Allowance for Bad Debt

According to the generally Accepted Accounting Principles (GAAP), the estimate method for bad debt can be estimated in three different ways. The first method is an Income Statement approach where a bank or a company makes an estimate of the percentage of its credit sales, which will ultimately prove uncollectible. In the second and third methods, the balance Sheet approaches is used. Unlike the Income Statement approach, which only records an expense without consideration of the existing allowance for bad debts, the Balance Sheet approach always adjusts the amount estimated to be uncollectible based upon the amount of bad debt expense. The uncollectible amount can be based on an aging of receivables or a forecast of the amount of overall accounts receivable, which are expected to be uncollectible. In most case there is always little or no evidence to determine the details of how each and every individual company arrives at its estimate for bad debts. What is important is that the amount should be based on GAAP and also that the amount will involve estimates and subjective judgment.

Theoretical Framework

This study is anchored on the signaling theory as propounded by Miller and Rock (1985) but other theories and models are also discussed here.

Signaling theory

This theory refers to the idea that the agents send information to the principal in order to create credible relationship. Managers have more firsthand information about the firm than firm's investors do but they are always reluctant to provide transparent information to the shareholders. So, the performance index of a firm can be used for information purpose and it also act as a signal for the firm's future projection proficiently.

The relatively relaxed Theory: refers to a situation where by firms are willing to give out more credit in other to facilitate ease of business operation. Arnold (2008) explains this theory in line with firms with large cash reserves, more generous customer credit and high inventories. This theory is adopted by companies which operate in an uncertain environment where buffers are needed to avoid production stoppages (Arnold, 2008).

The aggressive Theory: As propounded by Arnold (2008) this theory represents a stance taken by companies who operate in a stable and certain environment where working capital is to be kept at a minimum. Enterprises hold a minimal inventory level, cash buffers and force customers to pay at the earliest moment possible.

In this study the both theories are looked into as firms to be studied either engage in an uncertain or certain business credit guarantee environment.

Empirical Review

Prior studies have found that the lower persistence of accruals is not quickly incorporated by investors in their valuation of the firm (Sloan 2001). One explanation for this finding is that investors fixate on total earnings thereby disregarding the affect of the lower persistence of accruals on how predictive current earnings are of future earnings (Sloan 2001; Levine, and Smith 2011). Accordingly, Sloan (2001) finds that the future abnormal returns of firms are negatively associated with the magnitude of firms' accruals. This finding is consistent with his hypothesis that investors misinterpret the persistence of accruals. If investors fixate on total earnings and ignore the accruals portion of earnings, which could be calculated from the statement of cash flows or from the balance sheet, then investors may not incorporate the estimation information in the footnotes in a timely manner. Therefore, in the short term, investors should more greatly undervalue firms with more estimated income reducing accruals (negative accruals) and over value firms with more estimated income increasing accruals (positive accruals). Hence, we would find that the estimation information found in the company's footnotes is informative of future returns. On the other hand, investors may quickly incorporate the amount of estimation in accruals into their valuation of the firm since this information is readily available in the firm's disclosures. More specifically, information provided in a firm's footnote disclosures has been shown to be incorporated by both investors and analysts

Hassan, Liaqat, Ch. Abdul and Muhammad (2011) set out to examine the impact of working capital management on the profitability of the firm without compromising the liquidity of the firm. Using data for sixty five companies randomly selected from Karachi

Stock Exchange, and a set of variables Tobin's Q, proxy used for determining the market value of the firm, return on assets & return on invested capital, were used to measure financial performance of the firm. Five financial **Asian Economic and Financial Review 2(8):966-982** 970 ratios, cash conversion cycle, current ratio, current asset to total asset ratio, current liabilities to total asset ratio and debt to asset ratio, were used as variables against which changes in dependent variables were measured by applying correlation and multiple regression techniques. Their findings revealed that significant correlations exist between working capital components with firms' market value and firms' profitability.

3.0 Methodology

Research Design

The study adopts ex-post facto research design. Ex-post facto research design involves the ascertaining of the impact of past factors on the present happening or event. The research design is also adopted due to the fact that, the audited financial statements of listed manufacturing companies which are the primary source of data are already in existence.

Data Analysis Technique

The descriptive statistics is used to summarize the collected data in a clear and understandable way using numerical approach. The multiple regression technique using ordinary least square regression (OLS) method is adopted in investigating the relationship between the dependent and independent variables. The study adopts the preliminary test for incidences of co linearity in the model are also necessary. To do this, the variance inflation factor (VIF) statistics and the tolerance level statistics were deployed to be used. The main advantage of these two statistics is that it filters out variables that might distort the result of regression analysis.

Model Specification

$$PROF_{ft} = \alpha + \beta_1 PFL_{ft} + \beta_2 PEB_{ft} + U_{ft}$$

Where;

α = Constant

PROF = Profitability proxy by log of profit after tax.

PFL = Provision for liabilities.

PEB = Provision for employee benefits.

FT= Firm ($_F$) at time ($_T$)

U = Error term used in the model.

β_1-β_4 = Beta coefficient of the independent variables.

Decision Rule

Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

4.0 Data Presentation and Analysis

Data Analysis

Data Validity Test

In order to ensure that the results are robust, several diagnostic tests such as variance inflation factor (VIF) and Tolerance statistics were computed as shown in Table 4.1, 4.3 & 4.4. The Variance Inflation Factor (VIF) statistics for all the independent variables stood at 1.00. This indicates the absence of multicollinearity problems among the variables under investigation (Berenson and Levine, 1999). This statistics ensures that the independent variables are not so correlated to the point of distorting the results and assists in filtering out those ones which are likely to impede the robustness of the model. There is no formal VIF value for determining presence of multicollinearity. Values of VIF that exceed 10 are often regarded as indicating multicollinearity, but in weaker models values above 2.5 may be a cause for concern (Kouisoyiannis, 1977: Gujarati and Sangeetha, 2007). Thus, this model exhibit low risk of potential multicollinearity problems as all the independent variables have a variance inflation factor (VIF) below 5 (Myers, 1990). This shows the appropriateness of fitting of the model of the study with the three independent variables.

In addition the tolerance values stood at 1.00 (see table 4.4). Menard (1995) suggests that a tolerance value of less than 0.1 almost certainly indicates a serious collinearity problem. In this study, the tolerance values are more than 0.1; this further substantiates the absence of multicollinearity problems among the explanatory variables.

Descriptive Statistics

The descriptive statistics for both the dependent and independent variables are presented in table 4.1 below:

Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
PROF	28	4.45	7.66	6.2367	.17360	.91862
PBD	28	.00	5.32	3.5719	.39999	2.11653
PEB	28	3.48	6.77	5.3898	.19400	1.02654
Valid N (listwise)	28					

Table 4.1 presents the descriptive statistics of all the variables. N represents the number of paired observations and therefore the number of paired observation for the study is 28.

Profitability reflects a mean of 6.2367 and a standard deviation of 0.91862, it has a minimum value of 4.45 and a maximum value of 7.66. The Provision for bad debt (PBD) has a mean of 3.5719 with a deviation of 2.11653 also, with a minimum and maximum value of 0.00 and 5.32 respectively. The result also Provision for employment benefits (PEB) has a minimum and maximum value of 3.48 and 6.77 respectively and reflects a mean of 5.3898 with a deviation of 1.02654 The result of the descriptive statistics in respect to the study's independent variables indicates that Listed agro firms consider the Provision for employee benefits more as a major variable of Estimates that influence the financial performance of firms as a result of its high mean, the reason for this could be due to the fact that firms incur more cost on Estimates on employee benefits which enhances their profitability.

Regression of the Estimated Model Summary

This section of the chapter presents the results produced by the model summaries for further analysis.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.850[a]	.723	.701	.50214	.723	32.681	2	25	.000	1.150

a. Predictors: (Constant), PEB, PBD

b. Dependent Variable: PROF

Table 4.3.1, presents the regression result between PDB, PEB and PROF. From the model summary table above, the following information can be distilled.

The R value of 0.850 shows that, there is a very strong relationship between (PEB,PBD) and PROF at 85.0%. Also the R^2 stood at 0.723.The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (PROF) that can be explained by the independent or explanatory variables (PBD and PEB). Thus the R^2 value of 0.723 indicates that 72.3% of the variation in the PROF of listed agro firms can be explained by a variation in the independent variables: (PEB and PBD) while the remaining 27.7% (i.e. 100-R^2) could be accounted by other variables not included in this model.

The adjusted R^2 of 0.701 indicates that if the entire population is considered for this study, this result will deviate from it by only 0.022 (i.e. 0.723 – 0.701). This result shows that there is a deviation of the sample examined and the total population by 2.2%. The table further shows the significant change of 0.00 with a variation of change at 72.3% indicate that the set of independent variables were as a whole contributing to the variance in the dependent.

The results of the model summary revealed that, other factors other than PBD and PEB can affect the profitability of listed firms. According to Ezekiel, Michael and Solomon (2014) this factors include Direct material cost, direct labour cost, production overhead

Regression Results

Regression analysis is the main tool used for data analysis in this study. Regression analysis shows how one variable relates with another. The result of the regression is here by presented in this section.The regression result as presented in table 4.4.1 above

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.350	.540		4.354	.000		
	PBD	-.051	.046	-.117	-1.117	.275	1.000	1.000
	PEB	.755	.094	.844	8.020	.000	1.000	1.000

a. Dependent Variable: PROF

to determine the relationship between PBD, PEB and PROF shows that when the independent variables are held stationary; the PROF variable is estimated at 2.350. This simply implies that when all variables are held constant, there will be a significant increase in the *PROF* of listed firms up to the tune of 2.350 units occasioned by factors not incorporated in this study. Thus, a unit increase in PBD will lead to a significant decrease in the PROF by 0.117. Similarly a unit increase in PEB will lead to a significant increase in

PROF by 0.844.

Test of Research Hypotheses

The hypothesis formulated in chapter one will be tested in this section inline with the decision rule.

Accept the Null hypothesis if the calculated value is greather than the significant level of 0.05.

Ho_1: *Provision for Bad debt has no significant effect on the Profitability of listed firms.*

Given that the significant level is 0.05 and the calculated value for Provision for Bad debt (0.275) is greater than the significant level, we therefore accept the Null hypothesis.

Ho_2: *Provision for Employee benefits has no significant effect on the Profitability of listed firms*

Given that the calculated significance level for Salary and wages is 0.000 which is less than the accepted significance level of 0.05, therefore the null hypothesis is rejected and the alternative accepted.

5.0 Summary, Conclusion and Recommendations

Summary of Findings

The following are the summary of the major findings of this study arrived at through the test of the research hypotheses earlier formulated in this study.

- There is no significant effect of Provision for bad debt on profitability of firms.
- There is a significant effect of provision for employee benefit on the profitability of firms.

Conclusions

The following conclusions becomes pertinent:

- Provision for Bad debt has no significant effect on the profitability of firms.
- Provision for employee benefits has a significant effect on the profitability of listed firms.

Recommendations

In consonance with this study's findings, it is recommended that:

1. Proper estimates should be made accurately in other to capture the real cost incurred so as to determines its effect on firms profitability.
2. firms should be more focus on their estimates to enable them make policies in regards to their debt policies and make the right well fare policy in regards the estimates made on employee benefits

References

Berenson, I. & Levine, M. (1999).*Basic Business Statistics*: Concepts and Application. New Delhi: Prentice Hall of India, Pvt Ltd.

Cassell, C., L. Dreher, and L. Myers. (2013). Reviewing the SEC's review process: 10-K comment letters and the cost of remediation. *The Accounting Review* 88 (6): 1875-1908.

Chen, J. V., and F. Li. (2013). Estimating the amount of estimation in accruals. University of Michigan Working Paper.

Cohen, J., L. M. Gaynor, G. Krishnamoorthy, and A. M. Wright. (2007). Auditor communications with the audit committee and the board of directors: Policy recommendations and opportunities for future research. *Accounting Horizons* 21 (2): 165-187.

Cohen, J., G. Krishnamoorthy, and A. M. Wright. (2004). The corporate governance mosaic and financial reporting quality. *Journal of Accounting Literature* 23 (1): 87-152.

Dechow, P. M., W. Ge, C. Larson, and R. Sloan. (2011). Predicting material accounting misstatements. *Contemporary Accounting Research* 28 (1): 17– 82.

Einhorn, E. (2005). The nature of the interaction between mandatory and voluntary disclosures. *Journal of Accounting Research* 43 (4): 593-621.

Gilson, S. C. (1990). Bankruptcy, boards, banks, and blockholders. *Journal of Financial Economics* 27 (2): 355-387.

Glendening, M. (2014). The value relevance of critical accounting estimate sensitivity disclosures. Working Paper, University of Missouri.

Gujarati, D.N. & Sangeetha. (2007). *Basic Econometrics,* 4th Ed. New Delhi. Tata McGraw: Hill publisher. Co. Ltd.

Hassan, Liaqat, Ch. Abdul and Muhammad (2011) Impact of working capital management on the profitability of the firm without compromising the liquidity of the firm. ***Asian Economic and Financial Review*** **2(8):966-982** 970

Johnson, M. F., R. Kasznik, and K. K. Nelson. (2001). The impact of securities litigation reform on the disclosure of Forward-Looking information by high technology firms. *Journal of Accounting Research* 39

(2): 297-327.

Knechel, W. R. (2007). The business risk audit: Origins, obstacles and opportunities. *Accounting, Organizations and Society* 32 (4): 383–408.

Koutsoyiannis A. (2007). *Theory of Econometrics* 2nd ed.: 175th avenue NY palgrave Macmillan.

Krishnan, G.V., and G. Visvanathan. (2008). Does the SOX definition of an accounting expert matter? The association between audit committee directors' accounting expertise and accounting conservatism. *Contemporary Accounting Research* 25 (3), 827-857.

Lev, B., S. Li, and T. Sougiannis. (2010). The usefulness of accounting estimates for predicting cash flows and earnings. *Review of Accounting Studies* 15 (4): 779-807.

Levine, C. B., and M. J. Smith. (2011). Critical Accounting Policy Disclosures. *Journal of Accounting, Auditing and Finance* 26 (1): 39-75.

Li, F. (2008). Annual report readability, current earnings, and earnings persistence. *Journal of Accounting and Economics* 45 (2): 221-247.

Myers, R.H. (1990). *Classical and Modern Regression with Applications*, PWS-Kent Publishing Company, Boston.

Myers S.C. (1984). "The Capital Structure Puzzle" *Journal of Financial*, 39(4) 575-592.

Myers S.C. (1997). "Determinants of Corporate Borrowing" *Journal of Financial Economics,* 5(1)147-175.

SEC. (2001). *Securities Act Release Nos.: 33-8040; 34-45149; FR-60. Cautionary Advice Regarding Disclosure About Critical Accounting Policies*, December 12, 2001.

SEC. (2002). *Securities Act Release Nos.: 33-8098; 34-45907. Disclosure in Management's Discussion and Analysis about the Application of Critical Accounting Policies*, May 10, 2002.

SEC. (2003). *Securities Act Release Nos.: 33-8350; 34-48960; FR-72. Commission Guidance Regarding Management's Discussion and Analysis of financial Condition and Results of Operations*, December 19, 2003.

SEC. (2011). Transcript for Measurement uncertainty in financial reporting: How much to recognize and how best to communicate it. Inaugural public roundtable for financial reporting series. November 8, 2011. http://www.sec.gov/about/offices/oca/frs/ocafrseries110811-transcript.txt.

Skinner, D. J., and R. G. Sloan. (2002). Earnings surprises, growth expectations, and stock returns or don't let an earnings torpedo sink your portfolio. Review of Accounting Studies 7 (2–3): 289–312.

Slovic, P., M. L. Finucane, E. Peters, and D. G. MacGregor. (2007). The affect heuristic. European Journal of Operational Research 177 (3): 1333-1352.

Sloan ,R . (2001) Financial accounting and corporate governance : a discussion . Journal of Accounting and Economics ,32 (1) 335 -347 .

Walther, B. R. (1997). Investor sophistication and market earnings expectations. Journal of Accounting Research 35 (2): 157-192.

Zhang, A. Y. (2012). Evidence on the trade-off between real activities manipulation and accrual based earnings management. The Accounting Review 87 (2): 675-703.

The Effect of Corporate Board Size on Financial Performance of Nigerian Listed Firms

Kajola Sunday O. (Ph.D)*
Department of Accounting
Federal University of Agriculture,
Abeokuta, Nigeria
sundaykajola@gmail.com
234-8033519571

Onaolapo Adekunle A. (Ph.D)
Department of Accounting & Management
Ladoke Akintola University of Technology,
Ogbomoso, Nigeria
adekunleonaolapo@gmail.com.
234-8033892807

Adelowotan Michael O. (Ph.D)
Department of Accounting & Business Administration
Distance Learning Institute
University of Lagos, Akoka, Nigeria
madelowotan@unilag.edu.ng
234-8023032304

pp 204 - 213

Abstract

This study examines the relationship between board size and financial performance of 35 non-financial firms listed on Nigerian Stock Exchange. The study covers the period 2003-2014. Using panel data regression analysis and Fixed effects model as estimation technique, result reveals a positive and significant relationship between board size (surrogated by the natural log of number of directors on the board) and the two financial performance proxies (Return on assets and Return on equity). The outcome of the study is consistent with some prior empirical studies and provides evidence in support of the argument that companies with larger board members do harness the divergent views of members, thereby coming up with informed decisions that will improve the financial performance of companies under their watch. It is also difficult for chief executive of companies to influence members of the board. For higher financial performance to be achieved, this study recommended an average board size of not less than 9 members for a listed company.

Key words: agency cost, board of directors, corporate governance, financial performance

1.0 Introduction

Separation of ownership and control is the hall mark of modern joint stock corporations. On one hand, we have the owners (shareholders) of the entity who contribute funds for the running of the business. On the other hand, we have the professional managers (management) that help to run the affairs of the business. For effective monitoring and provision of advisory services to the management of corporations, regulatory agencies provide for companies to have board of directors.

The board is considered to be an important corporate governance mechanism because decisions reached by the board are implemented by the management. These decisions affect not only the performance of the entity, but also have significant effect on the survival of the business.

The crux of the matter is the size of this important corporate governance mechanism (board) and its effect on financial performance of an entity. Much of the public debates and empirical studies in the USA and some other developed countries where boards play important roles in corporate governance favour board with smaller size. It is argued that larger board size initially facilitates key board functions, but there comes a point when larger boards suffer from coordination and communication problems and hence board effectiveness and firm performance declines (Lipton and Lorsch, 1992; Jensen, 1993; and Guest, 2009).

Contrary to the well documented negative relationship between board size and financial performance, a number of recent studies (Dalton and Dalton, 2005; Adam and Mehran, 2005; Guest, 2008, 2009; Coles, Daniel and Naveem, 2008, Topal and Dogan, 2014) provide evidence that board size is determined by firm specific variables, hence the direction of the relationship between it and financial performance may differ between companies. Some of the findings indicate that larger boards work well for certain type of firms depending on their organizational structures and the country's institutional framework on corporate governance regarding functions of the board.

Paucity of research materials in this area of study especially in the developing countries, such as Nigeria, serves as a source of motivation for the current study. The primary objective of this study is to investigate the relationship between board size and financial performance of listed firms in Nigeria.

2.0 Literature Review

Theoretical framework

Agency theory

This theory was initially put forward by Berle and Means (1932) cited in Onaolapo, Kajola and Nwidobie (2015) but reviewed by Jensen and Meckling (1976) show the fundamental agency problem inherent in modern day joint stock (or limited liability) companies. This evolves as a result of separation of ownership and control unlike what we have in a sole proprietorship business. The owners (shareholders) provide the necessary funds for the business to use in the normal day-to-day activity, while professional managers are employed to run the affairs of the business.

It is expected that the managers (who are the agents of the owners) will utilize the funds provided by the owners (principals) by investing in projects that will increase the net worth of the owners. However, some opportunistic managers may decide to use the funds in such a way that will profit them as managers against the interest of the owners. In order to align the interest of the managers with the owners, the latter incur monitoring (agency) cost.

Earlier agency theorists (Demsetz and Lehn, 1985; Jensen and Meckling, 1976 and Fama and Jensen, 1983) suggested having an effective corporate governance system, which involves establishment of board of directors. The primary function of the board is to monitor the professional managers/directors and ensures that these agents discharge their duties in line with their engagements and to the benefit of the owners (shareholders) of the business. Thus, the size of the board is material to the effective discharge of their onerous task, which ultimately affects the financial performance of the entity they preside on.

Related empirical studies

Yermack (1996) pioneered the empirical study on the relationship between board size and financial performance. Analyzing a panel of 452 large USA firms from 1984 to 1991 using a fixed effects model, result shows that there is a negative and significant board size effect on Tobin's q (financial performance proxy).

Kiel and Nichoison (2003) study the impact of board structure on the financial performance of 348 firms quoted on Australian stock exchange for1996-1998. The results of the study suggest a positive and statistically significant relation between board size and financial performance proxy, Tobin's q.

Belkhir (2008) investigates the relationship between board size and performance of a sample of 174 bank and savings-and-loan holding companies, over the period 1995-2002. Using panel data techniques, the study reveals a positive relationship between board size and performance, as measured by Tobin's q and the return on assets. The paper concludes that the board size-performance relationship goes from board size to performance and that the calls to reduce the number of directors in banks might have adverse effects on performance.

Guest (2009) examine the impact of board size on firm performance for a large sample of 2,746 UK listed firms over 1981-2002. Findings reveal that board size has a strong negative impact on profitability (Tobin's q and share returns). Results further show that the negative relation is strongest for large firms, which tend to have larger boards.

Eyenubo (2013) examines the impact of bigger board size on financial performance of 50 listed firms in Nigeria for the period 2001-2010. With the use of regression analysis technique, the outcome of the study shows that bigger board size affects the financial performance of a firm in a negative manner.

Akpan and Amran (2014) investigate the relationship between board characteristics and company performance of 90 listed companies in Nigeria from 2010 to 2012. The empirical evidence shows that board size and board education are positively and significantly related to company performance.

Topal and Dogan (2014) test the impact of the board size on the financial performance of 136 Turkish manufacturing firms for data from 2002-2012. Robust estimator developed by Beck-Katz (1995) was used for analysis. The results of the conducted analyses suggest a positive relation between the board size and return on asset and Z Altiman score. Another result, on the other hand, suggests that board size doesn't have an impact on Tobin's q and return on equity.

Malik, Wan, Ahmad, Naseem and Rehman (2014) examine the relationship between board size and firm performance using the Pareto Approach for 14 Pakistani banks for the period 2008-2012. The results of the study provide a significant positive relationship between board size and bank performance.

Nath, Islam and Saha (2015) examine the influence of board structure on firm's financial performance in the pharmaceutical industry of Bangladesh. Four major board attributes (board composition, board size, board ownership and CEO duality) were selected to identify their influence on firm's financial performance. The findings from the study show that there is a significant negative relation between board size and firm's financial performance. However, the association between other three variables with financial performance is insignificant.

Pratheepkanth, Hettihewa and Wright (2015) investigate the correlation between board attributes and firm performance in a sample of 100 Australian and 100 Sri Lankan firms. The analysis and a visual inspection of the raw data suggest that Australian boards are much larger than Sri Lankan boards. The most important finding of the study is that the larger boards of Australia appear to have a significantly stronger influence on firm performance than the relatively smaller boards of Sri Lanka.

Bebeji, Mohammed and Tanko (2015) analyze the effect of board size and composition on the performance of 5 Nigerian banks for the period of 9 years. Using multivariate regression analysis, the finding of the study reveals that the board size has significant negative impact on the performance of banks in Nigeria.

Johl, Johl and Cooper (2015) examine the impact of board characteristics and firm performance of 700 public listed firms in Malaysia for the year 2009. The result shows that board independence does not affect firm performance, whilst board size and board accounting/financial expertise are positively associated with firm performance.

Isik and Ince (2016) investigate the impact of board size and board composition on performance of 30 commercial banks from 2008 to 2012 in Turkey. After controlling for bank size, credit risk, liquidity risk, net interest margin and non-interest income, the results of panel fixed effects regression suggest that board size has a significant positive effect on bank's performance (Operating Return on Asset, OROA and Return on Asset, ROA).

On the basis of agency theory and Resource dependency theory, Munyradadzi and Nirupa (2016) explore the effect of board composition and board size on financial performance of companies listed on the Johannesburg stock exchange in South Africa. Result shows that board size is not significantly associated with Tobin's Q and ROE (performance measures). In contrast to this result, board size is found to be positively associated with another performance measure, ROA.

3.0 Methodology

Data source

Data for this study were sourced from the audited reports and accounts of the selected firms and also from the Nigerian Stock Exchange Fact Books for 2003-2014. The choice of the study period is guided by the availability of relevant data.

Population, sample and sampling technique

As at the beginning of 2014, 183 non- financial firms were listed on the floor of the Nigerian Stock Exchange and this constitutes the population of the study. The sample size of 35 companies was chosen from the population through the stratified sampling technique. In all, the sample companies covered 15 business sectors as shown in Table 1. (see Appendix 1).

Table 1: Sample Companies used in the study

S/N	Sector	No of Firms
1	Agro/Agro-allied	1
2	Automobile and Tyre	1
3	Breweries	2
4	Healthcare	2
5	Industrial and Domestic product	3
6	Building Materials	3
7	Chemical and Paints	3
8	Conglomerates	3
9	Construction	2
10	Printing and Publishing	2
11	Food/ Beverages and Tobacco	3
12	Packaging	3
13	Petroleum (Marketing)	5
14	Textile	1
15	Commercial/Services	1
	Total	**35**

Source: Researchers' selection from Nigerian Stock Exchange Fact Books for relevant years of study.

Research instrument

In line with some prior studies, panel data regression analysis was adopted. This involves simultaneous combination of cross-sectional and time series data. Two estimation techniques- Fixed effects and Random effects were initially considered. Since companies of different sizes and sectors comprised the sample, the use of simple pooled OLS may not give correct inferences on the relationship between the study variables. Hence, in line with Yermack (1996), Marfo-Yiadom and Agyei (2011) and Dawood, Moustafa and El-Hennawi (2011), Fixed effects and Random effects models where lagged values are not included among the regressors are applied. This will help to alleviate the endogeneity problem that may occur due to omitted variables, measurement error of explanatory variables or reverse causality between the dependent variable and the explanatory variables. In order to determine which of the two techniques to be used for valid inferences, Hausman (1978) specification test was conducted.

Description of variables

Dependent Variable

Financial Performance: This is the only dependent variable of the study and it is measured by two proxies- Return on asset (ROA) and Return on equity (ROE).

(i) Return on Asset: It is the measure of how well a firm utilizes its assets to generate profit. It gives a long-term view of performance of the firm (Vijayakumar and Devi, 2011). ROA is measured as the ratio of profit after tax to total assets.

(ii) Return on Equity: This is a measure of how a firm utilized the available resources contributed by owners to earn a profit. Like ROA, It also gives a long-term view of performance of the firm.

Independent variable

Board size is the only independent variable of the study. The current study adopts the natural log of number of directors on the board as a measurement of board size (Anderson & Reeb, 2003; Jackling & Johl, 2009; Arosa, Iturralde & Maseda, 2010, Munyradadzi & Nirupa, 2016 and Isik & Ince, 2016). With some exemptions, the majority of the studies on the relationship between board size and financial performance, especially in the developed countries, is negative (Yermack, 1996; Mak & Kusnadi, 2005; Raheja (2005); Haniffa & Hudaib, 2006; Cheng, 2008; Arosa, Iturralde & Maseda, 2013; Eyenubo, 2013; Bebeji et al, 2015 and Nath et al, 2015).

Control variables

Leverage: Leverage: This variable is considered in the literature to have effect on profitability. The direction of the relationship between leverage and profitability depends on the theory behind it. The Pecking order theory of Myers (1984) and Myers and Majluf (1984) predict a negative relationship while Static-trade off theory predicts positive relationship. Leverage is measured as the ratio between total debts to total assets.

Firm size: This is defined as natural log of total assets. **The size of a firm is considered to be an important determinant of firm's profitability, hence the need to introduce in this study, a control variable, SIZE, which serves as a proxy for firm's size. Penrose (1959) cited in Onaolapo and Kajola (2010) argues that larger firms can enjoy economies of scale and these can favourably impact on profitability. A positive relationship between firm's size and financial performance is expected in line with the prediction of Static trade-off theory.**

Age: Firm age: This is seen as a variable that influences firm performance because of the cumulative experience of the firm and the generation of a purchasing and negotiating power. Older firms are expected to be more profitable than younger firms. Thus, a positive relationship between age and profitability is expected. Log of the age of the firm (that is from the date the firm has been admitted to stock exchange to the studied date as in Mahdi,

relationship or association (not strength of relationship) between two variables, it cannot be used to make valid inferences, hence the reason for the conduct of regression analysis.

Regression

Tables 5 (a) and 5 (b) have similar results. In Table 5 (a), the relationship between board size and ROA is positive and significant at 10% level for both Fixed effects and Random effects models. In the same vein, the relationship between board size and ROE is positive and significant at 5% level for both models. For valid inferences to be made there is need for further econometric test to be made.

Results and Discussion

Descriptive statistics

Table 2 presents the descriptive statistics of the variables used in the study.

Table 2: Descriptive statistics

	Mean	Minimum	Maximum	Standard deviation	Skewness	Kurtosis
ROA	0.0434	-3.0259	0.5080	0.1778	-12.601	213.160
ROE	1.2775	-94.6054	12.9393	5.3908	-13.361	239.879
BDZ	0.9463	0.4771	1.2041	0.1177	-0.523	0.707
LEV	0.2232	0.0000	3.0908	0.2676	4.439	38.117
SIZ	9.7169	7.9967	11.4990	0.7763	-0.219	-0.750
AGE	1.5810	1.1460	1.7850	0.1233	-0.881	0.306

Source: Authors' computation with the use of E- Views 7.0

Table 3: Collinearity result

Table 3 shows the result of collinearity test conducted using the VIF and TV methods.

Variable	VIF	Tolerance value
BDZ	1.372	0.729
LEV	1.008	0.992
SIZ	1.567	0.638
AGE	1.174	0.852

Source: Authors' computation with the use of SPSS Version 17

In Table 3, no variable has VIF of above 10 or TV of less than 0.1. These results confirm that there is no high multicollinearity between explanatory variables used in the study. Hence, valid inferences would be made in regression analysis conducted.

Table 4: Correlation matrix

	ROA	ROE	BDZ	LEV	SIZ	AGE
ROA	1					
ROE	0.875*** (0.000)	1				
BDZ	0.012 (0.714)	0.054 (0.269)	1			
LEV	-0.507*** (0.000)	0.448*** (0.000)	0.005 (0.721)	1		
SIZ	0.082* (0.095)	0.219*** (0.000)	0.518*** (0.000)	0.038 (0.436)	1	
AGE	0.095* (0.051)	0.091* (0.061)	0.147*** (0.003)	-0.056 (0.250)	0.374*** (0.000)	1

*, **, *** indicate significant at 10%, 5% and 1% levels, respectively
Sig-values are shown in parentheses
Source: Authors' computation with the use of SPSS Version 17

Table 5(a): Regression results - (ROA as a dependent variable)

	Fixed	Effects		Random	Effects	
Variable	**coefficient**	**t-stat**	**prob**	**coefficient**	**t-stat**	**prob**
Constant	-2.8726	1.0750***	0.0079	-0.1440	-1.0666	0.2868
BDZ	0.1363	1.8604*	0.0635	0.2061	1.6133*	0.0989
LEV	-0.3409	-12.2363***	0.0000	-0.3416	-11.5088***	0.0000
AGE	0.0012	0.0216	0.9828	0.0377	0.4967	0.6197
SIZ	0.0254	2.2913**	0.0224	0.0313	2.2918**	0.0224
R^2	0.4013				0.2503	
Adj R^2	0.3220				0.2431	
F-stat	5.0612***				34.6358***	
Prob	0.0000				0.0000	
Durbin-Watson	1.9261				1.7696	
Observations	420				420	

*, **, *** indicate significant at 10%, 5% and 1% levels, respectively
Source: Authors' computation with the use of E- Views 7.0

Table 5(b): Regression results - (ROE as a dependent variable)

	Fixed	Effects		Random	Effects	
Variable	**coefficient**	**t-stat**	**prob**	**coefficient**	**t-stat**	**prob**
Constant	-46.0298	-1.4339	0.1524	-11.6712	-2.5105**	0.0124
BDZ	5.2630	2.3335**	0.0201	3.0560	1.7657**	0.0424
LEV	-9.4574	-11.0251***	0.000	-9.6891	-10.1110***	0.0000
AGE	-4.7993	-2.9162***	0.0037	-2.2895	-0.8498	0.3959
SIZ	1.6466	4.8175***	0.0000	2.2253	4.7548***	0.0000
R^2	0.4191				0.2309	
Adj R^2	0.3422				0.2235	
F-stat	5.4476***				31.1468***	
Prob	0.0000				0.0000	
Durbin-Watson	1.9983				1.8421	
Observations	420				420	

*, **, *** indicate significant at 10%, 5% and 1% levels, respectively
Source: Authors' computation with the use of E- Views 7.0

Discussion of findings

In order to determine which of the estimations of the two models (Fixed and Random effects) is to be used for the purpose of making conclusions, Hausman specification test was conducted. The null hypothesis underlying the Hausman specification test is that fixed and random effects models' estimates do not differ substantially. Empirically, if the *prob* value of the Chi-square is greater (lesser) than 0.05, the estimations based on the Random effects (Fixed effects) will be better off.

Results of Hausman specification test are reported in Table 6. It reveals that the *prob* values of the test are 0.0016 and 0.0003 for models 1 and 2, respectively. These values are less than 0.05. Null hypothesis is rejected and this lead to the use of Fixed effects model for making valid inferences.

Table 6: Result of Hausman Test

Model	Dependent variable	Independent variable	Chi-square stat	Chi-square d.f	Prob
1	ROA	BDZ	17.4326	4	0.0016
2	ROE	BDZ	20.9785	4	0.0003

Source: Authors' computation with the use of E- Views 7.0

In Table 5(a), the F-stat value of 5.0612 with prob value of 0.0000 indicates that as a whole, the model is fit. The Durbin-Watson statistic value of 1.9261 indicates no presence of serial autocorrelation in the error component of the model. This shows soundness and reliability of the model. The finding of the regression exercise indicates a positive and significant relationship between board size and financial performance proxy, ROA at 10% level. This result is consistent with prior empirical findings of Van den Berghe and Levrau (2004), Nichoison and Kiel (2007), Hanoku (2008), Belkhir (2008), Kajola (2008), Garcia-Olalla and Garcia-Ramos (2010), Chugh, Meador and Kumar (2010), Dagson (2011), Moscu (2013), Topal and Dogan (2014), Malik et al (2014), Akpan and Amran (2014), Johl, et al (2015), Pratheepkanth et al (2015) and Isik and Ince (2016).

The outcome of the study provides evidence in support of the argument that companies with larger boards do harness the divergent views and intellect of of Margaritis and Psillaki (2006), Zeitun and Tian (2007), Rao, Al-Yahyaee and Syed (2007), Akintoye (2008), Qaiser (2011), Muritala (2012), Rehman and Shah (2013), Leonard and Mwasa (2014), Kajola, Abosede and Akindele (2014), Mwangi, Makau and Kosimbei (2014) and Kajola (2015).

Similarly, the result indicates a positive and significant relationship between size and ROA. This is also in line with the prediction of Static-trade off theory and confirmed by empirical studies of Shubita and Alsawalhar (2012), Maja and Josipa (2012), Babalola (2013), Akinyomi and Olagunju (2013), Dogan (2013), Kipesha (2013), Ehi-Oshio, Adeyemi and Enofe (2013), Mahdi, et al (2014), Kajola (2015), Onaolapo, et al (2015) and Sritharan (2015).

Furthermore, results of the relationship between firm age and financial performance are mixed; insignificant relationship with ROA but negative and significant with ROE.

5.0 Conclusion, Recommendation and Future Study

Conclusion

The objective of the study was to examine the relationship between board size and financial performance of 35 non-financial firms listed on Nigerian Stock Exchange for the period 2003-2014. This represents 420 firm-year observations.

Board size, the only independent variable, was proxied by the natural log of the number of members on board of companies for each of the years of study. Financial performance, on the other hand, was measured by Return on Asset (ROA) and Return on Equity (ROE).

With the use of Fixed effects regression analysis, the results of the study under the two models (ROA and ROE) presented a positive and significant relationship between board size and financial performance. This result suggested that companies with larger board size do harness divergent views of members to come up with decisions that will improve financial performance. It further reinforced the view that chief executives of companies with larger board members will find it difficult to manipulate members to take some actions that will not be in the interest of owners of the business. Furthermore, larger board of directors can effectively monitor managers.

Recommendation

Following the outcome of the study, it is hereby recommended that companies should have larger board as this will enable members to effectively monitor the management, take informed decisions; reduce agency cost of monitoring and invariably leading to better financial performance. The study recommends average board size of 9 (that is, log inverse 0.9463, as in Table 2) for Nigerian non-financial companies.

Suggestion for future study

This study has its limitations thereby opening avenues for studies to be conducted in the future. Efforts should be directed to the study of the effects of other corporate governance mechanisms such as ownership concentration, board gender diversity and board composition on financial performance. There is also the need to increase the study period to at least twenty years, as well as the number of sample firms. Furthermore, data used in this study were derived only from Nigerian business environment; consequently limiting the possibility of generalizing the outcome of this study to other countries. Researchers from other countries are encouraged to carry out similar studies in their countries, as this would improve our understanding in this important aspect of corporate governance in a broader perspective.

References

Akintoye, I. R. (2008). Effect of capital structure on firms' performance: the Nigerian experience. European Journal of Economics, Finance and Administrative Sciences, 10, 233-243.

Akinyomi, O. J. & Olagunju, A. (2013). Effect of firm size on profitability: evidence from Nigerian manufacturing sector. Prime Journal of Business Administration and Management, 3(9), 1171-1175.

Akpan, E. O. & Amran, N. A. (2014). Board characteristics and company performance: evidence from Nigeria. Journal of Finance and Accounting, 2(3), 84-89.

Anderson, C. R. & Reeb, M. D. (2003). Founding-family ownership and firm performance: evidence from the S&P500. The Journal of Finance, LVIII (3), 1301-1328.

Arosa, B., Hurralde, T. & Maseda, A. (2010). Outsiders on the board of directors and firm performance: evidence from Spanish non-listed family firms. Journal of Family Business Strategy, 1, 236-245.

Arosa, B., Hurralde, T. & Maseda, A. (2013). The board structure and firm performance in SMEs: evidence from Spain. Investigaciones Europeas de Direccion y Economia de la Empresa, 19, 127-135.

Babalola, Y. A. (2013). The effect of firm size on profitability in Nigeria. Journal of Economics and Sustainable Development, 4(5), 90-207.

Bebeji, A., Mohammed, A. & Tanko, M. (2015). The effect of board size and composition on the financial performance of banks in Nigeria. African Journal of Business Management, 9(16), 590-598.

Belkhir, M. (2008). Board of directors' size and performance in the banking industry. Working Paper, Finance Department, University of North Texas, USA.

Cheng, S. (2008). Board size and the variability of corporate performance. Journal of Financial Economics, 87, 157-176.

Chugh, C. L., Meador, W. J. & Kumar, A. S. (2010). Corporate governance and firm performance: evidence from India. Journal of Finance and Accounting, 15(2), 230-232.

Coles, J. L., Daniel, N. D. & Naveem, L. (2008). Boards: does one size fit all? Journal of Financial Economics, 87, 329-356.

Dagson, S. (2011). How age diversity on the board of directors affects firm performance. Unpublished Thesis.

Dalton, D. & Dalton, C. R. (2005). Boards of directors: utilizing empirical evidence in developing practical prescriptions. British Journal of Management, 16, 891-897.

Dawood, M. H. A. K., Moustafa, E. I. & El-Hennawi, M. S. (2011). The determinants of capital structure in listed Egyptian corporations. Middle Eastern Finance and Economics, 9, 83-99.

De Andres, P., Azofra, V. & Lopez, F. (2005). Corporate boards in OECD countries: size, composition, functioning and effectiveness. Corporate Governance: An International Review, 3, 197-210.

Demsetz, H. & Lehn, K. (1985). The structure of corporate ownership: causes and consequences. Journal of Political Economy, 93(6), 1155-1177.

Dogan, M. (2013). Does firm size affect the firm profitability? Evidence from Turkey. Research Journal of Accounting and Finance, 4(4), 53-59.

Ehi-Oshio, O. U., Adeyemi, A. & Enofe, A. O. (2013). Determinants of corporate profitability in developing economies. European Journal of Business and Management, 5(16), 42-50.

E- Views 7.0 (2010): User's Guide.

Eyenubo, A. S. (2013). The impact of bigger board size on financial performance of firms: the Nigerian experience. Journal of Research in International Business and Management, 3(3), 85-90.

Fama, E. F. & Jensen, M. C. (1983). Separation of ownership and control. Journal of Law and Economics, 26(2), 301-325.

Garcia-Olalla, M. & Garcia-Ramos, R. (2010). Family ownership, structure and board of directors effectiveness: empirical evidence from European firms. Proceeding of 9th Annual IFERA Conference, Lancaster, UK.

Guest, P. M. (2008). The determinants of board size and composition: evidence from the UK. Journal of Corporate Finance, 14, 51-72.

Guest, P. M. (2009). The impact of board size on firm performance: evidence from the UK. European Journal of Finance, 15(4), 385-404.

Gujarati, D. N. (2003). Basic Econometrics. New York: McGraw-Hill/Irwin.

Haniffa, R. & Hudaib, M. (2006). Corporate governance structure and performance of Malaysian listed companies. Journal of Business Finance & Accounting, 33, 1034-1062.

Hanoku, B. (2008). Board characteristics and firm performance: evidence from New Zealand. Unpublished Thesis.

Hausman, J. A. (1978). Specification tests in econometrics. Econometrica, 46(6), 1215- 1271.

Isik, O. & Ince, A. R. (2016). Board size, board composition and performance: an investigation on Turkish Banks. International Business Research, 9(2), 74- 84.

Jackling, B. & Johl, S. (2009). Board structure and firm performance: evidence from India's top companies. Corporate Governance: An International Review, 17(4), 492-509.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance and takeovers. American Economic Review, 76, 323-329.

Jensen, M. C. (1993). The modern industrial revolution, exit and the failure of internal control systems. Journal of Finance, 48, 831-880.

Jensen, M. C. & Meckling, W. H (1976). Theory of the firm: managerial behaviour, agency costs and Ownership structure. Journal of Financial Economics, 3, 305-360.

Johl, S. K, Johl, S. & Cooper, B. J (2015). Board characteristics and firm performance: evidence from Malaysian public listed firms. Journal of Economics, Business and Management, 3(2), 239-243.

Kajola, S. O. (2008). Corporate governance and firm performance: the case of Nigerian listed firms. European Journal of Economics, Finance and Administrative Sciences, 14, 16-28.

Kajola, S. O. (2015). Determinants of capital structure of Nigerian quoted companies. Unpublished PhD Thesis, Ladoke Akintola University of Technology, Ogbomoso, Nigeria.

Kajola, S. O., Abosede, A. J. & Akindele, J. A. (2014). Ownership structure and firm performance. Sokoto Journal of Management Studies, 6(1), 40-59.

Kiel, G. C. & Nicholson, G. J. (2003). Board composition and corporate performance: how the Australian experience informs contrasting theories of corporate governance. Corporate Governance, 11, 189-205.

Kipesha, E. F. (2013). Impact of size and age on firm performance: evidences from microfinance institutions in Tanzania. Research Journal of Finance and Accounting, 4(5), 105-116.

Kumar, N. & Singh, J. P. (2013). Effect of board size and promoter ownership on firm value: some empirical findings from India. Corporate Governance, 13(1), 88-98.

Leonard, M. & Mwasa, I. (2014). Capital structure and financial performance in Kenya: evidence from firms listed at the Nairobi Securities Exchange. International Journal of Social Sciences and Entrepreneurship, 1(11), 1- 14.

Lipton, M. & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. Business Lawyer, 48, 59-77.

Mahdi, G., Behnaz, S., Mansoureh, S. & Neda, S. J. (2014). Assessing the relationship between firm size, age and financial performance in listed companies on Tehran stock exchange. International Journal of Scientific Management and Development, 2(11), 631-635.

Maja, P. & Josipa, V. (2012). Influence of firm size on business success. Croatian Operational Research Review, 3, 213-224.

Mak, Y. T. & Kusnadi, Y. (2005). Size really matters: further evidence on the negative relationship between board size and firm value. Pacific-Basin Finance Journal, 13, 301-318.

Malik, M., Wan, D., Amad, M. I. & Naseem, M. A. (2014). Role of board size in corporate governance and firm performance applying Pareto approach, is it cultural phenomena? Journal of Applied Business Research, 30(5), 1395-1406.

Marfo-Yiadom, E. & Agyei, S. K. (2011). Determinants of dividend policy of banks in Ghana. International Research Journal of Finance and Economics, 61, 99-108.

Margaritis, D. & Psillaki, M. (2007). Capital structure and firm efficiency. Journal of Business Finance & Accounting, 34(9-10), 1447-1469.

Moscu, R. G. (2013). The relationship between firm performance and board characteristics in Romania. International Journal of Academic Research in Economics and Management Sciences, 2(1), 167-175.

Munyradadzi, R. M. & Nirupa, P. (2016). Board composition, board size and financial performance of Johannesburg stock exchange companies. South African Journal of Economics and Management Science, 19(4), 497-513.

Muritala, T. A. (2012). An empirical analysis of capital structure on firms' performance in Nigeria. International Journal of Advances in Management and Economics, 1(5), 116-124.

Mwangi, L. W., Makau, M. S. & Kosimbei, G. (2014). Relationship between capital structure and performance of non-financial companies listed in the Nairobi Securities Exchange, Kenya. Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics, 1(2), 1-19.

Myers, R. H. (1990). Classical and Modern Regression with Applications, 2nd Edition, Boston: PWS-Kent.

Myers S. C. (1984). The capital structure puzzle. Journal of Finance, 39, 575-592.

Myers S. C & Majluf, N. (1984). Corporate financing and investment decisions when firms have information that investors do not have. Journal of Financial Economics, 13, 187-221.

Nath, S. D., Islam, S. & Saha, A. K (2015). Corporate board structure and firm performance: the context of pharmaceutical industry in Bangladesh. International Journal of Economics and Finance, 7(7), 106-115.

Nicholson, G. J. & Kiel, G. C. (2007). Can directors impact performance? A case-based test of three theories of corporate governance. Corporate Governance: An International Review, 15, 585-608.

Nigerian Stock Exchange (2003-2014). Fact Book, Lagos.

Onaolapo, A. A. & Kajola, S. O. (2010). Capital structure and firm performance: evidence from Nigeria. European Journal of Economics, Finance and Administrative Sciences, 25, 70-82.

Onaolapo, A. A., Kajola, S. O. & Nwidobie, M. B. (2015). Determinants of capital structure: a study of Nigerian quoted companies. European Journal of Business and Management,7(23), 170-183.

Pratheepkanth, P., Hettihewa, S. & Wright, C. S. (2015). Effects of board structure on firm performance: a comparison between Australia and Sri Lanka. Proceedings of 4th Global Business and Finance Research Conference, held at Melbourne, Australia.

Qaiser, R. Y. (2011). Corporate governance and performance: an analysis of Pakistani listed firms. Global Journal of Management and Business Research, 11(10), 26-37.

Raheja, C. (2005). Determinants of board size and composition: a theory of corporate boards. Journal of Financial and Quantitative Analyses, 40(2), 283-306.

Rao, N. V., Al-Yahyaee, K. H. M. & Syed, L. A. M. (2007). Capital structure and financial performance: evidence from Oman. Indian Journal of Economics and Business, 1, 1-23.

Rehman, A. & Shah, S. Z. A. (2013). Board independence, ownership structure and firm performance: evidence from Pakistan. Institute of Interdisciplinary Business Research, 832-845.

Rumsey, D. (2007). Intermediate Statistics for Dummies. Indianapolis: Wiley Publishing Inc.

Shubita, F. & Alsawalhah, M. (2012). The relationship between capital structure and profitability. International Journal of Business and Social Science, 3(16), 104-112.

Sritharan, V. (2015). Does firm size influence on firm's profitability? Evidence from listed firms of Sri Lankan hotels and travel sector. Research Journal of Finance and Accounting, 6(6), 201-207.

SPSS for Windows version 17.0 (2010): LEAD Technologies, Inc.

Topal, Y. & Dogan, M. (2014). Impact of board size on financial performance: the case of BIST manufacturing industry. International Journal of Business Management and Economic Research, 5(4), 74-79.

Van den Berghe, L. A. A. & Levrau, A. (2004). Evaluating boards of directors: what constitutes a good corporate board? Corporate Governance: An International Review, 12, 461-478

Vijayakumar, A. & Devi, S. S. (2011). Growth and profitability in Indian automobile firms-an analysis. Journal for Bloomers of Research, 3(2), 168-177.

Wooldridge, J. M. (2002). Econometric Analysis of Cross-section and Panel Data. Cambridge: MIT Press.

Wooldridge, J. M. (2009). Introductory Econometrics: A Modern Approach, 4th Edition: Cambridge: USA Cengage Learning.

Yermack, D. (1996). Higher market valuation of companies with a small board of directors. Journal of Financial Economics, 40, 185-221.

Zeitun, R. & Tian, G. G. (2007). Capital structure and corporate performance: evidence from Jordan. Australasian Accounting, Business & Finance Journal, 1(4), 40-61.

Evaluating the Effect of Viral Marketing on Customer Brand Equity: An Empirical Evidence

Dr. Olannye, A.P
Department of Business Administration and Marketing
Faculty of Management Sciences,
Delta State University, Asaba Campus, Nigeria
olannyeap@gmail.com
08033097190

Onobrakpeya, A.S
Department of Business Administration and Marketing
Faculty of Management Sciences,
Delta State University, Asaba Campus, Nigeria

pp 214 - 226

Abstract

The main objective of the study is to examine the effect of viral marketing on brand equity in the Nigerian non alcoholic beverage industry. A cross-sectional survey research design method was adopted. Stratified random sampling technique was applied to select the sample. The study made use of a sample size of 289 employees from selected non alcoholic beverage firms in Lagos State, Nigeria. The research instrument was a 30-item validated structured questionnaire of the Likert Scale type. T**he statistical techniques used are the descriptive** statistics, correlation **and multiple regression analysis.** Findings showed that there is a significant relationship between the constructs of viral marketing and brand equity. Social networks appear to have the highest positive effect on brand equity in the non alcoholic beverage industry in Lagos State, Nigeria. The study therefore, concluded that the use of social networks can help to reach out to more customers geographically. By reaching out to more customers, the business can improve its marketing strategies and create brand equity. It was recommended that firms must regard targeting skillfully by sending messages to groups that are interested in the brand, product, or service with possibility of success than simply emailing to the world at large.

Keywords: Viral Marketing, Social Networks, Electronic Word-Of-Mouth, Online Trust, Brand Equity

1.0 Introduction

The internet is now the new way of life for many Nigerians to get their news, book travel reservations among other activities. For those consumers that consume entertainment, news and information in the internet, recommendations from relatives are important sources for that information. This new online marketing environment is conducive to a new kind of marketing communication commonly known as viral marketing. Viral marketing is one of today's most powerful and effective marketing tools. Viral marketing that once was believed merely as a casual tool has now become a key to result in successful marketing strategy. It is a direct marketing tool in which a marketer persuades online consumers to forward its publicity in e-mails.

Today, viral marketing has become a major marketing tool used by firms in different industries which comprise Unilever, Nike, and Volkswagen etc. Those firms value viral marketing as a means to benefit from, and the additional trust sources they receive while remaining largely in control of the message content (**Bampo**, **Michael,** Dineli, David, Mark, 2008). Message dissemination can either be intentional or unintentional. Furthermore, customers are not intentional actors in the marketing message dissemination process. The most frequent pattern of intentional viral marketing practice occurs when customers willingly become advocates of a product or service and disseminate the messages to their friends; they are aggravated to do so either through an explicit incentive (for instance, financial rewards, need to create network externalities) and also simply out of a desire to share the product and service benefits with friends (e.g, fun, arouse curiosity, valuable for others).

The goal of viral marketing is to use consumer-to-consumer (or peer-to-peer) communications as opposed to marketer-to-consumer communications to share information about a product or service, which lead to more quick and cost effective adoption by the market (Krishnamurthy, 2001). The current trend toward viral marketing has been fueled by the growing popularity of social networks platforms such as Facebook which has more than 1 billion connected consumers sharing marketing messages with just a single click on their laptop or mobile devices. Consumers' reaction to viral marketing seemingly differs for more versus less utilitarian products, according to theory from social psychology (Aronson, Elliot and Timothy, 2012).

The main element for a viral marketing campaign to work is not the advertised product or brand, but the message itself (Langner, 2007). The design of a unique message content and container is of crucial importance. A very often used vehicle for viral messages contents is a video clip (Kirby, and Marsden, 2006), putting focus on special emotions going along with the advertised brand/product. To initiate the viral effect it is vital for organizations to select suitable consumers who should be the first recipients and first to send the viral marketing message, as the success of a viral marketing campaign depends on their forwarding behavior (Helm, 2000).

In the current marketing world, social media help to link people together throughout the world through forums, blogs, social networks and media sharing websites. The main reason for viral marketing's popularity is the speed and the exponential dispersion of information, using electronic channel via internet (Kirby, and Marsden, 2006). Being free from the traditional setbacks, viral marketing campaigns can generate an urgent tremendous buzz within the brand's target group. Viral marketing has a role to play in determining an organizational marketing and financial value of its brand strength. Brand equity is seen as the marketing and financial values connected with a brand's strength in the market, which include actual proprietary brand assets, brand name awareness, perceived brand quality, brand associations and brand loyalty (Pride and Ferrell, 2003). The Nigerian beverage industry is categorized into two key groups and eight sub-groups. The non-alcoholic brands are made of soft drink syrup; soft drink, water bottling, canning; fruit juices bottling, canning and boxing; the coffee industry and the tea industry. The alcoholic beverage brands include wine, distilled spirits and brewing.

Since information disseminate at a faster rate on the Internet, viral marketing messages can get to a high numbers of customers in a short interval of time. Not surprisingly, many companies such as Coca Cola bottling, 7up, Microsoft, Philips, Sony, Ford, BMW, and Procter and Gamble have gone viral. Although, not all viral marketing messages are successful, and because of tough competitive, they need to become highly sophisticated in order to be effective and successful. Wang and Vassileva (2003) view trust as a peer's confidence in another peer's capabilities, sincerity and dependability based on its own direct experiences. Most of the previous studies on viral marketing have been conducted almost wholly in the foreign contexts and has not addressed the effect viral marketing may have on brand equity in the Nigerian non alcoholic beverage industry. Therefore, the rationale of this study is to deepen our understanding on the effect of viral marketing on brand equity in the

Nigerian non alcoholic beverage industry. The determinants of viral marketing such as social networks, electronic word-of-word and online trust were tested on brand equity.

Statement of the Problem

Consumers sometime do not trust the viral marketing campaigns run by the organizations to promote products and services because they are most times concerned about their personal data exposure. They fret about that companies are selling their private information to others that creates a problem for marketers to change this sort of customer perceptions. Despite the increasing shift of advertising to viral marketing the factors necessary to viral marketing effectiveness remain largely unknown to both marketing academics and practitioners. Viral marketing is a relatively novel phenomenon and is at an early stage of development. Therefore, the knowledge about its nature, characteristics and dimensions is yet to be explored in depth.

Some studies have been done on viral marketing but very few were done as it relates to brand equity. None was done in relation to the Nigerian non alcoholic beverage industry. This study will therefore be of significant to this industry as it will help them to know the necessary step to take in introducing viral marketing to the firms in the industry. Since more studies have focused on brand equity and its benefits to industries, this study takes a stance on emphasizing the magnitude of viral marketing in enhancing brand equity. Marketers encounter lack of control associated with viral marketing campaigns. Companies have no measure of controlling the spread of the message and the means of the transmission. Once the message is launched on the Internet it is almost impossible for the company to stop it and take it back, which could lead to a failure of brand control. The receivers of a message can even judge the transmission as 'spam'. The dependency on the consumer by the firm for message transmission is a risk as consumers, for example, may want payment from the firm for sharing a viral message. The lack of ethical values may make consumers feel cheated, exploited and used and may outlook viral messages as an invasion of their privacy. The viral message could reach and be spread by a group of people that the company wishes not to be associated with. Moreover, in some instance, these people may modify the message or add something to it that can negatively affect the brand and the company.

Objectives of the Study

The general objective of the study is to examine viral marketing and its effect on brand equity in the Nigerian Non Alcoholic beverage industry. The specific objectives are to:

i. ascertain the effect of social networks on brand equity.
ii. determine the influence of electronic word-of-mouth on brand equity.
iii. ascertain the effect of online trust on brand equity.

2.0 The Literature

Conceptual Review

Viral Marketing

Viral marketing starts with the marketer designing some form of electronic messages such as a video, the focus of which is usually brand-building. The term was first introduced by Jurvetson and Draper (1997), the founding investors of Hotmail, who viewed viral marketing to be "the vital catalyst for Hotmail's torrid growth. They used the term *viral* not because any traditional virus were involved, but because of the style of rapid implementation through various networks. Viral marketing is an advertisement that is in some way tied to an electronic message. It can be attached to an e-mail, video spot or posted in any form of social media. It is a form of advocacy, whereas one customer disseminates the message to other relevant buyers, creating the potential for exponential growth in the message's exposure and influence (Clow, and Baack, 2005).

Viral marketing is the promotional method of certain value products or service of a company through its marketing messages and ideas which are spread online. It is a marketing mix strategy that uses existing social networks to promote a product or service and increase the sales **(Venkatesh and Vinoth, 2016).** It is an electronic word-of-mouth marketing which is cheap and cost effective with high reachability and of huge help to create brand awareness than traditional media. It creates awareness among the people; accelerate the sales of the product in a short period of time as it creates a big buzz and a great exposure in the society. This is a customer-driven strategy of marketing which uses a specific set of consumers who share the messages among themselves enabling good interaction between users.

Welker (2002) viral marketing is a new interpretation of the good old word-of-mouth-pattern, the use of the Internet for sharing the message is a new concept that would not have been possible without the improvement of information and communication technologies. Therefore, viral messages must be structured uniquely to attract a specific target market and to make it interesting enough for people to want to spread it (Daniels, 2001). Care must be taken to introduce these viral messages into online networks in a manner unlike spam (Klopper, 2002). Viral marketing is viewed as a piece of message content generated by a marketer that instigates customers to readily send it to their friends and family, thereby creating instant brand awareness and advocacy. In the online marketing environment, viral marketing is any marketing effort that instigates users to share a marketing message to other users. Viral marketing is a form of marketing strategy that motivates customers to pass on a marketing message to other potential customers, creating the potential for exponential growth in the messages exposure and impact. These strategies take gain of quick multiplication to blow up the message to thousands and to millions of customers (Wilson, 2005). Further, viral marketing is such a marketing concept that encourages people to pass along a marketing message willingly (Anderson, 2008).

The Word of Mouth Marketing Association (2007) defined viral marketing as a kind of word of mouth that involves designing entertaining or informative messages that are structured to be passed along in an exponential way, frequently electronically. WOMMA's definition did not only just focus on electronic means, although this is what "frequently" makes things more viral. Similarly, Laudon and Traver (2002) in their definition did not even mention electronic channel, but rather described viral marketing broadly as the process of getting customers to pass along an organization's marketing message to colleagues, friends and family. According to *AMA* definition, viral marketing is a marketing concept that supports and encourages customers to share marketing message.

Viral marketing can be seen as a communication and distribution phenomenon that depends on customers to share digital products via electronic channels to other potential customers in their social environment and to animate these contacts to also broadcast the products **(Helm, 2000)**. According to Palka, Pousttchi and Wiedemann, (2009) the term viral marketing describes a kind of marketing practice that affect customers with an advertising message which they should pass from one customer to the next like a rampant flu virus. Moreover, it is one of the highly ranked techniques used by consumers not only for gathering information about products but also for making purchase decisions (Cruz and Fill, 2008). Viral Marketing refers to the process by which a brand can attract new consumers by cheering 'honest' communication. Prospective customers may search for more information about products before entering the behavioral phase (Doh and Hwang, 2009). *From the various discussions on the meaning of viral marketing, it is hereby defined based on the context of the study "as an expansion of the promotional mix strategy where by a marketer designs message content about a product or service and instigate a target consumer to share it with colleagues, friends and family in order to create brand awareness".*

Viral Marketing Elements

An effective viral marketing strategy comprise of the following six characteristics (Wilson, 2000).

i. **It gives away products for free**: Inexpensive way can generate a gesture of interest but freeway will attain it much faster. The freeways attract the consumer's attention, which in turn see desirable products and services that are purchased in most cases. Hence, preferably offers something away.

ii. **It gives the effortless transfer to others**: The marketing manager points out in viral marketing what is relevant to make the message easy so that its transmission can become easy and without degradation.

iii. **It measures easily from small to very large:** To spread like wildfire, diffusion techniques must be easily reachable from small to large. Marketers must be aware that if the virus multiplies only to kill the host before spreading, nothing is accomplished. Marketers must therefore take cognizance that servers, for example, can be expanded quickly.

iv. **It exploits common motivations and behavior:** As greed can drive people; so can the need to be loved, understood and popular. The resulting desire to circulate information about a product produces millions of Web sites and other electronic messages. Therefore, delicate viral marketing design takes gain of common human motivations and behaviors.

v. **It uses existing communication networks**: All through the history, customers have formulated communities in which networks of consumer interaction deliver daily events, social values and plans for activities that foster the well-being of the individual within the community and the community within the larger environment. Marketers must know how to place messages within the communications that exist between consumers, because customers in digital environments also develop networks of relationships.

vi. **It takes advantage of other resources to acquire the word out**: Affiliate programmes, like place, text or graphic links on other people's or organizations' Web sites. The top moment someone else's Web site is relaying your marketing message, someone resources are depleted instead of your own.

Social Networks

The exponential dispersion of information about a product is the vital feature of viral marketing. Combined with the possibility of interaction between consumers and companies as well as the increasing credibility of a message that comes from the customers' own social network, we define viral marketing as follows: According to statistics, two-thirds of the world's Internet population visits a social networking site or a blogging site (Nielsen, 2009). Similarly, time spent visiting social network sites now exceed the time spent emailing. Around 52 percent of the people, who find current information online, share it with their friends either through social networks, e-mails etc (Morrissey, 2009). Likewise, Facebook has more than 750 million active users and more than 250 million users' access social network sites through their mobile devices (Facebook Statistics, 2011). The prominent growth of networking via social media has changed the trends in the branding industry. Once merely just another tool to connect with, social media has now become a noteworthy and crucial part of consumers' day-to-day communication process. This is where viral marketing comes in, the process of exchanging positive information about certain products and services by consumers in and throughout the digital sphere or environment of customers (Helm, 2000; Wiedermann, 2007; Dobele, 2005).

A **social network** is the tag attached to any customer initiated communication with other customers who spread an interest and use the World Wide Web as a channel for creating a community (Quinton and Harridge-March, 2010). The aim of a social network can be briefly summarized as creating, managing and growing social interactions, connections, relationships and contacts (Martins and Soares, 2011). A social networking site that is easily accessible, straightforward, and appealing enables participants to become engaged in unique ways. It comes as no surprises that many industries have entered the social network space. The beverage industry are proactively interacting with their customers by coming up with innovative customized solutions and much responsive and prompt customer service (Kasavana, Nusair, and Teodosic, 2010).

Social network analysis is a data analysis design engraved on the principle of structuralism, where the style of relationships, among people, itself is supposed to have psychological impacts beyond individual differences or the nature of the relationships themselves (Kim, Kim and An, 2016). Those cognitive, affective, or behavioral bonds connecting dyads in some way in form of friendship, form the network's structure, much like in chemistry, where the structure of bonds among elements that forms compounds. Social marketing technologies also permit marketers to customize their brand messages and have a conversation with customers. However, the success of these channels is reliant on considerable resources being allocated to their appropriate use and evaluation.

Electronic Word of Mouth (eWOM)

Companies, compete immensely to employ the information technology strategy specifically in the marketing process to increase their strength to achieve the highest level of gains and quality. Electronic word of mouth consist of communication between marketers and costumers as well as those between costumers themselves both integral parts of the WOM flow and both noticeably differentiated from communications via mass media (Goldsmith 2006). Based on the definition of WOM by Westbrook (1987), electronic Word-of-Mouth (eWOM) was viewed as all informal communications aimed at the customers via Internet-based technology linked with the usage of a particular product and services, or their marketers. The digitalization of word-of-mouth has formed both new potential and challenges for marketers. Per (Dellarocas 2003): (1) with the low cost of access and information exchange, electronic word-of-mouth can emerge in an extraordinary high scale, potentially creating novel dynamics in the market; (2) though wider in scope, the technology allows for superior control over format and communication types; and (3) new problems may arise given the unknown identity of communicators, potentially leading to intentionally misleading and out-of- context messages.

Through the internet we can get access to information anytime and anywhere which helps to resolve the restrictions of traditional WOM (Hennig-Thurau et al., 2004). This evolvement into an innovative form of marketing communication between customers is recognized as electronic word-of-mouth (eWOM) (Bickart, and Schindler, 2001; Godes, and Mayzlin, 2004; Hennig-Thurau et al., 2004). eWOM is seen as any negative or positive statement made by actual, or former, potential customers about product and services, which is made available to a great number of people and institutions through the internet' (Hennig-Thurau et al., 2004, in Chan and Ngai, 2011).

Opinion leaders are an important element of traditional WOM, and likewise in eWOM where the term 'Efluentials' are used to describe the group of people, who affect other people's opinions. They are described as active users of email, newsgroups, bulletin boards, listservs and other online channels when sending their messages to their families and peers often approach them for information, opinions, and advice on a wide alternative of subjects' (Cruz and Fill, 2008). These groups of customers are vital for firms to reach with their communication, since they are the ones, who make sure that the content is disseminated and listened to. One of the indicators that determine the effect of the communicator is attractiveness, which is composed amongst others of similarity/congruence (Kiecker, and Cowles, 2001).

The higher the perceived similarity between communicator and recipient, the higher is the communicator's effect on the recipient's forwarding behavior. Besides, Cheung et al. (2009) states the ability of a message to back up the recipient's own position. Both findings provide proof that congruence between stimulus (e.g. viral message) and the recipient's view is very significant. The recipient is the person who receives a message and responds to it. If a recipient actually becomes a communicator of the viral message, it depends on his perceptions, experiences and sources (Cheung, and Thadani, 2010). A highly influencing indicator, in this respect, is the validation of existing beliefs, norms and attitudes (Cheung et al., 2009). As viral marketing basically uses electronic media this group is also called "e-fluentials" (Burson-Marsteller, 2007).

Online Trust

Mui, Mohtashemi, and Halberstadt (2002) defined trust as a "subjective expectation an agent has about another's future behavior based on the times past of their encounters. From the other perspective, trust refers to the measure of willingness to believe in a user based on its competence (e.g. goodness, strength, ability) and behavior within a specific domain at a given time (Yuan, 2010). It can be compared to reputation which means to a customer's belief in another customer's capabilities, sincerity and dependability based on recommendations received from other peers.

Online trust is when a consumer has confidence in an e-merchant's reliability and integrity to perform online transactions successfully (Peštek, Resić, and Nožica, 2011). The attributes of the merchant, attribute of the web site and the basic technology infrastructure as the indicators that influence online trust have been discussed (Yazdanifard, Hoe, Islam, and Emami, 2011). On the other hand, trust in information and trust in the information systems through which the information is handled are studied by some researchers like Pickard, Gannon-Leary, and Coventry (2010) and Ulmanen (2011). Regarding e-commerce, Chen and Dhillon (2003) have applied competence, ability and integrity. Ridings *et al.* (2002), for studying trust in virtual communities, applied two dimensions as ability and benevolence/integrity. They believe that there is close relationship between benevolence and integrity, so they have combined them as one dimension and showed that trust has a downstream influence on members' intentions to both give information and get information via the virtual community.

Use significance, timeliness, accuracy and comprehensiveness have been considered as the dimensions of information quality which means the trustworthiness or credibility of information (Cheung, Lee, and Rabjohn, 2008). From reviewing trust literature, three more frequent dimensions of trust which have been identified by Ulmanen (2011) are ability, integrity and benevolence, however Ulmanen (2011) considered friendliness of a community and information value as two dimensions of trust in online word-of-mouth and he showed the effect of these dimensions. Surprisingly, he has left trustworthiness of the website or other information systems, because he believes that it was examined through perceived systems quality or perceived usability.

Brand Equity

According to Lassar, Mittal and Arun (1995), brand equity is seen from two different perspectives; financial perspective and customer perspective. Financial perspective is usually known as the company's brand value. While, the customer evaluates appraises brand equity based on the customers' perceived brand value from the dimension of marketing decision making (Kim, Kim, and An 2003).

Furthermore, Yoo (2000) mentions that brand equity will be increased with the help of promoting positive perceived quality; perceived quality is parts of brand value that leads consumers to select a specific brand rather than another competing brand. However, when marketing experts use the term brand equity, they tend to connotes brand strength, referred to as "customer brand equity" to distinguish it from the asset valuation (Wood, 2000). Whereas, Aaker and Joachimsthaler (2000) explained brand equity in different concepts which namely are; brand awareness, brand association, brand loyalty and perceived quality. The strength of a brand can be seen from customer's perception and understanding about what they have benefited, observed, sensed and heard regarding a brand as a feedback of customer involvement with a particular brand in the past (Keller, 2003). According to Travis (2000), the major objective of brand equity is to build brand loyalty. From consumer's point of view high brand equity means that consumers have a stronger linked with the brand, perceives the brand to be of higher quality and is more loyal towards the brand (Chattopadyay, Dutta and Sivani, 2010). Researchers claimed that for a brand to have value it must be highly valued by customers. Then, the power of a brand rely so much what consumers have seen, learned, felt and heard about the brand as a result of their experiences over time (Keller, 2003).

Although marketing practitioners have discovered numerous sources of brand equity such as advertising frequency (Chattopadyay, Dutta and Sivani, 2010), advertising intensity, price, concentrated distribution, store image (Yoo, Donthu and Lee 2000), country-of-origin image (Norjaya et al., 2007), producer's reputation (Norjaya, Mohd and Osman, 2007). Keller (2008),observed that brand equity can be build up through the integrated marketing communication (IMC) namely media advertising, direct response advertising, online advertising, place advertising, point-of-purchase advertising, trade promotions, consumer promotions, event marketing and sponsorship, publicity and public relations and personal selling. Consumer decision making is being influenced by many factors encompassing the marketing mix and non marketing mix variables. In the information search stage of a decision-making process, a consumer obtains information from various sources including family and friends. In many important purchases consumers consult their close family members first before making any decisions.

Aaker (1991) conceptualized brand awareness as the ability of the potential customer to identify and remember that a brand is a member of a particular product group. The ability of a customer to identify a brand is known to as brand awareness. Brand awareness plays an imperative function in consumer decision making by bringing three key advantages: such as learning, consideration and choice advantages. Customer-based brand equity originates when the consumer has a high level of awareness and acquaintance with the brand and holds some strong, favorable, and unique brand associations in memory (Keller, 2003).

Nigerian Non Alcoholic Beverage Industry

The Nigerian beverages market is highly concentrated by beer and carbonated soft drink (CSD), with both controlling about 87% of beverages consumption. While the brands in the beverages space have some level of complementarities in their production, traditionally there is a clear view of focus among the key actors in the industry. The carbonated soft drink market is dominated by the Nigerian Bottling Company Plc (NBC) (the bottler of Coca Cola brand) and 7UP Plc (PepsiCo franchise bottler) in conjunction with increasing number of fringe players. In recent times, it has been experiential that there is an emerging theme among the key actors with gradual convergence of the beer and carbonated soft drink market segments. Consumption of non alcoholic beverages (NABs) such as Juice and carbonated drinks have been a kind of refreshment among Nigerian consumers of all ages, tribes and socioeconomic backgrounds (Phillip, Shittu and Ashaolu, 2013). Non alcoholic beverages have been widely recognized for their various contributions to household food and nutrition in general, and largely, for their role in body hydration (Phillip, et al 2013). They observed that fruit and vegetable based juices are vital contributors of vitamins, minerals and dietary fibre; and the magnitude of juice consumption have been reported (Flake and Nzeka, 2009; Phillip *et al.* 2013) while that of the carbonated soda has been a theme of discuss. For example, some marketing scholars have reported that consuming even as little as one or two sodas per day is linked to a myriad of pathologies (Valentine, 2001).

Brewers continue to explore the soft drink market by enlarging their product portfolios, through their non-alcoholic product variants and capturing an increasing share of consumers' discretionary spending. A good example is the drive of Nigerian brewery toward product portfolio optimization by the introduction of the Fayrouz brand to its product kit. Being a non-alcoholic brand, such products have a strong potential to introduce a broader market (breaking religious boundaries – a key indicators in the Nigerian brewery market) and cause good competition to the main carbonated soft drink producers in Nigeria. In this report, there is a shift of focus on the lion share of the Nigerian beverages market: the beer segment; and analyze the key players in this market though consolidating their non-beer production volume which we think will not significantly change the substance of our opinion.

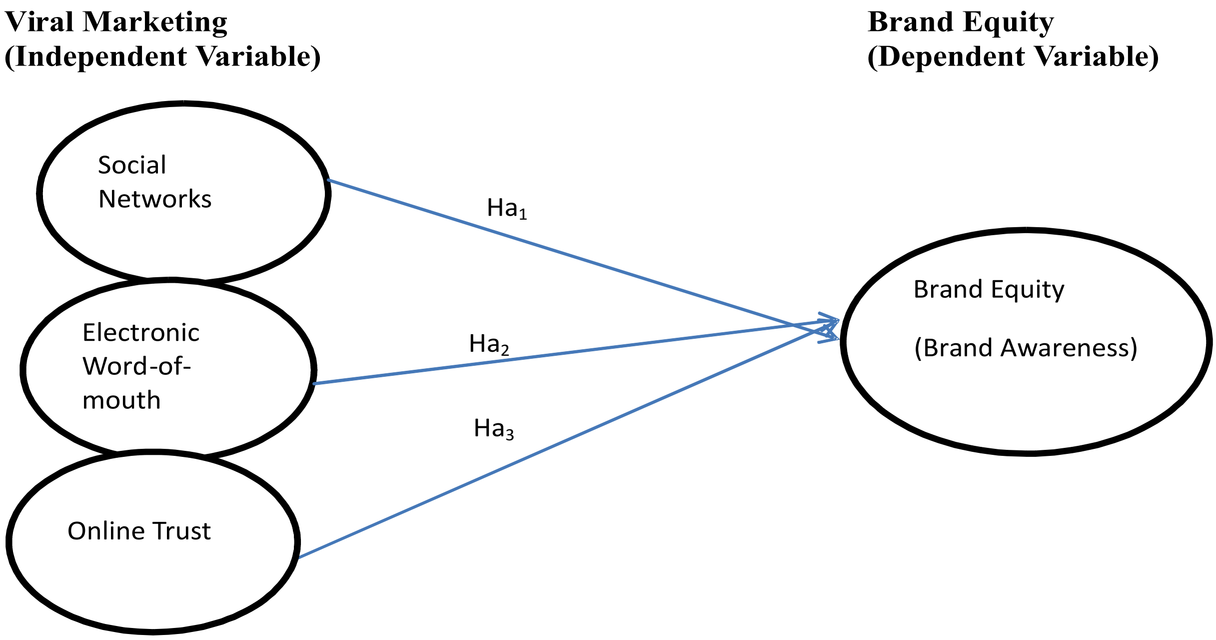
Theoretical Framework

5C Model

Kaplan and Haenlein (2011) states that there are three necessary conditions for a successful viral marketing: Condition 1 – messengers; people who transmit messages, condition 2 - message and condition 3 - environment. That is, you need the right people to send the right message in the right circumstances. The first condition is linked to the selection of the right people to spread the message. There are three groups of message transmitters: (1) Market mavens (receivers) individuals who have access to much information; they are proactively engaged in interacting with other customers in order to diffuse and spread information. They are among the first to receive messages and send them to their immediate social network. When market experts forward a message to social hubs, the "epidemic" begins. (2)Social hubs (distributors) are people with a very large number of connections. They may be "connectors" or "bridges" between different subcultures. (3)Salespeople (amplifiers) are needed when the direct relationship between market experts and centres is not sufficient. Sellers receive a message, make it important and convincing, and pass it on to community centres.

Kaplan and Haenlein (2011) opined that there are five key conditions (5C model) for the successful transmission of viral marketing messages. They are: 1. consumers, 2. category (of product), 3. company (holistic marketing of company), 4. content of message "virus" and 5. context environment. "Viruses" can be created both by companies and consumers. Consumers are differently engaged in different product categories. The scope and the speed of messages transmission depends on the environment and the context. Messages can be circulated by word of mouth, mobile phones and the Internet. Also, messages can be shared through different social media (networking sites, blogs, etc.). The choice of specific ways of communications and media at a certain point (the right messenger at the right place at the right time) can affect the extent and the speed of messages spreading. Messengers have a different number of connections with other users (e.g. social media) which can influence the success of viral marketing.

Research Model and hypotheses



Source: Researcher's Model (2016)

Social Networks and Brand Equity

Social networking sites are medium to socialize as it helps to connect, interact and strengthen the relationship between the manufacturers and consumers nowadays. Nowadays it is easy to achieve this crucial mass as communication in social media is so much accelerated and its major intention of use is sharing content with others (Burson-Marsteller, 2007). With an easier access to social networking sites through mobile apps, it has brought numerous benefits for the firm like building customer relationships, creating brand awareness and sustaining a long term loyalty with customers (Bredican and Vigar-Ellis, 2014).

Thus we hypothesized that;
$Ha_{1:}$ *There is a significant relationship between social networks and brand equity*

Electronic word-of-mouth and Brand Equity
The Internet 'word of mouth' communication is an effective, penetrating and quicker means compared to the traditional word of mouth communication (Helm, 2000). It is also a more focused medium as consumers communicate their opinion in their social environment (friends, colleagues etc) where their influence is more critical. One of the advantages of eWOM is that the communication can reach further than local communities, since consumer link with people all over the globe online (Chen and Xie, 2008). In addition, it challenges the survival of geographical markets, and hence the ability to conduct local marketing strategies to work.
Thus we proposed that;
$Ha_{2:}$ *Electronic word-of-mouth has a significant relationship with brand equity.*

Online Trust and Brand Equity
Once the online consumers develop trust on their social contacts, included in their friend's list, their engagement in viral marketing is increased due to the perceived trust and reliability of the information shared by these contacts. Similar results regarding the trust were reported by Baines, Fill and Page (2008) who confirmed that trust among the members of a network motivates them to seek opinion, ask for advice or get product related information from other trustworthy members when they have to purchase a product.
Thus we hypothesized that;
$Ha_{3:}$ *There is a significant relationship between online trust and brand equity.*

3.0 Methodology
This study involved a field survey that examined viral marketing and brand equity in the non alcoholic beverage industry in Lagos State Nigeria. The study is empirically based on primary data collected from eleven (11) firms such as Bobo Food & Beverages, Coca cola Nigeria Ltd, Crown Drinks Ltd, Limca Bottlers Plc, Nigeria Bottling Co.Plc, Seven-up Bottling Company Plc, Vita malt Plc, Nestle Nigerian Plc, Chi Limited, Cadbury Nigeria, Leventis Foods Ltd in the non alcoholic beverage industry in Lagos State Nigeria, specifically its members of staff. Stratified random sampling technique was applied at picking the sample. The research instrument was a 30-item validated structured questionnaire. All the items were assessed on a five-point balanced Linkert Scale. After the copies of the questionnaires were collected, they were checked for completeness. Out of the 289 sets of questionnaire administered, two hundred and fifty-one (251) were returned, twenty (20) were not properly filled and two hundred and thirty one (231) were found useable. Therefore, the analysis in this study was based on the sample size of two hundred and thirty one (231) copies.

4.0 Results

Table 1 Correlation between Social Networks, Eword -of-Mouth, Online Trust, and Brand Equity

S/N	Variable	1	2	3	4
1	**Social Networks**	**1**			
2	**Electronic Word-of-Mouth**	**.942****	**1**		
3	**Online Trust**	**.858****	**.823****	**1**	
4	**Brand Equity**	**.955****	**.921****	**.896****	**1**
	Reliability	**0.785**	**0.758**	**0.711**	**0.812**
	Mean	**18.446**	**18.468**	**18.697**	**18.541**
	Standard deviation	**1.6004**	**1.5116**	**1.4608**	**1.5314**

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Analysis of field survey, 2017

Table 2: Results of Multiple Regressions of dimensions of viral marketing and brand equity

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.968[a]	.937	.936	.3868

a. Predictors: (Constant), online trust, eword-of-mouth, social networks

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.098	.341		.288	.774
	social networks	.539	.053	.563	10.262	.000
	eword-of-mouth	.162	.050	.160	3.221	.001
	online trust	.295	.034	.281	8.643	.000

a. Dependent Variable: brand equity

Results from the regression analysis showed that social networks exhibited a positive effect on brand equity (β = .563, P < 0.01). The results from the regression analysis showed that electronic word-of-mouth exhibited a positive effect on brand equity (β = .160, P < 0.01). Also the regression analysis indicated that online trust exhibited a positive effect on brand equity (β = .281, 0.01). The Unstandardized coefficients indicate how much the response variable varies with a control variable when all other control variables are held constant.

BE= .098 + (0.539×SN) + (0. 162×EWM) + (0. 295×OT)

Table 4.2 indicated the extent to which viral marketing accounted for change in brand equity as shown by the adjusted R Square, which shows that 94% (.936) of the change in brand equity is brought about by viral marketing.

Discussion of Findings

The study examined the effect of viral marketing on brand equity in the non alcoholic beverage industry in Lagos State Nigeria. The results of the correlation analysis involving all components of viral marketing exhibited positive correlation coefficient values among the variables. This is an indication that they are appropriate dimensions and measures of viral marketing. The results from the multiple regression analysis reported the effect of viral marketing on brand equity. Social networks exhibited the highest significant positive effect on brand equity (β=.563, P<0.01). The findings is consistent with Ha_1 test result (r=.000 <.005) which indicated that there is a significant relationship between social networks and brand equity. This is consistent with Bredican and Vigar-Ellis, (2014) assertion that with an easier access to social networking sites through mobile apps, it has brought numerous benefits for the industry like building relationships, creating brand awareness and maintaining loyalty with consumers. This implies that social networks have numerous benefits firms can achieve when target customers recommend products to their friends and family through networking sites.

In the same vain findings also indicate that electronic word-of-mouth is found to have significant positive effect on brand equity (β =.160, P < 0.01). The findings is in consonance with the test result of Ha_2 (r=.001 <.005) which reported that electronic word-of-mouth has a significant positive relationship with brand equity. This is consistent with the view of Chen and Xie, (2008) that one of the advantages of eWOM is that the communication can reach far beyond local communities, since consumers connect with people all over the world online. This implies that firms rely on the electronic word-of-mouth which is commonly used for spreading information quickly that enables customers to view advertisements diffused in sites and to choose the best offers.

In Furtherance, the result of the regression analysis showed that online trust has positive effect on brand equity (β=.281, P < 0.01). This finding is in conformity with the result of Ha_3 test (r=.000 <.005) which showed that there is a significant relationship between online trust and brand equity. This is in consonance with the assertion of Dina and Sabou, (2012) that just having a conversation with consumers by using advertising message are not going to help, instead, the conversation has to be trustable so that consumers will be persuaded with those messages and so be interested in the product and services of a firm. This implies that online trust among the members of a network motivates them to seek opinion and get product related information about a brand thereby creating brand awareness.

5.0 Conclusion

Social networks as an element of viral marketing affect brand equity. The use of social networks can help to reach out more customers geographically. By reaching out more customers, the business can improve its marketing strategies and create brand equity. Social network analysis is a data analysis technique engraved on the principle of structuralism, where the form of relationships, among customers, itself is seen to have psychological effect beyond the nature of the relationships themselves.

Electronic word-of-mouth has an influence on brand equity. eWOM is any positive or negative statement made by potential customers about a product or firm, which is made available to a high number of people via the internet.

Online trust has an effect on brand equity. Once the online consumers develop trust on their social contacts, included in their friend's list, their engagement in viral marketing is increased due to the perceived trust and reliability of the information shared by these contacts. Focusing on online trust, integrity, capabilities, honesty, reliability, competence, ability, and commitment represent the trust construct very well. Trust has a downstream effect on customers' intentions to both give information and get information via the virtual community.

6.0 Recommendations

On the basis of the findings of the study and the conclusion, the study recommends as follows:

There is need to broadly incorporate viral marketing as a whole to the existing marketing literature at all level of learning. Companies must ensure that their message captures the mind's eye of the recipients in order to distinguish the message from all the other several messages that recipients are exposed to every single day.

Firms must regard targeting skillfully by sending a message to a group that is interested in the brand, product, or service that has a superior possibility of success than simply emailing to the world at large. Companies which are planning the viral campaigns should think of building trust actively and establish and maintain a better relationship with the consumers in order to have the positive attitude to their viral marketing campaigns and consequently more intention to be engaged. This will result in more successful viral marketing campaigns.

Electronic Word-of-Mouth should be made part of an overall marketing and promotion strategy. Since unethical practices can be uncovered and made known by the online community, these should be persistently avoided, and attacks vigorously defended.

References

Aaker, D (1991). *Managing brand equity: Capitalizing on the value of a brand name*, Free Press, New York, NY.

Aaker, D., A., & Joachimsthaler, E., (2000). *Brand leadership.* New York: The free press and its effect on forwarding intentions and attitudes", *Journal of Interactive Advertising,*

Anderson,B.,(2008),UsingSocialNetworktoMarket.http://www.roughnotes.com/rnmagazine/2008/february08/02p114.html

Aronson, E., and Timothy, D., (2012). *Social psychology*.8th edition University of California, Santa Cruz

Baines, P., Fill, C., & Page, K. (2008). *Marketing: Case insight. 1st Edition*. Oxford: Oxford

Bampo, M, **Michael, T.,** E., Dineli R., M., David, S., Mark, W., (2008) The **effects of the social structure of digital networks on viral marketing performance**. *Information Systems Research 19 (3),* **273-290**

Bickart,B., and **Schindler,** R., M.,(2001)Internet forums as influential sources of consumer information. *Journal of interactive marketing 15(3), 31-40*

Bredican, J., & Vigar-Ellis, D., (2014). Smartphone applications-idea sourcing and app development: Implications for firms. *South African Journal of Economic and Management Sciences*, 17(3), 232-248

Burson, M, (2007). *The power of online influencers: Your company's newest stakeholder group. Retrieved on 10/11/2016 from: http://www.burson-marsteller.com/Practices_and_Specialties/AssetFile/E-Fluentials%20Brochure.pdf.*

Chan,Y.,Y.,Y.,and **Ngai**, E., W.,T **(2011)**.**The impact** of **transaction trust** on **consumers**' **intentions** to adopt m-commerce. ***Marketing Intelligence*** and ***Planning***. ***29 (5)***. ***488-516***.

Chattopadhyay., T., Dutta, R., N., & Sivani, S., (2010). Media mix elements affecting brand equity: A study of the Indian passenger car market. *IIMB Management Revie,* 22, 173-185

Chen, S., C., & Dhillon, G., S., (2003). Interpreting dimensions of consumer trust in e-commerce. *International Journal of Human-Computer Studies*, *4*(2-3), 303-318.

Cheung, C., Lee, M., & Rabjohn, N. (2008). The impact of electronic word-of-mouth: The adoption of online opinions in online customer communities. *Internet Research, 18*(3), 229-247.

Cheung, C., M., K., & Thadani, D., R., (2010, June). The effectiveness of electronic word-of mouth communication: A literature analysis. In: *23. BLED eConference on eTrust: Implications for the Individual, Enterprises and Society* 329-345.

Clow, K., E., & Baack, D., (2005). *Concise encyclopedia of advertising*. New York: Best Business Books: Haworth Reference Press.

Cruz, D., & Fill., C., (2008). Evaluating viral marketing: Isolating the key criteria. *Marketing Intelligence & Planning,* 26 (7), 743-758.

Daniels, J. (2001). Viral marketing: how to achieve your objectives. Marketing Mix 19(6), 12.

Dellarocas, C., (2003). The digitization of word of mouth: Promise and challenges of online feedback mechanisms. *Management Science, 49 (10)*

Dina, R., & Sabou, G., (2012). Influence of social media in choice of touristic destination. *Cactus Tourism Journal, 3(2): 24-. 30.*

Dobele, A., Toleman, D., & Beverland, M. (2005). Controlled infection! spreading the brand message through viral marketing. *Business Horizons, 48*(2), 143-149.

Doh, S., J., & Hwang, J., S., (2009). How consumers evaluate ewom (electronic wordof-mouth) messages. *Cyber psychology & Behavior, 12*(2), 193-197.

Facebook Statistics (2011), Available at: http://www.facebook.com/press/info.php?statistics,

Flake, L., & Nzeka, U., (2009). Nigeria product brief: Nigeria's fruit juice concentrate market 2009. *A report by USDA Foreign Agriculture Service GAIN (Global Agriculture Information Network) Report Number: NI7019*

Godes, D., and Mayzlin. D., (2004). Using online conversations to study word of mouth communication, *Marketing Science* 23(4), 415-428.

Helm, S. (2000). Viral marketing-establishing customer relationships by'word-of-mouse'. *Electronic Markets*, 10 (3), 158--161.

Hennig-Thurau, T., Malthouse, E. C., Friege, C., Gensler, S., Lobschat, L., Rangaswamy, A., & Skiera, B. (2010). The impact of new media on customer relationships. *Journal of Service Research*, *13*(3), 311-330.

Jurvetson, S., and Draper, T., (1997) *Viral marketing phenomenon explained*, accessed in May 2012, www.dfj.com/news/article_26.shtml

Kaplan, A., & Haenlein, M., (2011). Two hearts in three-quarter time: How to waltz the social media/viral marketing dance. *Business Horizons*, *54*(3), 253-263

Kasavana, M. L., Nusair, K., & Teodosic, K. (2010). Online Social Networking: Redefining the human web. *Journal of Hospitality and Tourism Technology, 1*(1), 68-82.

Keller, K., L., (2003), *Strategic Brand Management: Building, Measuring and Managing Brand Equity.* Prentice Hall: New Jersey.

Keller, K., L., (2008), *Strategic brand management: Building, Measuring and Managing Brand Equity.* Prentice Hall: New Jersey.

Kiecker, P., and Cowles, D. (2001). Interpersonal communication and personal influence on the Internet: A framework for examining online word-of-mouth. *Internet Applications in Euromarketing, 11*(2), 71-88.

Kim, H., B., Kim, W., G., & An, A., J., (2003). The effect of consumer based brand equity on firm's financial performance. *Journal of Consumer Marketing, 20*(4), *335-351.*

Kirby, J., and Marsden, P. (2006). *Connected marketing. The viral, buzz and word of mouth revolution. London: Elsevier.*

Klopper., (2002), Viral marketing: A powerful, but dangerous marketing tool, South African Journal of Information Management, 4(2).

Krishnamurthy, S (2001). Understanding online message dissemination: Analyzing 'Send a message to a friend' data. *First Monday, 6(5).*

Langner, S., (2007). *Viral Marketing. How to trigger and gainfully use word-of-mouth communication (2nd ed.).* Wiesbaden: Gabler.

Lassar, W., Mittal., B., & Arun., S. (1995). Measuring consumer based brand equity. *Journal of Consumer Marketing, 12(4), 11-19.*

Laudon, K., C., Traver, C., G., (2002). *E-commerce: Business, technology, society*, Addison Wesley, Boston.

Morrissey, B., (2009). *Nielsen: social nets overtake e-mail*, available at: http://doi.ieeecomputersociety.org/10.1109/HICSS.2002.994181

Mui, L., Mohtashemi, M., & Halberstadt, A. (2002). A computational model of trust and reputation for e-businesses. *HICSS, 7*, 188.

Nielsen, (2009). Global faces and networked places. *A Nielsen Report on Social 2, 172-185*

Norjaya M., Y., Mohd, N., Noor., and Osman, M., (2007), Does image of country of origin matter to brand equity?", *Journal of Product & Brand Management*, 16(1), 38-48

Palka, W., Pousttchi, K., & Wiedemann, D. G. (2009). Mobile word-of-mouth - a grounded theory of mobile viral marketing. *Journal of Information Technology, 24*, 172–185.

Peštek, A., Resić, E., & Nožica, M. (2011). Model of trust in e-transactions, *Ekonomska* *istraživanja*, *24*(3), 131-146.

Phillip B.B., Shittu A.,M.& Ashaolu, O.,F., (2013). Demand for non-alcoholic beverages among urban households in southwest, Nigeria. *African Journal of Food, Agriculture, Nutrition and Development.* **13(3):** 7853-7869.

Pride, W., M., & Ferrell, O., C., (2003). *Marketing: Concepts and strategies*. Boston: MA: Houghton Mifflin Company

Quinton, S., & Harridge-March, S., (2010). Relationships in Online Communities: The potential for marketers, *Journal of Research in Interactive Marketing,* 4, (1)59-73.

Ridings, C. M., Gefe D., & Arinze, B. (2002). Some antecedents and effects of trust in virtual communities. *Journal of Strategic Information Systems, 11*(3-4), 271-295.

Travis, D. (2000). *Emotional branding: How successful brands gain the irrational edge*. Crown Publishing Group.

Ulmanen, H., (2011). *Antecedents of and their effect on trust in online word-of-mouth: Case Finnish Discussion Forums,* Dissertation for the Degree of MA, marketing university of Jyvaskyla, school of Business and Economics.

Valentine, J., (2001). Soft drinks: America's other drinking problem. *Wise Traditions in Food, Farming and the Healing Arts*, 2 (2). The quarterly magazine of the Weston A. Price Foundation.

Venkatesh, J., and Vinoth, K., (2016). Impact of viral marketing on handloom products with special reference to coimbatore region dr., International Journal of Research in Economics and Social Sciences 11(2), 1-11.

Wang, Y., & Vassileva, J. (2007). Toward trust and reputation based web service selection: a survey. In *Multiagent and Grid Systems (MAGS) Journal, special issue on "New tendencies on Web Services and Multi-agent Systems (WS- MAS)".*

Welker, C., B., (2002). The paradigm of viral communication. Information services & use, 22(1), 3-8.

Wiedermann, D., G., (2007). Exploring the concept of mobile viral marketing through case study research. 49--60.

Wilson, R.F. (2000). The six simple principles of viral marketing. *Web Marketing Today* (70):*1–4. [Online]. Available WWW: http://www.jrlenterprises.com/viral-marketing.htm.*

Wilson, R.F. (2005). The six simple principles of viral marketing. *Web Marketing Today. Issue 70. Retrieved 2016-11-15, from http://www.wilsonweb.com/wmt5/viral-principles.htm* Word of Mouth Marketing Association (2007). *WOM 101" – e-book, accessed in September 2012, http://womma.org/wom101/wom101.pdf.*

Yazdanifard, R., Hoe, F. K., Islam, M. R., & Emami, S. P. (2011). Customer's information security management system in E-commerce. *IPCSIT*, *9, 187-191.*

Yoo, B., Donthu, N. and Lee, S. (2000). An Examination of selected marketing mix elements and brand equity, *Journal of the Academy of Marketing Science*, *28 (2), 195-211.*

Yuan, W. (2010). *Improved trust-aware recommender system using small-worldness of trust networks*. Dissertation for the degree of PhD, the faculty of the graduate school of computer engineering, Kyung Hee University, Seoul, Korea.

Start-Ups Brand Building strategies

Bemaa Terkura Titus PhD.
University of Benin,
Benin City-Nigeria

pp 227 - 235

Abstract

Brand management in small and medium-size enterprise research has just begun to receive gripping attention recently. Most disturbing however is the fact that research about start-up branding though important at helping operators of new ventures to blossom, has been largely neglected. This paper looks at identifying the nature of branding in start-ups, outlining the brand creation process, ascertaining less costly techniques that start-ups used in building brands and, determining the relationship between owner/manager values and brand building. The paper shall outline the benefits of brand building strategies on the performance of Start-Ups particularly in SMEs.

Keywords: Start-Ups, Brand, SME, Values.

1.0. Introduction

Brand management is an aspect of small and medium-size enterprise research has just begun to receive gripping curiosity of many scholars recently (Spence & Essoussi, 2010). The fact studies on SME is developed not much has been done in respect of branding. Presently, survey has largely been conducted in the area of the established firms while momentum has just began to gather in respect of SMEs (Aaker, 1991: Aaker & Keller, 1990: Srivastava & Shocker, 1991).

Start-up branding, it is argued present exciting as well as distinct opportunities for brand studies for many reasons. One, no company at inception comes with a well-known identity and reputation (Petkova, Rindova & Gupta, 2008). Second, the internal structures of the new ventures must necessarily be built (Rode & Vallaster, 2005). Third, it is only by the effective activities of brand building are customers acquired (Boyle, 2003) and the continued functioning of the firm guaranteed. Fourthly, start-ups are characterized by inadequate resources especially finance (Abimbola, 2001), Know-how (Rode & Vallaster, 2005), and time (Wong & Merrilees, 2005). Thus, it becomes impracticable for start-ups to begin to design and start implementing branding and communicating strategies at inception. Even though, one may understand why entrepreneurs during the take-off years concentrate on financial and production matters, Bresciani & Eppler (2010) argues that it will do start-ups a lot of good if they incorporated branding and communicated strategy at the very beginning in spite of the high investment required: Elsewhen this is ignored, owners/managers may have to do it several times later.

Halttu (2009) corroborating the above position, argues that the procedure for corporate brand building requites sufficient time and so, it is critical for start-ups to begin branding activities on time especially at the planning and execution stage of the creationt of the venture. This is while majority of start-ups while struggling with the liability of newness at the foundational stages of their development, make efforts to position themselves as reputable players in the market (Witt & Rode, 2005).

The author pointed out that successful owner/managers do have unmistakably distinct business concept, values and philosophy, and are able to reflect what they live. These prosperous individuals are able also communicate such ideals of their businesses internally and externally. Halttu cited Rode & Vallaster, (2005) explaining that the founder of a start-up can also develop a group of managers that are capable to transmit the personality of the company and how this can be reflected in the corporate brand. Interestingly, at the foundational level of the growth of a new venture, a corporate brand is taken to be the same as the products or services brand just because many of these start-ups take-off with a product. Later on, corporate brands may serve as springboards for many others. This prompts economics of scale and scope in establishing prominence and stimulating general consciousness about the company's offering to the market.

The paper is generally a conceptual review of start-up brand building strategies. thus, the objectives are to: Identify the nature of branding in start-ups, outline the brand creation processes, ascertain less costly techniques start-ups use in building brands and, determine the relationship between owner/manager values and brand building.

2.0. The Concept of Start -Ups and Brand Building

Start-ups

Extant literature seem to agree about what characterizes the start-up with respect to company size, age of establishment, growth phase and financial turnover considered as a probable yardstick to caiegorise the start-up (Gilmore, Carson & Grant, 2001; McCartan-Quinn & Carson, 2003; Witt, 2004). Similarly, there is also the general consensus that start-ups compose of some features that distinguishes them from well known firms. Rode and Vallaster (2005) stated that the start-ups are characterized by unstructured communication infrastructure, a limited business network and a formidable business personality of the founder himself. Timmons (1999), on the other hand, describes the start-up as an inexperienced company operates for a short time and is lacking an organisational structure but functions within a market legally. Start-ups face a minimum of two difficulties when competing against very viable firms. One, the small size of the firm known as liability of smallness; Two, lack of reputation and corporate history known as the liability of newness. (Cromie, 1994; Witt, 2004). Furthermore, the new ventures are confronted with other constraints such as limited sources of requisite capital, inadequate marketing knowledge, inadequate specialist expertise and inadequate influence in the marketplace (Gilmore *et al.*, 2001; McCartan-Quinn & Carson, 2003).

Brand

In product branding, Ahonen (2008) explains that there are a number of generally acceptable definitions for a brand (Kapferer, 1997; Aaker, 1992). A brand can be a product or service which is considered by a customer perceives to possess unique uses over and above the price and functional performance or a symbol that help to differentiate the products and services of one company from the other. Ahonen (2008) highlighted further that a common consensus about studies related to the brand seem to conclude that, the brand is more than a name given to a product because, it is epitomises a complete set of physical and socio-psychological features and beliefs. De chernatony (1999) however, argues that brand though an intangible asset has ethereal characteristics thereby making diverset people find diverse methods to make sense of it.

There has been growing interest research in the area of SMEs brand building is sparse. Ahonen (2008) noted that a thorough search for academic articles on SME branding revealed a meagre 15 articles. Among the early studies, Boyle (2003) illustrated how Dyson appliances created a formidable brand in the 1990s. Similarly, Steiner (2003) investigated the company identity of start-ups precisely in the real estate industry and found five variables that affected early company identity; vision, beauty, play, attraction and trust. In another development; Rode & Vallaster (2005) did a theoretically and empirically ground breaking study on company branding for newly established firms and the role of the entrepreneurs. Similarly, Witt & Rode (2005) undertook a qualitative investigation on company brand building for starts up: the function of the entrepreneur. The study is Germany and found that many of the entrepreneurs studied had no clear vision about where they are taking their businesses to. Merrilees (2007) instead, proposed a theory of a brand new venture be developed. The essence of the study was to know the various ways that branding can be used to help the business development of all newly created firms. The result was an intellectual development of a theory with eight proposals for ambitious entrepreneurs that seek very high performances for their new venture.. Also, Petkova, Rindova, & Gupta (2008) opt for a study on new ventures reputation building and found that diverse types of events help new ventures to buildup one of the two reputation types market actions and media coverage. Specifically, symbolic activities, investments in human resources and social capital were shown to help in building general reputation unlike investments in product quality and networking with customers led to creating local reputation.

Branding in Starts-Ups

Literature abounds on branding. However, majority of the literature centers on traditional branding literature (Merrilees, 2007) concerned with large organization also known as multinational companies (MNCs) and other well established firms. Little of this literature specifically indicated relevant guidelines for branding in new ventures or start-ups. Young ventures because of inadequate resources (Abimbola & Vallaster, 2007), deficient internal structures and procedures (Rode & Vallaster, 2005), are fundamentally easy at creating a reputation (Petkova et al; 2008), source for clients and survive. Most importantly, these start-ups have specific branding needs (Bresciari & Eppler, 2010). The importance of branding among start-ups notwithstanding has remained a largely a neglected area (Geissler & Will, 2001).

Brand Creation Process

According to Bresciani & Eppler (2008) the first visible step in the brand creation process is the choice of the name. Brand names are the basis upon which brands images are constructed. Carefully crafted and chosen names do procure intrinsic and instantaneous benefit to the brand (Koholi & Labahn, 1997). It is also discovered that a brand name may be suggestive, fanciful or descriptive. However, Kapferer (2004) argues that in branding guidelines, a descriptive name barely offers some protection and at times risky as the ultimate target of a brand is to differentiate the product other than doing a description it.

In choosing a name, the research of Bresciani & Eppler (2008) revealed that some names could be too small for a particular business. Where such a situation arises, a fanciful name is preferred in other to avoid having any linkage to the service offered. Also, it was discovered that some names may be confusing. Where this is the case, t is important to warn entrepreneurs that names that are chosen for the sake of branding should be well understood and should not infer to some other thing else that is especially offensive. If a name seems to convey a different meaning in a foreign market where the product is to be marketed and the new meaning is inappropriate, then a change should be effected immediately. Logos are another aspect of branding an enterprise. It is used as a signature in identifying and in classifying the antecedents of the item to be bought and directs consumers for identification purposes (Van den Bosch, de Jong & Elving, 2005) Thus, logo is the company's autograph: a combination of letters or signs, an image, an ideogram, or a group of graphical elements. Van den Bosch, de Jong & Elving (2005) state that the corporate logo or symbol also represents current results and future ambitions of the company. However, logos should be capable of interpretation and designed in line with the brand strategy.

Through the analysis conducted, there arose according to Bresciani & Eppler(2010) other practical methods that can be used in brand building which are primary to all enterprises for constructing a viable brand, and the alternative ways of branding that are different depending on the locality (industry) and preferred monetary value set out for brand investment. This disparity appear to be central both at conceptual and practical level, because it is capable of directing start-ups owners to make a customized choice of brand building events for their enterprises.

The authors consequently, proposed a two-step structure to assist entrepreneurs in decision making concerning branding. These two-step structures are:

First a ***brand creation sequence*** compose of the primary fundamentals of brand creation that all start-ups are expected to take cognizance of, and

Secondly a ***branding orientation classification*** portrays the main alternatives for branding events on the basis of the precise industry expectation and the strategy of the company.

Step one: brand creation sequence

The result appeared out of the best practices of the largest Swiss start-ups showed that brand creation and development processes are expected to comply with *three major phases as shown in* Figure 1 below.

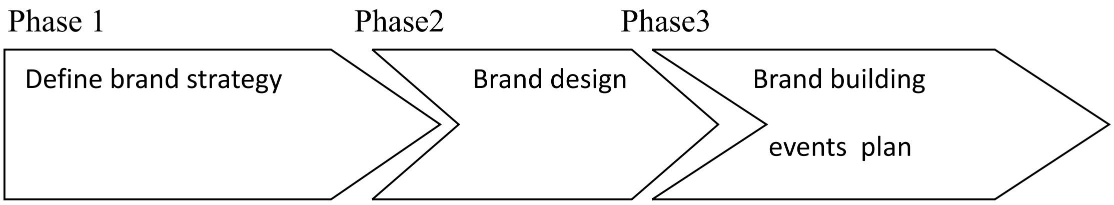


Figure 1: .Brand Creation Sequence.

Adapted from Bresciani & Eppler (2010).

Firstly, prior to the take-off of the firm, the entrepreneur is expected to define the *brand strategy and* align it to the strategy of the start-up. Secondly, the brand strategy must be pass through an suitable *brand design* (name, logo, colors, and visual elements) that conforms with the brand mission and philosophy defined in the preceding phase. Proceeding the the implementation of the brand strategy, a confirmation can be made whether an internet domain with the preferred name is in place and whether the name and logo can be secured legally. Thirdly, *brand building events plan* would be developed, painstakingly choosing among brand building events present. The choice of these events does not require universal application for each category of company because with an appropriate brand orientation classification, consultants and entrepreneurs can be guided towards considering disparate options in order to choose the most suitable events for their enterprise.

Step two: branding orientation classification

Upon a review of the largest start-ups in Switzerland, Bresciani and Eppler (2010) observed varying approaches to branding that rely on particular industry projections and on the firm's posture towards branding.

The authors argue that largest Swiss new ventures are positioned in line with the type of branding events they execute (traditional versus innovative) and the projections in respect of branding their particular industrial sector (for instance,. typically, B2C firms are required to have more branding events than B2B firms). Thus, based on the experiences of Swiss largest firms, brand clusters were categorized into four:

Damned to brand: this holds that it is necessary to put out strong efforts in both traditional and innovative activities. The firms look at branding as a liability instead of an opportunity: that is why their managers grudgingly hold that it is important to communicate to people to make them know the brand, there is no other way.

The ***tech-marketers***: These are firms that have defined their brand vision clearly and hardly depend on traditional branding events, but instead focus strongly on innovative methods such as online presence, creating and participating events and carrying out road shows.

Far sighted enterprises are industries that do not necessarily need pronounced branding work to function, but opt for a strong creative approach.

The ***traditionalists***: choose the traditional and product-centred approach to communication. These firms do accept the fact that branding do little towards helping the fortunes of the company. They however, opine that though brands are important, what should be the preoccupation of firms is to have good products and good service. More so at the beginning it is not necessary to spending a lot of money in communication because: if the idea is good and innovative it provides free advertising.

Brand Building

In the study of Bresciani and Eppler (2008) many starts-ups were found to have a battery of brand building activities such as advertising, and events, sponsorship. Other straight forward brand building activities that were noticeable among the start-ups also included online presence, newsletters, or events dominate. Additionally, other fanciful branding activities deployed by the firms understudy were jingles, or videos. Only small number firms had formal recruitment processes to align to their brand (this was expected to ascertain candidates that may conform to the branding strategy for sufficient behavioural branding).

The question now is: Were all these brand building activities identified in the study used by companies understudy irrespective of cost implications? Bresciani and Eppler (2008) discovered that Swiss start-ups under investigation were cost conscious. The operators of the firms argued that using mass media advertising to build brands was expensive. Other sets of the firms studied complained advertising doesn't bring anything. Another argued that in spite of the heavy investment in advertising, there were no satisfactory returns. Consequently, most of the firms concentrated more on classic business dinners, road shows and the creation of events. This seems to be the most popular activities of brand building as they were less expensive and effective. PR activities were shunned (what could be the probable reasons). The reasons could be the fact that many could not assess the efficacy. That is why the power of a particular journalist in respect of positive and negative coverage needs to be known before he/she is engaged for PR activities of the company.

Also important for brand building in start-ups, is on-line branding. The study of Bresciani and Eppler (2010) did show that few companies under study have put sufficient efforts into their website particularly high tech companies. Other firms apply it especially as an on-line business card but fail to update it regularly. Many of the websites remained unchanged right after the time company was first created, as the information earlier posted when the firm started was not changed. Curiously enough, the study also reveal that there are general awareness activities and advertising using the power of search engine optimization (SEO) and is believed, to be a primary tool for internet branding. The awareness notwithstanding, can we say the cost for maintaining a presence in all these searches engines were pocket friendly? Bresciani and Eppler (2008) concluded that the internet presents a large number of innovative branding prospects that is particularly appropriate for start-ups as they are minimally cheap and highly accessible. In spite of this benefit, it appears that a good number of start-ups are still grappling with the on-line branding learning curve. Search Engine Optimization has been known to be a critical tool for start-ups as it is free and unarguably the best online tool for connecting with new clients (Chaffey & Smith, 2008).

Internets advertising (Google AdWords, Yahoo! Search Marketing and affiliate programmes) too are known to offer substantial returns for the fact that they are highly targeted form of advertising. However, they can be costly when left unmonitored for long period of time by competent staff. At this point, it is appropriate to persuade entrepreneurs to take advantage of the opportunity of utilizing unpaid-for but highly lucrative tools. Although, the tool require highly experienced specialists for effective functioning if the desired benefits are obtained. Also, considerable investment of time and money, including the ones mentioned above, and other areas such as e-commerce, corporate Blogs, database marketing and Web 2.0 are indispensable to the realization of the right result for brand building.

Tavares (2015) on the other hand, argues that brand building is carried out with limited resources and budgets, relying primarily on unplanned, creative, interactive and tentative tactical marketing initiatives (use of below-the-line, word-of-mouth and recommendations instruments), focused on the use of certain methods of brand communication, a greater emphasis on creating and leveraging direct, permanent and interactive relationship networks with suppliers, distributors and customers (informal networking and marketing one-to-one). Brand building relies on a simple brand identity using a reduced number of brand elements (with emphasis on the brand name, packaging and logo)

Now, it is known that start-up operate with lean budgets. Therefore, using tools that are expected to be manned by sophisticated/skilled specialist will not be appropriate for owner/managers of these firms. Consequently, it will be advisable for prospective owner/manager at the planning stage of the venture to acquire the skills either alone or along with some faithful family members as a proactive step-towards minimizing every necessary cost to the business in the future. Skills such as website design, e-commerce, web 2.0, corporate blogs, printing, search engine optimitization and internet advertising

Other Less Costly Ways to Build a Brand

It is commonly said there is no free launch. It is also said that nothing good comes easy. Therefore, to build a strong brand that stands you out, a firm must be ready to work hard. There must be some commitment in efforts, time and financial resource in pursuing some of these strategies to achieve a firm's goal of building a strong brand for your organization. The following strategies or methods have a tendency to helping SMEs to build their brand strongly at minimal cost.

Word of Mouth (WOM): Balter and Butman (2005) explain that the word of mouth is the honest, genuine sharing of real opinions and information about products and services. Buttle (1998) on the other hand defines word of mouth as verbal, face-to-face communication where spontaneous messages are passed from one person to the next. Word of Mouth is now facilitated by information technology whereby messages are transmitted using e-mails, SMS, web-posting on message boards, online profile pages and blog posts.

Word of mouth is advantages because: (i) there is undivided attention (ii) it has high credibility (iii) its unsolicited nature makes it to be more genuine that advertising (Hughes, 2005). (iv) Referrals drive sales directly (Evans, 2007), (v) advocacy drives buyer behaviour (Advocacy, drives, growth, 2005) (vi) These reasons have made WOM marketing as the most powerful form of marketing on earth.

Network Marketing: Network is an inherent tool of marketing compatible with SME decision making characteristics in relation to marketing activities (Gilmore, Carson & Grant (2001). It is based on people orientated, interchangeable, habitual and often discreet. It is both a natural and an acquired skill or competency of the entrepreneurs (Carson and Gilmore, 2000).

In the study of the structure of social work, Stanley Milgram discovered that the average number of steps taken to get the letters across was only about six (Newman, 2001). This study gave rise to the small world phenomenon. Similarly, Strever (2007) quoted Duncan Watts as defining the small world phenomenon as, "you are only ever six degrees of separation away from anyone else on the planet". It is not surprising to see SME owner – managers place a high level of importance to networking. They see this as a useful and integral part of doing business (Carson and Gilmore, 2000, Carvalho, 2007).

The Relationship between Owner/Manager Values and Start-Up Brand Building Efforts

Prince Gibson and Schwartz (1998) define values as transsituational goals varying in importance that serve as guiding principles in the life of a person or group. Values are active across situations and are organized hierarchically relative to one another and provide overarching standards for behaviour (Rokeach, 1973).

According to Abdullah (2013) the appreciation of moral values in the practice of entrepreneurship is part of the complete component for a person who wishes to be labeled as a successful entrepreneur. Such values include the pristine characteristics that need to be assimilated in the actions taken by entrepreneurs in order to get a positive outcome. Abdullah (2013) argues further that entrepreneurs who possess pure values like innovation, creativity, oriented towards success and much more are able to trigger a momentum to react consistently in any kind of situation. These positive values have a tendency to influence entrepreneurs' efforts and attitudes in achieving their claims.

Additionally, the ingredients of pure values in the practice of entrepreneurship can encourage high spirit within the individual, stimulate the potentials of an individual's self improvement and act accordingly towards a certain challenge confronting an entrepreneur. These positive values also act as catalysts to the factors that contribute to success in the field of entrepreneurship (Abdullah, 2013) .

Successful entrepreneurs who adhere to these pure values protect themselves and the activities that they undertake. Whereby entrepreneurs fail to adhere to these values, the consequence would be the loss of genuine entrepreneurship. In its general form, majority of entrepreneurs are able to observe the values of trust, innovativeness and creativity, leadership, quality service, risk taking, industriousness, knowledgeable and are socially committed to society.

As corporate brands are based on core values of the corporation, Halttu (2010) cited Kay (2006) who suggested that socially responsible firms often create strong corporate brands. Their corporate values are credible, and at the outset based on the values of their founders. A distinctive technology or a particular aesthetic can motivate corporate brands as well. Knox & Bickerton (2003) have identified customer value as a beneficial common starting point in constructing a corporate brand positioning. The understanding of current brand strengths and desired future position is needed in defining the customer value. It is important that the corporate brand positioning is understood and internalized throughout the organization. Working in small groups and developing series of agreed statements that describe the corporate brand proposition is suggested.

Urde (2003) argues that successful brand building procedures rests on core values. The core values affect continuity, consistency and credibility in the construction of a corporate brand. The value-creation process takes place in parallel, both internally and externally, and together these two generate corporate brand equity. The internal brand building procedure is concerning the link between the organization and the brand. Ultimately and ideally, the organization lives its brand. The external brand building procedure is about the link between the brand and the stakeholders (Halttu, 2010).

Conclusion

Brands have become assets for many business firms. These brands have obtained huge financial benefits for those firms that have got it right and have maintained of their branding activities. The phenomenal financial benefits usually harvested every year have positioned many firms as leaders in their industry. Indeed many companies that got it right about brands seem to be more innovative and appear to operate without sweat. Understanding the power of outstanding brands in business operation, many start-ups have realized that to ensure early success, the initial design of the firm should incorporate brand building strategies at the beginning and the cheapest way possible should be pursued.

References

Aaker, D.A. (1991), Managing Brand Equity: Capitalizing on the Value of a Brand Name, The Free Press, New York, NY.

Aaker, D.A. (1992). Managing the Most Important Asset: Brand Equity. -*Planning Review*, *20*(5) 56.

Aaker, D.A., & Keller, K.L. (1990), Consumer evaluation of brand extensions. *Journal of Marketing, 54.* 27-41.

Abimbola, T., & Kocak, A. (2007). Brand, organizational identity and reputation: SMEs as expressive organizations. Qualitative Market Research: An International Journal, 10(4), 416-430.

Abimbola, T., & Vallaster, C. (2007). Brand, organisational identity and reputation in SMEs: an overview, Guest Editorial. *Qualitative Market Research: An International Journal*, 10(4), 341-348.

Abdullah, S. (2013). Pure Values among Entrepreneurs: A Study on Successful Entrepreneurs of Perlis MARA *International Journal of Business and Social Science, 4(3).*

Ahonen M. (2008). Branding - does it even exist among SMEs? Proceedings of the 16th Nordic Conference on Small Business Research, May 21st -23rd 2008, Tallinn, Estonia.

Bedbury, S. (2002). *A New Brand World: Eight Principles for Achieving Brand Leadership in the Twenty-First Century*, Viking Books, New York

Badoc, M. (2001). *O Marketing da Start-Up*, Bertrand Editora, Lisboa

Balter, D. and Butman, J. (2005.) *Grapevine.* New York: Portfolio

Boyle, E. (2003). A study of entrepreneurial brand building in the manufacturing sector in the UK. *The Journal of Product and Brand Management, 12*(2/3), 79-93.

Brooksbank, R. (1996). The basic marketing planning process: a practical framework for the smaller business. *Marketing Intelligence & Planning*, *1*4(4) 16-23.

Buttle, F. A. (1998). Word of mouth: understanding and managing referral marketing. *Journal of Strategic Marketing, 6*, 241-254.

Carson, D., & Cromie, S. (1989).Marketing planning in small enterprise: a model and some empirical evidence. *Journal of Marketing Management*, *5*(1), 33-50.

Carson, D. (1990).Some exploratory models for assessing small firms` marketing performance: a qualitative approach. *European Journal of Marketing, 24*(11), 5-51.

Carson, D,. & Gilmore, A. (2000). Marketing at the interface: Not "what" but "how." *Journal of Marketing Theory and Practice,* Spring, 1-7.

Chaffey, D., & Smith, P. R. (2008) *e-marketing excellence: planning and optimizing your* *digital marketing*, 3rd edition, Amsterdam, Butterworth-Heinemann.

Chaston, I., Badger, B., & Sadler-Smith, E. (2001). Organizational learning: An empirical assessment of process in small UK manufacturing firms. *Journal of Small Business Management, 39*(2), 139-151.

Corkindale, D., & Belder, M. (2009). Corporate brand reputationand the adoption of innovations. *Journal of Product & Brand Management, 18*(4), 242-250.

Coviello, N. E., Brodie, R. J. & Monroe, H. J. (2000), "An investigation of marketing practice by firm size", *Journal of Business Venturing*, *15*(5/6), 523-547.

Cromie, S. (1994). Entrepreneurship: the role of the individual in small business development, IBAR, 15, 62-75.

Culkin, N., & Smith, D. (2000). An emotional business: A guide to understanding the motivations of small business decision takers. *Qualitative Market Research, 3*(3), 145-157.

de Chernatony, L. (1999). Brand management through narrowing the gap between brand identity and brand reputation. *Journal of Marketing Management*, *15,* 157-179.

Day, J. (2000). Commentary - The value and importance of the small firm to the world economy. *European Journal of Marketing*, *34*(9/10), 1033-1037.

Doyle, P. (1990). Building successful brands: the strategic options. *The Journal of Consumer Marketing, 7*(2), 5-20.

Evans, D. (2007) Get What You Paid For: Add Social Media. [Internet] Available at http://www.clickz.com/showPage.html?page=3574721

Gilmore, A. Carson, D. and Grant, K. (2001). SME Marketing in Practice. *Marketing Intelligence and Planning*, 19(1), 6-11

Geissler, U., Will, M. (2001) "Corporate Branding of E-Business Ventures", *Proceedings of the 34th Hawaii International Conference on System Sciences (HICSS 01)*, Hawaii.

Graham, P. G. (1999), "Small business participation in the global economy", *European Journal of Marketing*, *33*(1/2), 88-102.

Halttu, Milla (2009) Corporate brand building in different small business growth stages . Master's Thesis, University of Oulu.

Hills, G. (Editor) (1994), *Marketing and Entrepreneurship. Research Ideas and Opportunities*, Quorum Books, Connecticut.

Hughes, M. (2005) *Buzzmarketing: get people to talk about your stuff.* New York: Penguin Group

Kapferer, J.-N. (1997). Strategic Brand Management, Kogan Page, London.

Kapferer, J. N. (2002), *Ce Qui Va Changer les Marques*, Éditions d'Organisation, Paris.

Kapferer, J.N. (2004) *The new Strategic Brand Management*, London, Kogan Page.

Kay, M.J. (2006). Strong brands and corporate brands. European *Journal of Marketing. 40*(7/8), 742-760.

Knox, S., & Bickerton, D. (2003). The six conventions of corporate branding. *European Journal of Marketing, 37*(7/8), 998-1016.

Koholi, C., Labahn, D.W. (1997) Observations: Creating Effective Brand Names: a Study of theNaming Process. *Journal of Advertising Research*, January/February,. 67-75.

Mazzarol, T. and Ramaseshan, B. (1996), "Small Business Marketing: A Comparative Study of High and Low Success Firms" In *Proceedings of the Joint SEAANZ and IIE Small Enterprises Conference* (ed Brian Gibson *et al.*), 24, The University of Newcastle: Conference Series of the Institute of Industrial Economics, 185-198.

Merrilees, B. (2007), "A theory of brand-led SME new venture development" *Qualitative Market Research: An International Journal*, '*10*(4). 403-415.

McCartan-Quinn, D, Carson, D. (2003). Issues which impact upon marketing in the small-firm. *Small Business Economics,* 21, 201-213,

Newman, M. E. J. (2001). The structure of scientific collaboration networks.

[Internet] Available from http://owww.pnas.org.innopac.up.ac.z/cgi/content/full/98/2/404 [Accessed 27/03/2016].

Ogechukwu,D.N.(2009). The role of small scale industry in national Development. Retrieved fromhttp://www.scribd.com/doc/2366527

Petkova, A.P., Rindova V.P., & Gupta A.K. (2008) "How can New Ventures Build Reputation ? AnExploratory Study", *Corporate Reputation Review*, 11(4), 320–334.

Prince-Gibson, E., & Schwartz, S. H. 1998. Value Priorities and Gender. ***Social Psychology Quarterly***, 61(1): 49–67.

Rode, V., & Vallaster, C. (2005) "Corporate Branding for Start-ups: the Crucial Role of Entrepreneurs",*Corporate Reputation Review*, Vol. 8 No.2, pp. 121-135.

Rokeach, M. 1973. ***Understanding Human Values*** (Original.). Free Press.

Simon, H. (1996), *Hidden Champions*, Harvard

Business School Press, Boston.

Spence M. & Essoussi, L. H. (2010). SME brand building and management: an exploratory study, European Journal of Marketing. 44(7/8). 1037-1054.

Srivastava, R. and Shocker, A.D. (1991), "Brand equity: a perspective on its meaning and measurement", working paper, Graduate School of Business, University of Texas at Austin, Austin, TX.

Steiner, L. (2003). Roots of identity in real estate industry. *Corporate Reputation Review*, 6(2). 178-196.

Stokes, D. (2000). Entrepreneurial marketing: a conceptualisation from qualitative research. *Qualitative Market Research*, 3(1) 47-54.

Stokes, D., Fitchew, S. and Blackburn, R. (1997), "Marketing in small firms: a conceptual approach", Report to the Royal Mail, Small Business Research Centre, Kingston University.

Strever, T.B. (2005) *The role of social networks in the transition from corporate to entrepreneurial* MBA research report, Gordon Institute of Business Science. University of South Africa.

Sabrina Bresciani, Martin J. Eppler(2010), **Brand New Ventures? Insights on Start-up's Branding Practices.** *The Journal of Product and Brand Management.* Santa Barbara, Vol. 19, Iss. 5; 356.

Tavares Victor (2015), Brand **Management in SMEs: Conceptualization of Differences and Research Agenda.** *European Journal of Applied Business Management*, 1 (1),.128-153

Timmons, J.A. (1999) *New Venture Creation: Entrepreneurship for the 21st Century*, Homewood, IL,Irwin.

Urde, M. (2003). Core value-based corporate brand building. European Journal of Marketing, 37(7/8), 1017-1040.

Van den Bosch, A.L.M., Elving, W.J.L. & de Jong, M.D.T. (2006). The impact of organisational characteristics on corporate visual identity. European Journal of marketing, 40 (7/8), 870-885.

Witt, P. (2004). Entrepreneurs' networks and the success of start- ups. *Entrepreneurship and Regional development*, 16, 391-412.

Witt, P., Rode, V. (2005) "Corporate Brand Building in Start-ups", *Journal of Enterprising Culture,* 13(3) 273-294.

Wong, H.Y. & Merrilees, B. (2005). A brand orientation typology for SMEs: a case research approach. Journal of Product & Brand Management, 14(3), 155-162.

Public Relations Strategies and Image Management in Time of Organizational Conflict

Iyadi, Rollins C. (ph.d)
Business Administration Department
Delta State Polytechnic, Ogwashi – Uku
08034226733
iyadirollins@yahoo.com

Okolie Chiyem
Department of Marketing
Delta State Polytechnic, Ozoro
08062157328

pp 236 - 243

Abstract

This study sought to investigate the role of public relations in resolving conflict in Federal Medical Centre (FMC) Asaba. The objectives of this study were to examine the extent to which public relations programs have significant effect in resolving conflicts between FMC and her patients; the extent to which adequate information available to management significantly assist in resolving conflicts; and to ascertain whether public relations play a significant role in resolving conflicts in FMC. The study adopted the descriptive survey research design. The major instrument that was used in the data collection was questionnaire. The study population consists of senior and junior staff of FMC Asaba. Taro Yamani formula was used to determine a sample size of three hundred and fifty (350) respondents and the T-test and Chi-square non parametric statistic was used to test the hypotheses. The findings of the study revealed among others that public relations programs have significant effect in resolving conflicts between FMC Asaba and her patients ($t=12.312$, $p=0.0012$); adequate information available to management significantly assists in resolving conflicts in FMC ($t = 2.692$, $p = 0.004$) and; public relations play a significant role in resolving conflicts in FMC (chi with 4 degree of freedom 376.36, p 0.000). The study therefore concludes amongst others that the existence of distinct public relations unit with readily available qualified public relations personnel at the FMC Asaba be created to ensures effective public relations practices in the organization. Thus, management should ensure that the public relations team should be continually trained and retrained so as to be equipped with modern public relations knowledge and skills. This will ensure that they keep abreast with development in modern public relations practice.

Keywords: public relations, organizational conflict management, public relations strategies.

Introduction

Several factors impede effectiveness of public relations as a tool for image management during organization crisis especially in health institutions in Nigeria. Where there is no public relations unit, it will be difficult to successfully resolve conflict. It will, therefore, be difficult for the organization to correct the wrong impression and public opinion about the organization developed by the conflict.

Furthermore, inadequate information and insincerity of management staff have often lead to conflict in hospitals in the country. Where adequate information is not available, it will be difficult for everyone to be carried along in the process of resolving the conflict. This is often observable in Federal Medical Centre (FMC) Asaba. Also, lack of willingness and staff disposition to resolving the conflict will make it difficult for mutual understanding to be established in the process of managing the conflict. Against this background, therefore, this study examined public relations as a tool for image management in times of organizational conflict using FMC Asaba as reference point.

Although series of research have been conducted in conflict management by different scholars but these researches were centred on industries and civil service. For example Kaycee (1998); Amona (2000); Abdul (2002), Mayo (2013), etc, whose studies were centred on manufacturing organizations, Airline services, core civil service (ministries, departments, and Agencies) and hospitality management. Little or no emphasis have been made in using public relations as a tool for managing organizational image especially in the area of medical services in Nigeria. The main or broad objective of this study therefore is to examine the role of public relations as a tool for image management during an organizational conflict. Thus, the specific objectives of the study are;

1. To examine the effect of public relations programs in resolving conflicts between FMCAsaba and her patients.
2. To determine if adequate information is available to the management of FMC Asaba in its efforts at resolving conflicts.
3. To appraise the role of public relations in resolving conflicts in FMCAsaba

Research Hypotheses

The following hypotheses were tested in this study;

Ho$_1$ Public relations programs do not have significant effect in resolving conflicts between FMC Asaba and her patients

Ho$_2$ Adequate information available to management does not significantly assist in resolving conflicts in FMC Asaba?

Ho$_3$ Public relations do not play a significant role in resolving conflicts in FMCAsaba?

The scope covers definitions, functions, strategies and techniques of public relations, as well as public relations in corporate image management using Federal Medical Centre Asaba as a focal point. On the significance, the study will be useful to the organization as it will enable their public relations managers to understand public relations strategies that should be adopted in establishing and sustaining mutual understanding between the organization and its internal and external publics. Third, public relations managers will find the information in this study useful with respect to how to use public relations in managing their organization's images during conflict, It will show them how to adopt a proactive approach in this respect.

This study experienced limitations in the area of uncooperative attitude of some FMC staff that refused to complete the questionnaire. This adversely affected primary data collected.

Review of Related Literature

In this section, the researchers documented the views of different scholars in public relations, image management and organizational conflict.

Concept of Public Relations

The term “public relations” has so many definitions as given by many scholars, researchers and communication experts. This is because it cuts across all disciplines and each person tries to define it from his own perspective.

Norman (2002), views public relations as that of establishing and maintaining mutual understanding between an organization and its publics for the purpose of communicating a company's views and objectives while at the same time correcting public reactions. This is further supported by Jefkins (2003) who defines public relations as consisting of all forms of planned communications between an organization and its publics for the purpose of achieving specific objectives.

Nwosu (2011), offers a number of definitions of public relations to include winning friends, keeping them and influencing them as well as others.

From all these definitions given above, one thing that is clear that public relations is about creating and maintaining goodwill and mutual understanding between an organization and its publics.

Thus, it is a management function which helps to establish and maintain mutual lines of communication understanding, acceptance and cooperation between an organization and its publics. Besides, it involves the management of problems and issues which might be relevant to any sector (Ughaja, 2014).

Nwosu (2011), expresses that one major function of public relations is the management of all forms of corporate information and communications for any organization. This function includes all types of internal communications and external communications between an organization and its external publics. Internally, the public relations manager will handle regularly such functions as employee communications and organization communication including grapevine and other informal communication forms.

Ugbaja (2014) states that the external communication forms which the public relationsstrategy must handle include publicity and publicity campaigns which must be well planned and executed This is very vital because in this age of information technology (IT), the corporate information and communication management has special functions and importance.

Public Relations Strategies

According to Chukwu (2015), the task of building good public relations can only be achieved with the use of appropriate tools. These are publicity, public relations advertising and special events. In this study only publicity and special events were discussed.

A. Publicity

Publicity is the tool of mass communication which can be defined as the generation of news about a person, product or service that appears in broadcast or print media (Doug and Hanson, 2003). Again, Nwokoye (2004), define publicity as information about an organization and its products that is conveyed to the public by the mass media because such information is news worthy.

Publicity is always given in the form of editorials, news release or news in print and electronic media. Unlike advertising, publicity is not paid for and has no identified sponsor. An organization must have good press relations or media relations in order to have good publicity. Accordingly, opportunities for publicity include the introduction of a new product, award ceremony, company sales and earnings, etc.

The different types of publicity include news release, service feature articles, product publicity, financial publicity, photography and printed materials (Chukwu, 2004).

B. Special Events

The special events often adopted in public relations practice include;

1. **Courtesy Call:** The use of courtesy call is to create good rapport between an organization and its relevant publics. According to Ugbaja (2014), when such visit is made, the organization uses the support, cooperation and understanding of the organization.
2. **Talk Show/Media link:** This is usually an interactive session between representatives of the organization and the general public either on TV or radio. The objective is to win the sympathy understanding, goodwill and support of not only its publics but also the general public.
3. **Sponsorship:** According to Ukpaukure (2002), sponsorship is the provision of financial and material resources by a named organization for the promotion or execution of a program from which the public of the organization will desire some benefit. An organization can through sponsorship of events, scholarship; sports etc achieve some objectives which include publicity, marketing, entertainment and social responsibility.
4. **Facility visit:** According to Ugbaja (2014), an organization can organize facility visit for members of the public to its premises for the purpose of seeking their support, understanding and cooperation for a program. This technique is used to enhance the image of the organization.

Organizational Conflict

Conflict is conceived to be an outcome of behaviour which is an integral part of human life. Dunlop (2014),expresses that conflict is a disagreement between two or more individuals or groups with each individual or group trying to make the other accept its view or position. Ugbaja(2014),defines organizational conflict as any dispute, individual or group that arises in the work place which causes disharmony among a group of workers or between an individual and the management.

In analyzing conflict situation in corporate organizations, McDaniel (2016) explains that organizational conflicts arise because participants in an organization differ in their attitudes, values, beliefs, goals and understanding. For this reason, conflict is unavoidable. This implies that it is the difference in the orientation, personalities and identities of individuals and groups within an organizational frame work that brings about organizational conflict.

Nwatu (2013), remarks that in all organizations, employees and employers have common
in getting work done. What constitutes the work, how the work should be done, and the price of labour in the work process constitute areas where the interests of the two parties vary? It is therefore essential to put in place machinery for effective management of conflicts naturally resulting from their common and opposing interests.

Public Relations as a Tool for Managing Organizational Image during Organizational Conflict

Organizational conflict usually poses serious challenge to the public relations manager as he is more concerned with restoring the image of the Organization that has been smeared or damaged particularly in the case of external organizational conflict. The damage to the image or reputation of the organization can only be redressed through restoration of mutual understanding between the organization and its external publics. This is where public relations comes in (Ajala, 2015). As a tool for managing the organizations image during the conflict, public relations' strategies and techniques should be effectively adopted and applied by the public relations manager.

Ajala also state that the success or failure of public relations in being used as a tool for managing the image of the organization depends on how the public relations manager uses his skill, candor, knowledge and professionalism to manipulate public relations strategies and techniques. This calls for well-articulated public relations programs that will aim at restoring mutual understanding and respect between the organization and the relevant publics. Norman (2015) suggests that public relations manager should always adopt proactive public relations management approach. Such approach entails planning ahead, anticipating one conflict any moment, map out preventive measures and control strategies in case of its eventual occurrence. He should be more concern with restoring the image of the organization than the cost implication of such program. Thus, the key to successful handling of damaged corporate image during organizational conflict is proactive public relations.

Gonzalez-Herrew and Pratt (1995) cited in Nwosu (2011) developed four phase model of corporate image management during organizational conflict, viz;

Phase I Model

1. Scan the environment for publications that affect the conflict.
2. Collect information on the issue and develop a communication strategy that will re-direct itscause.

Phase II Model

Set up policy on the issue.

1. Select members of the conflict management team
2. Identify the staff that will handle media relation.
3. Declare the message, target, the media outline that will be used in implementing the conflict communication plan
4. Assess the dimension of the conflict
5. Assess the degree of conflict the organization has over the situation.
6. Assess the options the organization can choose from in developing a specific conflict plan.

Phase III Model

During the conflict;

1. Evaluate the organization's response to the situation.
2. Pre-empt negative publics the actions being taken to resolve the conflict.
3. Direct the organization's message to the appropriate publics and implement the internal communication program.

Phase IV

In the post-conflict

1. Continue to pay attention to the organizations multiple publics.
2. Continue to address the issue until its intensity is reduces.
3. Continue to inform the media of your actions.
4. Evaluate how the conflict plan work and how management/staff respond to the situation.
5. Incorporate the feedback into the conflict plan, improve it and prevent future conflict.
6. Develop long-term communication strategy.

Oduma (2015) posits that the secret of effective corporate image management during organizational conflict is identifying target and relevant publics and giving right information at the right time. During the crisis, the organization and the public relations manager's reputations are at stake. So it is the responsibility of the public relations manager to manage both very well.

Summary

The place of public relations research in an organization cannot be over emphasized as it helps to bridge the communication gap between management and its relevant publics. Public relations practitioners can only make good decisions when they are provided with facts which are usually obtained through research. The public relations manager must plan and execute regular opinion, attitude, image and reputation, behavioral and other type of research for the organization in order to provide the information which will guide action.

Evaluation or evaluative research is carried out by the public relations manager at the end of each project, program or plan period to assess how well or badly the organization has performed and to use this as a guide for future decisions and actions.

Methodology

Descriptive survey research design was adopted for this study. This method was considered appropriate for the study as it enabled the researchers to make personal contact with elements of the study population from whom information were collected for the study. The survey research necessitated the administration of copies of questionnaire in collecting the primary data. Secondary data were generated from previous studies of scholars (textbooks and journals). The study was limited to Federal Medical Centre (FMC), located at WestendAsaba. The study consist of senior, junior, casual and internship staff. As at the time of carrying out this research they were estimated to be 2,824 staff. The entire staff were categorized into senior and junior staff in the analysis.

In determining the sample size Taro Yamani formula was applied thus:

$$n = \frac{N}{1 + N(e)^2}$$

where n = sample size
N = population
e = error margin
i = constant value

$$\text{Therefore} = \frac{2824}{1 + 2824\,(0.05)^2}$$

$$n = \frac{2824}{1 + 7.06}$$

$$= \frac{2824}{8.06}$$

$$n = 350 \text{ approx.}$$

This sample was distributed to all category of staff in the hospital using simple random technique and 310(89%) was returned and used for analysis. The reliability of the instrument was established through a Crombach Alpha test on the questionnaire. A Crombach Alpha of 0.85 was observed which showed that the questions and the number of respondents were reliable for this study. In analyzing the data, t-text statistics and chi-square were used to test the stated hypotheses.

Test of Hypotheses and Discussion of Findings

Ho_1: Public relations programs do not have significant effect in resolving conflicts between FMC Asaba and her patients.

Table 1: Responses to Whether Public Relations Programs were used effectively to Manage the Organization's Image during Organizational Conflict with Patients

	Options	Frequency	Percentage (%)
a.	Yes	298	96.1
b.	No	12	3.9
	Total	310	100

Source: Field Survey, 2018

Table 2: Analysis of t- test Result for hypothesis One

		Levene's Test for Quality of Variances		t-Test for Quality of Means						
		F	Sig	f	df	Sig.(2 tailed)	Mean Difference	STD Error Difference	95% Confidence interval of the Difference	
Senior and junior staff	Equal variances assumed	18.922	.0012	12.312	96	.086	.400000	.23178	-.09342	1.43357
	Equal variances not assumed			1.856	12.314	.129	.400000	.31905	.23357	1.43357

Source; Questionnaire Survey, 2018

A t-test is a test that shows the significance difference between sets of alternatives. Given a significance level of 0.05.that is at 95% level of significance and the p value = 0.00 < 0.05,equal variance was assumed. For a 2-tail test, the significance of 0.00 12 < 0.05, the nullhypothesis is rejected while the alternate hypothesis accepted at 96 degree of freedom for seniorand junior staff. The study therefore, found that senior and junior staff agreed that public relation programs have significant effect in resolving conflicts between FMC Asabaand her patients. (t =12.312, p = 0.0012).

Ho_2: Adequate information available to management does not significantly assist inresolving conflicts in FMC Asaba.

Table 3: Re sponses on Whether Adequate Information Available to Management helps in Resolving Conflicts

	Options	Frequency	Percentage (%)
a.	Yes	251	81
b.	No	59	19
	Total	310	100

Source: Field Survey, 2018

Table 4: Analysis of t-test Result for hypothesis Two

		Levene's Test for Quality of Variances		t-Test for Quality of Means						
		F	Sig	f	Df	Sig.(2tailed)	Mean Difference	STD Error Difference	95% Confidence interval of the Difference	
Senior and junior staff	Equal variances assumed	.136	.004	2.692	376	.097	.65000	.38412	-.12153	1.42153
	Equal variances not assumed			1.671	38.841	.103	.65000	.38894	-.13682	1.43682

Source; Questionnaire Survey 2018

Given a significance level of 0.05, that is at 95% level of significance and the p value = .004>0.05, equal variance was assumed. For a 2-tail test, the significance of 0.000< 0.05, the null hypothesis is rejected while the alternate hypothesis accepted at 376 degree of freedom. The study therefore found that adequate information available to management significantly assists in resolving conflicts in FMC Asaba (t = 2.692, p 0.004).

Ho_3: Public relations do not play a significant role of in resolving conflicts in FMC Asaba

Table 5: Responses to Whether Public Relations Play Effective Role in Conflict Resolution in the Organization.

	Options	**Frequency**	**Percentage (%)**
a.	Yes	270	87.1
b.	No	12.9	19
	Total	310	100

Source: Field Survey, 2018

Table 6: Analysis of Chi -square Result

	Hyp 4
Chi-square(a)	376.360
Df	4
Asymp. Sig.	.000

a 0 cells (.0%) have expected f requencies less than 5. The minimum expected cell frequency is 71.2.

Given a degree of freedom of 4, the result indicates that public relations play a significant role in resolving conflicts in FMC Asaba with 4 degree of freedom = 376.36, p 0.000).

Conclusion

The existence of Public Relations unit with readily available qualified Public Relations personnel at the FMC Asaba will ensure effective public relations practices in the organization. This also enables the public relations' team to effectively package and implements public relations programs during conflicts in the organization, especially the ones arising from patients.

The use of public relations tools to provide the right and adequate information to the relevant public at the right time using the right channels to understand the situation and obtaining favourable publicity makes public relations an effective tool for managing the organization's image during conflicts.

Recommendations

The following recommendations were made;

1. Management should ensure that the public relations team continues to be trained and retrained so as to be equipped with modem public relations knowledge and skills. This will ensure that they keep abreast with development in modern public relations practice.
2. Management should continue to make adequate budgetary provisions to the public relations unit to enable the unit finance the media adequately. This will help sustain their effectiveness in their work at the hospital.
3. The public relations team should always embark on research and come up with modem knowledge of image laundering in times of crisis. This will ensure that they package effective proactive public relations measures that will always nip conflicts in the bud.
4. For effective laundering during crisis, the public relations team should always provide the right information at the right time to employees as well as the media. While it will help ensure effective employees relations, it will also ensure establishment of effective media relations. This will help the organization to obtain favourable publicity during crisis.
5. The public relations team should always bear in mind that the organization's image is at stake when there is conflict in the organization. To this end, they should always

be ready to fight propaganda through adequate and effective communication with internal and external publics.

REFERENCES

Ajala, V.O. (2015) Public Relations: In Search of Professional Excellence. Ibadan: May Best Publishers.

Black, S. (2000)Publiv Relations. London: Modino Press.

Chukwu, I. (2015) Dynamics of Public Relations. Enugu: Chiezugo Venture

Dunlop, J. (2015) Management. London: Bolten Press

Jefkins, F (2003) Public Relations. Edinburgh: Pearson Education Limited.

Jones, T. S. (2000) "Emotional Communication in Conflict: Essence and Impact," in Eadie, W.and Nelson, P. (Eds.) (2009), The Language of Conflict and Resolution, Thousand OaksCA: Sage Publication Inc.

Lewisky, F. (2015) Introduction to Public Relations, New Delhi: Himalaya Inc.

McDaniel, G(2016) Conflict Mediation and Organizational Performance-New York: Harper & Row Inc.

Morgan, O. (2006) Public Relations Concepts and Practices, New York: Columbus Publishing Co.

Norman, G. (2015) Public Relations. London: Black-Well Press

Nwatu, R. (2013) Public Relations, Enugu: Precision Publishers.

Nwosu, I. (2011) Nigerian Perspectives in Public Relations, Enugu: Ezu Book Ltd.

Nwokonye, O (2004) Public Relations in Bank Marketing.Asaba Delta Publishing Co.

Oduma, P. (2015) "Public Relations as a Tool for Crisis Management" Journal of Mass Communication 12(2).

Ola, A. (2015) Public Relations Management, Ibadan: Spectrum.

Onah, A. (2014) Effective Public Relations, Enugu: Hugotez.

Ononiwu, C. (2015) Public Relations Media, Obosi: Pacific Publishers.

Ugbaja, C.O. (2014) Public Relations Management, Lagos: Dominican Publishers.

Ukpaukure, V. (2002) Public Relations. Benin:Ethiope Publishers

The Impact of Entrepreneurial Orientation on Small Business Performance in Makurdi, Benue State – Nigeria

Ochanya Blessing Adegbe
Department of Business Management,
Benue State University, Makurdi
Owoichi@gmail.com;
Tel: +234 7089060687

pp 244 - 253

Abstract

This study investigated the individual impact of Entrepreneurial Orientation (EO) dimensions; Autonomy, Innovativeness, Risk-taking, Competitive aggressiveness and Pro-activeness on Small Business Performance. The study employed a quantitative approach using questionnaire as a tool for data collection. A convenience sample of 185 small business consist the respondents. The data collected was analysed using Correlation and Multiple Regression analysis. The study revealed that EO dimensions; Risk-taking, Competitive aggressiveness and Pro-activeness have significant impact on Small business performance while Autonomy and Innovativeness does not have significant impact on Small business performance. The study therefore, recommends; extending the tentacles of risk-taking activities through diversification, extensive use of social media to win customers and continuous updating of strategies to react promptly to competitors.

Keywords: Entrepreneurial Orientation, Innovativeness, Business performance.

1.1 Introduction

The growing interest in Entrepreneurship research is attributed to firm constant struggle to top the business chat in their respective industry considering the presence of market dynamism with the notion that entrepreneurship is used as a strategy to better performance (Rauch, Wiklund, Frese, & Lumpkin, 2009). To achieve better performance, entrepreneurs play a vital role in bringing resources together and making strategic decisions that might either lead success or failure.

Over the years, attention of academics and practitioners in the field of entrepreneurship have been drawn to the link between entrepreneurial orientation (EO) and business performance. The concept of EO and its dimensions was developed 1980's and 1990's (Miller, 1983; Lumpkin & Dess, 1996). Business owners are considered to have the propensity to be innovative, make strategic decisions autonomously, take risk to compete aggressively and act Pro-actively to achieve the stated business goals (DeepBabu & Manalel, 2016). The performance of the business based on this assertion indicates that better performance can be achieved only if managers effectively utilised EO dimensions against competitors. Extant literature such as Wiklund & Shepherd, 2005; Lee & Lim, 2009; Mahmood & Hanafi, 2013 have revealed that EO has a positive impact on business performance. However, there is limited literature on this study to confirm this assertion in Nigeria.

In Nigeria, there has been incredible growth of small businesses as they are considered to play a vital role in economy development (Idar & Mahmood, 2011). However, these small businesses are faced with numerous challenges such as insufficient capital, technology and social change. To work against these challenges, business owners need to modify their existing strategies to adapt to the current market situation to achieve business success. It is therefore vital to conduct this study in Nigeria.

The objective of this study is to investigate the impact of EO dimensions; *Autonomy, Innovativeness, Risk-taking, Competitive aggressiveness and Pro-activeness* on business performance in Makurdi, Benue State, Nigeria. This study will add to the body of literature on Entrepreneurship and help scholars gain deeper knowledge of the impact of EO on business performance judging from the context of Nigeria.

The study is therefore structured into three sections which are review of literature; methodology and conclusion.

2.0 Review of Literature

Entrepreneurial Orientation

Entrepreneurship is the art of creating incremental wealth through the pursuit of lucrative ideas and venture (Ronstadt, 1984). The concept has gain the attention of academics and practitioners overtime because of the growing interest in SMEs growth. One thing is clear; the choice to become an entrepreneur is tied to willingness and orientation and not by chance.
In strategic management literature, the process of "how" a new business comes into existence is viewed as entrepreneurial orientation (Mthanti & Ojah, 2017). Earlier scholar shared the same view by defining entrepreneurial orientation as "the processes, practices, and decision-making activities that lead to new business through the willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and characterized by one, or more of the following dimensions: a propensity to act autonomously, a Pro-active relative to marketplace opportunities" (Lumpkin & Dess, 1996; 136–137). Also, Pearce, John, Fritz and Davis(2010; 219) defined entrepreneurial orientation as "a conceptualised set of distinct but related behaviours that have the qualities of innovativeness, Pro-activeness, competitive aggressiveness, Risk-taking, and autonomy". For this study, Entrepreneurial orientation is defined as the ability to creatively deliver goods/services to customers by allowing independent creativity, investing in lucrative future ideas by taking risk, anticipate future demands by been Pro-active and compete aggressively to gain competitive advantage.
The concept of entrepreneurial orientation was first advanced by Miller (1983) as consisting of three dimensions; Innovativeness, Pro-activeness and Risk-taking. Innovativeness was considered the ability to support creative idea and experimentation that may give birth to new products and services. A good example of innovativeness is common in the technological industry, where both radical and incremental innovation takes place all the time. Companies like Toyota and Peugeot develop new brands of cars to attract customers and achieve business success. Pro-activeness is the ability to explore opportunities and gain competitive advantage in creating future demands and coping with business dynamics (Lumpkin & Dess, 2001). Apple is a good example of a Pro-active business. its products are distinguished from others in the industry and the quality of their product give the company

competitive advantage, no matter how competitor try to innovate, Apple brand of mobile phones and computers has stand out. Lastly, Risk-taking is the ability to invest resources on venture or ideas that stance a chance of high profit or loss (Miller & Friesen, 1982; Lumpkin & Dess, 1996). It is a known fact that most successful entrepreneurs are risk takers (Kuratko & Hodgetts, 2001). According to Miller (1983), the three dimensions of EO which are Innovativeness, Pro-activeness and Risk-taking constitute the basic strategic orientation of any entrepreneurs. Lumpkin and Dess (1996) came up with additional EO dimension; Autonomy and competitive aggressiveness. Miller considered entrepreneurial orientation as a strategic posture that concurrently demonstrate innovativeness, Pro-activeness, and Risk-taking (Stam and Elfring, 2008). While Lumpkin and Dess view entrepreneurial orientation as the product of the five dimensions.

The dimension of entrepreneurial orientation is categorised into two dominant perspective namely; unidimensional and multidimensional (Covin & Lumpkin, 2011). The unidimensional perspective is associated with the work of Miller, (1983) and Covin and Slevin, (1989). To these scholars, entrepreneurial orientation which is represented by the ability to possess all the quality of innovativeness, Pro-activeness and Risk-taking are interrelated. The multidimensional perspective on the other hand is associated with the work of Lumpkin and Dess, (1996). To these authors the ability to be innovative, autonomy, Pro-active, Risk-taking and competitive aggressiveness are considered independent dimensions of entrepreneurial orientation. Under the unidimensional perspective, entrepreneurial orientation is viewed as a singular quality (Krieser, Eeaver & Marino, 2002), while the multidimensional perspective considered autonomy, Pro-activeness, Risk-taking, innovativeness and competitive aggressiveness as independent of each other (DeepBabu & Manalel, 2016). This study adopts the multidimensional perspective of entrepreneurial orientation. Because given the differences on strategic decisions, it will be inaccurate to treat the dimension as a singular attribute given that each dimension requires different behavioural input.

One argument held by William, McNaughton, and Guild (2011) is that the dimension of entrepreneurial orientation varies among businesses. This means dimension applicable in profit making firm may not be applicable in non-profit making firm because of the differences in cultural and work settings. However, research findings revealed that within profit making firms, entrepreneurial orientation also varies (Naldi, Nordqvist, Sjoberg & Wiklund, 2007; Kropp, Lindsay & Shiham, 2008).
In summary, the success of any business depends on the entrepreneur orientation towards handling the dealings of the business; hence, the concept of entrepreneurial orientation is considered a vital part of an entrepreneur since its helps balance the fit between individual and the business environment (Thornberry, 2006).

Business Performance

The concept of performance has been captured in numerous areas of research as a measure for the success of any business venture overtime. Usually, performance is viewed from different perspective based on context with diverse indicators (Lumpkin & Dess, 1996; Stam, Souren, & Elfring, 2013). From a firms' perspectives, performance explains the value deliver to customers and shareholders (Wu & Zhao, 2009). There are various indicators used to measure performance. Effendi, Hadiwidjojo and Noermijati (2013) identify five indicators used for measuring performance which are; Ability to build and maintain relationship with customers, provision of quality product, product at affordable price for customers, adequate inventory and effective and efficiency in product/service delivery.
One point to note from the reviewed literature is that performance indicator is grouped into subjective and objective performance measures. Subjective measures are based on the managers views about the business position on profitability, market share, employee's growth as opposite to competitors in the same industry (DeepBabu & Manalel, 2016). While objective measures are published profitability and market share figures of businesses in any industry. This information is release without any resistance from the organisation and made available for public consumption.

According to Kraus, Rigtering, Hughes and Hosman, (2012) performance is frequently measured in one or a combination of the following dimensions; perceived financial, perceived non-financial and archival financial. The likely measures to evaluate the mentioned dimensions of performance are;return on assets, debt to equity, population of employees, sales growth and current ratio. More emphasis is laid on financial performance of organisations and the common measures includes; profitability, efficiency, leverage, growth and liquidity (Carton & Hofer, 2006). However, extant studies (Messersmith & Wales, 2013; Wiklund and Shepherd, 2003) have used perceived performances measures to assess business performance. Perceived performance measures are based on subjective views of the business owners about the firms' market position as opposite to competitors in terms of growth in market shares and profitability. Although this form of performance measure is open to inaccuracy as only the business owner decides to make available the true performance position of the business. This is does mean that subjective form of performance measure is inadequate, because several studies (Messersmith and Wales, 2013; Jantunen, Puumalainen, Saarenketo & Kyläheiko, 2005; Wall, Mitchie, Patterson, Wood, Sheehan, Clegg &West,2004) have revealed strong positive correlation between subjective and objective performance indicators. Considering the focal business of this study, obtaining an objective performance measures will be difficult, because published profitability and market share report are not made available for public consumption due to the small nature of the business. Also, most small businesses are reluctant to disclose financial information of their business. Therefore, subjective (perceived financial and non-financial) performance indicators will be used to measure the business performance.

Entrepreneurial Orientation and Business performance

Going by previous studies entrepreneurial orientation (EO) is a significant contributor to a firm's success. Covin and Slevin (1991) developed a model that associate entrepreneurial posture to organizational performance. It was revealed that entrepreneurial orientation was positively related to firm performance. Both conceptual and empirical studies (DeepaBabu & Manalel, 2016; Al Swidi & Mahmood, 2011; Krauss, Frese, Fredrick & Unger, 2005) provided reasonable body of evidence regarding the link between entrepreneurial orientation and firm performance. However, the study by Lumpkin and Dess (1996) suggest that the relationship between entrepreneurial orientation and business performance is context specific which indicates that the relationship can change independently in different business context. This means each dimension of entrepreneurial orientation impact business performance differently. As captured in a study by Kraus et al., (2012), innovativeness and Risk-taking dimension of entrepreneurial orientation are not significantly associated with business performance rather Pro-activeness is significantly and positively associated with business performance. Also, the study by Lee and Lim, (2009) revealed that competitive aggressiveness has a significant impact on business performance than autonomy, innovativeness and Risk-taking dimensions of entrepreneurial orientation. Hence, each dimensions of entrepreneurial orientation have different impact on business performance. This study employed the five dimensions of entrepreneurial orientation because it is the combined presence of innovation, Pro-activeness, autonomy, competitive aggressiveness and risk-taking in a firm that leads an organization to have entrepreneurial orientation (DeepaBabu & Manalel, 2016).

Drawing from review of related literature, it is obvious that this area of research is attracting the attention of academics and practitioners from different fields of professions because entrepreneurship has become the prerequisite for economic growth and development in the 21st century.

To give direction to this study the conceptual framework linking entrepreneurial orientation and business performance is developed based on the review of literature.

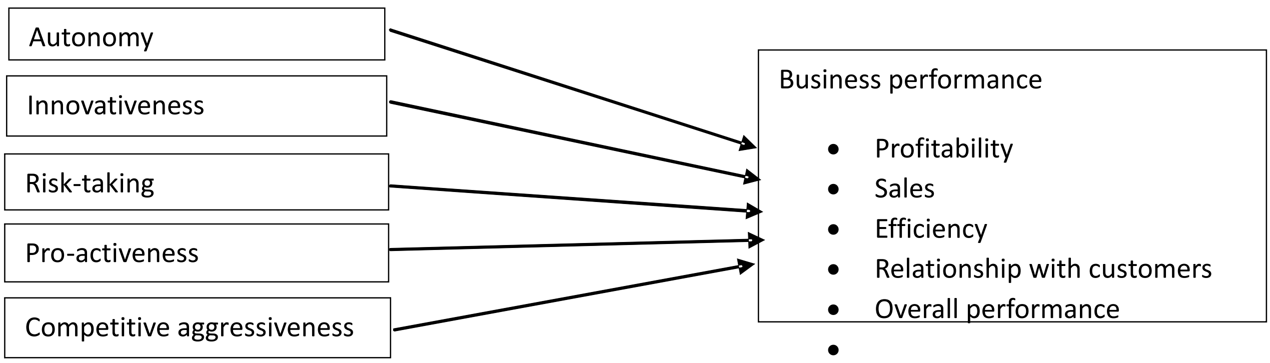


Figure 1: Conceptual Framework.

3.0 Research Methodology

Research Hypotheses

Based on the framework above, the following hypothesis is postulated:

Ho$_1$: Entrepreneurial Autonomy has no significant impact on the performance of Small businesses in Makurdi, Benue state.

Ho$_2$: Risk-taking orientation has no significant impact on the performance of Small businesses in Makurdi, Benue state.

Ho$_3$: Entrepreneurial Innovativeness has no significant impact on the performance of Small businesses in Makurdi, Benue state.

Ho$_4$: Entrepreneurial Pro-activeness has no significant impact on the performance of Small businesses in Makurdi, Benue state.

Ho$_5$: Entrepreneurial Competitive aggressiveness has no significant impact on the performance of Small businesses in Makurdi, Benue state.

i. Sampling and Data Collection

The focus of this study is on small businesses of any form operating in Makurdi town in Benue State. A convenience sampling techniques was employed to select respondents that will participate in providing data for the study. This technique was used because till date, getting a valid document that contains the database of small business in Benue State is difficult.

The small businesses were selected based on two criteria; (1) the business should have been in operation for the past five years. (2) the business should not have less than five employees as at the time of this study. Questionnaires were administered and returned after completion. Out of 200 questionnaires that were distributed only 185 was usable. To analyse the data, exploratory factor analysis and Cronbach-alpha coefficients were calculated to assess the reliability of the instruments used. Correlation analysis was calculated to establish the relationship between the variables and multiple regression analysis was calculated to test the hypothesis developed. All this analysis was conducted through SPSS version 20.

Measurements

i. Entrepreneurial orientation

The measurement for entrepreneurial orientation was developed based on the study of Mahmood and Hanafi, (2013), Lee and Lim, (2009) and Tang et al., (2008). However, some of the measures were adjusted to suit this study. The seventeen-item questionnaire used a five point Likert scale from strongly disagree to strongly agree on which business owners were requested to indicate the extent to which the items applies to their business. The questionnaire distinguished five dimensions of entrepreneurial orientation; *Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness.* The operational definition of these dimensions is contained in table 3.1 below

Table 1

Operational definition of constructs	Source
Innovativeness: The ability to introduce new goods/services that prompts more sales.	Lumpkin and Dess (2005), DeepBabu and Manalel, (2016).
Autonomy: Ability to make and allow employees independent decisions towards achieving the overall business goals.	Lumpkin and Dess (1996), Rauch, Wiklund, Frese and Lumpkin, (2009).
Risk-Taking: Ability to invest resources in ideas that has high and low propensity to success.	Walter, Aver and Ritter, (2006),
Pro-activeness: Ability to anticipate future demand and launch new goods/services ahead of competitors.	Wiklund, Frese and Lumpkin, (2009),
Competitive aggressiveness: Ability to compete favourably using m odern technological tools to outsmart competitors.	Lyon, Lumpkin and Dess, (2000),

Source: Field study, 2017.

i. Business Performance

Previous studies have suggested both subjective and objective performance measure (Effendi, et al., 2013; ***Vij &Bedi, 2012***). However, collecting objective performance measure is difficult because most of these small businesses do not keep proper accounts like large businesses. Apart from this reason owner managers are not willing to dispose information about their financial position to anyone. Therefore, this study employed subjective performance measurement where the perception of the business owner on perceived financial and non-financial performance was used to measure performance. Business owners were asked to rate their performance for the last three years on the following criteria's; profitability, sales growth, efficiency, relationship with customers, employees increase rate and overall performance. These items were developed from the study of Tang et al. (2008) and structured using five point Likert scale from very low to very high.

ii. Result of Reliability Test

Validity analysis was not conducted because the questionnaires for the dimensions of entrepreneurial orientation and performance were developed from previous validated studies. However, internal consistency reliability was used to test the relatedness of the individual items design to measure same construct. Cronbach's alpha value was used to test for internal consistency of individual items. After the analysis, the Cronbach's alpha value for four entrepreneurial orientation dimensions was above 0.7 and Innovativeness was slightly lower than 0.7 which is the standard minimum value suggested by Nunally (1978). Table 3.2 present the result of the reliability test on individual entrepreneurial orientation dimensions.

Table 2 Reliability Test

EO Dimensions	Cronbach's Alpha value
Autonomy	0.799
Innovativeness	0.691
Risk-taking	0.827
Competitive aggressiveness	0.847
Pro-activeness	0.703
Performance	0.662

Source: Field study, 2017.

4.0 Data Analysis and Results

Correlation Result

The correlation analysis was conducted to establish the correlation between the variables under investigation. Using the coefficient of Pearson's product-moment correlation (*r*), *all the variables were positively and significantly($p<0.05$) correlated with one another as presented in (table 3.3). About the dependent variable performance, the highest correlation was reported for the independent variable Risk-taking (r=0.594), followed by Pro-activeness (r=0.553). This indicates that Risk-taking and Pro-activeness has a moderate correlation with performance while the other independent variables have low correlation with performance as explained by Taylor, (1990).*

Table 3 Pearson Correlation Coefficient

	1	2	3	4	5	6
1. Autonomy	1	0.672 Sig. (.000)	0.116 Sig. (.024)	0.646 Sig. (.000)	0.278 Sig. (.000)	0.355 Sig. (.000)
2. Innovation	0.672 Sig. (.000)	1	0.446 Sig. (.000)	0.627 Sig. (.000)	0.255 Sig. (.000)	0.453 Sig. (.000)
3. Risk-taking	0.166 Sig. (.001)	0.446 Sig. (.000)	1	0.328 Sig. (.000)	0.380 Sig. (.000)	0.594 Sig. (.000)
4. Competitive aggressiveness	0.646 Sig. (.000)	0.627 Sig. (.000)	0.328 Sig. (.000)	1	0.236 Sig. (.001)	0.553 Sig. (.000)
5. Pro-activeness	0.278 Sig. (.000)	0.255 Sig. (.000)	0.380 Sig. (.000)	0.236 Sig. (.001)	1	0.374 Sig. (.000)
6. Performance	0.355 Sig. (.000)	0.453 Sig. (.000)	0.594 Sig. (.000)	0.553 Sig. (.000)	0.387 Sig. (.000)	1

Source: Field study, 2017.

Regression Analysis Result

Multiple regression analysis was conducted to test the extent of the impact of entrepreneurial orientation on Performance. The R-squared was obtained at 0.512 with a significant level p<.000. This means that the independent variables explain 51.2% of the variation in the dependent variables. The p-value for the F statistic is <0.05 which means that at least one of the independent variables is a significant predictor of the dependent variable.

Table 3.4 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.651	.219		7.549	.000		
	Autonomy	.006	.053	.010	.120	.904	.417	2.398
	Innovation	-.018	.077	-.019	-.237	.813	.405	2.470
	Risk-taking	.272	.042	.421	6.547	.000	.658	1.519
	Competitiveaggressiveness	.275	.052	.388	5.261	.000	.501	1.995
	Pro-activeness	.064	.027	.138	2.369	.019	.803	1.245

a. Dependent Variable: Performance

Source: Field study, 2017.

The prediction equation is based on the unstandardized coefficient. From the table, the findings show that there is a positive relationship between Autonomy, Risk-taking, Competitive aggressiveness, Pro-activeness and performance while Innovativeness has negative impact on performance. This implies that a 1% increase in Autonomy, Risk-taking, Competitive aggressiveness and Pro-activeness will increase business performance by 26.8%, 27.2% and 6.4% respectively. While a 1% increase in Innovativeness will decrease business performance by 18%. The model is presented below:

BP=1.625 + 0.006(A) - 0.018(I) + 0.268(RT) + 0.272(CA) + 0.064(P)+e

Where:

A= Autonomy

I= Innovativeness

BP= Business performance

RT= Risk-taking

CA= Competitive aggressiveness

P= Pro-activeness

Drawing from the coefficient table, a significant positive relationship was found between the independent variables, Risk-taking (6.547; p<0.05), *Competitive aggressiveness* (5.261; p<0.05) and Pro-activeness (2.369; p<0.019) and the dependent variable *Business performance. However, no* relationship was found to have existed between *Autonomy* (.120; p<0.904), and *Innovativeness* (-.237; p<0.813), and the dependent variable *Business performance*. Therefore, hypothesis Ho_3, Ho_4 and Ho_5 is rejected and Ho_1 and Ho_2 are accepted.

5,0 Discussion

The objective of this study was to investigate the impact of EO in terms of *Autonomy, Innovativeness, Risk-taking, Competitive aggressiveness and Pro-activeness on business performance of small business in Makurdi, Benue State. The result of this study indicates that the businesses that participated in this study engage in risk-taking, competitive and pro-active activities such as* making bold investment that could harvest superior return, *making efforts to win customers from competitors,* watch competitors' business strategies to react promptly and making dramatic changes in business activities.

However, the percentage of respondent that agreed to undertake innovative activities and allowed autonomy was insignificant. The reason for this unwillingness might be because of previous unsuccessful experiences of autonomy and innovative activities. Meanwhile, whether autonomy and innovative activities are related to business experience is a literature gap that draws a research interest.

Drawing from the multiple regression analysis, it was revealed that *Risk-taking, Pro-activeness* and *Competitive aggressiveness* have a significant positive impact on *Business performance.* This indicates that the more the business take on *Risk-taking, Pro-activeness* and *Competitive aggressiveness activities*, the more likely the

Business performance increases. This finding is consistent with the study of Matchaba-Hove and Vambe, (2014). However, no significant relationships were reported of *Autonomy* and *Risk-taking* and *Business performance*. This finding is consistent with the result of a study by Effendi et al., (2013) and not consistent with the study by Lee and Lim, (2009).

Conclusion/Recommendations

Drawing from the findings, this study concludes that EO dimensions; *Risk-taking, Pro-activeness* and *Competitive aggressiveness have impact on business performance while Autonomy* and *Risk-taking have no impact on business performance.*

Based on the findings, this study recommends the following:

1. Business owners should extend the tentacles of their risk-taking activities (investment) in diverse areas instead of only focusing on one business to spread the risk and gain more returns.
2. Business owners should make extensive use of social media such as Facebook and Instagram to win over competitor customers by updating them of new offers and discount.
3. Business owners should make it a thing of policy in acquiring competitors updated strategic quarterly to act promptly and gain the first-mover advantage.

Limitations and future areas for further studies

The use of convenience sampling might allow for potential bias in this study. Because of this, the finding of this study cannot be generalised to entire small business population since the study was focused on small business in Makurdi, Benue State. Future investigation should identify database of small business from which a sample can be drawn. Also, the scope of the study can be extended to other states in the country to aid the generalisation of findings.

Another area for future study is to conduct a comparative study between female and male entrepreneurs to see if there is a variation between the impact of EO dimension on business performance between female and male entrepreneurs. This is because this study did not differentiate the findings of this study based on gender.

Despite these limitations, this study adds to the body of knowledge in entrepreneurship and served as a source of reference to future scholar interested in this area of research in the context of Nigeria, since there is limited study on this issue/area in Nigeria.

References

Al Swidi, A.K. and Mahmood, R. (2011) 'How does Organizational Culture shape the relationship between Entrepreneurial Orientation and the Organizational Performance of Banks?', *European Journal of Social Sciences,* 20(1), 28-46.

Carton, R. B and Hofer, C. W. (2006). *Measuring organizational performance: metrics for entrepreneurship and strategic management research*. Northampton, MA: Edward Elgar.

Covin, J. G. and Lumpkin, G. T. (2011) 'Entrepreneurial Orientation Theory and Research: Reflections on a Needed Construct', *Entrepreneurship Theory and Practice,* 2(1), 855-872.

Covin, J.G. and Slevin, D.P. (1989) 'Strategic Management of small Firms in hostile and benign Environments', *Strategic Management Journal*, 10(1), 75-87.

Covin, J.G. and Slevin, D.P. (1991) 'A Conceptual Model of Entrepreneurship as Firm behavior', *Entrepreneurship Theory and Practice,* 16(1), 7-25.

DeepaBabu, K.G and Manalel J. (2016) 'Entrepreneurial **Orientation and Firm Performance: A Critical Examination',** *Journal of Business and Management, 18(4), 21-28.*

Effendi, S., Hadiwidjojo, D and Noermijati, S. (2013) **'The Effect of Entrepreneurship Orientation on The Small Business Performance with Government Role as The Moderator Variable and Managerial Competence as The Mediating Variable On The Small Business of Apparel Industry In Cipulir Market, South Jakarta', J***ournal of Business and Management, 8(1),49-55*

Idar, R. and Mahmood, R. (2011) 'Entrepreneurial and market orientation relationships to performance: The SME perspective', Interdisciplinary *Review of Economics and Management*, 1(2), 1-8.

Jantunen, A., Puumalainen, K., Saarenketo, S., and Kyläheiko, K. (2005) 'EntrepreneurialOrientation, Dynamic Capabilities and International Performance', *Journal ofInternational Entrepreneurship, 3*, 223-243.

Kraus, S., Rigtering, C.J.P., Hughes, M and Hosman,

V. (2012) 'Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands', *Review of Management Sciences,* 6, 161–182.

Kraus, S.I., Frese, M., Friedrich, C. and Unger, J.M. (2005) 'Entrepreneurial orientation: a psychological model success among southern Africa small business owners', European *Journal of Work and Organizational Psychology*, 14(3), 315-344.

Krieser, P.M. Marino, L. and Weaver, K.M. (2002) Assessing the relationship between Entrepreneurial Orientation, the external environment and Firm Performance. In Reynolds, P.D., Bygrave, W.D., Carter, N.M., Davidsson, P., Gartner, W.B., Mason, C.M. and McDougall, P.P. (eds). Frontiers of Entrepreneurship Research. Wellesley, MA: Babson College, (268-282).

Kropp, F., Lindsay, N.J and Shoham, A., (2008) 'Entrepreneurial orientation and international entrepreneurial business venture start up', *International Journal of Entrepreneurial Behaviour & Research 14* (2), 102–117

Kuratko, D.F and Hodgetts, R.M. (2002). *Entrepreneurship: a contemporary approach*. Mason, OH: South- Western.

Lee, M.S and Lim, S. (2009) 'Entrepreneurial orientation and the performanceof service business', *Service Business,* 3, 1-13.

Lumpkin, G.T and Dess, G.G. (1996) 'Clarifying the entrepreneurial orientation construct and linking it to performance', *Academy of Management Review*, 21(1), 135-172.

Lumpkin, G.T and Dess, G.G. (2001) 'Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life cycle', *Journal of Business Venturing*, 16(5), 429-451.

Lyon, D., Lumpkin, G. T., & Dess, G. G. (2000) 'Enhancing Entrepreneurial Orientation Research: Operationalizing and Measuring a Key Strategic Decision-Making Process', *Journal of Management,* 4(2), 1055-1085.

Mahmood, R and Hanafi, N. (2013) 'Entrepreneurial Orientation and Business Performance of Women-Owned Small and Medium Enterprises in Malaysia: Competitive Advantage as a Mediator', *International Journal of Business and Social Science, 4(1), 82-90.*

Matchaba-Hove, T.M and Vambe, A.K. (2014) **'Entrepreneurial Orientation and Performance of Small Businesses in the Retail Sector in the Eastern Cape Province of South Africa',** *Journal of Marketing and Management*, 5 (2), 12-39.

Messersmith, J.G and Wales, W.J. (2013) 'Entrepreneurship Orientation and Performance in young Firms: The role of Human Resource Management', *International Small Business Journal,* 31(1), 115-136.

Miller, D and Friesen, P.H. (1982) 'Innovation in conservative and entrepreneurial firms: two models of strategic momentum', *Strategic Management Journal*, 3(1), 1-25.

Miller, D. (1983) 'The correlates of entrepreneurship in three types of firms', *Management Science*, 29(7), 770-791.

Mthanti, T and Ojah, K. (2017) 'Entrepreneurial orientation (EO): Measurement and policy implications of entrepreneurship at the macroeconomic level', *Research Policy*, 46, 724–739

Naldi, L., Nordqvist, M., Sjoerg, K. and Wiklund, J., (2007) 'Entrepreneurial orientation, Risk-taking, and performance in family firms', *Family Business Review, 20* (1), 33–47

Nunally J (1978) *Psychometric,* 2nd edn. McGraw Hill: New York.

Pearce, I.I., John, A., Fritz, D.A. and Davis, P.S. (2010) 'Entrepreneurial orientation and the performance of religious congregations as predicted by rational choice theory', Entrepreneurship *Theory Practice,* 34 (1), 219–248.

Rauch, A., Wiklund, J., Frese, M., and Lumpkin, G. T. (2009). Entrepreneurial Orientation and Business performance: An Assessment of Past Research and Suggestions for the Future. *Entrepreneurship Theory and Practice,* 761-786.

Ronstadt, R.C. (1984) *Entrepreneurship.* Dover, MA: Lord Publishing Company.

Stam, W. and Elfring, T. (2008) 'Entrepreneurial orientation and new venture performance: the moderating role of intra-and extra industry social capital', Academy of Management Review, 51 (1), 97–111.

Stam, W., Souren, A., and Elfring, T. (2013) 'Social Capital of entrepreneurs and Small firm performance: A meta-analysis of contextual and methodological moderators', *Journal of Business Venturing,* 2(2), 4-22.

Tang, J., Tang, Z., Marino, L. D., Zhang, Y. and Li, Q. (2008) 'Exploring an inverted u-shape relationship between Entrepreneurial Orientation and Performance in Chinese ventures', *Entrepreneurship Theory and Practice*, 32(1), 219–239.

Taylor, R. (1990) 'Interpretation of the Correlation Coefficient: A Basic Review', *Journal of Diagnostic Medical Sonography,* 6(1), 35-38.

Thornberry, (2006). *Lead like an entrepreneur*. Blacklick, OH: McGraw-Hill ***Vij, S. and Bedi, S.H., (2012)*** **'Relationship Between Entrepreneurial Orientationand Business Performance: A Review of Literature',** *Journal of Business Strategy*, 8(3), 18-31.

Wall, T.D., Mitchie, J., Patterson, M., Wood, S.J., Sheehan, M., Clegg, C.W and West, M. (2004) 'On the validity ofsubjective measures of Company Performance', *Perspective of Psychology*, 57(1), 95–118.

Walter, A., Auer, M., and Ritter, T. (2006) 'The impact of network capabilities and entrepreneurial orientation on University spin-off performance', *Journal of Business venturing,* 3, 541-567.

Wiklund, J. and Shepherd, D. (2003) 'Knowledge based resources, entrepreneurial orientation and the performance of small and medium sized business', *Strategic Management Journal*, 24(13), 1307-1314.

Wiklund, J., and Shepherd, D. (2005) 'Entrepreneurial Orientation and small Business Performance: A configurational approach', *Journal of Business Venturing,*2(1), 71-91.

William T. Z., McNaughton, R. B. and Guild, P. (2011) 'ENTRE-U: An Entrepreneurial Orientation scale for Universities', *Technovation*, *31*(2), 128-137.

Wu, D., and Zhao, F. (2009) Performance measurement in the SMEs in the information technology industry. In Zhao, F.(edn) Information Technology Entrepreneurship (pp. 79-99). Hershey, USA: Idea Group.

Promoting Rural Livelihood through Cooperative Society in Lagos State: A Study of Farmers Multipurpose Cooperative Societies in Ojo L.G.A of Lagos State Nigeria

[1]Lawal Kamaldeen, A.
[2]Taiwo Abdulahi Olabisi,
[3] Katagum, Bilkisu.

[1&3] Department of Entrepreneurial Studies
National Open University, Lagos State, Nigeria

[2] Department of Cooperative Economics & Management
Nnamd Azikiwe University Awka, Anambra State of Nigeria

pp 254 - 262

Abstract

A livelihood is a set of economic activities which enables a person to meet their individual and household requirements. So as a bid to promote livelihood especially the rural livelihood, the study evaluate the roles of agricultural cooperative societies towards the promotion of rural livelihood in Lagos State of Nigeria. A sample size of 236 respondents was determined through non random sampling technique (purposive) from 12 registered multipurpose cooperative societies in the study area. Data gotten from the 236 respondents were analysed and findings from the result revealed that, there is strong evidence that cooperative economic activities promotes the rural livelihood of its members. Meanwhile, these cooperatives are been challenged with some limitations that hindered their optimum capacity in promoting livelihood. As such, the study recommends that the cooperative should diversify their investments and integrate more practicable economic activities that are capable of promoting rural livelihood. As result of this poverty within the rural communities could be alleviate.

Keywords: rural livelihood, cooperative society, Lagos state, farmer's multipurpose cooperative societies

* correspondence author: klawal@noun.edu.ng & aotaiwo@unizik.edu.ng Tel: +2348023626862, +2348027916050

Introduction

Promoting the livelihoods of the poor has become more urgent in the current economic climate. It calls for organizations such as cooperative societies to use their resources optimally to achieve maximum scale. According to Chikaire (2011), the primary reason to promote livelihoods is the belief in essential right of all human beings to equal opportunities and ensuring that poor households have a stable livelihood which will substantially increase their income over a period of time; also to asset ownership; self esteem, as well as sense of socio-economic inclusion. He further stated another reason for livelihood promotion is to promote economic growth.

Livelihood is a set of economic activities involving self employment and or wage employment by using one's endowment to generate adequate resources for meeting the requirements of self and household and this is usually carried out repeatedly; as such become a way of life. Ideally, a livelihood should keep a person meaningfully occupied in a sustainable manner with dignity (Wikipedia 2014). Therefore, livelihood goes far beyond generating income which is also much more than employment. Cooperative Society has long been recognized as a source of livelihood for the African poor rural household as well as engine for economic growth. The ability of a household to exchange or move surplus from a region of comparative advantage to a region with less potential within a country or across national borders is an important ingredient towards the growth of Cooperative Society and improvement of rural livelihood (Muchopa 2011).

According to Arua (2004), promotion of livelihood should be concentrated on human resources and people of grass root levels and they should be mobilized to work together voluntarily to gather scarce resources together within their disposal. In this context, cooperative, specifically agricultural cooperatives play a vital role in the promotion of livelihoods. People participate directly in Cooperative Society and they create and increase productivity, which are the major indicators for poverty reduction and promotion of livelihood in general. The cooperative league of the USA as cited in Chikaire (2011) asserted that a cooperative being a business that is owned by its members can operate the business to service themselves.

According to World Bank (2005), the pyramid comprises nearly 4billion or 6billion people in the world, who do not have the purchasing power to buy even the bare necessity of life, e.g. food, clothing and shelter. But, as they get steadier incomes through livelihood promotion, they become customers of many goods and services, which then promote economic growth. Also, another reason for promoting livelihood is to ensure social and political stability, because when people are hungry and idle, there tends to be violence, crime and other social vices (Chikaire, 2011; Adeyemo, 2005; Adinya, 2008). Thus, we see that there are idealistic, utilitarian and plain self interest based arguments for livelihood promotion.

Statement of the Problem

Government at various level and non-governmental developmental agencies have tried their best to improve livelihood of the people, but despite this efforts people still lack hope to improve their livelihood (World bank 2010). One of the biggest challenges facing development practitioners and policy makers in the world today is how they can assist large numbers of people in the developing world to have a meaningful livelihood which can sustain then and ensures they can live with dignity and hope for future. Similarly, there are many studies conducted by various researchers in a bid to find means and strategy of improving people's livelihood (Muchopa 2011; Chikaire, 2011; Arua 2004; Adeyemo 2005; Adinya 2008 etc). But, no single study has been conducted in Ojo L.G.A of Lagos State especially on the role agricultural and cooperative society in the promotion of livelihood thus, this created a vacuum to be filled which this study is determined to fill the gap. Also, this study became necessary so as to identify the livelihood promotional activities of agricultural cooperatives in Ojo L.G.A and determine the extent these activities has positively promote the livelihood of the cooperative members in Ojo LGA of Lagos State, this is the focus of the study.

The Study Objectives

The broad objective of this study is to examine how farmers in a multipurpose cooperative society promote the livelihood of their members in Ojo L.G.A of Lagos State. The objectives of the study include to:

(i) assess the extent to which the MCs livelihood promotional activities have enhanced the livelihood of members.

(ii) identify the constraints that hinder MCs livelihood promotional activities and make recommendations that will strengthen MCs efforts in promoting the livelihood of their members.

Hypothesis of the Study

H_{01}: MCs in Ojo L.G.A do not significantly promote the livelihood of its members.

H_{02}: There are no significant constraints that hinder the agricultural cooperatives in promoting rural livelihood in Ojo L.G.A.

Literature Review

Cooperative Society and Rural Livelihood Promotion

Cooperatives Societies in Nigeria like their counterparts all over the world are formed to meet people's mutual needs. Cooperatives are considered useful mechanism to manage risks for members in Cooperative Society. Through cooperatives, farmers could pool their limited resources together to improve agricultural output and this will enhance socio-economic activities in the rural areas (Ebonyi and Jimoh, 2002).

Arua (2004) viewed cooperatives as an important tool of improving the living conditions of farmers. According to Bhuyan (2007), cooperatives are specially seen as significant tools for the creation of jobs and for the mobilization of resources for income generation. Levi (2005) asserted that cooperatives employed more than 100 million men and women worldwide. In Nigeria, cooperatives provide locally needed services, employment and input to farmers, cooperatives also provide opportunities to farmers to organize themselves into groups for the purpose of providing services which will facilitate output of members. According to Nweze (2002), cooperative societies serve as avenues for input distribution. Through their nation-wide structure, they have developed strong and reliable arrangements for the distribution of food crops, fertilizers, agro-chemicals, credits, seeds, and seedlings.

Bhuyan (2007), stressed that rural cooperatives played an important role in mobilizing and distributing credit to the farmers. He further stressed that cooperatives provide members with a wide range of services such as credit, health, recreational and housing facilities. Agricultural cooperatives are also useful in the dissemination of information about modern practice in Cooperative Society.

Hermida (2008) reported that cooperatives provide functional education to members in the areas of production, processing and marketing of agricultural produce. The education of cooperative members could be formal where members are trained in courses like accounting and farm management. They could also be trained informally through the attendance of national and international conference and seminars. The most important reasons for cooperative failure in Nigeria according to Borgens (2001) include; the shortage of trained managers, lack of understanding of the principle and approaches of cooperatives and inability of cooperative member to cope with the modern methods and tools of production. Malthus (1999) also identified some of the problems facing cooperatives in Nigeria to include; shortage of skilled personnel, inadequate financing, excessive government control and lack of trust among members. Onje (2003) added that the problem of dishonesty among cooperative leaders is another factors retarding the growth of cooperative in Nigeria.

According to Borgens (2001), the participation of Cooperatives in marketing of agricultural produce are low as result of poor organizational structure, inadequate infrastructural facilities and administrative bottlenecks. Cooperative societies in Nigeria perform multipurpose functions. They are engaged in the production, processing, marketing, distribution and financing of agricultural products. The most popular agricultural cooperative societies available in Nigeria include; group farming cooperative, marketing cooperative, agricultural thrift and credit cooperatives, agricultural processing cooperative, consumer cooperatives, fishery cooperative and farmer's multipurpose cooperatives. Cooperative Society is mostly practiced in Nigeria by peasant farmers producing the bulk of food, fuel and fiber needs of the population. Rural farmers in Lagos state like their counterparts in other parts of Nigeria are trapped in perpetual poverty, malnutrition, unemployment and mass drift from rural to urban area. Hence the needs for farmers to form cooperative societies to allow then pool their contribution towards poverty reduction and agricultural development of the state resource together for increased agricultural productivity.

According to Levi (2005) the existence of cooperatives had an impact in the generality of rural development defined in terms of availability and access to amenities that improve the basic conditions of life for the rural people. These include;

- Employment creation
- Rural market development
- Enhancement of rural income
- Improvement of access to social service etc.

Business goods and Farmers produces are marketed by cooperatives are gainfully employed because they can account for their earning during the market season. Agricultural cooperatives are critical to the general rural development because they provide employment accounts, book keeping and managers as part of direct employment. But those members earning better revenues through enhanced cooperative prices have usually invested in income earning projects such as piggery, chicken such enterprises outside the main stream agricultural marketing cooperative domain, increase income level of entrepreneur farmers, but also increase additional employment to the rural people and hold up the massive population that would have migrate to cities in search of decent jobs.

As far as agricultural cooperatives are concerned, it is responsible for introducing the exchange economy in remote rural areas in Nigeria. Thus, it assists in developing modern markets in rural areas, where the cooperatives provide a ready market for farmers' and members. Cooperatives, maintains higher levels of income, making small farmers and members able to construct decent houses, see their children to school and provide health insurance to sustain rural livelihood (Chambo, 2007).

Methodology

The area of study was Ojo L.G.A of Lagos State. This area comprises of Otto, Ijanikin, Volvs,Iba, Igboelerin, Ojo Okoko, Iyanaisagh, Iyanaera, Iyanaiba, Alaba, Shibiri well as Daleko. Meanwhile, the headquarter of Ojo L.G.A is located in Ojo Adjacent Alaba International. Also the majority of inhabitants of this local government are known for electronics Business, and farming activities of which they are into selling of electronic products and produce vegetables food for the state.

The study population consist of all registered multipurpose cooperatives societies (MSC) in Ojo L.G.A of Lagos State. This constituted 31 members multipurpose cooperative societies, meanwhile, not all the 31 members MCS are functional but with the help of Divisional Cooperative Officer (DCO) in Ojo South L.G.A, we could only trace 12 active and functional MCS and these cooperatives has total membership strength of 236 members.

Since the study population was 12 members' multipurpose cooperative societies which were homogeneous, also according to Adefisoye (2010) since the complete enumeration (236 members) was not up one thousand (1,000), the researcher purposively selected the whole of 236 members as the study sample. Thus, a structured questionnaire was duly distributed to the 236 respondents, meanwhile, it was 174 questionnaires that was properly filled and returned.

The above socioeconomic characteristics table 1

Result and Discussion

Socioeconomic Profile of the respondents

Table 1: Distribution of the respondents Socioeconomic Profiles

Socioeconomic Profile	Frequency	Percentage	Minimum	Maximum	Mean ($\bar{x}$)
Sex:					
Male	98	56.3	-	-	-
Female	76	43.7	-	-	-
Marital Status:					
Single	25	14.4	-	-	-
Married	86	49.4	-	-	-
Widower	18	10.4	-	-	-
Widow	34	19.5	-	-	-
Divorced	11	6.3	-	-	-
Years of Formal Education:	-	-	< 2 years	≥ 17 years	3.11 years
Occupation:					
Farmer	174	100*	-	-	-
Civil Servant	32	18.4*	-	-	-
Trader	102	58.6*	-	-	-
Artisan	83	47.7*	-	-	-
Retired	26	14.9*	-	-	-
Years Of Membership Experience:	-	-	< 1 year	> 20 years	10.5 years
Income Per Annum (₦):	-	-	< 100,000	> 5 Million	1,050,000
House Hold Size:	-	-	2	> 20	8.5

Source: Field Survey, 2017

revealed that male respondents are 56.3% while female respondents are 43.7%. Majority of these respondents are married (49.4%) with average age bracket of 41 years. Also, these respondent have at least 3 years of formal education, meanwhile most of the respondent are farmers (100%); petty traders (58.6%) and artisan (47.7%) and they generate average income of N1,050,000 per annum. Moreso, the respondents have average size of 9 house hold members. Finally, the respondents have average 10½ years experience as a cooperative member.z

The above table 2 revealed the cooperative activities that promotes livelihood of its members. Meanwhile

Multipurpose societies (MCS) Livelihood Promotional Activities

Table 2: Distribution on the Livelihood Promotional Activities in FMCS

S/N	Livelihood Promotional Activities	Mean ($\overline{x}$)	Std. Deviation	Variance	decision
a.	Marketing of Business and farmers produce	4.189	.80727	.652	Available
b.	Supply of goods and farm inputs (e.g. seed, fertilizers etc)	4.1667	.79072	.625	Available
c.	Storage facilities for members	4.0690	.72795	.527	Available
d.	Credit and loan delivery	4.2011	.61747	.381	Available
e.	Savings and deposits	3.8218	.78083	.610	Available
f.	Micro insurance services delivery	3.3506	1.09548	1.200	Available
g.	Consumers goods supply	3.6494	.98481	.969	Available
h.	Housing scheme services	2.333	.89529	.802	Not available
i.	Members education	3.6034	.93623	.877	Available
j.	Skill acquisition programmes and training	3.5690	.72396	.524	Available
k.	Collective farming	3.7701	1.03913	1.080	Available
l.	Community health cane services	2.7299	.79850	.638	Not available
m.	Transportation scheme (e.g KEKE high purchase)	3.0747	.89967	.809	Available
n.	Community development services	3.3793	.90906	.826	Available
o.	Intermediary services between government and ruralities	2.4943	.90437	.818	Available
	Grand mean ($\overline{x}$)	**3.5933**			**Available**

Source: Field Survey, 2017

that data was sourced from 5 point likert scale with threshold of 3.0 which indicated that any livelihood promotional activity that < 3.0 is not available in the studied cooperatives. While, any livelihood promotional that is 3.0 is available in the studied cooperatives. Therefore, the grand mean (3.5933) indicated that there is strong availability of livelihood promotional activities in cooperative and these include, marketing of goods and farm produce (4.189); supply of farm inputs (4.667); credit delivery (4.0211); members education (3.6034); skill acquisition training (3.569) as well as collective selling of goods and farming (3.7701).

The Extent of Livelihood Promotional Activities on Cooperative Members

Table 3: Distribution of Extent of Cooperatives Promotional Activities on the Livelihood of their Members

S/N	Livelihood Promotional Effects	Mean ($\bar{x}$)	Std. Deviation	Variance	decision
i.	Job opportunities	4.0230	.68808	.473	Effective
ii.	Improves social and economic inclusion	3.5287	.74242	.551	Effective
iii.	Increase agricultural productivity	4.1149	.62557	.391	Effective
iv.	Women and youth empowerment	4.0460	.84536	.715	Effective
v.	Improved literacy level	3.2586	.82365	.678	Effective
vi.	Community banking	3.6724	.73841	.545	Effective
vii.	Improved community health care	2.3793	.74090	.549	Ineffective
viii.	Private and informal sector development	3.6782	.61755	.381	Effective
ix.	Effective linkages	2.8276	.70844	.502	Ineffective
x.	Gender equality	3.7989	.67985	.462	Effective
xi.	Improved standard of living	4.2471	.71472	.511	Effective
xii.	Technology diffusion	3.6667	.81413	.663	Effective
xiii.	Sensitization and re -orientation on cooperative effects	3.6027	1.06159	1.127	Effective
xiv.	Infrastructural development	3.3506	1.14704	1.316	Effective
xv.	Environmental sustainability	2.7184	1.02906	1.059	Ineffective
	Grand mean ($\bar{x}$)	**3.4068**			Effective

Source: Field Survey, 2017

Table 3 above showed how activities of cooperatives has an effects on livelihood of its members. The result was from scale analysis of 5 point likert scale with mean of 3.0. That is any variable < 3.0 is ineffective while any variable 3.0 is effective. Thus, the grand mean ($\bar{x}$) (3.4068) revealed that the available cooperative activities has positive effects in promoting livelihood of its members. Some of these positive effects include; job opportunities (4.02); social and economic inclusion (3.52); increased agricultural productivity (4.04); improved members literacy lives (3.25); community banking (3.67) as well as infrastructural development (3.35).

Test of Hypothesis One

H_{01}: MCS in Ojo L.G.A has not significantly promote the livelihood of their members.

H_{01}: To a significant extent MCS in Ojo LGA has promote the livelihood of their members.

In order to affirm or reject the hypothesis formulated, table 2 and 3 was subjected to T – test and the result was showed in table 3.1,3.2 and 3.3 below.

T – test

Table 3.1: Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error mean
Pair 1 . Activity	3.5601533	15	.53901546	.13917319
effect	3.5287	15	.13954	.13954

Table 3.2: Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 Activity and effect	15	.684	.000

Table 3.3: Paired Samples Test

Paired Differences								
				95% confidence interval of the diff.				
Pair 1 activity and effect	**Mean**	**St. Deviation**	**Std. Error Mean**	**Lower**	**Upper**	**t**	**Df**	**Sig. (2-tailed)**
				.35875070	.4215853	.573	14	.000

Decision

This result of T – test above showed a strong significance. That is t value (.573) was found to be significant at 5% level of significance. Therefore, null hypothesis was rejected while the alternated was accepted and the researcher concluded that to a significant extent MCS in Ojo LGA has promote the livelihood of its members.

Constraints that Limit the Livelihood Promotion Activities in Cooperative

Table 6: Distribution of the Respondents Responses Based on the Constraints that Limits the Promotion of Livelihood through Cooperative Activities

S/N	Constraints	Mean ($\bar{x}$)	Std. Deviation	Decision
i.	Political and economic instability	3.9253	.69693	Limitation
ii.	Rural – urban migration	3.7989	.96757	Limitation
iii.	Inadequate fund	4.3218	.63600	Limitation
iv.	Lack of quality extension service delivery	3.7414	1.05721	Limitation
v.	Poor infrastructure	3.9655	.85272	Limitation
vi.	Conflict of interest among members	3.6322	1.07644	Limitation
vii.	Misconception on what cooperative is all about	2.9023	.97168	Not a limitation
viii.	Inactive members' participation	3.8276	1.04474	Limitation
ix.	Gender inequality	2.6956	1.04482	Not a limitation
x.	Inadequate skill acquisition and empowerment programmes and training	3.9023	.96571	Limitation
xi.	Ineffective leadership and management of cooperative	2.7356	.96571	Not a limitation
	Grand mean ($\bar{x}$)	**3.2461**		**Limitation**

Source: Field Survey, 2017

The table 6 above revealed the result of the constraint that limits the activities of cooperative in promoting rural livelihood in Ojo South L.G.A. The result was generated from 5 point likert scale with mean of 3.0, where any constraints < 3.0 was considered not to be a limitation, while any constraint 3.0 was considered to be a limitation. Therefore, the grand mean (3.246) showed that there are limitations confronting agricultural cooperative in promoting rural livelihoods in Ojo South L.G.A and some of these limitations include; political and economic instability (3.9253); inadequate fund (4.3218); lack of extension service delivery (3.7414); poor infrastructure (3.9655); conflict of interest among members of cooperative (3.6322); inactive members' participation (3.8276); inadequate skill acquisition training and programmes (3.9023).

Test of Hypothesis Two

H_{02}: There is no significant constraint that limits the cooperatives in promoting rural livelihoods in Ojo L.G.A.

H_{A2}: There is a significant constraint that limits the cooperatives in promoting rural livelihoods in Ojo L.G.A.

In order to affirm or reject if cooperatives are been faced with some constraints that limits their efforts, table 4 was subject to test with chi square (x^2) and the result was displayed below in table 4.1

Decision

Chi square (x^2)

Table 7

Summary table of x^2 test statistics

	Constraints
Chi square	.649
df	14
Asymp. sig.	.008

The test statistics table reports the result of x^2 test, which compares the expected and observed values. In this case, there is a significance as the P value (0.008) is (<) less than (0.05) at 5% level of significance. Thus, the null hypothesis was rejected while the alternate was accepted, that is, there is sufficient evidence to conclude that there is significant constraints that limits the efforts of agricultural cooperatives in promoting rural livelihood in Ojo South L.G.A.

Conclusion and Recommendations

Rural dwellers who are characterized by low income, and low resources utilization find it difficult to pool their resources together in order to raise their income; productivity and substantially promote their livelihood. In such situation cooperative represent a strong and viable social and economic alternative as it offers the best platform for reaching the masses of rural dwellers, specifically farmers in achieving self actualization. Therefore, this study assessed how agricultural cooperative activities promotes rural livelihood in Ojo Local Government Area of Lagos State. And the result of the study revealed that:

- The respondents possessed very few years of formal education.
- Also revealed that, there is strong availability of cooperative activities that promotes rural livelihood in Ojo L.G.A.
- The study also revealed that these available activities in cooperative has a positive effects on the promotion of members' livelihood in Ojo L.G.A.
- From the result of the study it was revealed that despite the positive effects, the cooperatives are being faced with many constraints that limit the promotion of rural livelihood.

Therefore, in order to further facilitate and enhance the propensity of cooperative in the promotion of rural livelihood in Ojo L.G.A, the following recommendations are made:

- Cooperative should provide education for their members and potential members. Such should be designed to strengthen and enhance the members with skills; knowledge as well as confidence necessary to use and participate in cooperative more effectively as well as making the members to be conscious of cooperative effect.
- The cooperative should integrate more practicable activities that will yield more positive effects in the promotion of their members' livelihood. This will not only promotes the livelihood of the members but it will equally trickle down to promote living conditions of individual members' household.
- They should not rest on the positive effects recorded in promoting rural livelihood rather they should strengthen it more in such a way that will have effect on the Lagos State economy especially GDP.
- In order for the cooperative to remove the constraints that limit their efforts, they should diversify their resources into more viable investment that will yield more returns such as earnings; infrastructure; this will also encourage members to be actively participating as well as enable members to acquire skills that will empower them which will eventually reduce rural – urban migration.

If the above recommendations are strategically and strictly implemented, there is possibility of eradicating poverty in rural areas and this will enable the government to achieve millennium development goals (MDGs) before the stipulated period.

References

Adinya (2001). Rurual Cooperative and Sustainance Development, Saskatoon SK: Centre for the Study of Cooperatives, University of Saskatachewan. pp. 76 – 83.

Arua, E.O., (2004). Comparative Cooperative System. Unpublished Departmental Mimeograph. Department of Agricultural Economics, University of Nigeria, Nsukka.

Audu, S.I., Ibitoye, S.J. & Umar, H.Y., (2010). Comparative Economics Analysis of Cooperative and Non-cooperative farmers in the Adoption of Improved technologies in Dekina L.G.A, Kogi

State, Nigeria. *International Journal of Agricultural Economics, Management and Development,* 1(1); 49 – 57.

Bhuyan, S., (2007). "The people factor in Cooperatives"; An Analysis of Members, *Canadian Journal of Agricultural Economics,* 55(3): 27 – 298.

Bolarinwa (2003). Village Listing Survey. An Occasional Report of Planning, Monitoring and Evaluation Unit, Lokoja; pg. 3.

Borgens, S.O., (2001). identification as a Trust-generating Mechanism in Cooperatives". Annual Publication of Cooperative Economics.

Chikaine et al (20110 Cooperatives A vehicle for rural development. Imo State Nigeria retrieved from http://www.sciencepub.net/nature.

Dije, E. (2002). A critique of the drafts of cooperative policy for Nigeria. *Nigeria Journal of Cooperative Studies,* 2(1): 10 – 17.

Ebonyi, V. & Jimoh, O.B., (20020 Cooperative Movements; A way out of Poverty. Lagos, Lonman Publishers.

Grey and Kranenzle (2005). The role of Cooperatives in Community Economic Development, RID Working Paper #2005 – 3.

Hermida, J. (2008). Agricultural Cooperative in Asia. Retrieved October, 1 2011, from http://asiadhrra.org/wordpress/2008/01/11agricc oops-in-asia/.

ICA (2010). International Cooperative Alliance. Retrieved 1, October, 2011 from http://www.ica.coop/.ss.

Levi, M. (2002). The Promotion of Cooperatives, ILO Cooperative Branch at www.ica.coo/europe/ra2002/speech.

Muchopa et al (2011). Evaluating Performance by Cooperative Value and Efficiency. *Nigerian Journal of Cooperative Studies.* 2(1), 39 – 54.

Nweze, N.J. (2001). Poverty, Microfinance and Cooperative Promotion in Nigeria. *Nigerian Journal of cooperative Studies,* (1): 2 – 5.

Olaleye (2006). The Impact of Cooperative Societies on Rural Development in Ankpa L.G.A of Kogi State, Nigeria. *National Association of Science, Humanities and Education research Journal (*NASHERJ).4(2): 193 – 198.

Onje, S.O. (2003). Introduction to Cooperative Studies. Lokoja: Howard Publishers. pp. 68.

World Bank (2005). A Cooperative Perspective, Ireland: International Cooperative research Institute.

Entrepreneurial Skills As A Tool For Economic Growth In Modern Day Nigeria

[1]Nwosu, Ndubuisi Levi
[2]Onwumelu, Odinakachi Philip
[3]Dialoke, Ikechukwu PhD

[1&2]Department of Business Administration
Michael Okpara University of Agriculture, Umudike
nnlevi@yahoo.com ,
onwumelu.odinakachi@mouau.edu.ng

[3]Department of Industrial Relations and Personnel Management
Michael Okpara University of Agriculture, Umudike
drdialokeikechukwu@yahoo.com

pp 263 - 269

Abstract

The main thrust of this study was to investigate the entrepreneurial skill as a tool for economic growth in modern day Nigeria. The study adopted descriptive survey. The sample size was 200 entrepreneurs in Aba metropolis who were selected through the use of convenience sampling method. Hypotheses testing were done using simple regression. The results reveal that financial skills of the entrepreneurs have positive effects on their accumulation of capital for their enterprise. The study recommended that the entrepreneurs should improve on the technical skills since it is very vital in the technological progress of their enterprises.

Key words: Entrepreneurial skills, technical skill, managerial skills, financial skills, economic growth.

1 INTRODUCTION

Empirical studies have established the fact that the rates of economic growth are virtually connected to the role performed by government and entrepreneurs. Rather than being mutually exclusive, these roles are complementary and linked (Olaturiji et al, 2015). Nwuokolo (2003) postulated that like any other country, the Nigerian government supports and encourage the development of entrepreneurship in the country. Ogbari et al (2015) observed that the Nigerian government in a bid to encourage entrepreneurship has tried to maintain law, provide security to protect lives and properties so that individuals can carry out their business activities. In-spite of these obligations by the government the performance or growth of entrepreneurship in Nigeria, it has not achieved its full potentials. This could be as a result of high costs of short-term financing, limited accesses to long-term capital, poor entrepreneurial spirit among women; there is every possibility that over dependence on imported raw materials, bureaucratic bottlenecks, illegal levies, and incentives inefficiency that discourages entrepreneurship instead of promoting entrepreneurship growth. A good number of the entrepreneurs are not seen in their numbers in the area of manufacturing and expert services, but rather they are seen in buying and selling. No empirical studies have been carried out in Aba, Abia State on this area. It is on this premise that the study seeks to investigate the effect of entrepreneurial skills on the economic growth of Nigeria.

2 Literature Review

Conceptual Framework

The term *entrepreneurship* entails the creation of jobs for oneself, while extending the advantageous impacts on others through job creation since the obligations of the organization cannot be carried out by one single individual. Erkko (2005) postulated that the most efficient means of bridging the vacuum between the market place and science is entrepreneurship. This is done through the introduction of new services and products in a well organized market.

Managerial skills - small scale enterprises due to the close relationship between the employer and the employees, not only offer the opportunity for improvement in managerial skills acquisition for the both parties but also prepare the entrepreneur for the managerial competence and administrative acumen necessary for business growth and expansion (Demurger, 2011).

Financial Skills - it is important to note that, statistical research and empirical evidence justify that many entrepreneurs crash because of lack of or poor record keeping (Demurger, 2011). They do not obey the principle of entity concept of separating the financial transactions of their businesses from that of their domestic individual or personal expenses. Withdrawals from the business are not accounted for, nor replaced back in the business. These affects the proper accounting, financial structure and the competitive base required for successful growth and survival of the business (Henderson, 2007). The entrepreneur should than incorporate good financial skill and the entity concept of accounting in his or her business transactions (Nwachukeu, 2012).

Technical skills - Most technical training is divided into upgrading and improving the employee's skills. Due to changes in structural designs and new technologies in an ever-changing business world, the need for technical training cannot be overemphasized. In addition, new technologies can lead to job change if the employee do not upgrade. For example, due to advancement in the automobile industry, most automobile repair personnel have to upgrade especially in the use of computers to carry out repairs in areas such as electronic stabilizing systems, engines, keyless entry, etc. This requires extensive training and retraining in order to meet up with current trends (Ansberry, 2003).

Barbarian (2001) shows that technical training is essential since organizations are constantly changing their designs. When organization increase teams engagement, remove bureaucratic processes and flatten it structure, entrepreneurs must acquire technical skills to gain mastery over the administration of the organization.

Theoretical Unpinning

The study was anchored with Kirzner's theory of "entrepreneurship alertness". The study of Kirzner (1984) was focuses on "entrepreneurial alertness" potential opportunities which are available, but as yet to be exploited. The whole essence of the theory is that an individual has the instinct to potentially discover something which has eluded others for a long time. That means that at every time, there is a potential opportunity waiting to be exploited. Kirzner (1984) asserted that the sharp alertness must reside in every successful entrepreneur in order to have a competitive advantage over others. As Friedmen (1953), Kirzner (1984) also posits that entrepreneurship plays an important role in the market process through a careful consideration of the decisions of all the participants in the market process.

Empirical Studies

Adeoye (2015) investigated the impact of entrepreneurship on the Nigerian economy growth and development processes. The study showed that the country though naturally endowed with much entrepreneurship opportunities is yet to exploit these opportunities due to the adoption and implementation of inappropriate industrialization policies at different times. It also found that Micro, small, and medium enterprises can be stimulated through a well-organized entrepreneurship structure which will in turn enhance economic growth Nigeria. Thus, it was recommended policy coordination geared at the enhancement of entrepreneurship be encouraged.

Oluturiji et al, (2015) investigated the impact of youth entrepreneurship in nation building. Using a total of 40 entrepreneurial firms randomly selected from a cross section of population of firms (LGA) of Lagos State, the study showed a significant relationship between competition, growth and development of entrepreneurial firms, thereby revealing that if young people were encouraged these entrepreneurs can contribute immensely to economic growth. This trend is especially encouraging since Nigeria has a very high rate of unemployment (Otaki, 2003). The social and economic factors responsible for the ranging and rising rate of unemployment has been analyzed in various empirical studies (Onah 2001; Otaki 2003; Worlu et al 2014). One of the reasons cited for the high rate of unemployment in urban cities was the mass drift of educated youths from rural communities to urban cities. Thus, the only viable solution to the issue is the introducing entrepreneurship education (Odu, 2009). No wonder, Ismail and Ajagbe (2013) postulated that technical education is focused on the acquisition of technical skills in the administration and management of business entities.

Methodology

The study adopted a descriptive survey that is questionnaire-based technique to sample opinion and derive answers to the problem (Creswell 2012; Ajagbe et al 2015). The data employed for the study was primary data. Since it is not possible to cover the whole population, the researchers adopted a chosen set of samples from the universe population. In this case, the researchers decided to limit their study on the owners of business (ie; whether small or medium) operating within the Aba metropolis. The sample size of 200 entrepreneurs were selected using random sampling method. The accidental sampling (sometimes known as convenience or opportunity sampling) used is a type of non-probability sampling which involves the samples being drawn from that part of the population which is close to hand. Otokiti et al, 2007; Otokiti, 2010), simple regression analysis was used to test the Hypotheses, while simple percentages and frequencies table were used for the demographic characteristics of respondents. A five-point likert scale was used strongly agree (5) agree (4), strongly disagree (3), disagree (2), undecided (1).

4 Data Analyses and Presentation of Result/Findings

This section of the study presents the analyses of data collected. Data collection was done through the use of the questionnaire (which served as the major research instrument and was administered randomly to the respondents. The collected and collated data were analyzed using the descriptive statistics and the simple regression model.

Socio-economic Characteristics of E-marketers in Aba Urban Community, Abia State, Nigeria

To ascertain the background of the respondents, their socio-economic characteristics were elicited. These include their age, gender, and academic qualification. Tables 1 below show these socio-economic characteristics.

Table 1 Socio-Economics Distribution of Respondents

Variables	Frequency	Percentage (%)
Age		
18 – 20years	53	26.5
21 – 23years	40	20
24 – 26years	73	36.5
27 – 29years	25	17
Total	**200**	**100**
Gender		
Male	109	54.5
Female	91	45.5
Total	**200**	**100**

Education Level		
WASSCE/NECO	37	18.5
OND/NCE	74	37
HND/BSC	68	34
MBA/MSC	21	10.5
Total	**200**	**100**
Experience		
1 – 4years	20	10
5 – 8years	40	28
9 – 12years	44	22
13 – 16years	50	25
17years and above	30	15

Source: Field Survey Data, 2017

The result from Table 4.1 showed that 26.5% of the respondents are within the age range of 18 – 20 years, 20% of the respondents are within 21 – 23years age range, 36.5% of them are within the age range of 24 – 26years, while the remaining 17% of the respondents are within the age range of 27 – 29years and above. This implies that majority of the respondents are still energetic and in their active age. And as stated by Gyau (2011) that young age relates with energetic and innovative idea.

The result revealed that 54.5% of the respondents were male, while the remaining 45.5% of them were female. This implies that majority of the respondents were male.

The result also revealed that 18.5% of the respondents had their education up to WASSCE/NECO level, 37% of them had their education qualification up to the OND/NCE,34% of them had their education up to the HND/B.Sc level, while the remaining 10.5% of the respondents had their education up to the MBA/MSC level. This is an indication that a large portion of the respondents had their education beyond the secondary level (i.e. up to the tertiary level) which implies that they are well educated.

The result further revealed that 10% of the respondents have had entrepreneurial experience within the range of 1 – 4years, 28% of them have had experience within the range of 5 – 8years, 22% of them have had entrepreneurial experience within the range of 9 – 12years, 25% of them had experience within the range of 13 – 16years, while the remaining 15% of the entrepreneurs have had entrepreneurial experience of 17years and above.

Effect of Financial Skills on Capital Accumulation

The effect of financial skills on capital accumulation was analyzed with the simple regression model and is presented in Table 4.2 below.

Table 2 Computation of Simple Regression for Effect ofFinancial Skills on Capital Accumulation

Variables	**Coefficient**	**Std. Error**	**t-value**
Constant	1.097***	0.209	5.250
Financial Skills	0.756***	0.049	15.578
R^2	0.551		
F-value	242.682***		

*** Statistically Significant at 1% level

Source: Field Survey Data, 2017

The data from Table 2 shows the regression estimate of the effect of financial skills on capital accumulation of entrepreneurs in the study area. The result shows that the determination (R^2) was 0.551. This implies that 55.1% variability of the capital accumulation of the entrepreneurs in the study area was explained by the model, while the remaining 44.9% could be attributed to error and omitted variables. The F-values of 242.682 was significant at 1% level, which indicates that the model is adequate for use in further analysis as it indicates a requirement of best fit.

The result shows that the financial skill of the entrepreneurs on their capital accumulation was positive and statistically significant at 1% level. This implies thatthe financial skills of the entrepreneurs do affect the accumulation of capital for their enterprises.

Effect of Technical Skills on Technological Progress
The effect of technical skills on technological progress, which was analyzed with the simple regression model, is presented in Table 4.3 below.

Table 3 Computation of Simple Regression for Effect ofTechnical Skills on Technological Progress

Variables	Coefficient	Std. Error	t-value
Constant	0.694***	0.170	4.076
Peer Group Influence	0.848***	0.038	22.395
R^2	0.717		
F-value	501.553***		

*** Statistically Significant at 1% level

Source: Field Survey Data, 2017

The data from Table 3 shows the regression estimate of the effect of technical skills on technological progress of entrepreneurs in the study area. The result shows that the determination (R^2) was 0.717. This implies that 71.7% variability of the technological progress of the entrepreneurs in the study area was explained by the model, while the remaining 28.3% could be attributed to error and omitted variables. The F-values of 501.553 was significant at 1% level, which indicates that the model is adequate for use in further analysis as it indicates a requirement of best fit.

The result shows that the effect of technical skills of the entrepreneurs on the technological progress of their enterprises was positive. The relationship was statistically significant at 1% level. This implies that the technical skills of the entrepreneurs play a major role in the technological progress of their enterprises.

Effect ofManagerial Skills on Population Growth and Labour Force

The effect of financial skills on population growth and labour force was analyzed with the simple regression model and is presented in Table 44.

Table 4 Computation of Simple Regression for Effect Managerial Skills on Population Growth and Labour Force

Variables	Coefficient	Std. Error	t-value
Constant	1.194***	0.217	5.500
Financial Skills	0.729***	0.048	15.063
R^2	0.534		
F-value	226.907***		

*** Statistically Significant at 1% level

Source: Field Survey Data, 2017

The data from Table 4 shows the regression estimate of the effect of managerial skills on population growth and labour force of entrepreneurs in the study area. The result shows that the determination (R^2) was 0.534. This implies that 53.4% variability of the capital accumulation of the entrepreneurs in the study area was explained by the model, while the remaining 46.6% could be attributed to error and omitted variables. The F-values of 226.907 was significant at 1% level, which establishes the fact that the model is adequate for use in further analysis as it indicates a requirement of best fit.

From the result, it was seen that the Managerial skills of the entrepreneurs on population and labour force growth was positive and statistically significant at 1% level. This implies that the managerial skills of the entrepreneurs do affect the growth of the population and labour force.

5 Summary of Findings

This study examined entrepreneurial skills as a tool for economic growth in Nigeria. It specifically determined the effect of financial skills of entrepreneurs in the area on capital accumulation; ascertained the effect of technical skills of entrepreneurs on technological progress of their enterprises; and analyzed the effect of managerial skills on population growth and labour force.

The findings from the results show that financial skills of the entrepreneurs do affect the accumulation of capital for their enterprises, as it indicates a positive and statistical effect at 1% level. The findings also revealed that the technical skills of the entrepreneurs play a major role in the technological progress of their enterprises at a 1% significance level. The findings further revealed that the managerial skills of the entrepreneurs do affect the growth of the population and labour force.

Conclusion

From the study, it was revealed that financial skills, technical skills and managerial skills of the entrepreneurs in the study area have a positive effect on their capital accumulation, technological progress of their enterprises and population growth and labour force respectively. It is therefore concluded that entrepreneurial skills is a tool for economic growth in Nigeria.

Recommendations

Drawing from the findings of the research, the study recommended the following;

1. The entrepreneurs in the study area should improve on their financial skills if they intend to accumulate funds for their enterprises, as finance is an integral part of any enterprise.
2. The study also recommended that the entrepreneur should improve on the technical skills since it is very vital in the technological progress of their enterprise.
3. In addition, entrepreneurs who seek success in their enterprises should ensure that their managerial skill is improved which will in turn influence labour force.

REFERENCES

Adeoye, A (2015) the effect of Entrepreneurship on economy growth and development in Nigeria International Journal of Development and Economic sustainability Vol 3(2) 49 - 65.

Ajagbe, A. M., Sholanke, B. A., isiavwe, T. D. &Oke, A. O. (2015). Qualitative inquiry for social sciences. In the Proceedings of the Covenant University International Conference of African Development Issues, CU-ICADI 2015 held on 11-13th May, 2015, 319-325.

Ansberry, C. (2003) Anew blue - collar world the wall street journal of Applied Psychology 20, 39 - 43.

Barbarian, j (2001) management & organizational development miller Brewing company Training review, 34 - 38.

Brixiova, Z. (2010). Unlocking Productive Entreporeneurship in Africa's Least Developed Countries', African Development Review, 22(3), 44-451.

Creswell, J. W. (2012). "Educational Research Planning, Conducting and Evaluating Quantitive and Qualitiative Research. "perarson Publishers, 4th edition Australia: 239.

Demurger, S. (2011) infrastructure Development and economic growth: An Explanation for Regional Disparities in China; journal of comparative Economics, 29: 95 - 117.

Erkko, A. (2005). Youth Entrepreneurship Monitor, 2005 Report on High Expectation Entrepreneurship.

Henderson, J. (2007). Understanding rural entrepreneurs at the country level: Data challenges. Paper presented at the Frameworks for Entrepreneurship Research in Food, Agriculture, and Rural Development Workshop, Kansas City, October 18.

Ismail, k. &Ajagbe, A. M. (2013). The Roles of Government in the Commercialization of Technology based Firms. Middle East Journal of

Scientitfic Research, 16(2), 229-236.

Lumpkin, G.T. & G.G. Dess. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance. Academy of management Review, 21(1): 135-72.

Nwachukwu, A. C. (2012). The Role of Entrepreneurship in Economic Development: The Nigerian perspective. European Journal of Business and Management.8,(4) 95-105.

Nwaokolo, P. (2003). Recent experience in educational alternative in Africa. The post-primary technology education Case. Related Thoughts in Vocational Education. The Development World Experience, 116-128.

Odu, K. (2009). Proverty alleviation and entrepreneurship; Challenges in the face of global economic crises in Nigeria. Delta Business Education Journal, 1(5), 155-162.

Ogbari, M. E. I. Ajabe, A. M. & Ade-Turton, D. (2015). Effects of Subcontracting on Modern Day organizations. Austrailia journal of Commerce Study, 2(2), 1-11.

Olatunji, F, Adunola, O.O, Musibau, A. A., David, T. I. and Abimbola, A (2015) impact of youth entrepreneurship in nation building international journal of Academic Research in public policy and Governance, 2(1); 27 - 39.

Otaki, O. (2003). Youth unemployment in Nigeria: Some implications for the third millennium. Global Journal of Social Sciences, 2(1), 21-26.

Otokiti, S. O., (2010). Contemporary issues and controversy in research methodology. 3rd edition Dubia Printing Press.

Otokiti, S. O., Olateju O. &Adejumo O. (2007). "Contemporary Statistical Methods" Lagos; Walex Printing Press.

Popoola, T. (2014). "Entrepreneurship and Self-reliance: Building an Entrepreneurial Economy". A Conference Paper-in The Nigerian Accountant. Journal of the institute of Chartered Accountants of Nigeria, 47 (3) July/September.

The Impact of Infrastructure Development on Economic Growth in Nigeria

Ogbaro, Eyitayo Oyewunmi
Department of Economics,
Faculty of Business and Social Sciences,
Adeleke University, Ede, Osun State-Nigeria.
Eyitayo.ogbaro@adelekeuniversity.edu.ng
+2348060052264

Omotoso, Damilola Christiana
Department of Economics,
Faculty of Business and Social Sciences,
Adeleke University, Ede, Osun State-Nigeria.
Damilolaomotoso8@gmail.com
+234816 181 2829

pp 270 - 275

Abstract

It is the belief of scholars that for developing countries to achieve sustainable economic growth, it is necessary for policy makers to design economic policies targeted at improving infrastructure. In view of this, this paper examines the role of infrastructure development in promoting economic growth in Nigeria over the period 1980-2015. A Cobb-Douglas production function which models infrastructure as a stock variable is specified and estimated using the ordinary least squares method. The study finds positive and significant effects of total air transport infrastructure, communication infrastructure, power infrastructure and total rail lines on economic growth with estimated elasticities of 0.035, 0.016, 0.141 and 0.132, respectively. The study recommends that it will be worthwhile for the Nigerian government and policymakers to implement policies geared towards the development of infrastructure. Also, since the government cannot do it alone, an enabling environment should be created to encourage Public-Private Partnership in infrastructure development.

Key words: Infrastructure development, Infrastructure components, Economic growth,

1. Introduction

Governments around the world are continually looking for new strategies to increase the ability of their economies to produce goods and services. In this light, over the last two and half decades attention has shifted to infrastructure development as a veritable tool for raising the productive capacity of the economy. Infrastructure plays a very important role in the growth process of an economy. In fact, development economists have considered infrastructure to be a precondition for industrialization and economic development (Sawada, 2015). Infrastructural development has been on the top of priority list for governments all over the world. Policymakers believe that appropriate infrastructural investment holds the key to social and economic development and growth. According to World Bank (2007), improving infrastructure in the world is key to reducing poverty, increasing growth and achieving the Millennium Development Goals (MDGs).

The need for infrastructure development is indeed crucial for developing countries, especially Africa. The lack of modern infrastructure has been regarded as an impediment to economic development and a major constraint not only on poverty reduction, but also on the attainment of the Millennium Development Goals (MDGs) in SSA countries (Habitat, 2011). Also, Ondiege et al. (2013) attributed the rise in the transaction costs of business in most African countries to inadequate infrastructure. Today, African countries exhibit the lowest levels of productivity of all low-income countries and are among the least competitive economies in the world.

In the case of Nigeria, the importance of infrastructure cannot be over-emphasized. Olaseni and Alade (2012) as well as Sanusi (2012) argue that infrastructural development is critical to the achievement of the Vision 20:2020 which is a vision set to make Nigeria one of the top 20 economies in the world by 2020 with a minimum GDP of $900 billion and a per capita income of not less than $4000 per annum.

How big is the contribution of infrastructure to aggregate economic performance? The answer is critical for many policy decisions. For example, it is important for gauging the growth effects of fiscal interventions in the form of public investment changes, or for assessing if public infrastructure investments can be self-financing. Understanding this long lasting debate is essential to have a balanced quantitative view on the relevance of infrastructure for growth (Estache and Garsous, 2012). Economists, however, hold a mixed view about the consequences of infrastructure development. One of the views about infrastructural investment is that high rate of infrastructure growth raises the level of productivity in the current period, and also leads to a higher potential level of output for the future (Koner et al, 2012). The argument in opposition is that rapid infrastructural development leads to unbalanced form of development process (Koner et al, 2012). Consequently, some areas develop rapidly, whereas other areas remain underdeveloped. Population from underdeveloped areas move to developed areas imposing a burden on resources in these areas.

2 Literature Review

2.1 Theoretical Approaches to Modelling the Impact of Infrastructure on Growth

Following Dissou and Didic (2013), we can distinguish between two theoretical approaches to modelling the impact of infrastructure on growth. The first treats infrastructure expenditures as a flow variable which directly enters the production function. The second treats infrastructure as accumulated capital, rather than as current flows, and thereby represents infrastructure as a stock variable in the aggregate production function.

2.1.1 Modelling Infrastructure as a Flow Variable

Barro (1990) models infrastructure in the context of a simple AK endogenous growth model. The two building blocks of his model are a production function that incorporates public services (an expenditure flows variable) as an input to private production, and a Ramsey equation that captures the representative consumer's optimization behaviour.

The main advantage of modelling infrastructure as a flow variable is that it produces highly manageable models (Fisher and Turnovsky 2013). Agenor (2007) observes that the flow specification generates results that are not qualitatively very different from studies employing the stock specification of infrastructure. However, it has been argued that as long as one is interested in modelling the impact of infrastructure on growth, the stock variable specification may be more appropriate or acceptable (Dissou and Didic, 2013). Another criticism of the flow specification approach captures the idea that it may not be realistic to describe government expenditures on infrastructure as a non-rival good like aggregate knowledge. Public infrastructural expenditures may not always be complementary to private capital in the aggregate production function, and instead may be rival at the level of the aggregate economy through crowding out effects.

2.1.2 Modelling Infrastructure as a Stock Variable

Futagami et al. (1993) combine Barro's (1990) model with the assumption that government spending does not influence the aggregate production function directly, but only indirectly via the stock of public capital. By including two stock variables, Futagami et al. (1993) bring transitional dynamics into the model in contrast to the endogenous growth models employing the flow specification. The main finding of the Futagami et al. (1993) study is that Barro's (1990) result about optimal fiscal policy remains valid in the steady-state equilibrium even if government services are proportional to the stock of public capital (rather than capital expenditure flows), but not in the development transition phase.

Futagami et al.'s (1993) modelling strategy of incorporating public infrastructure into an endogenous growth model differs from that of Barro (1990) in that government services are now accumulated like physical capital. In this framework, the steady-state per capita capital equation implies that consumption growth is positively related to infrastructure accumulation and is negatively related to the tax rate, the capital depreciation rate and the time preference rate.

2.2 Review of Empirical Literature

The empirical literature on the infrastructure-growth nexus was pioneered by Aschauer (1989a, 1989b). The results of Aschauer's (1989a, 1989b) papers, which revealed a strong empirical positive relation between public capital and GDP growth in developed economies, provoked intense interest. More specifically, he found that a 1% rise in the public capital stock would raise total factor productivity by 0.39%. One of the major issues which have played a role in the subsequent literature concerns the statistical problems with infrastructure data availability. This section, therefore, presents a review of the findings of some of the studies in Nigeria, especially the very recent ones, for lack of enough space.

2.2.1 Evidence from Nigeria

In Nigeria, some authors have also attempted to examine the relationship between infrastructure and economic growth. For example, Imobighe and Awogbemi (2006) regressed private capital stock, non-military, net investment, time to capture the effects of the technical changes in economic growth, one year lag GDP and electricity supplied against Gross Domestic Product to assess the impact of capital stock in Nigeria's economic growth from 1980-1998. They found gross domestic product to be positively related to private capital stock by one year lag, while electricity supply was found to be negatively related to recurrent and capital expenditure, except expenditure on defence and technical change.

Nurudeen and Usman (2010) use cointegration and error correction methods to analyze the relationship between government expenditure and economic growth in Nigeria over the period 1970-2008. Their results reveal that government total capital expenditure, total recurrent expenditures, and government expenditure on education have negative effect on economic growth. On the contrary, rising government expenditure on transport and communication results to an increase in economic growth.

Using Ordinary Least Squares and Granger Causality econometric techniques, Owolabi-Merus (2015) investigates the infrastructural development-economic growth nexus in Nigeria over the period 1983 to 2013. His empirical results reveal that infrastructure (measured by Gross Fixed Capital Formation) has a positive and statistically significant impact on Nigeria's economic growth. However, the Granger Causality test connotes that there is no mutual correlation between both variables in Nigeria in the period under review.

Using both primary and secondary data, Siyan, Eremionkhale and Makwe (2015) examined the impact of road transportation on economic growth in Nigeria. Probit model was used to analyse the primary data while multivariate model was used for analysing the secondary data to determine the long run relationship between growth and road transportation. Their results show that the transport sector has a positive impact on the economic growth in Nigeria.

In an empirical analysis of the relationship between infrastructural development and economic growth in Nigeria between 1981 and 2013, Michael (2016) collapsed two models, one of which is a Cobb-Douglas production function, into one which he estimated using OLS. From the results, it is clear that infrastructure (measured by the road component alone) is an integral part of Nigeria economic growth.

This study is an improvement on other studies on the infrastructure-growth nexus in Nigeria for two reasons. Firstly, unlike some of the previous studies in Nigeria which use data on public capital as proxy for infrastructure, it uses data on infrastructure. Public capital seems to be attractive because it is somewhat easier to identify in many countries. But it is a broader concept that is itself quite unclear. For instance, it can include all public buildings, including often hospitals, schools or public housing and office stocks, or police and fire stations. Thus the extent of its relevance to assess the impact of infrastructure on growth is at best unclear. It is in fact worsening since, as pointed out by Straub (2011), the relative importance of the private sector in infrastructure has increased a lot more than in other activities. Some other studies used government total capital expenditure. Even for those that used infrastructure stocks, they concentrated on just one component of infrastructure at a time. Secondly, this work extends the study period to 2015.

3. Methodology

This section focuses mainly on the theoretical framework, model specification, estimation technique, source of data, description and measurement of variables as well as expected contribution to knowledge.

3.1 Theoretical Framework

In analysing the impact of infrastructure development on economic growth in Nigeria, this study will employ the theoretical approach which models infrastructure as a stock variable. In view of this, it adopts the approach of Canning and Pedroni (2004) who use a supply side model to analyse the impact of infrastructure on growth with physical measures of infrastructure.

Canning and Pedroni (2004) specify a production function as follows:

Table 1: Unit Roots Tests Results

Variable	ADF Test Statistic (At Level)	ADF Test Statistic (1^{st} Diff)	ADF Test 5% Critical Level	PP Test Statistic (At Level)	PP Test Statistic (1st Diff)	ADF Test 5% Critical Level	Remarks
Log(GDP)	-2.479495	-5.53975*	-3.548490	-2.510766	-5.586195*	-3.548490	I(1)
Log(GFCF)	-1.530115	-3.790329*	-3.557759	-1.367994	-6.620509*	-3.548490	I(1)
Log(LAB)	-2.767721	-5.525181*	-3.548490	-2.947606	-5.666857*	-3.548490	I(1)
Log(AT)	-2.473545	-3.781052*	-3.557759	-2.685813	-6.361448*	-3.548490	I(1)
Log(CI)	-5.420931*		-3.562882	1.430451	-3.614429*	-3.548490	I(1)
Log(PI)	-3.222485	-8.635680*	-3.548490	-3.354348	-8.556179*	-3.548490	I(1)
Log(RL)	-2.983503	-5.507342*	-3.557759	-2.463116	-10.79126*	-3.548490	I(1)

Source: Author's Computation, 2016

The results in Table 1 reveal that all the variables are integrated of order one. We then proceed with the Ordinary Least Squares regression involving equation (3).

4.2 Regression Results

Equation (3) was estimated using the ordinary least square (OLS) technique with Eviews econometric software in order to examine the role of infrastructure development in promoting economic growth in Nigeria. The results are presented in Table 2.

Table 2: OLS Results

Dependent Variable: D(LOGGDP)
Method: Least Squares
Date: 06/30/16 Time: 08:18
Sample (adjusted): 1981 2015
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.054844	0.026815	2.045267	0.0503
D(LOGGFCF)	0.051667	0.060023	0.860796	0.0009
D(LOGLAB)	0.648852	0.686721	0.944856	0.0005
D(LOGAT)	0.034637	0.045751	0.757059	0.0005
D(LOGCI)	0.015473	0.059808	0.258710	0.0009
D(LOGPI)	0.141358	0.090604	1.560175	0.0013
D(LOGRL)	0.132155	0.368120	0.358999	0.0023

R-squared	0.944738	Mean dependent var	0.036143
Adjusted R-squared	0.938532	S.D. dependent var	0.073478
S.E. of regression	0.074880	Akaike info criterion	-2.168997
Sum squared resid	0.156997	Schwarz criterion	-1.857927
Log likelihood	44.95745	Hannan-Quinn criter.	-2.061616
F-statistic	26.789751	Durbin-Watson stat	2.004965
Prob(F-statistic)	0.040540		

Source: Author's Computation (2016)

The results in Table 2 above show that there is a positive and significant relationship effect of total air transport infrastructure (AT), communication infrastructure (CI), power infrastructure (PI) and total rail lines (RL) on economic growth (measured by GDP) with elasticities of 0.035, 0.016, 0.141 and 0.132, respectively.

5 Concluding Remarks

Based on the discussion and findings of this study, it is obvious that without adequate infrastructure, the Nigerian economy may not be able to overcome its structural challenges and achieve sustainable growth and development. It will, therefore, be worthwhile for the Nigerian government and policymakers to implement policies geared towards the development of infrastructure. Also, as the government cannot do it all alone, the private sector needs to be actively involved through the Public-Private Partnership (PPP), with the government creating an enabling environment for this to thrive. It is true that the government has taken some steps in this regard such as with the establishment of an Infrastructure Finance Office in March 2010, with an accompanying N300 billion 'Power and Aviation Fund' (PAIF). According to Sanusi (2012), the Fund is administered by the Bank of Industry for onward lending to Deposit Money Banks at a maximum interest rate of 1.0 per cent, and disbursement at concessionary interest rates of not more than 7.0 per cent to client/projects of a 10-15 year tenor. The African Finance Corporation serves as Technical Adviser to the Fund. It is the hope of the government that the Fund will act as a much-needed catalyst to bridge the nation's infrastructural gap through lending at concessionary rates to the private sector. However, the government needs to make sure that such measures are sustained and are not politicised.

References

Agénor, P. R. (2007). Fiscal Policy and Endogenous Growth with Public Infrastructure. *Oxford Economic Papers 60:57–87*.

Aschauer, D.A. (1989a), "Is Public Expenditure Productive?" *Journal of Monetary Economics* 23:177–200.

………………….(1989b), "Does Public Capital Crowd Out Private Capital?" *Journal of Monetary Economics* Vol. 24, pp. 171–88.

Barro, R. J. (1990). Government Spending in a Simple Model of Endogeneous Growth. *Journal of Political Economy, 98*(5, Part 2). doi:10.1086/261726.

Canning, D., & Pedroni, P. (2004). The Effect of Infrastructure on Long Run Economic Growth. *Harvard University*, 1-30.

Dissou, Y., & Didic, S. (2013). Infrastructure and Growth. In *Infrastructure and Economic Growth in Asia* (pp. 5-45). Springer International Publishing.

Estache, A., & Garsous, G. (2012). The Impact of Infrastructure on Growth in Developing Countries. *International Finance Corporation Economics Notes Note*, *1*.

European Commission (2014). Infrastructure in the EU: Developments and Impact on Growth. *Occasional Papers* 203.

Fisher, W. H., & Turnovsky, S. J. (2013). Public Investment, Congestion, and Private Capital Accumulation. *The Economic Journal*, *108*(447), 399-413.

Futagami, K., Morita, Y., & Shibata, A. (1993). Dynamic Analysis of An Endogenous Growth Model with Public Capital. *The Scandinavian Journal of Economics*, 607-625.

Habitat, U. N. (2011). Infrastructure for economic development and poverty reduction in Africa. *United Nations Human Settlements Programme, p14, http://mirror. unhabitat. org/pmss/listItemDetails. aspx*.

Imobighe M. D., & Awogbemi T. O. (2006). The Role of NEEDS in Public Infrastructure and Economic Growth in Nigeria. In Olasupo Akano and Kayode A. Familoni (eds), The National Economic Empowerment and Development Strategy: Philosophy, Opportunities and Challenges, pp. 474-487, University of Lagos Press.

Koner, J., Purandare, A., & Dhume, A. (2012). An Empirical Study on Impact of Infrastructural Development on Social and Economic Growth in Indian States. *European Journal of Business and Management*, 4(17).

Michael, E. M. (2016). The Dynamics of Infrastructure and Economic Growth in Nigeria. *Journal of Global Economics*, *2016*.

Nurudeen, A., & Usman, A. (2010). Government Expenditure and Economic Growth in Nigeria, 1970-2008: A Disaggregated Analysis. *Business and Economics Journal*, *2010*, 1-11.

Olaseni, M., & Alade, W. (2012). Vision 20:2020 and the Challenges of Infrastructural Development in Nigeria. *Journal of Sustainable Development, 5*(2), 63. doi:10.5539/jsd.v5n2p63.

Ondiege, P., Moyo, J. M., & Verdier-Chouchane, A. (2013). Developing Africa's Infrastructure for Enhanced Competitiveness in the Africa Competitiveness Report 2013. In *World Economic Forum*.

Owolabi-Merus, O. (2015). Infrastructure Development and Economic Growth Nexus in Nigeria. *International Journal of Academic Research in Business and Social Sciences*, *5*(1), 376.

Sanusi, S. L. (2012). The Role of Development Finance Institutions in Infrastructure Development: What Nigeria can Learn from Bndes and the Indian Infrastructure Finance. In *3rd ICRC PPP Stakeholders Forum, Lagos, Nigeria, July* (Vol. 18).

Sawada, Y. (2015). The Impacts of Infrastructure in Development: A Selective Survey. *ADBI Working Paper* 511. Tokyo: Asian Development Bank Institute.

Siyan, P., Eremionkhale, R., and Makwe, E. (2015). The Impact of Road Transportation Infrastructure on Economic Growth in Nigeria. *International Journal of Management and Commerce Innovations*, Vol. 3 (1): 673-680.

Straub, S. (2011). Infrastructure and Development: A Critical Appraisal of the Macro-Level Literature. *The Journal of Development Studies*, *47*(5), 683-708.

World Bank. (2007). The World Bank Annual Report 2007, DC.

Banks Credits And Manufacturing Growth In Nigeria

Gbadebo Adedeji Daniel
Dept of Economics & Statistics,
University of Benin, Benin City;
adedeji.gbadebo@uniben.edu

Adekunle Ahmed Oluwatobi*
Dept of Accounting and Finance,
Fountain University, Osogbo;
tobiahamed@yahoo.com

Muritala Taiwo
Dept of Economics & Statistics,
University of Benin, Benin City;
adedeji.gbadebo@uniben.edu

Fadeyi Folarin Julius
Dept of Economics & Statistics,
University of Benin, Benin City;
fadeyifolarin@gmail.com

pp 276 - 284

Abstracts

The main objective of this paper is to investigate Banks credits and manufacturing growth in Nigeria from 1978 – 2015. The study employed secondary data, which was obtained from Central Bank of Nigeria Statistical bulletin (2015). The variables in the model have long run cointegration. In the results, three of the coefficient variables; Capital formation (CAP), Capacity utilization (CU) and Commercial bank loans to the manufacturing sector (BLM) have the correct signs and are significant at the 5 percent level. This is an indication that these variables determine manufacturing sector's growth in the long run. Crude oil production has a positive sign and is significant only at the 10 percent level. Thus, in the long run, crude oil production positively stimulates the growth of the manufacturing sector in Nigeria. This is explained by the oil revenue which is generated from crude oil production and is used to procure capital equipment and other inputs necessary for the growth of the manufacturing sector. It thus implies that proper deployment of oil revenues can enhance growth of the manufacturing sector in Nigeria.

Keywords: Banks Credits, Manufacturing Growth & Nigeria

* Correspondence Author

1.0 INTRODUCTION

In today's world there is no doubt the manufacturing sector is the basis for determining economic efficiency. The sector acts as a catalyst that accelerates the pace of structural transformation and diversification of the economy, enables a country to fully utilize its factor endowment and to depend less on foreign supply of finished goods or raw materials for its economic growth, development and sustainability. It plays a pivotal role as vehicle for the production of goods and services, creation of employment and generation of incomes.

In Nigeria, prior to the oil boom of the 1970's, manufacturing accounts for roughly 7.5% of national output. Since a peak of 7.83% in 1982, the contribution of manufacturing as a share of total economic output in Nigeria generally declined. In 1987 import bans on raw materials were imposed under the World Bank Structural Adjustment Programmes (SAPs) encouraging import substitution. Intermediary input manufacturers were able to produce competitively again, and there were fewer plant closures. This, combined with the Privatization and Commercialization Act of 1988, encouraged a higher degree of efficiency to be achieved in manufacturing. Throughout the 1990s and 2000's, Nigeria reliance on export of oil allows the manufacture to remain in decline drastically. Firms were not export orientated, and lacked efficiency, causing competitive companies to relocate factories abroad. A few key industries, such as beverages, textiles, cement and tobacco kept the sector afloat, but even these operated at under half of their capacity.

At present, manufacturing sector constitutes a small fraction of GDP and accounts for less than 5% of aggregate output in the economy. Manufacturing sector constitutes a small fraction of GDP and accounts for less than 5% of aggregate output in the economy. Value-added of manufacturing activities at current basic prices stood at N764.101 billion in 2012. The robust growth of the manufacturing sector continued albeit at a slower pace in the first half of 2012, with a growth rate of 9.9% compared with 13.4% in 2011, due to temporary closure of some manufacturing activity in the Northern region occasioned by the worsening security situation in that part of the country and labour strike against fuel price subsidy withdrawal. Some manufacturing plants in other parts of the country which were not affected directly by the Boko Haram uprising operated at lower capacity due to disruption in supply chain.

In a bid to revitalize the manufacturing sector, successive government since independence in 1960 has engaged in several reforms. The governments have since implemented several national development plans and programmes aimed at boosting productivity, as well as, diversifying the domestic economic base. Several banking sector reforms have been done to ensure ease of access to credits to the manufacturers. The banks were seen as the most important savings mobilization and financial resources allocation institutions. Were, Nzomoi and Rutto (2012) asserted that commercial bank sector is the key conduit for financial intermediation in the economy.They are saddled with the responsibility of intermediating between the surplus and deficit units of the economy are crucial in ameliorating the problem of unimpressive performance in the manufacturing sector. These credits have improved investment leading to growth in the manufacturing sector and through them, commercial banks performance objectives are expected to be met (Diamond, 1984; Casolaro et al, 2002).

Despite the implementation of several banking sector reforms, the manufacturing sector in Nigeria still experience declining growth due to difficulty in accessing financial resources especially from the commercial banks that hold about 90% of the total financial sector assets and concentrate their loans to the oil and gas sectors (Abubakar and Gani, 2013). These myriad financing challenges facing the real sector call for the reassessment of finance-growth nexus in Nigeria real sector performance. This study sets out to determine the impact of commercial bank loans on growth of the manufacturing sector in Nigeria. In addition, it also examines whether or not the impact of commercial bank loans supersedes the impact of other factors.

Empirical Review

Past studies in the area of bank lending seem to have focused on bank performance (Iwuala,2008; Uche and Akujobi, 2008). The major worry with both studies lies in their inability to select some performance indicators that cut across the entire banking industry (CBN, 2006). One would have expected such studies to apply those performance indicators as suggested by Central Bank of Nigeria (2006) which cut across the banking industry so as to permit credibility and generalization of results of studies. Others are the works of Onyeanwu, (2008);Aligwekwe, (2007) and Chukwuendu and Arokoyo, (2007). For instance, Chukwuendu and Arokoyo, (2007) were of the view that credit to manufacturing sector is a necessity in increasing the capital base for manufacturers in Nigeria since most small-scale firms do not always have enough funds for production.

Akujuobi and Chima, (2013) examined the effect of commercial bank credit to the production sector on economic development in Nigeria, adopting a multiple regression model over the period 1960 to 2008. Using a co-integration analysis, it reveals the existence of a long run relationship between credit to the production sector and the level of economic development in Nigeria.Ajayi, (2007) empirically test the impact of bank credit on industrial performance in Nigeria from 1975 to 2003. He confirmed that bank credit and inflation have positive and negative effect respectively on industrial performance.

Andrus Oks, (2001) confirms statistically positive relationship between industrial production index and loans to the private sector. Vuyyuri,(2005) investigated the co-integration relationship and causality between the financial and the real sectors of the Indian economy using monthly observation from 1992 to 2002. Johansen, (1988) multivariate co-integration test supported the long-run equilibrium relationship between the financial sector and the real sector, and the Granger test showed unidirectional Granger causality between financial sector and the real sector of the economy.

Towase, (2012) examined the effects of bank loans and advances on industrial performance in Nigeria between 1975 and 2009 using co-integration and error correction technique. Based on the findings, it could be concluded that commercial bank loans and advances to industrial sector, aggregate savings, interest rate and inflation rate are major long run determinants of industrial performance in Nigeria as expressed by the level of Real Gross Domestic Product Manufacture in the economy.

Adenikinju and Chete, (2003) conducted an empirical analysis of the performance of the Nigeria manufacturing sector over a 30-year period and observed that the sector was performing with satisfactory growth levels from 1970 to 1980. But, between 1980 and 2007, the Nigerian manufacturing subsector recorded a systematic decline in capacity utilization. Anyanwu (2005) with findings similar to that of Adenikinju and Chete observed that the world oil market in early 1980s and the prolonged economic recession which led to sharp fall in foreign exchange earnings of Nigeria, further led to a fall in performance level of the manufacturing sector in the country.

Akinlo, (2012) assessed the importance of oil in the development of Nigerian economy using multivariate VAR model over the period 1960 to 2006. Empirical evidence shows that five subsectors are co-integrated and that the oil had adverse effect on the manufacturing sector. Granger causality test finds bi-directional causality between oil and the growth of the manufacturing sector.Olomola=, (2006) in his empirical study on the oil price shock and aggregate economic activity in Nigeria, used a VAR model with quarterly data from 1970 to 2003. The findings showed that while oil prices significantly influence exchange rate, it does not have significant effect on output and inflation in Nigeria. He concluded that an increase in the price of oil results in wealth effects which appreciates the exchange rate and increases the demand for non-tradable, a situation that would result in 'Dutch Disease'.

Alli, (2008) reviewed more current performance of the Nigerian manufacturing sector by surveying the results of a study conducted in 2007 by Manufacturing Association of Nigeria (MAN). The report disclosed that during the last few years, many manufacturing companies in the country have faced bad times. The reason behind the slow growth and performance of the Nigerian manufacturing sector during the last few years include high production cost caused by energy, high interest rate and exchange rate, influx of inferior and substandard product from other nations, inadequate credits facilities, multiplicities of taxes and levies among others.

Ojogwu, (2003) with his analysis of the situation of the Nigeria manufacturing sector, concluded that capacity utilization is an important issue that must be properly addressed in all discussions and all measures to be taken in the future. the researcher argues that the sector is progressing very slowly due to low capacity utilization such as capacity decline, capacity expansion and capacity mortality are essential discussion points in the issue of bringing quality into the performance of the Nigerian manufacturing sector.

Alos, (2000) analysed the business environment of Nigeria and observed that the performance of the manufacturing sector has been very uncertain, even nearly chaotic for many years. The researcher also pointed out another important barrier that exists in the Nigerian manufacturing sector, and that is the low rate of capital utilization. He observed that in the manufacturing sector, there is gross under-utilization of resources only 30 to 40 percent of the capital is being utilized in this sector owing to frequent power outages, lack of fund to procure inputs, fall in demand for manufactured goods and frequent strikes and lockouts by workers and their employers.

Model Specification

Although the standard CES production functions are special cases of the general Cobb-Douglas Production Function (CDPF), Shen and Whalley (2013) derives a Capital-Labour-Energy Substitution in Nested CES Production for energy based economies. Since in

Nigeria large share of manufacturing output is based on oil resources, we utilise a variant of Shen and Whalley (2013) and derived a Capital-Labour-Resources Substitution in Nested CES Production. We estimate an experimental model from our three-factor two-level aggregate production function (X) with inputs capital(K), Labour(L) and Resources(R), where B, *p*, and β are respectively efficiency, substitution and distribution parameters. We denote the first level of the two-level CES function by (3.1):

$$X = B[\beta K^{-p} + (1-\beta)L^{-p}]^{-\frac{1}{p}} \quad (3.1)$$

For the second level, we nested (3.1) to CES function of X and E, (3.2) and obtained (3.3).

$$Y = A\left[\alpha X^{-\theta} + (1-\alpha)R^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.2)$$

$$Y = A\left[\alpha\left(B[\beta K^{-P} + (1-\beta)L^{-P}]^{-\frac{1}{p}}\right)^{-\theta} + (1-\alpha)R^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.3)$$

If we denote (3.3) –one of the three nested structures of the three-factor two level CES production function – as (K,L)C, accordingly, the other two nested structures of the three-factor two-level CES production function (K,R)L and (R,L)K can be expressed as

$$Y = A\left[\alpha\left(B[\beta K^{-P} + (1-\beta)R^{-P}]^{-\frac{1}{p}}\right)^{-\theta} + (1-\alpha)L^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.4)$$

$$Y = A\left[\alpha\left(B[\beta R^{-P} + (1-\beta)L^{-P}]^{-\frac{1}{p}}\right)^{-\theta} + (1-\alpha)K^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.5)$$

By introducing logarithm on (3.5), estimation of the parameters may seem straightforward. However, there are some problems that need to be addressed further before we have reliable estimates of substitution elasticities. Estimating substitution elasticities by using the Kmenta approximation has been proved unsuitable when an underlying CES function different from the Cobb-Douglas form is used (Thursby and Lovel, 1978; Henningsen, 2000). Results based on non-linear optimization techniques in many cases seem problematic due to convergence problems, yield unstable estimates and are based on un-normalized CES functions that merely a change of measure may lead to quite different substitution elasticity estimates (Henningsen and Henningsen, 2012). To avoid complex estimation of Kmenta approximation, researchers use system of linear equations derived from the first order conditions of cost minimization.

distribution parameter between K and L; π_O' , distribution parameter between K, L and R, ρ Substitution parameter between K and L and θ, Substitution parameter between K, L and R. Assume all the three factor markets are competitive, then $\pi = \frac{r_o K_o}{Y_o}and\pi_O' = \frac{P_O^x X_o}{Y_o}$.

Let$B = X_o\left[\pi_o K_O^p + (1-\pi_o)L_O^p\right]^{-\frac{1}{p}}$ and $A = Y_o\left[\pi_O' X_O^\theta + (1-\pi_O')R_O^\theta\right]^{-\frac{1}{p}}$

Hence, $\beta = \frac{\pi_O K_O^P}{\pi_O K_O^P + (1-\pi_O)L_O^P}$ and $\alpha = \frac{\pi_o' X_o{}^\theta}{\pi_O^\theta{}' X_O^\theta + (1-\pi_o')R_O^\theta}$

we can rewrite equation (3.3) as

$$Y = Y_O\left[\pi_O'\left(\pi_O\left(\frac{k}{k_O}\right) + (1-\pi_O)\left(\frac{L}{L}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_O')\left(\frac{R}{R_O}\right)^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.6)$$

By allowing for Hicks-neutral technological change in production function, equation (3.6) can be expressed as

$$\frac{Y}{Y_O} = \xi e^{\lambda t}\left[\pi_O'\left(\pi_O\left(\frac{K}{K_O}\right)^{-p} + (1-\pi_O)\left(\frac{L}{L_O}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_O')\left(\frac{R}{R_O}\right)^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.7)$$

By further considering parameter for return to scale v, we have

$$\frac{Y}{Y_O} = \xi e^{\lambda t}\left[\pi_O'\left(\pi_O\left(\frac{K}{K_O}\right)^{-p} + (1-\pi_O)\left(\frac{L}{L_O}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_O')\left(\frac{R}{R_O}\right)^{-\theta}\right]^{-\frac{v}{p}} \quad (3.8)$$

In addition to considering raw (unadjusted)labour (L) as input in our nested CES specifications as equation (3.6) and (3.7), since as suggested (Romer, 1986 and Lucas, 1988), human capital importantly importance accounts for economic growth, so we include human capital accumulation H in the nested function. Since we assumed that education and training for human adjust the quality of labour in the function, hence HL denotes 'quality' adjusted labour in the model.

$$\frac{Y}{Y_o} = \xi e^{\lambda t}\left[\pi_o'\left(\pi_o\left(\frac{K}{K_o}\right)^{-p} + (1-\pi_o)\left(\frac{HL}{HL_o}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_o')\left(\frac{R}{R}\right)^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.9)$$

$$\frac{Y}{Y_o} = \xi e^{\lambda t}\left[\pi_o'\left(\pi_o\left(\frac{K}{K_o}\right)^{-p} + (1-\pi_o)\left(\frac{HL}{HL_o}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_o')\left(\frac{E}{E_o}\right)^{-\theta}\right]^{-\frac{v}{\theta}} \text{------- } (3.10)$$

So far, (3.7)-(3.10) present four different specifications of the nested CES structure (K,L)R. correspondingly, we can also use similar specifications to (3.7) - (3.10) for the other two nested structures of the three-factor two-level CES production function (K,R)L and (R,L)K. In our Euler equation, Y/Y_0 is the aggregate output ratio, K/K_0 is capital ratio and HL/HL_0 is human capital ratio. In order to obtain the empirical version of (3.10) for estimation purposes, we first overcome the its cumbersome nature by forming the hypothesis that there is convergence in the long run. That is, as t tends to infinity (t→α), there will be exponential decay so that (3.10)becomes:

$$\frac{Y}{Y_o} = \left[\pi_o'\left(\pi_o\left(\frac{K}{K_o}\right)^{-p} + (1-\pi_o)\left(\frac{HL}{HL_o}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_o')\left(\frac{E}{E_o}\right)^{-\theta}\right]^{-\frac{v}{\theta}} \quad (3.11)$$

We also assume that substitution parameterρ (in the case of K and L) and Θ (in the case of Capital, Labour and Resources) tends towards zero so that our CES production function becomes identical with our Cobb-Douglas production function. With this, (3.11) reduces to:

$$\frac{Y}{Y_o} = AK^{\beta_1}L^{\beta_2}R^{\beta_3} \quad (3.12)$$

Lets specify our aggregate production function in equation (3.12) to become disaggregated manufacturing sector by making growth rate of real Gross Domestic Product of manufacturing sector (GRGDPM) our dependent variable. Also, we replace labour (L), capital(K), and Resources (R) with Capacity Utilization (CU), Capital formation (CAP) and Crude Oil Output (COO), respectively and present (3.12) in specific form as (3.13).

$$GEGDPM = ACAP^{\beta_1}CU^{\beta_2}BLM^{\beta_3}COO^{\beta_4} \quad (3.\ 13)$$

It can be expressed in econometrics form as

$$GRGDPM = ACAP^{\beta_1}CU^{\beta_2}BLM^{\beta_5}COO^{\beta_4}e^{\mu_t} \quad (3.14)$$

Since the study sets out to see effect of banks credits on manufacturing output, we therefore include the Commercial Bank Loans to the manufacturing sector (BLM), to the list of independent variables in (3.14). Since (3.14) is non-linear, we linearized it with 'double logarithmic transformation' to obtain (3.15).

$$lnGRGDPM = lnA + \beta_1 lnCAP + \beta_2 lnCU + \beta_3 lnBLM + \beta_4 lnCOO + \mu_t (3.15)$$

$$lnGRGDPM = \beta_0 + \beta_1 lnCAP + \beta_2 lnCU + \beta_3 lnBLM + \beta_4 lnCOO + \mu_t (3.16)$$

Where$nA = \beta_0, \beta_1, \beta_2, \beta_3, \beta_4$are the parameter estimates of the independent variables expected to be signed as $(\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 < 0)$.

To fully underscore the hypothesized relationships between commercial bank loans and the growth of the manufacturing sector as set ab-initio, this study makes use of model which used co-integration analysis, unit root test within the environment of Vector Error Correction Model (VECM).Granger causality test will be used to ascertain the direction of causality between commercial bank loans and the growth of manufacturing sector. The first step in co-integration is the stationarity test or unit root test. A unit root test shall be carried out to obtain results of the stationarity of the variable. That is, to verify whether the assumption of Ordinary Least Square (OLS) are violated or not. This means that the time series have to be detrended before any sensible regression analysis can be performed.

The co-integration test is performed to determine if the group of non-stationary series is co-integrated or not. If co-integrated, it implies that there exists a long run relationship among some or all of the variables in the system. Therefore, Error Correction Model (ECM) is specified for the analysis of short run dynamics.

Model Results

Unit Root test

The Augmented Dickey Fuller (ADF) test is employed in order to analyze the unit roots. The results are presented in levels and first difference. The result in table 4.1 indicates that the time series variables are difference stationary in levels. An examination of the result shows the ADF test statistic for each of the variables is greater than the 95 percent critical ADF values (in absolute terms). Specifically, each variable are 1(1).

Table 4.1: Unit Root Test for Variables in First Difference

Variables	ADF Test Statistic	ADF Test Statistic	95% Critical Value
DGRGDPM	-2.5125*	-3.2811**	-2.9970
DCAP	-1.8735*	-5.8253**	-2.9970
DCU	-1.1008*	-3.1879**	-2.9970
DBLM	-1.0676*	-3.4991**	-2.9970
DCOP	-1.7373*	-4.6342**	-2.9970

* shows that the variable is non-stationary. ** indicate that the variable is difference stationary.

Cointegration Result

The co-integration test is based on the argument that given that time series variables have unit roots, a long run relationship exists between a linear combination of such series. Due to the nature of the study, the Engle and Granger (1987) two stage method is employed in the co-integration test. This method follows a simple procedure that involves two steps. First, the OLS estimation of the relationship is initially performed and the residuals are obtained. Second, unit root test is conducted on the residuals. If the residuals are found to be stationary, then these variables are regarded as co-integrated. The result of the Engle and Granger co-integration test is presented in table 4.2 below.

Table 4.2: Residual Based Co-integration Test

ADF lag	ADF Test Statistics	95% Critical ADF Value	Remark
1	-5.3610	-5.0236	Stationary

From the reported result in the table above, the ADF statistic of -5.3610 exceeds the 95 percent critical ADF value of -5.0236 (in absolute terms). This clearly indicates that the residuals are stationary. Indeed, there is co-integration between growth rates of Gross Domestic Product of the Manufacturing sector (GRGDPM) and the selected regressors in the model. Thus, we conclude that a long run relationship exists between growth rate of Gross Domestic Product of the manufacturing sector and the independent variables.

The Long Run Analysis

The long run analysis relationship between growth of Gross Domestic Product of the manufacturing sector (GRGDPM) and its regressors is presented in the table below.

Table 4.3 Long Run Result: Dependent Variable: GRGDPM

Variables	Coefficient	T-ratio
C	2.1672	1.3997
CAP	1.2090	2.6583
CU	0.87851	2.8936
BLM	1.7658	2.4352
COP	1.6793	1.8673

An examination of the long run empirical results shows that only the coefficient estimates and asymptotic t-ratios are reported. In the results, three of the coefficient variables; Capital formation (CAP), Capacity utilization (CU) and Commercial bank loans to the manufacturing sector (BLM) have the correct signs and are significant at the 5 percent level. This is an indication that these variables determine manufacturing sector's growth in the long run. Crude oil production has a positive sign and is significant only at the 10 percent level. Thus, in the long run, crude oil production positively stimulates the growth of the manufacturing sector in Nigeria. This is explained by the oil revenue which is generated from crude oil production and is used to procure capital equipment and other inputs necessary for the growth of the manufacturing sector. It thus implies that proper deployment of oil revenues can enhance growth of the manufacturing sector in Nigeria.

Error Correction Model

The short run dynamic behavior of Growth rate of Gross Domestic Product of the Manufacturing sector (GRGDPM) with respect to temporary changes in its regressors can be analysed with the content of an Error Correction Model (ECM). The Auto-Regressive Distributed Lag (ARDL) approach is used for the estimation of the ECM. It should be noted that the Schwarz Bayesian Criterion was used to select the parsimonious equation. The result of the ECM is presented below.

Table 4.4 Parsimonious Error Correction Model

Variables	Coefficient	Standard Error	T-Ratio
C	1.89980	1.43221	1.32651
DCAP	0.57303	0.21123	2.7128
DCU	0.24961	0.09287	2.6897
DBLM	0.50583	0.20764	2.4360
DCOP	-0.64375	0.30379	-2.11906
DCOPI	0.50461	0.48926	1.03137
ECM(-1)	-0.63725	0.25724	-2.47725
R-Squared	0.97402		
Adjusted R-Squared	0.92270		
Mean of Dependent Variable	0.19532	F-Stat (6,21)	22.243
Residual Sum of Square	0.42252	S.D of Variable	0.32309
D.W-Statistic	2.113		

An examination of the error correction results indicates that the R-square is 0.97, while its adjusted counterpart is a better goodness of fit is 0.92. Given the adjusted R-squared of 0.92, it can be concluded that about 92 percent of the systematic variations in Growth of Real Gross Domestic Product of the Manufacturing sector (GRGDPM) is explained by the independent variables. Only about 8 percent of the variation is attributed to chance occurrences. The stability in the relationship between growth of Gross Domestic Product of the manufacturing sector and all the explanatory variables taken together (the overall goodness of fit of the model) is good as the F-value of 22.234, which is highly significant at the 1 percent level. Thus, the hypothesis of a log-linear relationship between the dependent variables is validated.

In terms of the individual explanatory variables, all their signs (except one lagged crude oil production) satisfy a priori expectations and their t-values are significant at 5 percent level. This result implies that Capital Formation, Capacity Utilization, Commercial Bank Loans and current Crude Oil Production are significant variables influencing the growth (performance) of the manufacturing sector in Nigeria. Given the negative coefficient of crude oil production, it is thus clear that crude oil has negatively affected the performance of the manufacturing sector in Nigeria. This is the much popularized 'Dutch disease' phenomenon, in which the discovery and exploitation of crude oil has had a dampening effect on the growth of critical sector, such as the Agricultural and Manufacturing sector. The Durbin Watson (DW) statistic of 2.113, shows that the estimated model is free from the problem of serial correlation because it falls within the neighborhood of 2.Apart from the diagonistic statistics, the error correction term is appropriately negative as theory predicts and is significant at the 5 percent level. Thus, any short run disequilibrium in the system will be adjusted in the long run. The coefficient of 0.637 indicates that the speed of adjustment of growth of the manufacturing sector GDP is about 64 percent.

CONCLUSION

Nigeria has an undoubted potential to earn more income, generate employment and reduce poverty through with a thriving manufacturing sector. Bank credits are critical to the functioning and growth of the real sector of the economy. The overdependence on the oil sector at the detriment of more growth-enhancing sector, such as the manufacturing sector is responsible for the weak industrial base and poor linkages in the economy. This has contributed largely to the poor economic base of the nation. In order to fast-track rapid economic growth and development, Nigeria must diversify her economic base to critical non-oil producing sectors such as manufacturing and agricultural sector.

REFERENCES

Adekoya, (1987), 'The role of government in promoting increased productivity on Nigerian firms'. Proceedings of the First National Conference on Productivity Centre, 1987, p 56.

Adewunmi, W., (1984), 'Loan Management in Nigeria Banks, Cardiff' University of Wales Press p 3-4.

Adeniyi, O.A., (1985), 'Employing Credit Scoring as an Aid to Personal Lending decision in Nigerian Commercial Banks'. The Nigerian Bankers, Vol II,Ibadan.

Akujuobi, A. and Chima, C., (2013), 'The production sector credit and economic development'. IJEMR Nov 2012 Volume 2 Issue II ISSN 2149-2585.

Agen, C.E., (1995), 'The Principle of Modern Banking' Lagos, Gene Publication Limited.

Atoyebi et al (2013), 'The linkage between Capital Formation and Capacity Utilization of Manufacturing Sector in Nigeria', ISOR Journal of Humanities and Social Sciences Research in Africa Vol 32, No 2, 2007, pp129-155.

Adenikinju, A. and Chete, L., (2002), 'Productivity, market structure and trade liberalization in Nigeria'. Economic development department, Nigerian institute of social and economic research. Research paper 126, African Economic Research Consortium. Nairobi 2002, Nov.

Adamu, P.A., (2002), 'The Impact of Human Capital on Economic Growth inNigeria: An Error Correction Approach'. Selected Papers for NES Annual Conference, 2002.

Akinlo, A.E., (2012), 'How important is oil in Nigeria's Economic Growth' Journal of Sustainable Development Vol 5, No 4, April 2012.

Alos, A., (2000), 'Creating values under uncertainty: The Nigerian experience'. Journal for African Business, 2000, 1(1), p 9-24.

Babatunde, M.A. and Adefabi, R.A., (2005), 'Long run relationship between education and economic growth in Nigeria'. Evidence from Johanson Co-integration Approach, University of Ibadan, Nigeria Research Paper.

Bakare, A.S., (2006), 'The growth Implicaton of Human Capital Investment in Nigeria: An empirical Study' Journal of Economics and Social Studies, vol5.

Barnanke, S. and Mark Gertler, (1995), 'Inside the black box: The credit channel of monetary policy transmission'. The Journal of Economic Perspective, vol 9,No 4, 27-48.

Birchwood, A. and Nicholls, S., (1999). 'Credit Investment and Economic Cycles In the Caribbean'. Social and Economic Studies, 91-125

Becketti, S. and Moris, C., (1992), 'Are Bank Loans Still Special'? Economic Review, vol 77 No 33. Federal Researve Bank of Kansas city, pp 71-73

Bernanke, B. and Blinder, A., (1988), 'Credit, Money and Aggregate Demand'. America Economic Review may

Casolaro, l., Focarelli, D., and Pizzolo, A.F., (2002), 'Risk Retaining or Reputation; What provides Certification on Bank loans? Evidence from the Syndicated Credit Market'. Mimeo Banca d' Italia.

Chete, L. and Adenikinju, A., (2003),'A Trade policy and productivity growth, evidence from Nigeria' Final report presented at a workshop by African Economic Research Consortium (AERC), 28 may-2 june.

Dipak, M. and Ata, M., (2003). The African manufacturing firm, an analysis Based on firms studies in sub-Saharan Africa, 2003.

Diamond, D., (1984),'Financial Intermediary and Delegated Monitoring'. There view of Financial Studies, 51, 393-414

Edo, S.E., (2013), Crude oil discovery and exploitation: the bane of manufacturing sector development in an oil rich country, Nigeria. Blackwell Publishing Ltd, 9600 Garsington Road, Oxfotd OX42DQ, UK and 350 main street, Maiden, MA 02148, USA.

Ehinomen, C. and Oladipo, T.I., (2012), 'Exchange Rate Management and the Manufacturing Sector Performance in the Nigeria Economy'? ISOR Journal of Humanities and Social Studies vol 5, Issue 5 (Nov-Dec 2012) pp 01-12

Greer, C.C., (1967a), 'The Optimal Credit Acceptance Policy' Jorurnal of Financial and Quantitative Analysis March.

Malik, A., Teal, F. and Baptist, S., (2004). The performance of Nigerian manufacturing firms: Report on the Nigerian manufacturing enterprise survey, 2004 (Centre for the study of African Economies, University of Oxford).

Morgan, D.P., (2004), 'Are Bank loans a force in Monetary Policy'? Economic Review, vol77; No2 Federal Reserve Bank of Kansas city.

Nzotta, S.U., (2004), 'Money, Banking and Finance: Theory and Practice'. Owerri International Education Banks and Publishers.

Katherine, S., (2002),'The Evolving Role of Commercial Banks in US Credit Markets' (http://www.denovobanks.com/atissue/story.asp?idstory=104)

Mazumder, D. and Mazahen, A., (2003), The

African Manufacturing firms: Ananalys is based on firm, studies in sub-saharn Africa, 2003

Oche, P.N., (2010), 'The Lending Imperative in Banking Business.

Olokoyo, T.O., (2011),'Determine of Commercial Banks' Lending Behaviour in Nigeria', International Journal of Finance Research Vol 2, No 2 july 2011.

Olomola, A., (2006), 'Oil Price Shock and Aggregate Economic Activity in Nigeria', African Economic and Business Review vol 4:2, ISSN 1109-5609

Oyegide, T.A., (2005), 'Capital Flow and Economic Transformation: A Conceptual Framework on Peoceedingsif Central Bank of Nigeria. 5th AnnualMonetary Policy Conference Abuja.'

Ogundele, J.K., (2000), 'Determinant of Entrepreneurial Emergence Behaviour and Performance in Nigeria'. Unpublished Doctoral Thesis Faculty of Business Administration, University of Lagos.

Ogujiuba, K. and Adeniyi, A.O., (2008), 'Economic Growth and Human Capital Development: the Case of Nigeria'. Research paper

Okejiri, E., (2003), National Office for Technology Acquisition and Promotion(NOTAP), speech at Nigeria's imperative in the new World Trade order, workshop report African Economic Research Consortium (AERC), 2003Nairobi, Kenya and Trade Policy Research and Training Program (TPRTP).Department of Economics, University of Ibadan, Ibadan.

Ojowu, N., (2003), Speech at Nigeria's imperative in the new world trade order, workshop report. African Economic Research Consortium (AERC), 2003Nairobi Kenya and Trade Policy Research and Training Program (TPRTP),Department of Economics, University of Ibadan.

Romer, P., (1986), Increasing Returns and Long run Growth. Lournal of Political Economy 94, 1002-1097.

He, Hiu and heng Liu, (2006), Investment-Specific Technological Change and the Dynamic of Skill Accumulation and Wage Inequality. University of Monnesota and Emory University, February.

Enebong, A., (2003), Manufacturing Association of Nigeria (MAN), Nigeria imperative in the new world order, workshop report. African Economic Research Consortium (AERC), 2003 Nairobi Kenya and Trade Policy Research and Training Program (TPRTP), Department of Economics, University of Ibadan, Ibadan.

Sala-i-Martin, X. and Subramanian, A., (2003), 'Addressing the National Resource Curse: An illustration from Nigeria', IMF Working Paper 03/139.Washington DC

Sanusi, J.O., (2003),A key note Address by Chief (Dr) J.O Sanusi, former Governor, Central Bank of Nigeria, Presented at the PGDPA and CPA Graduation Ceremony of ASCON.

Simon-Oke, O., (2002), 'Human Capital Investment and Industrial Productivity in Nigeria'. International Journal of Humanities and Social Sciences vol No16August 2012.

Tawose, J.O.B., (2012), 'Effect of Bank Credit on Industrial Performance in Nigeria' International Business and Management vol4, No2, 2012 pp158-168.

Ubok-Udom, E., (1999),'Currency Depreciation and Domestic Output Growth in Nigeria'. The Journal of Economics and Social Studies.

Savings as a Predicator for Sustainable Economic Growth in Nigeria

Dr. Samuel O. Ominyi
(samominyi@yahoo.com)

Inalegwu Emmanuel Okoh
(inansokoh86@gmail.com)
Department of Economics,
Benue State University,
Makurdi

pp 285 - 294

Abstract

The Marginal Propensity to Save (MPS) is the non-unitary coefficient in a bi-variate savings-national income model which measures the proclivity of the population to savings. The research set out to determine its value in Nigeria and what that portends for economic growth as savings forms the basis for capital accumulation and hence investment. The study covers the period 1986-2015. The research adopted the Vector Error Correction Model (VECM) in ascertaining the relationship between gross domestic product (GDP) and private savings (SAV) including other relevant exogenous variables in the model namely PCE, CCPS, INR and GFCF. The results showed a positive relationship between GDP and SAV and that a percent change in SAV would result in an 8.29% change in GDP. The sign of the coefficients of INR, GFCF and CCPS on a priori were wrong. The OLS methodology was adopted to determine the MPS and the result showed that in the period of the study, the MPS had a value of 0.12 indicating a low savings culture in the country. The research recommends that government through the Central Bank of Nigeria (CBN) adopt policies that ensure accountability of the Deposit Money Banks (DMBs) in their business practices as it concerns the banked populace which will promote trust and a greater predilection to save and also addressing the macroeconomic issues bedevilling the country such as a high rate of unemployment and persistent increases in price which already puts a great strain on the already low incomes of most Nigerians.

Keywords: **Marginal Propensity to Save, Economic Growth, Multiplier, Nigeria Economy**

1.0 Introduction

The capitalist economic system stresses a strong nexus between savings and economic growth. According to proponents, it is the main source of capital accumulation which is the main determinant of investments and hence growth in the economy. In highly developed countries, the level of savings has led to greater transformations of these societies over time and still yet, saving rates are higher due to higher incomes (Utemadu, 2007). In sub-Saharan Africa, the propensity to save is low as this region is predominated by countries ravaged by wars, struggling economies with a preponderance of poverty. Osudina and Osudina (2014) emphasised that peoples in LDCs (which most sub-Saharan African countries are) are incapable of high levels of individual savings because of a multiple of reasons ranging from low levels of per capita income, indulgence in frivolous and conspicuous consumption by the few who have an excess of disposable income.

In Nigeria, Temidayo & Taiwo (2011) noted that gross domestic savings has been quite high as a proportion of gross domestic product (GDP) however; gross capital formation which is a proxy for investment has been low. Nigeria's investment to GDP ratio which stood at an average figure of 22.9% in 1970- 1979, dropped to16.5% in the period between 1980- 1989 and rose slightly to 19.8% in the preceding decade, yet, this is low when considering that a minimum of 20% is required to spur the nation on its path to growth and development (Usman, 2007). A key metric in determining the performance of the banking sector is in its ability to promote the banking habit which is measured by the currency ratio (that is, ratio of currency to broadly defined money supply). The ratio fell from 36.0 per cent to 22.1 per cent between 1970 and 1980 indicating a high level of patronage to commercial banks by the public. The ratio rose slightly in the succeeding years to 25 per cent only to decline by 1984. In 1989, the upward trend then remerged which occurred simultaneously with periods of distress in the banking sector. The ratio stood at 34.2 per cent in 1994, a peak for that decade, only for declines in the currency ratio in 1998 and 2000 with values of 29.81 per cent and 26.65 per cent respectively (Mordi, Englama & Adebusuyi , 2010). In the period before the global crisis in 2007 and 2008, total savings was 2, 693.55 and 4,118.17 billion naira respectively. In the succeeding period post the global financial crisis, the levels of savings has maintained its steady upward trend as shown by statistics: in 2011, it was 6,531.91 billion naira then 11, 418.41 billion naira. Total savings as a percentage of GDP has shown a tendency though to be unstable with a rise then a fall almost exhibiting a cyclical pattern. CBN (2015) data shows that for the period from 2008 and 2014, the percentage stood at: 16.95, 23.25, 10.90, 10.37, 11.24, 10.81 and 13.41 respectively.

In economic theorizing, there is a linkage between savings and interest rate, the former being the source of capital accumulation. According to Fuller (1990), the factor reward for capital is interest which is measured by the rate of interest. Keynes (1936) elaborated on this when he said "...the quantity of money which people desire to hold for speculative purpose is a function (dependent on) of interest rate. At higher rate of interest, people prefer to hold their wealth in one form of interest bearing asset". Mckinon and Shaw (1973) in their financial intermediation hypothesis found a positive relationship between interest rate and savings. Interest rate is an important economic parameter due to the varying roles it plays within the economy either as the cost of capital or the opportunity cost of funds. The rate of interest is determined in two ways and they are fixed and floating. Fixed interest rates are rates that are established through monetary authorities while floating interest rates are determined by market forces (Udude, 2015). Pre-SAP, Nigeria operated a fixed interest rate policy which was exclusively determined by the Central Bank to achieve some macroeconomic objectives namely: to achieve socially optimum resource allocation, promote orderly growth in the financial market and to facilitate flow of credit to interest sectors- agriculture and machinery (Soludo, 2008). This period of Nigeria's financial development was marred by negative real interest rates which resulted in lower savings, lower investments and low levels of economic growth (Nwachukwu & Odigie, 2009). With the adoption of the programs embedded in the structural adjustment program (SAP) in 1986, commercial banks were allowed to determine the deposit and lending rates in the country through the dynamics of market forces (Udude, 2015).

While savings play a crucial role of mobilizing funds in the economy, its most vital function is in providing a large pool of capital for investment which provides the pathway to economic growth and development. In this context, interest rate as the cost of capital becomes an essential component in determining the levels of growth in the economy. Private savings in every economy is the portion of the household's disposable income which is not spent on consumption, as such, the expenditure on goods and services impact greatly on the level of savings. Ostry & Reinhart (1995) observed that financial liberation aimed at raising the real interest rates in an economy to increase the household's savings culture would only be effective if and only if they defer on consumption. In other words, if families continue on the path of frivolous spending with a disregard to savings, increasing of the real interest rate would be insignificant. Acha (2011) listed a number of reasons for the negative response of Nigerians toward the interest rates as the opportunity cost of funds and they include: a lack of confidence in the banking sector, low income and a preference for holding cash. From the latter, it can be deduced that currency and demand deposits are the choice of most Nigerians as compared to other forms of savings which may include time and savings deposits with commercial banks which are longer forms of savings bound by time and whose contributions to a deepening of the financial resource base is more effective .

It is against this backdrop that this research seeks to achieve these objectives namely: to determine the effect of saving on economic growth in Nigeria, and to ascertain the multiplier effect of income on marginal propensity to save in Nigeria. The rest of the paper proceeds as follows. Section 2 is the review of related literature which deals with the theoretical framework of the research and the empirical review. Sections 3, 4 and 5 discuss the research methodology, analysis of result, and conclusion and recommendations respectively.

2.0 Review of Related Literature

Theoretical Framework

Economic growth theories have been used in several empirical studies. Researchers have used growth theories from Solow's to Keynes', Kaldor's to Meade's. In this paper, the researcher adopts Harrod-Domar's growth theory. The growth theory was achieved through the works of Harrod (1939) and Domar (1946). Harrod and Domar were both interested in ascertaining the growth rate of income which was seen as necessary condition for the smooth and uninterrupted functioning of the economy. While their works were both different, both arrived at a similar conclusion. Investment was assigned a key role but greater emphasis was laid on the dual nature it possessed. One of investments characteristic was its ability to create income and the other being its capacity to increase capital stock by supplementing the productive capacity of the economy (Jhingan, 2010). The former is the 'demand effect' of investment and the latter the 'supply effect'.

They postulated that to maintain a full employment equilibrium level of income in the economy, both real income and output should expand at the same rate as the productive capacity of capital stock and if there ever was a shortfall in either, there would be an excess or idle capacity forcing entrepreneurs to limit their investment expenditure. This has the tendency to truncate economic growth and a lowering of incomes in the succeeding periods moving the economy off the path of equilibrium steady growth. Therefore, if full employment is to be maintained in the long run, there should be a continuous expansion of net investment which demands continuous growth in real income at a rate sufficient enough to ensure full utilisation of the growing stock of capital. This level of growth is what Harrod-Domar termed *the warranted rate of growth* or "full capacity growth rate"

In advanced countries, economic growth has been linked to core economic concepts. They include the following: the savings function, autonomous and induced investments, and the productivity of capital. The Harrod-Domar models were developed to direct attention and focus to stagnation in advanced nations in the post-war periods. Their application has been extended to developing economies. According to Hirschman (Jhingan, 2010),

> *"The Domar model, in particular, has proved to be remarkably versatile, it permits us to show not only the rate at which*

the economy must grow if it is to make full use of the capacity created by new investment but inversely, the required savings and the capital-output ratios if income is to attain a certain target growth rate. In such exercises, the capital-output ratio is usually assumed at some value between 2.5 and 5; sometimes several alternative projections are undertaken; with given growth rates, overall or per capita, and with given population projections, in the latter case, total capital requirements for five- to ten-year plans are then easily derived".

In modifying his model to make it more applicable to developing countries, Sir Roy Harrod emphasised on the supply side of his fundamental equation by illuminating the role of interest rate as the determinant in the supply of savings and the demand for savings. He defined the natural rate of interest, rn as the ratio of the product of the natural growth rate of per capita output, pc and natural growth rate of income to the elasticity of diminishing utility of income, e (Jhingan, 2010). Represented as:

rn = Pc.Gn/e

Given the values of Pc and Gn, the natural rate of interest depends on the value of e which is assumed to be less than unity. There is an inverse relationship between rn and e; as e falls, rn rises and vice versa.

Empirical Review

Udude (2015) in his research article titled "impact of interest rate on savings on the Nigeria's economy adopted the VAR methodology using data covering the scope of 1981-2013. Variables in the model included gross domestic product (GDP) and interest rate as exogenous while savings was the regressand. It was found that there existed a positive relationship between savings and economic growth and that for every 1% increase in national income, savings rose by 0.04%. The CBN, according to the researcher should therefore adopt an interest rate policy that would encourage savings in the real sector.

Osundina & Osundina (2015) in the work, "capital accumulation, savings and economic growth of a nation-evidence from Nigeria" sought to address the problem of low savings and capital accumulation as it concerns economic growth. Data covering a span of thirty- three years was used for its scope (1980-2012). Multiple regression analysis was adopted and the variables in the model were: gross national savings, savings deposit rate, real gross domestic product gross fixed capital formation and inflation. In the findings, it was found that a percentage change in real gross domestic product would account for a 22% change in savings and the relationship was positive. It was recommended that attention be paid to socio-cultural and economic shocks to create an environment where savings and investment can thrive to enhance economic growth.

Okwori, Sule & Abu (2016) in their research article "the multiplier effect of consumption function on aggregate demand in Nigeria: aftermath of the global financial recession" found that the Nigerian economy fared better post the global financial recession and that consumption, investment, government expenditure and balance of trade contributed positively to economic growth. The multiplier was found to be 0.68 and accounted for a N3.30 increase in income for every N1.0 in investment. They adopted OLS methodology using data covering the scope of 2009-2014. They recommended government respond to shortcomings in investment by implementing demand management policies through fiscal and monetary policies and a need for regular intervention to address market imperfections and slow adjustments which could impede the multiplier.

Temidayo &Taiwo (2011) using data from 1970 to 2006 and adopting the descriptive statistics as their methodology found their research article titled "descriptive analysis of savings and growth" that the difficulty with the Nigerian economy is one not of domestic capital mobilisation but of intervention. Hence, they recommended that government should adopt policies that ensure an intermediation between savings and investment in the economy by providing regulatory and coordinating functions. Gross domestic product, investments and savings were the variables used in their analysis.

Okere & Ngbudu (2015) in a research titled "macroeconomic variables and savings mobilisation in Nigeria" used data from 1993-2012 to analyse their effects. Secondary data were obtained from the CBN and include the following domestic savings, inflation rate, deposit rate, naira/Dollar exchange rate, and number of bank branches, per capita income and financial deepening variable. The analysis was conducted using linear regression based on the Ordinary Least Squares. It was found from the estimated results that there is a strong, positive relationship between the selected exogenous macroeconomic variables and domestic savings. The following recommendations were reached; namely:

efforts should be directed toward a well articulated fiscal and monetary policy, government should ensure adequate macroeconomic policies that will promote foreign direct investment and measures should be pushed to encourage banks to open branches in rural areas to mop up deposits.

Kendall (2000) adopting the methodology of two stage least squares (2SLS) among other econometric techniques, used the McKinnon-Shaw model to evaluate the hypothesis "a rise in the expected real deposit interest rate leads to an increased savings-income ratio". His endogenous variable was gross domestic product (GDP) and he had five other independent variables. In his findings, it was determined that the parameter estimates of the variables employed were of the correct sign and were significant providing support for the McKinnon-Shaw hypothesis.

Employing cross-sectional data within the period 1960-1997 and adopting Granger causality methodology, Anoruo & Ahmad (2001) evaluated the causal relationships between the rate of growth of domestic savings and economic growth in a number of African countries: Congo, Cote d'Ivoire, Ghana, Kenya, Nigeria, South Africa and Zambia. In their findings, it was established that savings in all the countries except Nigeria are co-integrated and that economic growth Granger-causes the rate of growth of domestic savings in all the countries except Congo. There was a bi-directional causality in Cote d'Ivoire and South Africa.

Soyibo & Adekanye (1992) adopted five models in their study of which three had a direct relation with the study. In the first equation, private savings was the dependent variable with foreign savings ratio, rate of growth of income, real per capita income, adjusted ex ante interest rate and lagged savings ratio were exogenous variables. The result of their methodology- multiple regression- showed that all variables except the lagged savings ratio were insignificant including ex ante real interest rate. What the findings showed was that there ex ante interest rate had no significant impact on private savings. The work also sought to determine the applicability of the McKinnon and Shaw's model of financial intermediation and found that financial liberalization is supported rather weakly by Nigeria's data.

Odhiambo (2008) in his investigation of the relationship between savings and economic growth in Kenya determined that there was Granger causality between savings and economic growth and that savings were essential for the development of the financial sector. The research was aimed at investigating the causal relationship between savings, economic growth and the fiscal deficit using panel data from 1991-2005. His emphasis was on two-way causality which distinguished his work from other such studies.

3.0 Methodology

Model Specification

Two models are used to give empirical content to the stated objectives. The first measures the effect of savings on economic growth in Nigeria while the second measures the multiplier effect of income on Marginal Propensity to Save (MPS) in Nigeria.

Model 1

This study adapts the empirical model used by Okwori, Sule & Abu (2016) which has been modified as follows.

The functional form of the model is specified below:

$$GDP = \beta_0 + \beta_1 SAV + \beta_2 PCE + \beta_3 GFCF + \beta_4 INR + \beta_5 CCPS + \mu$$

Where:	GDP	=	Gross Domestic Product
	SAV	=	Total Savings
	PCE	=	Private Consumption Expenditure
	GFCF	=	Gross Fixed Capital Formation
	INR	=	Interest Rate
	CCPS	=	Core Credit to the Private Sector

The Harrod and Domar model assumes equality between savings and investment, thus what is saved is ultimately invested in the economy – hence the inclusion of SAV and GFCF as proxies for savings and investment respectively. The level of savings affects the quantum of investment which is determined by the rate of interest charged which either discourages or encourages borrowing. The amount of interest charged also has a ripple effect on the credit banks are willing to advance to the real sector. Consumption expenditure affects how much individuals are willing to save. All these variables jointly affect the rate of growth of an economy.

Model 2

To determine the multiplier effect of income on marginal propensity to save, a cue is taken from Okwori et al (2016) and was modified as follows:

$$SAV = \beta_0 + \beta_1 GDP + \mu \qquad 0 < \beta_1 < 1$$

Where: SAV = Total Savings

GDP = Gross domestic Product (Income)

β_0 *and* β_1 are parameters to be estimated

μ = Error term

Note: β_1 *is the Marginal Propensity to Save (MPS)*

3 **Method of Study**

The VAR methodology is employed in this study to examine the multiplier effect of savings on economic growth in Nigeria. The Marginal Propensity to Save (MPS) is also evaluated through a simple linear regression model based on the Ordinary Least Square (OLS) method. Regression analysis is used to measure the causal effect relationship between savings and economic growth in Nigeria. Diagnostic tests including Unit root test, Co integration test and parameter stability test are used to determine the statistical reliability of the parameter estimates. Secondary data are obtained for the period 1986 – 2015 from the Central Bank of Nigeria (CBN) Statistical Bulletin. This time period is chosen because it underlies the introduction of the Structural Adjustment Programme (SAP) and the post SAP era within which savings and economic growth have undergone different rhythms.

4.0 **Data Analysis**

To determine the stationarity of the variables included in the model, the unit root test was conducted. The unit root test is also a necessary first condition needed if the regression analysis is to be the appropriate methodology. The results of the unit root are presented below:

Table 1: Stationary Test

Variable	ADF Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value	Prob.	Order of Integration
GDP	-3.71	-3.69	-2.97	-2.63	0.0096	I(1)
SAV	-11.91	-3.70	-2.98	-2.63	0.0000	I(1)
PCE	-11.17	-3.71	-2.98	-2.62	0.0000	I(1)
GFCF	-4.11	-3.69	-2.97	-2.63	0.0036	I(1)
INR	-5.94	-3.70	-2.98	-2.63	0.0000	I(1)
CCPS	-3.88	-3.69	-2.97	-2.63	0.0061	I(1)

Source: ***Author's Computation, EViews 8***

From the above table, the ADF values at absolute values is greatest than at the 1%, 5% and 10% critical values respectively (showing that it is significant). It can also be inferred from the above that the variables are stationary and this is at the first difference, that is I(1).

VAR Lag Order Selection Criteria

For the empiri cal model in this study, the optimal lag is 2. The values of the several criteria are shown thus:

Table 2: Lag Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1317.730	NA	4.66e+33	94.55214	94.83761	94.63941
1	-1162.354	233.0640	9.86e+29	86.02528	88.02359	86.63619
2	-1051.479	118.7947*	6.97e+27*	80.67707*	84.38821*	81.81160*

Source: Author's Computation, EViews8

Where the criteria above LR, FPE, AIC, SC and HQ respectively are; Sequential Modified LR Test Statistic, Final Prediction Error, Akaike Information Criterion, Schwarz |Information Criterion and Hannan-Quinn Information Criterion.

Effect of Savings on Economic Growth

The stated stochastic function for the relationship is given;

$$GDP = \beta_0 + \beta_1 SAV + \beta_2 PCE + \beta_3 GFCF + \beta_4 INR + \beta_5 CCPS + \mu$$

The numerical estimates for the above variables computed using the Vector Error Correction Model are presented in the mathematical form below,

$$GDP = -13.92 + \underset{(1.13)}{8.29SAV} + \underset{(0.46)}{4.04PCE} - \underset{(0.36)}{0.03GFCF} + \underset{(0.53)}{0.98INR} - \underset{(1.35)}{12.43CCPS}$$

The estimated equation obtained above is for the long run VECM, from which deductions can be drawn with respect to the a priori expectations in connections with the signs of the estimated parameters. It can be observed that SAV and PCE are in conformity with economic theory while GCFC, INR and CCPS are not.

The result shows that a percentage change in SAV will cause GDP to rise by 8.29 per cent of that unit change. The positive relationship amplifies theoretical postulates that savings contributes to economic growth. But the magnitude of this estimate reveals the low contribution of savings to growth since it is the major source of capital accumulation necessary for growth. The positive relationship between INR and GDP shows that a rise in INR will result in an increase in GDP; hence, a 1% change in its value will result in a0.98% change in GDP, but this is an aberration as economic postulates posits a negative relationship between both variables. Given that INR is the cost of capital and the determinant of investment, the estimated parameter reveals its contribution to growth is minimal. Private Consumption Expenditure (PCE) represents household consumption spending which reveals that a unit change in household expenditure will cause GDP to rise by 4.04 %.

GFCF has a negative relationship with GDP which is contrary to economic theory as it represents the totality of capital formation and is expected to have a positive relationship with economic growth. A unit change in its value will result to a 0.03% decrease in GDP by that unit change. Core Credit to the Private Sector (CCPS) has a negative relationship with GDP. From the estimated model, a percentage change in CCPS will lead to a 12.43% change in gross domestic product (GDP) by that unit change.

The statistical criterion for determining the statistical sufficiency of a parameter estimate is based the relationship between the standard error and its estimated estimate. If the standard error is less than half the parameter estimate, then the null hypothesis is rejected (that is, S. E < $\frac{1}{2}$ b_i) and vice versa. From the estimated model estimated above, the estimates SAV and PCE are statistically significant while GFCF, INR and CCPS are insignificant. This implies that while SAV and PCE contribute to economic growth, GFCF, INR and CCPS have no contribution to GDP.

Short Run Model

The short run effect of the VAR model is shown below:

Table 3: Error Correction Model

Variable	Coefficient	Standard Error	T-Statistics
ECM	-0.11	0.07	-1.59
D(LOG(GDP(-1)))	-0.18	0.39	-0.46
D(LOG(SAV(-1)))	1.30	0.79	1.64
D(LOG(PCE(-1)))	0.69	0.40	1.71
D(LOG(GFCF(-1)))	-0.09	0.27	-0.34
D(LOG(INR(-1)))	-0.16	0.26	-0.61
D(LOG(CCPS(-1)))	-1.20	0.66	-1.81
C	-0.06	0.16	-0.37

Adjusted R^2 =0.53, F Statistics =5.12, $F_{0.05}$ = 2.62

Source**: Author's Computation from EViews8**

From the short run model above, the estimates of GFCF, INR and CCPS are of the wrong sign while all variables (SAV, PCE, GFCF, INR and CCPS) are statistically insignificant. The adjusted R^2 value shows a positive and moderate relationship between economic growth and the listed exogenous variables as the statistic shows that about 53% of the variations in GDP are accounted for by changes in these variables. The F statistic obtained from the short run VAR and its tabulated value at 5% critical value shows a joint impact of the exogenous variables on GDP. The coefficient of the error correction parameter indicates that in the long run, deviations are adjusted slowly and only about 11% of the disequilibrium is removed in each period. This also signifies that at a rate of 11% when there is an initial disequilibrium, GDP will attain equilibrium.

Model 2

Given the estimated savings function as:

$$SAV = \beta_0 + \beta_1 GDP + \mu$$

The regression result above for the savings

And substituting for their numerical values the parameter estimates $\beta_0 + \beta_1$

Table 4: Regression Ana lysis

	SAV = -99.74 + 0.12GDP		
$S(b_i)$	=	**(166.74)**	**(0.01)**
t*	=	**(-0.60)**	**(25.87)**
Prob.	=	**(0.55)**	**(0.00)**
R^2	**= 0.96, Adjusted R^2 = 0.96, DW= 1.50**		

*Source: **Author's Computation, EViews8***

function shows that the coefficient of GDP is positive hence there is a positive relationship between the endogenous and exogenous variable. The small size of the coefficient of GDP though is an indicator the weak relationship between the two variables. A percentage change in GDP will result in 0.12% change in savings by that unit change. This estimated coefficient is also known as the Marginal Propensity to Save (MPS). The t test shows that the estimate is statistically significant. The R^2 of 0.96 shows that 96% of the variation in savings is accounted for by Gross Domestic Product (GDP). This is further supported the Adjusted R^2 value of 0.96, that is 96%. The Durbin-Watson statistic (DW) of 1.50 indicates that there is no evidence of positive first order serial correlation in the data as the observed d is greater than the upper limit of the DW (that is, d_U)

The Effect of the Multiplier on Marginal Propensity to Save

In macroeconomic analysis, the MPS is used in determining the value of the multiplier, which is a factor used in ascertaining by how much a variable, in this case income would rise if its parameter were adjusted. Its formula is given,

$$m = 1/(1 - MPS)$$

Given that the computed MPS from our model was found to be 0.12. The multiplier therefore is 1.14. The impact this has on the economy is that if an economic agent (households, governments and firms) raised expenditure by say N1, national income would rise by N1.14. This represents a 14% rise in national income.

5. Summary of Findings and Conclusion

This study reveals that there exists a positive relationship between savings and economic growth in Nigeria. In the national income model, it was found that Private Savings and Private Consumption Expenditure contributed to economic growth of the Nigerian economy. Gross Fixed Capital Formation and Core Credit to the Private Sector though were found to be insignificant. The research also found that in a simple regression between SAV and GDP, there exists a positive relationship between both variables but the magnitude of the computed MPS is small indicating a poor savings culture among Nigerians giving credence to the research by Anoruo & Ahmad (2001). This therefore explains the size of the multiplier and its effect on economic growth in Nigeria. It is on the findings of this research that the following recommendations are proffered:

That government through its monetary agency enact policies that ensure the need for Deposit Money Banks (DMBs) to operate in ways which promote trust among the population- banked and unbanked, especially as it concerns prompt payment of interests on deposits mandating transparency in all its dealings to spur and embolden public confidence. Attention should be paid to impediments to private savings such as high cost of living. When price stability is attained and market prices of essential commodities are reduced, real income rises, households have more income for saving which raises the multiplier and hence its impact on the national income.

References

Acha, I .A & Acha, C. K. (2011). Interest Rates in Nigeria: An analytical perspective.

Anoruo, E. & Ahmad, Y. (2001). Causal Relationship between Domestic Savings and Economic Growth: Evidence from Seven African Countries, *African Development Bank*, Blackwell publisher, Oxford.

Jhingan, M. L. (2010). The Economics of Development and Planning. 39th ed. Mayur Vihar, Delhi: Vrinda Publications (P) Ltd.

Kendall, P. (2000). Interest Rates, Savings and Growth in Guyana. *Carribbean Development*

Maryland: University of Maryland.

Mckinnon, R. I. (1973). *Money and Capital Market in Economic Development.* Washington *DC: The Brooking Institute*

Mordi, C. N. O., Englama, A. & Adebusuyi, B. S. (2010). The Changing Structure of the Nigerian Economy. Lagos: Atisele Vanessa Cards Co.

Nasiru, I. & Usman, H. M. (2013). "The Relationship Between Savings and Investment: the Feldstein-Horioka Test Using Nigerian Data". *CBN Journal of Applied Statistics. Vol. 4*, No. 1. *Nigeria*. June, 2008.

Nwachukwu, T. E. & Odigie, P. (2009). What Drives Private Savings in Nigeria. *A paper presented at the centre for the study of African Economies (CSAE) conference, University of Oxford, March 2009.*

Odhiambo, N. M. (2008). "Financial Depth, Savings and Economic Growth in Kenya: A Dynamic Causal Linkage". *Journal of Policy Modelling, Vol. 31*, pg 708-718.

Okere, P. A. & Ndugbu, M. (2015). "Macroeconomic Variables and Savings Mobilisation in Nigeria". *International Journal for Innovation, Education and Research. Vol. 3*-1.

Okwori, J., Sule, A & Abu, J. (2016). The Multiplier Effect of Consumption Function on Aggregate Demand in Nigeria: Aftermath of the Global Financial Recession. *The International Journal of Business & Management. Vol. 4* Issue 5

Osudina, K. C. & Osudina, J. A. (2014). "Capital Accumulation, Savings and Economic Growth of a Nation- Evidence from Nigeria. *Global Journal of Interdisciplinary Social Sciences. Vol. 3 (3):* 151-155.*presented at the Center for the study of African Economies (CSAE) Conference,*

Reinhert, C. & Ostry, J. (1995). *Savings and Real Interest rates in Developing Countries.*

Research Journal of Finance and Accounting. Vol.2.No. 3, 2011.

Shaw, E. S. (1973). *Financial Deepening in Economics Development*. Oxford: Oxford

Soludo, C. C. (2008). Issues on the Level of Interest Rate in Nigeria. *Central Bank of Nigeria.*

Soyibo, A & Adekanye, F. (1992). Financial System Regulation, Deregulation and Savings

Temidayo, A. & Taiwo, I. (2011). "Descriptive Analysis of Savings and Growth in Nigeria". *Journal of Economics and Sustainable Development. Vol. 2*, No. 7.

Udude, C. C. (2015). "Impact of Interest Rate on Savings on the Nigeria's Economy". *Journal of Policy and Development Studies. Vol. 9,* No. 3. *University of Oxford, March 2009.*University Press

Usman, S. (2007). "Keynote Address on Investment Climate Program" at the launching of the pilot: investment climate program (I.C.P.) for the federal government ans some selected states at congress hall, Transcorp Hilton hotel, Abuja.

Utemadu, S. O. (2007). "Core Determinants of Financial Savings in Nigeria: An Empirical Analysis for National Monetary Policy Formulation". *International Review of Business Research Papers. Vol. 3(3). 56-367.*

DATA USED FOR THE STUDY

YEAR	GDP	SAV	PCE	GFCF	INR	CCPS
1986	134.60	13.93	51.54	11.35	12	15.25
1987	193.13	18.68	75.98	15.23	19.2	21.08
1988	263.29	23.25	106.68	17.56	17.6	27.33
1989	382.26	23.80	126.19	26.83	24.6	30.40
1990	472.65	29.65	177.23	40.12	27.7	33.55
1991	545.67	37.74	206.81	45.19	20.8	41.35
1992	875.34	55.12	373.53	70.81	31.2	58.12
1993	1,089.68	85.03	502.78	96.92	36.09	127.12
1994	1,399.70	108.46	610.34	105.58	21	143.42
1995	2,907.36	108.49	1,387.45	141.92	20.79	180.00
1996	4,032.30	134.50	2,124.27	204.05	20.86	238.60
1997	4,189.25	177.64	2,091.07	242.90	23.32	316.21
1998	3,989.45	200.06	2,371.33	242.26	21.34	351.96
1999	4,679.21	277.67	2,454.79	231.66	27.19	431.17
2000	6,713.57	385.19	2,478.78	331.06	21.55	530.37
2001	6,895.20	488.05	3,687.66	372.14	21.34	764.96
2002	7,795.76	592.09	5,540.19	499.68	30.19	930.49
2003	9,913.52	655.74	7,044.54	865.88	22.88	1,096.54
2004	11,411.07	797.52	8,637.73	863.07	20.82	1,421.66
2005	14,610.88	1,316.96	11,075.06	804.40	19.49	1,838.39
2006	18,564.59	1,739.64	11,834.58	1,546.53	18.7	2,290.62
2007	20,657.32	2,693.55	16,243.72	1,936.96	18.36	3,680.09
2008	24,296.33	4,118.17	16,090.50	2,053.01	18.7	6,941.38
2009	24,794.24	5,763.51	18,980.96	3,050.58	22.62	9,147.42
2010	54,204.80	5,954.26	36,452.42	9,183.06	22.51	10,157.02
2011	63,258.58	6,531.91	41,437.72	9,897.2	22.42	10,660.07
2012	71,186.53	8,062.90	42,115.91	10,281.95	23.79	14,649.28
2013	80,222.10	8,656.12	58,745.85	11,478.09	24.69	15,751.84
2014	89,043.62	12,008.21	64,334.92	13,595.84	25.74	17,129.68
2015	94,144.96	11,418.41	73,821.36	14,130.18	26.71	18,674.15

Source: CBN Statistical Bulletin

Agriculture as an Accelerator for Nigeria Economic Sustainable Development

Oladotun L., Anifowose
Entrepreneurship Management Technology
Federal University of Technology,
Akure, Ondo state,
Nigeria

pp 295 - 307

Abstract

The main focus of this paper is to investigate the impact, explore the possibilities and highlight the teething challenges that have masked the significant roles of agricultural sector in the transformation process of the Nigeria's economy. This paper span the period 1970 to 2010 by using annual times series data. The Ordinary Least Square (OLS) estimation method was adopted to examine the impact of agricultural sector in the economic growth of Nigeria. The variables employed include: Gross Domestic Product (GDP), output of agricultural sector, share of agriculture in the GDP, index of agricultural production, and ratio of agricultural output to GDP. The results of the analyses showed that the Nigeria agricultural sector contributes immensely to the economic growth of Nigeria but the over-dependence on the oil sector has over shadowed the potentials of the sector.
In conclusion, some of the recommendations made in the study were that: the Nigerian agricultural policy needs to be evolved; there is need for national re-orientation towards agriculture or farming, the activities of agriculture financing, institutions in providing finance and credit for rural farmers, should be supplemented with the provision of road networks, rail system and warehouses, in order to further encourage farmers to increase their production etc.

Keywords: Agriculture Sector, Economic growth, Gross Domestic Product, Nigeria

INTRODUCTION

In any economy, successful economic development depends upon balanced interaction between various sectors, over a period of time. Often, the process of this interaction is such that some sectors become more important than other, depending on the level and stage of development. In contemporary Africa, agriculture and industry can be identified as examples of the key sectors whose roles are and will remain crucial to development fortunes. Emphasizing the importance of agriculture generally, Gunner Myrdal notes that “It is in the agricultural sector that the battle for long term economic development will be won or lost. This assertion has been supported by both historical and contemporary development experience. The Strategic role of the industrial sector, on the other hand, has been so dramatized that, rightly or wrongly, successful development has been equated with industrialization.

When the roles of agriculture and industry are juxtaposed as in the above context, it would appear that they are competitive. It was this impression which led to erroneous development policies that opted for industrialization to the detriment of agricultural development. However, experience has since shown that both agriculture and industry are strategically complementary.

The remaining part of the study is organized into sessions. Following the introduction is section two which deals with the literature review concerning the role of agricultural sector in economic development. Section three presents the methodology analyses, which includes the characteristics and basic elements of the study. Data presentation, analysis and interpretation are covered in section four while the concluding part of the study is section five where in a nutshell the summary, conclusion and recommendations are given.

Literature Review

Although, many of the studies reviewed in this section did not address the performance of the Nigerian Agricultural sector directly, their findings are considered applicable to the Nigerian scenario. Importantly, the studies discussed in this chapter represent only a small subset of the studies conducted on the role of Agriculture in economic growth and development and were chosen to be illustrative rather than comprehensive.

The literature reviews are divided into three parts. The first part is the theoretical review; the second part evaluates the performance of the Nigerian agricultural sector; while the final part discusses issues relating to agricultural financing in Nigeria.

Theoretical Review

The role of agriculture in the growth and development of any economy cannot be over-emphasized. This has been acknowledged by both classical and contemporary economists. In the classical tradition, Ricardo (1777 – 1823) noted that the problem of diminishing returns to agriculture would set a limit to the growth of other sectors of the economy. In the same vein, the validity of Malthusian law of population rests on agricultural stagnation in the face of growing human numbers. Most contemporary views regarding the contribution of agriculture to development emanated from these early thoughts. Furthermore, the physiocrats in the eighteenth century France defined the development process virtually in terms of agricultural progress. Thus, they claimed that only cultivated products of the land formed the basis of national wealth, and the national income was measured exclusively by the value added from farming activity. To the physiocrats, all other activities were not only secondary but essentially unproductive.

Gollin (2009) state that, agriculture employs most of the labour force and also accounts for large fractions of economic activity, measured in value terms in Africa.This, according to him, implies that agriculture's share of employment is substantially higher than its share of GDP in most African countries. This means that if agriculture accounts for a higher share of employment than of value added, then output per worker in agriculture must be lower than in non-agriculture, suggesting that there is under-utilization of manpower in the sector in the continent. Furthermore, Gollin (2009) states that beyond productivity and agriculture's role as a productive sector, there are other reasons to focus on African agriculture as a sector that affects growth and poverty. According to him one particularly important issue is the sector's central role in feeding Africa's population – and its impacts on poverty via this channel.

Gollin and Rogerson (2010) examine the agricultural sector's role in economic development in Uganda using a static general equilibrium model that reflects key features of the Ugandan economy and also a two-sector model in which there is an agricultural sector and a non-agricultural sector. It was found that agricultural productivity improvements have a relatively large impact on the economy because the non-agricultural sector is initially small, and because the economy faces a subsistence constraint that limits the expansion of the non-agricultural sector, Improvements in non-agricultural TFP (Total Factor Productivity) have relatively small positive impacts on the economy.

Johnston and Mellor (1961) argued that agricultural sector serve as a market for the produce of modern sector and that the sector is likely to serve as the main source of savings necessary to finance the expansion of the modern sector. Timmer (1995), Martins and Mitra (2001) testified to the important role agriculture played in economic development

Theoretically ,the agricultural sector in developing countries including Nigeria as highlighted by Ihimodu (1993) is often credited with the potential of contributing substantially to the overall growth and development of the economy in the following areas .

i . The growth of the non -agricultural sector is heavily dependent on the domestic agriculture for a sustained increase in food supply and also for the raw materials consumed in the agro -allied manufacturing sector. This is referred to as the product contribution of agriculture.

ii . During the early stage of economic growth, the agrarian population constitutes a large proportion of the home market for both producer as well as consumer goods. This is known as the market contribution.

iii. Since the relative importance of agriculture declines over the years, following the process of economic growth and development, the sector often serves as the main source of capital for investment in the other sectors of the economy . Therefore the development process involves the transfer of surplus capital from the agriculture sector to the non-agriculture sectors . Also the process of growth implies a transfer of surplus labour from agriculture to non -agricultural activities especially over a long period .This is referred to as the factor contribution.

Ukeje (2002) notes that agriculture has ever been in the mainstream of economic development since the mid-eighteenth century till now, meaning that there is no development strategy that can evolve without agriculture attracting special attention because of its grassroots importance. The writer observed that “in virtually all under-developed economies agriculture is an existing industry of major proportions in most cases, the only existing industry of any consequence. Typically, 40 to 60 percent of the national income is produced in agriculture and from 50 to 80 percent of the labour force is engaged in agricultural production”.

Further, he stated that “agriculture plays a more positive role in stimulating growth in other sectors, but needs to grow rapidly itself and for the stimulation to be effective, the government's role may need to be more active. He listed four roles for agriculture in economic development as to increase the supply of food for domestic consumption; to release labour for industrial output,:- to increase the supply of domestic savings; and to earn foreign exchange”. The above submissions show the importance of the agricultural sector and should ordinarily call for better attention in form of government's direct involvement in agricultural production and financial support for this all-important sector.

Empirical review

The performance of the Nigerian agricultural sector in the past three decades leaves little or nothing to be desired, in spite of the efforts to promote the sector. Although, the performance of the sector has been relatively stable and impressive in recent times, at 255.9 (1990=100), the provisional aggregate index of agricultural production increased by 5.7%, compares with the 6.8% increase in 2009 (CBN, 2010). The growth was, however, below the national sectoral target of 8%. The increase in agricultural production was propelled, largely, by the favourable weather condition and the sustained implementation of various agricultural programmed initiated in 2009. The agricultural sector recorded a growth rate of 5.7% in 2010 down from 5.9% in 2009 and its contribution to the growth rate of Gross Domestic Product (GDP) has remained very low and it was 2.4% in 2010 (CBN, 2010).

It is an established historical fact that before the ascendancy of crude oil in the mid-sixties, non-oil export sector was dominated by agriculture, played significant role in the economy. It was the major contributor to Nigeria's Gross Domestic Product (GDP), it was also the primary source of foreign exchange. But, the structure of Nigeria economy changed dramatically from the mid 70s when crude oil succeeded in taking the place of traditional agricultural products as the dominant source of government revenue. However, the collapse of the world oil market in 1981 through 1986 resulted in a drastic fall of oil production to a daily average of 1.23 million barrels per day in 1981 and 1.0 million barrels per day in 1982 from 2.2 million barrels per day in 1978, while the earning from oil exports reduced drastically.

During this period the government has intervened in the sector through its policies and programmes to strengthen the sector's capacity to perform its traditional roles. Assessment of the effect of these policies and programmes has thrown up mixed conclusions. Obadan (1994) suggests that agricultural sector did respond positively to policy reforms, particularly in the 1980s. Others suggest that there has been a general failure of the sector to respond appropriately, to the policies (Olomola, 1998).

Muhammad-Lawal and Atte (2006) employed descriptive statistics and regression analysis to study the growth of the agricultural sector of the Nigerian economy with the view of identifying factors affecting domestic agricultural production. They found that the overall agricultural production average growth rate was 5.4% and that GDP growth rate, population growth rate, and the Consumer Price Index were the main factors affecting domestic agricultural production. Muhammad-Lawal and Atte (2006) further revealed that the contribution of agriculture to the Nigerian economic growth is very low compared to what it used to be in the past stressing that Nigerian agriculture to a large extent still possesses the characteristics of a peasant economy that was prominent in the pre-independence period.

Utomi (2004) argued that the legacy of oil in Nigerian economy was in structural distortions and cultural deformation. In terms of structural distortions, he said it led to the demise of other sectors, beginning with agriculture that had sustained a healthy rate of growth, and then of manufacturing, which first received an apparent boost in investments, but because of a culture of waste and corruption, derived from oil values, went into decline. A culture of seeking economic rent and a share of the so called national cake, the bureaucratic bottleneck would affect the work ethic, entrepreneurial dispensation and orientation to questionable payments thus making transaction costs very high in the economy.

Data Sources

Secondary data were used in this study. They were sourced mainly from the publications of the Central Bank of Nigeria (CBN) namely; CBN Statistical Bulletin, CBN Statement of Accounts and Annual Reports, and Bureau of Statistics publications. The variables for which data were sourced include: Gross Domestic Product (GDP), output of agricultural sector, **Share of agriculture in the GDP, Index of Agricultural production, and Ratio of agricultural output to GDP** for the period 1970 to 2010.

Model Specification

The models to investigate the role of the agricultural sector in the economic growth and development of Nigeria are stated below with the dependent variable as the Gross Domestic Product (GDP) while the explained variables are output of agricultural sector, s**hare of agriculture in the GDP and index of agricultural production, ratio of agricultural output to GDP; so that:**

MODEL I

$GDP = \int (Out_{ag}, Ag_{gdp})$,

$GDP = a_0 + a_1 Out_{ag} + a_2 Ag_{gdp} + U_i$

where, GDP= Gross Domestic Product

Out_{ag}= Output of the Agricultural Sector

Ag_{gdp}= Share of agriculture in the GDP

a_0, a_1 and a_2- Parameter

U_i-Error term

MODEL II

$GDP = \int (Ind_{agr}, rAgGDP)$

$GDP = b_0 + b_1 Ind_{agr} + b_2 rAgGDP + U_i$

where GDP -Gross Domestic Product

Ind_{agr} -Index of Agricultural production

rAgGDP -Ratio of agricultural output to GDP

b_0, b_1 and b_2 -Parameters

U_i-Error term

Data Presentation and Analysis

This chapter is devoted to the presentation and analysis of the data collected from the publications of Central Bank of Nigeria (CBN). The choices of statistics adopted in this chapter are regression analysis and Analysis of Variance (ANOVA). The variance of the estimate is obtained by multiplying the standard error with the square reciprocal of the derivative i.e. variance.

The traditional test of significance of the parameter estimates in the standard error test, which is equivalent to the student's t–test. The correlation coefficient (r) shows the relationship between the variables. The relationship could be of a direct, indirect or an outright zero correlation.

The standard error is obtained by taking the inverse of the variance of the estimate. The standard errors for the estimate of a_1, a_2, b_1 and b_2 will be dealt with in this project. The standard error for the estimates a_0 and b_0 are left out because they are mere constants. The F-Ratio is used to determine the overall significance of the regression models i.e. to determine the extent to which the variations in the dependent variable can be attributed to changes in the explanatory variables. This test shall be used to measure the extent of the claimed relationship between the Gross Domestic Product (GDP) and the performance indicators of the agricultural sector i.e. output of agricultural sector, s**hare of agriculture in the GDP, index of agricultural production, and ratio of agricultural output to GDP** for the period. F-ratio would also be used to test for causality between the variables.

The coefficient of determination (R^2) is used to determine the overall significance of the model just like the F-ratio. A high coefficient of determination signifies that the regression model is statistically significant, meaning that there is high relationship between the dependent variables and the interdependent variables.

The empirical findings made in this chapter shall be summarized in the next chapter with appropriate recommendations made according to the findings.

Presentation of Regression Results

MODEL I

$$GDP = a_0 + a_1 Out_{ag} + a_2 Ag_{gdp}$$

$$GDP = 24339.158 + 364.87 Out_{ag} + 2.158 Ag_{gdp}$$

Std. Error	(8288.946)	(220.542)*	(0.112)*
t – Stat.	**(2.936)**	**(1.654)**	**(19.209)**

F Ratio		**1523.161**
R^2	-	0.988
$\bar{R}^2$	-	0.987
Std of gdp	-	24344.16222
D-W	-	0.521
N	-	41
d.f	-	N – K = 41 – 3 = 38

* Figures in parentheses are the standard errors

a – tested at 5% level of significance

Source: Computed by Author from SPSS Regression Results

MODEL II

$$GDP = b_0 + b_1 Ind_{agr} + b_2 rAgGDP$$

$$GDP = -65392.8 + 3089.549 Ind_{agr} - 0.0000002 rAgGDP$$

Std. Error	(22135.582)	(157.138)	(4950413)
t – Stat.	(-2.954)	(19.661)*	(-4.574)*

F-Ratio	-	257.204
R^2	-	0.931
$\bar{R}^2$	-	0.928
Std of gdp	-	57523.44071
D-W	-	0.381
N	-	41
d.f	-	N – K = 41 – 3 = 38

* Figures in parentheses are the standard errors

a – tested at 5% level of significance

Source: Computed by Author from SPSS Regression Results

Interpretation of Regression Results

MODEL I

Going by the results of the first regression, there is positive relationship between gross domestic product, and output of the agricultural sector, and the **share of agriculture in the GDP**. The degree of responsiveness of gross domestic product to changes in the output of the agricultural sector is more proportional depicting that the sector has high impact on the level of economic growth and development in Nigeria.

Since the standard error of the output of agriculture S.e. (a_1): 220.542 is greater than half of the parameter estimate ($a_1/_2$): 182.435, we shall therefore accept the null hypothesis and reject the alternative hypothesis. This indicates that the parameter estimate is not statistically significant, meaning that output of the agricultural sector does not impact significantly on the growth and development of Nigeria. On the other hand, the standard error of the share of agriculture in GDP (0.112) is less than half of the parameter estimate (1.079); we shall therefore reject the null hypothesis and accept the alternative hypothesis indicating that the parameter estimate is statistically significant.

From the t-table, the theoretical t-value at 5% level of significance with (38) degrees of freedom is 1.684. Since the theoretical t-value is less than the calculated t-value for the share of agriculture in GDP (19.209)**, we shall reject the null hypothesis and accept the alternative hypothesis. This implies that the parameter estimate is statistically different from zero i.e. it is a relevant variable that affects the economic growth and development of Nigeria. But in the case of output of the agricultural sector, the theoretical t-value is greater than the calculated t-value (**1.654); **we shall accept the null hypothesis and reject the alternative hypothesis. This implies that the parameter estimate - output of the agricultural sector is not a significant variable that affects economic growth and development of Nigeria.**

The coefficient of determination gives 0.988 or 98.8% meaning that the regression model is approximately 99% significant i.e. the variations in the dependent variable i.e. Gross Domestic Product is 99% attributable to the changes in the independent variables i.e. **output of the agricultural sector** and the share of agriculture in GDP. This result is supported by the high value of the adjusted R-Square which is 98.7%.

The theoretical F-value at 5% level of significance with $v_1 = 2$ and $v_2 = 38$ is 4.08. Since the calculated F-value (1523.161) greater than the critical value, we shall reject the null hypothesis and accept the alternative hypothesis. This signifies that the overall regression or relationship between the Gross Domestic Product, **output of the agricultural sector** and the share of agriculture in GDP is significant so, the changes in the Gross Domestic Product can be attributed to changes in the explanatory variables i.e. **output of the agricultural sector** and the share of agriculture in GDP.

The computed D (Durbin Watson) in model one is 0.521, which reveals to us that there is some degree of positive autocorrelation between the Gross Domestic Product, **output of the agricultural sector** and the share of agriculture in GDP in Nigeria.

MODEL II

The results of the second regression show that there is positive relationship between Gross Domestic Product and index of agricultural production. This result conforms with the A'priori expectation that was earlier stated. But the ratio **of agricultural output to GDP varied inversely with the Gross Domestic Product.**

In the case of the standard error test; the standard error of the parameter estimate for index of agricultural production S.e.(b_1) (157.138) is less than the half of the parameter estimate (1544.77), we shall therefore reject the null hypothesis and accept the alternative hypothesis. This signifies that the parameter estimate – index of agricultural production is statistically significant i.e. it is a relevant variable that affects the Gross Domestic Product of Nigeria. However, the opposite is the case for the ratio **of agricultural output to GDP** in which the standard error (4950413) is greater than half of the parameter estimate.

The t-table shows that the theoretical t-value at 5% level of significance **with thirty-eight (38) degree of freedom is 1.684**. The theoretical t-value is less than the absolute value of the calculated t-values for index of agricultural production (19.661) and the ratio **of agricultural output to GDP (4.574)**. This reveals that both the index of agricultural production and ratio **of agricultural output to GDP are** statistically different from zero and as such, significant determinants of the economic growth and development of Nigeria.

In this model the coefficient of determination gives 0.931 or 93.1%. This shows that the regression model is approximately 93% significant i.e. the variation in the Gross Domestic Product is about 93% attributable to the changes in the dependent variables, which are the index of agricultural production and ratio **of agricultural output to GDP**. Besides, the high value of the adjusted R-square to the tune of 92.8% reveals to us that the agricultural sector can be said to have spur economic growth in the country.

The theoretical F-value at 5% level of significance with $v_1 = 2$ and $v_2 = 38$ is 4.08. The calculated F-value (257.204) is greater than the critical value, we shall therefore reject the null hypothesis and accept the alternative hypothesis. This means that the overall regression or relationship between the Gross Domestic Product, index of agricultural production and ratio **of agricultural output to GDP** is statistically significant.

The computed D (Durbin Watson) in this model is 0.381, which also shows to us that there is some degree of positive autocorrelation between the Gross Domestic Product, index of agricultural production and ratio **of agricultural output to GDP**.

Summary, Conclusion and Recommendations

In the preceding four chapters, this study has traced the development of the agricultural sector and its contribution to the economy with particular reference to Nigeria. The study was also able to look at the potentials of the agricultural sector and the effort so far put in place by the government to revamp the Nigeria agricultural sector. Though the period under review showed a gradual but uneven growth of the agricultural sector, there still exists a need for increased stimulation in the sector in order for a greater and more meaningful contribution to the economy.

Analysis of the performance of the agricultural sector with data obtained from Central Bank of Nigeria's statistical publications using the econometric technique reveals the following:

1. The agricultural sector contributes immensely to the economic growth of Nigeria. However, the over dependence on the oil sector has over shadowed the potentials of the sector.
2. It was also found that Nigeria's agricultural sector recorded a modest improvement in overall performance in recent years. However, much of this improvement was masked in wide periodic fluctuations in performance, which was an evidence of serious economic instability in the sector, that is, the perpetual power outrage, bad road networks, unreliable medical facilities, lack of other infrastructural facilities e.t.c.
3. The Nigeria'- agricultural policy framework was found to have undergone a number of evolutionary processes and fundamental changes but these did not impact significantly on the performance of the agricultural sector.

Conclusion

The empirical results showed that the Nigeria's agricultural sector has contributed immensely to the growth of the economy. This reveals to us that the role of the agricultural sector in the economic growth and development of a nation cannot be over-emphasized. Besides, the results of the findings further revealed that the Nigeria's agricultural sector recorded a modest improvement in overall performance in recent years. The results could have been better but for the structural rigidity that exists in the system – there are no good roads for distribution of goods and services: - the power supply is epileptic and so production process is not facilitated. The demand for agricultural produce has fallen because most manufacturing firms have shut down because of the huge running costs. The massive importation of manufactured goods that were previously produced locally also contributed to the poor performance of the manufacturing sector. The ban on some manufactured goods by the government has not yielded the desired results because some of the banned goods still find their way into the local markets, no thanks to corruption.

Although, the export of Nigeria has since the 1970s been dominated by oil export, the non-oil export especially agriculture still play a crucial role. This has been empirically proven. In this regard it can be concluded that the government should further strengthen this sector in order to have more positive contribution of the sector to the development of Nigerian economy. The government would have to enforce zero tolerance policies that would bring back to life the agricultural sector so that the potentials of the sector could be fully realized. The continuous reliance on the oil sector would spell doom for the nation. The teeming population of unemployed youths could be gainfully employed in the agricultural sector if the right environment is provided for the sector to strive.

The government and the relevant monetary authorities have a lot to do in this area in order to redirect money not directly in their control to boost the agricultural sector. A direction may be given to all financial institution to design their lending pattern in favour of this crucial sector. It is when the productivity of the agricultural sector is improved that the non-oil export could be competitive on the international scene.

Recommendations

Nigeria's agriculture has a very bright future now than it has had since independence and hopes are high following good harvest in recent years. However, it is now at difficult cross roads, not sure which path to follow in preparation for the even more problematic and severely competitive twenty-first century. As the reality of a need to diversify the Nigerian economy stares us in the face, it might be worthwhile to consider the following recommendations /proposals:

- The only alternative to oil as an active foreign exchange earner is non-oil (including agricultural) exports. In order to derive the maximum benefits from agricultural produce, it is important to consciously work for it. The evolution of an agricultural policy therefore becomes imperative and immediate.
- New incentives must be evolved that will radically change the national orientation towards agriculture or farming. There is no doubt that with a total involvement of the active population in agricultural production, the sector can replace oil soonest.
- The activities of agriculture financing institutions in providing finance and credit for rural farmers, should be supplemented by the provision of road networks, rail system and warehouses, in order to further encourage farmers to increase their production.
- Existing agricultural promotion scheme/agencies especially the Agricultural Credit Guaranteed Scheme Fund (ACGSF) and the Small and Medium Scale Industries Equity Investment Scheme (SMIEIS) need to be well funded with the new seven point agenda of the present administration in view.
- Revisiting some macroeconomic policies that are capable of introducing disincentives to agriculture e.g. the issue of higher protection given to the industrial sector and some elements of the Structural Adjustment Programme (SAP). Here government would invest an appropriate percentage of its foreign exchange earnings in agriculture to ensure for instance that the farmers receive all the input they need.

References

Adunbi A.A (1996) :"The Design and Management of Sectoral policies in Nigeria: Agriculture and the Economic Reform Programme" In Obadan M.I and M.A. Iyoha edited Macroeconomic Policy Analysis :Tools Techniques and Applications to Nigerian. NCEMA, Ibadan.Pg 360 -385

Agu, C. C. (2004) "An Overview of the Contributions of the Private Sector to Economic Growth in Nigeria". CBN's Proceedings of the Thirteenth Annual Conference of the Regional Research Units: Enhancing Private Sector-Led Growth in Nigeria, pp 47-60.

Aribisala, T.S.B. (1983) "Nigeria's Green Revolution: Achievements, Problems and Prospects". Distinguished Lecture No. 1, Nigerian Institute of Social and Economic Research (NISER), Ibadan, Nigeria.

Aryeetey, E. (1996) "Rural finance in Africa: Institutional developments and access for the poor". The World Bank Annual Conference on Development Economics, 25–26 April, Washington, D.C.

Aryeetey, E. and Gockel, F. (1991) "Mobilising domestic resources for capital formation in Ghana: The role of informal financial sectors". *AERC Research Paper*, No. 3.

Aryeetey, E.; Hettige, H.; Nissanke, M. and Steel, W. (1997) "Financial market integration and reforms in Ghana, Malawi, Nigeria and Tanzania". *World Bank Economic Review*, Vol. 11, No. 2, pp. 195–218.

Aryeetey, E. and Udry, C. (1997) "The characteristics of informal financial markets in sub-Saharan Africa". *Journal of African Economies*, Vol. 6, No. 1.

Bell, C. (1988) "Credit markets and interlinked transactions. In H. Cheury and T.N. Srinivasan, eds., Handbook of Development Economics, vol 1, North Holland.

Besley, T. (1994) "How do market failures justify intervention in rural credit markets?" *The World Bank Research Observer,* Vol. 9, No. 1, pp. 27–47.

Boyede, O. (1999) "Production of Non-oil Exports: A must Step in Economic Revitalisation"

Nigerian Business Tribune. January 13.

Central Bank of Nigeria (2010) *Statistical Bulletin*. Abuja: Central Bank of Nigeria.

Central Bank of Nigeria (2010) *Annual Report for the Year Ended 31st December*. Abuja: Central Bank of Nigeria.

Ellis, F. (1988) *Peasant Economics: Farm Households and Agrarian Development*. Cambridge: University Press.

Essien, E. A. (2005) "A consistent macroeconomic Framework for the Agricultural Sector under the National Economic Empowerment and Development Strategy (NEEDS)". *CBN Bullion*, Vol. 29, No. 4.

Fakayode, B. S., Omotesho, O. A., Tsoho, A. B. and Ajayi, P. D. (2008) "An Economic Survey of Rural Infrastructures and Agricultural Productivity Profiles in Nigeria". *European Journal of Social Sciences*, Vol. 7, No. 2, pp. 158-171.

Gollin, D. (2009) Agriculture as an Engine of Growth and Poverty Reduction: What We Know and What We Need to Know. A Framework Paper for the African Economic Research Consortium Project on "Understanding Links between Growth and Poverty Reduction in Africa".

Gollin, D. and Rogerson, R. (2010) Agriculture, Roads, and Economic Development in Uganda. *NBER Program on African Successes*, pp. 1-61.

Ikpi, A. (2001) Nigeria's Agriculture Sector Assessment: Issues of Technology Development and Transfer (Revised Final Report), United States Agency for International Development, Washington DC, USA.

Ikpi, A. E. and Ikpi, A. L. (1998) "Governments and Agricultural Research Funding in sub-Sahara Africa". An invited paper presented at an IITA workshop on The Role of African Governments in Agricultural Research. IITA, Ibadan, May 17-20.

Jhingan, M. L. (2001) *Advanced Economic Theory*. Delhi: Vrinda Publications (P) Limited.

Manyong, V. M.; Ikpi, A.; Olayemi, J. K.; Yusuf, S. A.; Omonona, R. and Idachaba, F. S. (2003) Agriculture in Nigeria: Identifying Opportunities for Increased Commercialization and Investment. Report Prepare from International Institute of Tropical Agriculture (IITA), in collaboration with University of Ibadan (UI) for USAID/Nigeria. November.

Meijerink, G. and Roza, P. (2007) "The role of agriculture in development". *Markets, Chains and Sustainable Development Strategy and Policy Paper*, No. 5, pp. 1-33.

Muhammad-Lawal, A. and Atte, O. A. (2006) "An Analysis of Agricultural Production in Nigeria". *African Journal of General Agriculture*, Vol. 2, No. 1, pp. 1-6.

Nagarajan, G., Meyer, R. L. and Hushak, L. J. (1995) "Demand for agricultural Loans: A theoretical and empirical analysis". *Department of Agricultural Economics, Ohio State University, USA Economic and Sociology Paper*, No. 2233.

Nissanke, M. and Aryeetey, E. (1995) "Financial integration and development in sub-Saharan Africa". Report prepared for the African Technology Department, AFTPS, Washington, D.C.: The World Bank.

Nwosu, A. C. (2005) "Private Sector Initiatives in Agricultural Development in Nigeria". CBN's Proceedings of the Thirteenth Annual Conference of the Regional Research Units): Enhancing Private Sector-Led Growth in Nigeria, pp 97-111.

Obadina, T. (1999) "Nigeria's economy at the crossroads New government faces a legacy of mismanagement and decay". *Journal of Africa Recovery*, June.

Ogen, O. (2007) "The Agricultural Sector and Nigeria's Development: Comparative Perspectives from the Brazilian Agro-Industrial Economy, 1960-1995". *Nebula,* Vol. 4.1, pp. 184-194.

Ogunlela, Y. I. and Mukhtar, A. A. (2009) "Gender Issues in Agriculture and Rural Development in Nigeria: The Role of Women". *Humanity and Social Sciences Journal*, Vol. 4, No. 1, pp. 19-30.

Ojo, M. O. and Akanjo, O. O. (1996) "The Impact of Macroeconomic Policy Reforms on Nigerian Agriculture". *CBN Economic and Financial Review*, Vol. 34, No. 2.

Okuneye, B. (2002) "Livestock Sub-sector in Nigeria: Challenges & Prospect". *CBN Bullion*, Vol. 26, No. 3.

Ojo, M. O.; Balogun E. D. and Evbuomwan, G. O. (1992) "Sustaining Agricultural Production in a Deregulated Economy". *CBN Economic & Financial Review*, Vol. 31, No. 2, pp. 71-85.

Oladipo, J. A. (2008) "Agro-Industry as Strategy for Rural Development: An Impact Assessment of Nigeria Oil-Palm Industry". *European Journal of Social Sciences*, Vol. 7, No. 1, pp. 75-87.

Olayiwola K. and Okodua H. (2009) "Foreign Direct Investment, Non-Oil Exports, and Economic Growth in Nigeria: A Causality Analysis". Department of Economics and Development Studies Covenant University, Ota, Nigeria.

Omene, G. E. (2002) "Solid Minerals Oil & Gas: Key To The Economy". Being a Distinguished Lecture presented to the Metallurgical and Mining Division of the Nigerian Society of Engineers at Abuja on 26th September.

Rahji, M.A.Y and Adeoti, A. I. (2010) "Determinants of Agricultural Credit Rationing by Commercial Banks in South-Western, Nigeria". *International Research Journal of Finance and Economics*, Issue 37, pp. 7-14.

Ross, M. L. (2003) "Nigeria's Oil Sector and the Poor". Prepared for the UK Department for International Development "Nigeria: Drivers of Change" program. UCLA Department of Political Science Los Angeles, CA.

Stiglitz, J. E. and Weiss, A. (1981) "Credit rationing in markets with imperfect information". *American Economic Review*, Vol. 71, No. 3, 393 and 410.

Stringer, R. and Pingali, P. (2004) Agriculture's Contributions to Economic and Social Development. *Electronic Journal of Agricultural and Development Economics*, Vol. 1, No. 1, pp. 1-5.

Todaro, M. P. and Smith, S. C. (2003) *Economic Development, Eighth Edition*.

Udry, C. (1994) "Risk and insurance in a rural credit market: An empirical investigation in northern Nigeria". *The Review of Economic Studies*, Vol. 61, No. 495 and 526.

Ukeje, E. U. (1999) "Productivity in the agricultural sector". A Paper presented by the Assistant director, research department, Central Bank of Nigeria.

Ukeje, S. A. (2002) "Incentives for Private Sector Development in Nigeria". CBN's Proceedings of the Thirteenth Annual Conference of the Regional Research Units): Enhancing Private Sector-Led Growth in Nigeria, pp 177-207.

Ukpong, G. E. (1992) "Some Strategies for the Development of Nigeria's Agricultural Sector in the 1990s". *CBN Economic and Financial Review*, Vol. 31, No. 2, pp. 86-109.

Utomi, P. (2004) "The Curse of Oil". A Paper delivered for Heinrich Böll Foundation Oil-Conference by Lagos Business School, May

APPENDIX

Regression Data for the Role of Agricultural Sector in Accelerating Economic Growth and Development in Nigeria (1970 – 2010)

Year	gdp (N'million)	out_{ag} (million tons)	ag_{gdp} (N'million)	ind_{agr} (1990=100)	rAgGDP
1970	4219	37.0088	1887.7	75.22	.0088
1971	4715.5	32.7126	1985.2	68.18	.0069
1972	4892.8	25.2672	1861.1	56.12	.0052
1973	5310	28.1423	1808.7	61.01	.0053
1974	15919.6	34.0754	3658.33	70.87	.0021
1975	27172	28.806	7639.41	62.27	.0011
1976	29146.5	25.952	6838.44	58.27	.0009
1977	31520.3	25.3471	7401.64	57.73	.0008
1978	29212.3	23.9311	6712.99	55.82	.0008
1979	29947.9	23.1772	6033.46	55.16	.0008
1980	31546.7	23.7345	6501.83	55.22	.0008
1981	205222	24.14	57989.67	56.84	.0001
1982	199685.2	24.672	59450.83	58.69	.0001
1983	185598.1	14.496	59009.56	56.06	.0001
1984	183562.9	37.395	55918.17	59.7	.0002
1985	201036.2	39.913	65748.44	62.45	.0002

1986	205971.4	41.712	72135.23	64.66	.0002
1987	204806.5	46.27	69608.06	66.9	.0002
1988	219875.6	56.864	76753.72	69.29	.0003
1989	236729.5	63.526	80878.04	95.14	.0003
1990	267549.9	67.328	84344.61	100	.0003
1991	265379.1	79.473	87503.53	111.54	.0003
1992	271365.5	87.312	89345.43	119.22	.0003
1993	274833.2	90.147	90596.51	122.59	.0003
1994	275450.5	93.25	92832.95	126.42	.0003
1995	281407.4	95.556	96220.67	128.49	.0003
1996	293745.3	100.971	100216.18	134.43	.0003
1997	302022.4	103.859	104514	137.73	.0003
1998	310890	107.703	108814.07	141.04	.0003
1999	312183.4	111.515	114570.71	145.2	.0004
2000	329178.7	117.876	117945.07	149.2	.0004
2001	356994.2	103.635	122522.34	148.9	.0003
2002	433203.5	107.5725	190133.4	179.9	.0002
2003	477532.9	115.3041	203409.87	190.9	.0002
2004	527576	125.0849	216208.47	201.8	.0002
2005	561931.4	129.5335	231463.61	186.9	.0002
2006	595821.61	134.6303	248598.96	200.1	.0002
2007	634251.37	143.5977	266477.18	212.8	.0002
2008	672202.55	153.9694	283175.43	226.7	.0002
2009	718977.33	163.5082	299823.86	242.1	.0002
2010	775525.7	172.9397	316728.69	255.9	.0002

Source: Central Bank of Nigeria Statistical Bulletin; Central Bank of Nigeria Annual Report and Statement of Accounts for various years

Where gdp - Gross Domestic Product (GDP) at 1990 Constant Basic Prices
out_{ag} - Output of the Agricultural Sector
ag_{gdp} - Share of agriculture in the GDP at 1990 base year
ind_{agr} - Index of Agricultural production at 1990 base year
rAgGDP - Ratio of agricultural output to GDP

Regression

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	aggdp, outag[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: gdp

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.994[a]	.988	.987	24344.16222	.521

a. Predictors: (Constant), aggdp, outag

b. Dependent Variable: gdp

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.8E+012	2	9.027E+011	1523.161	.000[a]
	Residual	2.3E+010	38	592638234.3		
	Total	1.8E+012	40			

a. Predictors: (Constant), aggdp, outag

b. Dependent Variable: gdp

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24339.158	8288.946		2.936	.006
	outag	364.870	220.542	.079	1.654	.106
	aggdp	2.158	.112	.920	19.209	.000

a. Dependent Variable: gdp

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	37573.88	770806.6	268149.1	212448.07248	41
Residual	-40613.3	46957.64	.00000	23727.75427	41
Std. Predicted Value	-1.085	2.366	.000	1.000	41
Std. Residual	-1.668	1.929	.000	.975	41

a. Dependent Variable: gdp

Regression

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	raggdp, indagr[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: gdp

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.965[a]	.931	.928	57523.44071	.381

a. Predictors: (Constant), raggdp, indagr

b. Dependent Variable: gdp

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.7E+012	2	8.511E+011	257.204	.000[a]
	Residual	1.3E+011	38	3308946231		
	Total	1.8E+012	40			

a. Predictors: (Constant), raggdp, indagr

b. Dependent Variable: gdp

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-65392.8	22135.582		-2.954	.005
	indagr	3089.549	157.138	.881	19.661	.000
	raggdp	-2E+007	4950413	-.205	-4.574	.000

a. Dependent Variable: gdp

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-31600.2	720174.0	268149.1	206285.45975	41
Residual	-89182.2	97667.99	.00000	56066.91466	41
Std. Predicted Value	-1.453	2.191	.000	1.000	41
Std. Residual	-1.550	1.698	.000	.975	41

a. Dependent Variable: gdp

Exchange Rate Volatility and Stock Market Performance in Nigeria

Dr. Fapetu, Oladapo[1]
Dr. Adeyeye, Patrick Olufemi[2*]
Seyingbo, Oluwagbenga Abayomi[3] **&**
Owoeye, Segun Daniel[4]
[1]Department of Banking & Finance,
College of Management Sciences,
Federal University of Agriculture,
Abeokuta, Ogun State, Nigeria,
E-mail: drfapetu@gmail.com; Tel:+2348062163511

[2]Postdoctoral Research Fellow,
Graduate School of Business & Leadership,
University of KwaZulu-Natal,
Westville, Durban, 4000, South Africa.
E-mail: adeyeyeo@ukzn.ac.za; adeyeyepo@gmail.com Tel: +27785467443.

[3]Department of Finance,
University of Ilorin,
Kwara State, Nigeria,
Mail: seyingboolugbenga@gmail.com, Tel: +2347034852932

[4]Department of Banking & Finance,
College of Management Sciences,
Federal University of Agriculture,
Abeokuta, Ogun State, Nigeria,
E-mail: benesto133@gmail.com, Tel:+2348036049473

pp 308 - 317

Abstract:

The study examined the impact of exchange rate on stock market performance using monthly data of MCAP as indicators for stock market performance and monthly data on exchange rate as the parameter for measuring exchange rate volatility. Four different estimation techniques [Autoregressive Conditional Heteroscedasticity (ARCH), Generalised Autoregressive Conditional Heteroscedasticity (GARCH), Exponential Generalised Autoregressive Conditional Heteroscedasticity (E-GARCH) and Threshold Autoregressive Conditional Heteroscedasticity (TARCH)] were used. The results revealed that exchange rate has a positive relationship with market capitalization rate in Nigeria in all the four models examined in the study. However, the study showed that the volatility of variance of the residual among the four models differs from each other. It was discovered that there is no ARCH effect in the ARCH model, while there is ARCH and GARCH effect in the GARCH model. The study recommended that government should enforce policy to discourage importation of non-essential, less-productive goods and services and also create the enabling and favourable environment to encourage production and exportation of goods and services.

Keywords: stock price, foreign exchange rate, Ganger causality test, volatility, market capitalization
JEL Classification Codes: C1, C2, G1, G12

Introduction

The Nigerian stock market has advanced over time vis-à-vis the number of stock exchanges and other financial intermediaries, the number of listed stocks, trading volumes, market capitalization, investor population, turnover of stock exchanges and stock price indices. Developments in the stock market serves as a major indicator for growth and development for any nation. Stock market is one of the yardsticks for measuring the growth and development of an economy due to the fact that it reflects the potential viability and financial strength of corporate organizations listed on the stock exchange.

The stock market portrays the level of confidence of investors on various sectors in the economy. It is a reflection of the productive sector's strength and indicates expectations about the stability of the financial system. Persistent increases in the stock indices would encourage banks to increase loans and advances, both for direct investment in the stock market and other sectors of the economy. Foreign investors benefit from higher returns on investment at the stock market. There is direct inflow of foreign portfolio investment into the economy, which will boost the capital base of banks and induce further increase in lending thereby leading to growth and development of the economy.

The rate of exchange is one of the most important macroeconomic variables in developing and developed countries. It affects inflation, and causes changes in exports and imports thereby influencing price of commodities traded. Adjasi, Harvey and Agyapong (2008) suggested that fluctuations in the foreign exchange market of a country impact its trade and investment. For instance, a stable rate of exchange would positively affect decisions affecting household consumption and incomes, firms' investment, employment and import, as well as government's debt and fiscal, monetary policies and trade balance. Garba (1997) opined that exchange rate stability could discourage speculation in the foreign exchange market and reduce capital flight.

Furthermore, Yucel & Kurt (2003) showed that floating exchange rate decreases export markets competitiveness, and negatively affect the domestic stock market of export-dominated economies; but positively affect the stock market of import-dominated country by lowering its costs of input. An import-oriented country like Nigeria usually experience instability in prices in the presence of exchange rate volatility due largely to its economy which heavily depend on imports of capital and consumer goods as well as raw materials.

However, researchers hold different views on the possible relationship between exchange rate volatility and stock markets in that two notable schools of thought emerged from empirical studies: those who advocate that there exists an association between exchange rate and stock market (Dimintrova, 2005; Sohail & Hussain, 2009; Mohammad, Adnan, Hussain and Ali, 2009) and those who maintained that there exists no connection between exchange rate and stock market (Bhattacharya & Mukherjee, 2003; Stavarek, 2005, Gay, 2016). These divergent opinions clearly suggest that this topical issue of whether or not there is a nexus between exchange rate and stock market is not yet concluded.

The circumstances that led to the study arose because of the implication of volatility of exchange rate on the Nigerian stock market. Frequent changes in exchange rate adversely affect imports. Consequently, exchange rate fluctuations lead to increase in the value of imported items and ultimately increase the price of goods and services in the country. In addition, volatility of exchange rate discourages capital flight and positively influences export. Volatility of exchange rate is usually determined by differentials in inflation rate, interest rate, political instability, current account deficits, economic performance and external debts as this ultimately affects the number of investors in the stock market (Aliyu, 2009).

Many empirical studies use different estimation techniques including granger causality test, ARCH and GARCH models respectively. The outcomes differed remarkably and therefore, are inconclusive. Based on this shortcoming, this study contributes to the existing body of knowledge by adopting four different estimation techniques [Autoregressive Conditional Heteroscedasticity (ARCH), Generalised Autoregressive Conditional Heteroscedasticity (GARCH), Exponential Generalised Autoregressive Conditional Heteroscedasticity

(E-GARCH) and Threshold Autoregressive Conditional Heteroscedasticity (TARCH)] for measuring volatility and comparing them to investigate whether there are differences in their results and also choosing the best model that explains the volatility of market capitalization rate in Nigerian stock market. Granger causality test and Johansen Co-integration test was used to investigate whether there is relationship between stock market capitalization (MCAP) rate and exchange rate in Nigeria. It is against this background that the study examined the impact of exchange rate on stock market performance using monthly data of MCAP as indicators for stock market performance and monthly data on exchange rate as the parameter for measuring exchange rate volatility.

The rest of this article is organised into four sections. Section two discusses the concepts of exchange rate, stock market and various empirical evidences related to the study. Section three provides the exposition of theoretical framework, conceptual framework, model specifications, estimation techniques and sources of data. Section four includes analysis of data and discussion of results while section five summarises the paper with some concluding remarks.

Literature Review

E**xchange rate is generally defined as the price for which the currency of a country is exchanged with the currency of another country. In the light of this definition, two components of exchange rate are identified: the domestic currency and a foreign currency** (Mohammad, Adnan, Hussain and Ali 2009; **Zubair,** 2013))**. F**actors influencing exchange rate include inflation rates, interest rates, trade balance, internal harmony, political stability, high degree of transparency in the conduct of leaders and administrators, general state of the economy and quality of governance (Mbat, 2001).

According to Aliyu (2009), determinants of exchange rate include differentials in inflation rate, differentials in interest rate, current account deficits, public debts, terms of trade, political stability and economic performance. It is not gainsaying to assert that a country exhibits a rising currency value with a consistently low inflation rate, as the purchasing power rises relative to other currencies. Also, differentials in inflation rate are usually accompanied with higher interest rates.

Frequent changes in interest rate are also a major determinant of volatility of exchange rate, as foreign capital is induced by higher interest rates, which also cause the exchange rate to increase (Aliyu, 2009). Furthermore, a large debt causes increase in inflation rate and with high inflation, debt is serviced and ultimately paid off in the future with cheaper real foreign currency. **Besides,** a country's terms of trade would be favourably improved **if** export prices rise by a greater rate than that of its imports. As a country's terms of trade increases, there will be greater demand for its exports, which, in turn, leads to revenue increase from exports and ultimately induces greater demand for the country's currency (indicating an increase in its currency value). Political instability and **economic performance also greatly influence exchange rate volatility, as** stable countries with strong economic performance will inevitably attract foreign investors as a safe haven to invest their capital. For example, political turmoil is capable of engendering crisis of confidence in a currency and induce capital movement to the currencies of more stable countries.

Furthermore, **current account deficits** also influence changes in exchange rate. The current account is the trade balance between a country and other countries it engages with in international trade, showing all payments for goods, services, interests and dividends between the countries. A current account deficit is an indication that a country's expenditure on foreign trade is more than it earns from it, and that to make up the deficit, it has to borrow capital from foreign sources. In that situation, the foreign currency requirement of the country far exceeds what it obtains through exports sales, and the demand for its products by foreigners is far less than its supply of its own currency. The resultant excess demand for foreign currency drops the exchange rate of the country until prices of domestic goods and services becomes cheaper for foreigners, and imported goods become too expensive to generate sales for domestic interests.

The capital market comprises of all financial institutions put in place for dealings in medium and long-term loanable funds (Ekezie, 2002). It can also be described as a financial market for both corporate and government financial instruments, and for the mobilization and utilization of long-term funds for development (Osinubi, 2006). According to Akingunola, Adekunle and Ojodu (2012), liquidity is provided by the stock market mainly by enabling deficit economic units (firms) to raise required funds through sales of securities with relative ease and speed. That is, the stock market is an avenue for raising long-term funds from the surplus economic units through the intermediation process to the deficit economic units (Mbat, 2001). Hence, the stock market can influence investment and economic growth in general through this catalyst role. It can further be described as a loose network of economic transactions, a kind of public market but not a discrete entity or physical facility, for trading in company stocks and derivatives at a negotiated price. These include financial instruments quoted on a stock exchange and those that are privately traded.

Basically, the stock exchange market is a market for the sale and purchase of shares, stocks, government bonds, debentures and other approved securities through the members of the exchange. It therefore provides the essential facilities for companies and government to raise money for business expansion, and finance development projects through investors who own shares in companies for the ultimate benefit of the overall society. The stock market is one of utmost importance as means through which companies raise needed money. This allows businesses to be publicly traded, or raise additional capital for expansion by selling shares of ownership of the company in a public market (Mishkin, 2000). According to Subair (2009), stock market can be measured by market capitalization (MCAP). **Lawal & Ijirshar (2013) further explained that market capitalization is also another major measurement of stock market performance.** Market capitalization (also known as market value) is the share price times the number of shares outstanding. **However,** Zubair (2013) asserted that at all share index (ASI) can also be used to measure stock market performance.

Empirical Review

Adjasi, Harvey and Agyapong (2008) observed the relationship between stock market and foreign exchange market in a study that examined the impact of exchange rates movements on Ghana's stock market. The nexus between exchange rate volatility and stock market volatility was established using the exponential generalised autoregressive conditional heteroskedasticity (E-GARCH) model. The result revealed that there was negative relationship between exchange rate volatility and stock market returns.

Bhat & Shah (2015) examined the link between exchange rate fluctuations and volatility of stock returns in Pakistan. Estimation parameters such as ARCH, GARH models, Unit root test, Johannsen Co-integration test and Granger causality test were used in the study. The volatility was tested using ARCH, GARCH, E-GARCH and T-GARCH. Unit root test revealed that both series are stationary at level. Co-integration test reveals that both variables are co-integrated to each other. Ganger causality test also show bi-directional causal relationship between the two variables. Adjasi & Biekpe (2005) examined the connection between exchange rate movements and stock market returns in seven African countries. The co-integration tests showed that in some of the countries in the short-run, exchange rate depreciation led to decreases in stock market prices and in the long-run, exchange rate depreciations led to increases in stock market returns. Also, a Granger causality tests revealed that the exchange rate movement Granger-caused stock market returns in some of the countries, while stock market returns Granger-caused exchange rate movement in others.

Using the Johansen co-integration tests, Olugbenga (2012) considered the effects of exchange rate on stock market development in Nigeria both in the long-run and short-run from 1985 to 2009. The specified bi-variate model and subsequent empirical results revealed a positive and significant short-run stock market performance to exchange rate but a negative and significant long-run stock market performance to exchange rate. In addition, the results of the Granger causality test strongly suggest that the causation runs from exchange rate to stock market performance; implying that exchange rate volatility effectively explained variations in the Nigerian stock market. Subair & Salihu (2013) used error-correction model (ECM) to examine the impact of exchange rate volatility on the Nigerian stock market. The study generated exchange rate volatility via GARCH process and found that it exerts a strong negative effect on the Nigeria stock markets. However, it was discovered that inflation rate and interest rate respectively failed to show any long-run relationship with stock market capitalization largely due to the fact that government was the major participant in the market. Mlambo, Maredza and Sibanda (2013) evaluated the impact of currency volatility on the Johannesburg Stock Exchange. The study specified an empirical model involving the use of generalised autoregressive conditional heteroskedasticity (GARCH) model to establish the connection between exchange rate volatility and stock market behaviour, using monthly South African data from 2000 to 2010. The result of the study suggested a weak connection between currency volatility and the stock market.

Theoretical Framework

There are various theories explaining the nexus between exchange rate volatility and stock market behaviour. Such theories include flow and stock models. By definition, flow models describe the effect of exchange rate volatility on the firm's international competitiveness as well as the balance of trade position (Choi, Fang and Fu, 2009). Movements in prices of shares in the stock market directly affect aggregate demand via wealth and liquidity effects, which indirectly cause changes in rate of exchange. For instance, a drop in the prices of stocks decreases local investors' wealth and decreases liquidity in the economy. The liquidity reduction further decreases rates of interest, which in turn, induces outflow of capital and eventually causes the currency to depreciate.

On the other hand, stock models are models that concentrate on the capital account of balance of payment. In this model, the exchange rate equates demand and supply for financial assets (stocks and bonds). Therefore, price movements of financially held assets is significantly affected by expectations of relative currency movements. With this, exchange rate movements may influence stock price movements. For example, if the Nigerian currency depreciates against the currency of a trading partner (say, the US dollar), returns on the latter's currency will increase. Such development will encourage investors to transfer funds from domestic financial assets in favour of dollar denominated assets which consequently will reduce prices of local stocks. This, in turn, makes the depreciating local currency to negatively affect stock market returns (Adjasi & Biekpe, 2005).

Model Specification

The model used for the study is adapted in line with the study of Olugbenga (2012). Based on the monthly data available in the Nigerian stock market, the study captures MCAP as dependent variable and exchange rate as the independent variable. Thus, the model used for the study is specified as:

$$MCAP = f(EXR) \quad \ldots(1)$$
$$MCAP = \beta_0 + \beta_1 EXR + \mu \quad \ldots(2)$$

where:
MCAP = Market capitalization
EXR = Exchange rate
μ = Error term

Variance Equation

GARCH = C(3) + C(4)*RESID(-1)^2 + C(5) * GARCH(-1) …(3)

where:
GARCH = Variance of the Residual
C(3) = Constant of the Residual
C(4)*RESID(-1)^2 = Arch effect of the Residual
C(5)*GARCH(-1) = Garch effect of the Residual

The data employed for the study are secondary in nature covering the period from 1986 to 2014. The estimation techniques employed in the study are descriptive statistics, unit root test, residual test, ARCH test, ARCH, GARCH, E-GARCH, T-GARCH, Granger Causality test and Johansen Co-integration test

Result and Discussion

Table 1: **Descriptive Statistics**

	MCAP	EXR
Mean	2761.235	79.40648
Median	377.7813	101.8266
Maximum	14027.71	169.6800
Minimum	5.8248	0.999600
Std. Dev	3949.048	61.09231
Jarque-Bera Prob	0.0000	0.0000

Source: Author's Computation, (2016)

The table above shows that the mean for MCAP is 2761.235, median is 377.7813, maximum value is 14027.71, minimum value is 5.8248, and the standard deviation value from mean is 3949.048, while the Jarque-Bera probability value is 0.0000. The table also revealed that the mean for EXR is 79.40648, median is 101.8266, maximum value is 169.68, minimum value is 0.999, and the standard deviation value from mean is 61.092, while the Jarque-Bera statistic shows that all return series are not normally distributed.

Unit Root Test: Dickey Fuller Test

Table 2: **Market Capitalization Rate**

	t-Statistics	Critical Value 1%	Critical Value 5%	Critical Value 10%	Prob Value
MCAP at Level	-0.3588	-3.4492	-2.8697	-2.5712	0.9137
MCAP at first Difference	-7.8762	-3.4492	-2.8697	-2.5712	0.0000

Source: Author's Computation, (2016)

The table above shows that MCAP is not stationary at level, but stationary at first differencing at the probability value of 0.0000, which is less than 5% level of significance.

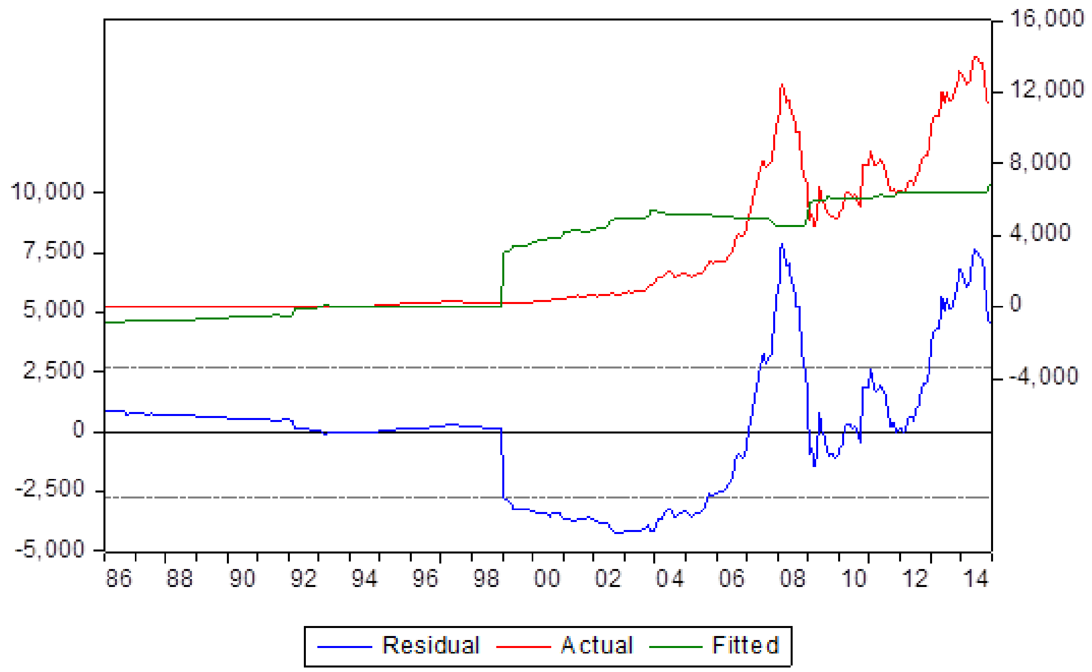
Table 3: **Exchange Rate**

	T-Statistics	Critical Value 1%	Critical Value 5%	Critical Value 10%	Prob Value
EXR at Level	-0.3496	-3.4492	-2.8697	-2.5712	0.9143
EXR at first Difference	*-17.4819*	*-3.4492*	*-2.8697*	*-2.5712*	*0.0000*

Source: Author's Computation

The table above shows that EXR is not stationary at level, but stationary at first differencing with a probability value of 0.0000, which is less than 5% level of significance.

Residual Test of Volatility



The residual test above shows that period of low volatility tends to be followed by period of low volatility for a prolonged period. Again, period of high volatility tends to be followed by period of high volatility for a prolonged period. Thus, this suggests that residual or error term is conditionally heteroskedastic. Therefore, there is justification to examine the ARCH family model.

Table 4: **Heteroskedasticity Test: ARCH Model for MCAP**

F-Statistics	0.9666
Obs*R -squared	0.968
Prob	0.3263
Prob (Chi -Square)	0.3249

Source: Author's Computation

The probability chi-square for the heteroscedasticity test is 0.3263, which is greater than 5%. This implies that the null hypothesis which states that there is no ARCH effect in MCAP should not be rejected, while the alternative hypothesis which states that there is ARCH effect in the model should not be accepted.

Table 5: **Heteroskedasticity Test: ARCH Model for EXR**

F-Statistics	3.2577
Obs*R-squared	3.2459
Prob	0.0720
Prob (Chi-Square)	0.0716

Source: Author's Computation

The probability chi -square for the heteroscedasticity test is 0.3263, which is greater than 5%. This implies that the null hypothesis which states that there is no ARCH effect in MCAP should not be rejected, while the alternative hypothesis which states that there is ARCH effect in the model should not be accepted.

Table 5: **Heteroskedasticity Test: ARCH Model for EXR**

F-Statistics	3.2577
Obs*R-squared	3.2459
Prob	0.0720
Prob (Chi-Square)	0.0716

Source: Author's Computation

The probability chi -square for the heteroscedasticity test is 0.0720, which is greater than 5%. This implies that the null hypothesis which states that there is no ARCH effect in MCAP should not be rejected, while the alternative hypothesis which states that there is ARCH effect in the model should not be accepted.

ARCH Model: Mean Equation

MCAP = -829.44 + 38.808EXR

Variables	Coefficient	Prob
Constant	-829.44	0.3407
Exchange rate	38.808	0.0000

Source: Author's Computation

The above ARCH mean equation table revealed that exchange rate is statistically significant at 1% in explaining the volatility of market capitalization rate in Nigerian stock market. The table also revealed that ? 1 increase in exchange rate will induce market capitalization rate to increase by ? 38.808k. This suggests that there is a positive association between exchange rate and market capitalization rate.

ARCH Model: Variance Equation

GARCH = C(3) + C(4) *RESID(-1)^2 + C(5)*RESID(-2)^2 + C(6)*RESID(-3)^2 + C(7)*RESID(-4)^2 +C(8)*RESID(-5)^2

Variables	Coefficient	Prob
C	582867	0.0000
RESID(-1)^2	0.210017	0.8365
RESID(-2)^2	-0.011466	0.9939
RESID(-3)^2	0.302703	0.8228
RESID(-4)^2	0.560134	0.4941
RESID(-5)^2	-0.523964	0.1318

Source: Author's Computation

The table above revealed that the ARCH effect of this model is not significant in explaining the changes in the variance of the residual. This model therefore assumes that the variance of the current re sidual is not related to the size of the previous periods' residual. Thus, there is no ARCH effect in the model and this implies that exchange rate does not influence volatility of market capitalization rate in Nigerian stock market.

GARCH: Mean Equation

MCAP = -30.545 + 5.8191

Variables	Coefficient	Prob
Constant	-30.545	0.0000
Exchange rate	5.8191	0.0000

Source: Author's Computation

The above GARCH mean equation table revealed that exchange rate is statistically significant at 1% in explaining the vo latility of market capitalization rate in Nigerian stock market. The table also revealed that ? 1 increase in exchange rate will induce market capitalization rate to increase by ? 5.8191k. This suggests that there is a positive association between exchange rate and market capitalization rate.

GARCH Model: Variance Equation

GARCH = C(3) + C(4)*RESID(-1)^2 + C(5)*GARCH(-1)

GARCH = 0.1770 + 1.0020RESID(-1)^2 + 0.2413GARCH(-1)

Variables	Coefficient	Prob
C	0.1770	0.2300
RESID(-1)^2	1.0020	0.0000
GARCH(-1)	0.2413	0.0000

Source: Author's Computation

The table above revealed that the ARCH and GARCH effect of this model is significant in explaining the changes in the variance of the residual at 1%. This model therefore assumes that the variance of the current re sidual is related to the size of the previous periods' residual. Thus, there is ARCH and GARCH effect and this implies that exchange rate does influence volatility of market capitalization rate in Nigerian stock market.

TARCH Model: Mean Equation

MCAP = -446.099 + 2.5049

Variables	Coefficient	Prob
Constant	446.099	0.0000
Exchange rate	2.5049	0.0000

Source: Author's Computation

The above TARCH mean equation table revealed that exchange rate is statistically significant at 1% in explaining the volatility of market capitalization rate in Nigerian stock market. The table also revealed that ? 1 increase in exchange rate will induce market capitalization rate to increase by ? 2.5049k. Thus, by implication, there is a positive relationship between exchange rate a nd market capitalization rate.

E-GARCH Model: Mean Equation

MCAP = -148.86 + 21.787

Variables	Coefficient	Prob
Constant	-148.86	0.0000
Exchange rate	21.787	0.0000

Source: Author's Computation

The above E-GARCH mean equation table revealed that exchang e rate is statistically significant at 1% in explaining the volatility of market capitalization rate in Nigerian stock market. The table also revealed that ? 1 increase in exchange rate will induce market capitalization rate to increase by ? 21.787k. This su ggests that there is a positive association between exchange rate and market capitalization rate.

Comparison of ARCH, GARCH, TARCH and E -GARCH Model for MCAP

	AIC	SIC
ARCH	18.544	18.632
GARCH	14.734	14.778
TARCH	18.409	18.464
E-GARCH	16.248	16.292

Source: Author's Computation

The table above shows that comparison between the ARCH, GARCH, TARCH and E -GARCH model with the aim of choosing the best model that explains the volatility of stock market capitalization rate in Nigeria using Akaike info criterion and Schwarz criterion. The decision rule is that, the model with the least value of AIC and SIC is the best model. Based on the criteria the best model that explains the volatility of stock market capitalization rate in Nigerian is the ARCH model. This is because, it has a least value of 18.544 for AIC and 18.632 for SIC.

Comparison of ARCH, GARCH, TARCH and E -GARCH Model for EXR

	AIC	SIC
ARCH	12.075	12.152
GARCH	11.096	11.130
TARCH	11.095	11.140
E-GARCH	10.443	10.487

Source: Author's Computation

The table above shows that comparison between the ARCH, GARCH, TARCH and E -GARCH model with the aim of choosing the best model that explains the volatility of exchange rate in in

Johansen Co-integration Test

Hypothesied No. of CE(s)	Eigen Value	Trace Statistics	0.05 Critical value	Prob
None	0.014330	4.987624	15.49471	0.8101
At most 1	0.000108	0.036929	3.841466	0.8476

Source: Author's Computation

The table above revealed that the Eigen value at (None) which is 0.014330 is lesser than the trace statistics value of 4.987624 and the probability value is also 0.8101. Thus, this implies that there is no co -integration between MCAP and EXR in Nigeria. Thus, there is no l ong run relation between MCAP and EXR in Nigeria.

Granger Causality Test

Null Hypothesis	F-Statistics	Prob
EXR does not Granger cause MCAP	1.40991	0.2201
MCAP does not Granger cause EXR	1.20220	0.3078

Source: Author's Computation

Ganger Causality test is used to check the casual relationship between the variables, whether there is casual relationship between two variables or not. The results of the test show that there is no causal relationship between the variables. The null hypotheses EXR does not ganger cause MCAP and MCAP does not granger causes EXR are not rejected. It is concluded that there is no bidirectional causal relationship between MCAP and EXR.

Discussion of Findings

The study revealed that exchange rate has a positive relationship with market capitalization rate in Nigeria in all the four models (ARCH, GARCH, TARCH and E-GARCH) examined in the study. However, the study revealed that the volatility of variance of the residual among the four models differs from each other. It was discovered that there is no ARCH effect in the ARCH model, while there is ARCH and GARCH effect in the GARCH model. The mean equation of the four models gives the same result, while there are differences in the result of the variance equation among the four models. The study further revealed that there is no bidirectional causal relationship between MCAP and EXR and also there is no long-run relationship between MCAP and EXR. The study adopts ARCH model as the best model as it gives the least value of AIC and SIC. Thus, there is no ARCH effect in the volatility of market capitalization rate in the Nigerian stock exchange. The implication of this is that variance of the current residual is not related to the size of the previous periods' residual. Exchange rate does not influence volatility of market capitalization rate in Nigerian stock market. However, exchange rate (EXR) has a positive relationship with stock market capitalization rate in Nigeria. Findings of the study reveal that investors cannot use information of one market to predict something about the other. The study recommends that government should enact policy to discourage importation of goods and services and also create the enabling and favourable environment to encourage production and exportation of goods and services.

References

Adjasi, C. K. D., & Biekpe, B. N. (2005). Stock Market Returns and Exchange Rate Dynamics in Selected African Countries: A Bivariate Analysis. The African Finance Journal, 2(6): 17-28.

Adjasi, C., Harvey, S. K., & Agyapong, D. (2008). Effect of Exchange rate volatility on Ghana Stock Exchange. African Journal of Accounting, Economics, Finance and Banking Research, 3(3): 28-47.

Akingunola, R. O., Adekunle.O. A. & Ojodu, H. (2012) Impact of Interest Rate on Capital Market Growth: A Case of Nigeria. Universal Journal of Management and Social Sciences, 2(11):15-39.

Aliyu, S. U. R. (2009). Impact of Oil Price Shock and Exchange Rate Volatility on Economic Growth in Nigeria: An Empirical Investigation (No. 16319). University Library of Munich, Germany.

Ail, M. I. (2015). The Impact of Oil Price Shock and Exchange Rate Volatility on Economic Growth: A Comparative Analysis of Nigeria and Kenya (Doctoral dissertation).

Bhat, K. U., & Shah, S. Z. A. (2015). Empirical Investigation of the Relationship between Exchange Rate Movements and Stock Market Volatility in the Context of Pakistan. Pakistan Business Review, 745-758.

Bhattacharya, B & Mukharjee, J. (2003). Causal Relationship between Stock Market and Exchange Rate, Foreign Exchange Reserves and Value of Trade Balance: A Case Study of India. (online). Available: http://oii.igidr.ac.in:8080/jspui/bitstream/2275/185/1/basabi.pdf. Accessed: October 2016

Choi, D.F.S., Fang, V and Fu, T.Y. (2009). Volatility Spillovers between New Zealand Stock Market Returns and Exchange Rate Changes before and after the 1997 Asian Financial Crisis. Asian Journal of Finance and Accounting, 1(2): 107-117

Dimitrova, D. (2005). The relationship between Exchange Rates and Stock Prices: Studied in a Multivariate Model. Issues in Political Economy, 14(1), 3-9.

Ekezie, E. S. (2002). The Elements of Banking: Money, Financial Institutes and Markets. Africana–Feb Publishers Limited: Onitsha, Nigeria.

Garba, P. K., (1997). The Nigerian Foreign Exchange Market: Possibilities for Convergence in Exchange Rates. Research Paper, 55, African Economic Research Consortium, Nairobi.

Gay, R. D. (2016). Effect of Macroeconomic Variables on Stock Market Returns for Four Emerging Economies: Brazil, Russia, India, and China. The International Business & Economics Research Journal (Online), 15(3), 119.

Lawal M. & Ijirshar V. U. (2013). Empirical Analysis of Exchange Rate Volatility and Nigeria Stock Market Performance. International Journal of Science and Research (IJSR), 4(4): 1592-1600.

Mbat, D. O. (2001). Financial Management. First Edition. Domes Associates Publishers: Uyo, Nigeria,

Mishkin, F. S (2001). The Economics of Money, Banking and Financial Markets. Addison Wesley Publishers: New York

Mlambo C., Maredza A., & Sibanda K. (2013). Effects of Exchange Rate Volatility on the Stock Market: A Case Study of South Africa. Mediterranean Journal of Social Sciences MCSER, 4(4): 561-570.

Mohammad, S. D., Hussain, A., & Ali, A. (2009). Impact of Macroeconomics Variables on Stock Prices: Empirical Evidence in Case of Karachi Stock Exchange. European Journal of Scientific Research, 38(1), 96-103.

Olugbenga, A. A. (2012). Exchange Rate Volatility and Stock Market Behaviour: The Nigerian Experience. Research Journal of Finance and Accounting, 4(5): 31-40.

Osinubi, T. S. (2006) Does Stock Market Promote Economic Growth in Nigeria? Available: http://sta.uwi.edu/conferences/financeconference/Conference%20Papers/Session%202/Does%20the%20Stock%20Market%20promote%20Economic%20Growth%20in%20Nigeria.pdf. Accessed: October 2016

Sohail, N., & Hussain, Z. (2009). Long-run and Short-run Relationship between Macro Economic Variables and Stock Prices in Pakistan: The Case of Lahore Stock Exchange. Pakistan Economic and Social Review, 47(5): 183-198.

Stavárek, D. (2005). Stock Prices and Exchange Rates in the EU and the USA: Evidence of their Mutual Interactions. Czech Journal of Economics and Finance, 55(5): 141-161.

Subair, K & Salihu, O. M. (2013). Exchange Rate Volatility and the Stock Market: The Nigerian Experience, Kwara State University, Malete, Nigeria. Available: https://pdfs.semanticscholar.org/3036/cd5db56fd11ce7173b7853259bf66237430e.pdf, Accessed: October 2016

Yucel, T. & Kurt, G. (2003). Foreign Exchange Rate Sensitivity and Stock Price: Estimating Economic Exposure of Turkish Firms. European Trade Study Group, Madrid. Available: http://www.etsg.org/ETSG2003/papers/yucel.pdf; Accessed: October 2016

Zubair, A. (2013). Causal Relationship between Stock Market Index and Exchange Rate: Evidence from Nigeria. CBN Journal of Applied Statistics, 4(2), 87-110.

Tourism-Economic Growth Nexus in Nigeria: Implications for the Economic Recovery and Growth Plan

David Terfa Akighir PhD
Department of Economics,
Benue State University, Makurdi
E-mail: akighirdavidterfa@yahoo.com
Phone: 08169587920

Ateata Aaron
National Open University of Nigeria,
Makurdi

pp 318 - 331

Abstract

The study investigated the tourism-economic growth nexus in Nigeria with a view to ascertaining whether or not tourism development can lead to economic growth in Nigeria and vice versa. Using Autoregressive distributed lag (ARDL) modelling approach on the time series data spanning from 1980-2015; the findings of the study revealed that, tourism development has positive and significant impact on economic growth in Nigeria both in the short and long-run. Based on the findings it was concluded that the government can use the enormous tourist potentials in the country to achieve her economic recovery and growth plan (ERGP) in the wake of dwindling oil prices.

Key words: Economic growth, Tourism, Autoregressive Distributed Lag (ARDL) model, Economic recovery and Growth Plan (ERGP).

Introduction

Tourism has been widely acknowledged by scholars as an economic activity that promotes economic growth in both developed and developing countries. This is the postulation of the tourism-led growth hypothesis. According to Abdul, Tahir and Muhammed (2013), indeed, tourism industry is an important business sector of the world. The importance of this sector can be manifested from the fact that it raises revenue, generates employment opportunities, encourages the private sector and develops infrastructure. Yusuff and Akinde (2015) stressed that when tourism business is sustainably managed, it can transform an economy by facilitating the transfer of technology and information, accelerates reforms and empowers women and minorities.

Nigeria has huge tourism potentials as the country is magnificent in arts, crafts, sport, park, museum, cultural and historical heritage, good tropical weather, lush vegetation, variety of wild life, tribes which are critical in rural and urban tourism development. According to Yusuff and Akinde (2015), Nigeria has unprecedented potentials to become an important tourist destination in the world. The country has over 7000 tourist centers among them are the 5 UNESCO heritage cities and 7000 tourist sites. There are 371 tribes and over 200 languages with rich cultural heritages that when properly exploited could galvanize economic growth and development of the Nigerian economy.

Efforts to translate the huge tourist potentials of Nigeria to pragmatic fortunes dates back to 1962 when a private group formed the Nigeria's Tourism Association that was subsequently admitted into World Trade Organization (WTO) in 1964. These initial efforts failed to boost tourism as a vibrant economic until 1976 that a Decree was promulgated to establish the Nigeria Tourism Board and States Tourism Committees as government agencies were charged with matters relating to tourism development. Even with the Decree No.54, the desired development in tourism matters was not achieved and the Decree was upgraded in 1992 to Nigeria Tourism Development Commission (NTDC) as the highest body saddled with the responsibility of promoting, marketing and coordinating tourism activities.

NTDC was still not able to make Nigeria the ultimate tourism destination in Africa as it was intended. In 2000, the ministry of culture and tourism was established to carter for tourism development. Yet, satisfactory outcomes were not recorded and this necessitated the need to raise the profile of the country's tourism sector; accordingly, the Miss tourism Nigeria pageant was introduced in 2004 to create awareness for youth tourism through the introduction of various skills and training of youths especially in the use of French language. In 2005, the federal government of Nigeria in collaboration with United Nations World Tourism Organization (UNWTO) facilitated the Nigeria Tourism development master plan. The objective was to develop sustainable tourism by capitalizing on heritage diversity as the basis for promoting domestic and international tourism.

Inspite of all these initiatives, Nigeria's tourism has not made significant impact. According to World Travel and Tourism Council (WTTC) (2014), tourism contributed 3.2% to the GDP and provided 2.7% of total employment in 2013 and this rose by 4.1% in 2014. The total contribution of trade and tourism to employment including indirectly supported by industry was 3.6% of total employment in 2014. Travels and tourism attracted capital investment of about N889.3bn in 2014.

The above indices are indicative of the fact that Nigeria's tourism sector is performing below expectation given the enormous potentials in the sector. This abysmal performance is proven by the world ranking of tourism that ranked Nigeria 116th position in 2013 with a total receipt of only $601,000,000; while other African countries like Ghana, Cameroun, Angola, Kenya, Ethiopia, and South Africa were ranked higher than Nigeria. Furthermore, despite the boundless tourism potential, Nigeria has once again slipped on global tourism ranking, leaving smaller Sub-Saharan African countries to take the shine in 2017. According to the Travel and Tourism Competitiveness Report in 2017 released by the World Economic Tourism in April, 2017, Nigeria is ranked 129 out of 136 economies surveyed.

This development is worrisome especially now that the Nigerian economy is in a recession precipitated by the slump in the international oil prices and there is a national clamor to diversify the economy away from oil as contained in the economic recovery and growth plan.

Thus, the justification for this study is compelling given that the causal relationship between tourism and economic growth in Nigeria is not clear; coupled with the fact that the trailing confusion is whether it is the tourism-led growth hypothesis or growth-led tourism hypothesis that best explains the dynamics of the tourism sector of the Nigerian economy. Also, since the direction of this causality has some certain policy implications on the economic recovery and growth plan of the current administration in Nigeria, it is imperative to examine the tourism-growth nexus with a view to repositioning the tourism sector in Nigeria in this period of economic recovery.

Conceptual Clarifications

Concept of Tourism: The concept of tourism is variously defined; for instance, Gilbert (1990) defined tourism as a form of recreation which involves travel to a less familiar destination or community for a short-term period, in order to satisfy a consumer's need for one or a combination of activities. The United Nation World Tourism Organization (UNWTO) (2015) defined tourism as the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited. In this study, the definition of the UNWTO is considered as the operational definition.

Tourism is determined by a number of factors; Proenca & Soukiazis (2005) identified income as a major determinant of tourism. They assert that the demand for and length of stay are directly related to income of potential traveler and inversely related to the domestic cost of living.

Exchange rate is another factor that determines the demand for tourism. It is the price of tourism generating countries currency in relation to the currency of the inbound country. Tourism demand depends on its own price (cost of journey), price of alternative goods-services as well as the general price level of the domestic market. Proenca and Soukiazis (2005) explained that increase in domestic prices of the destination country influenced by exchange rate tend to discourage tourist to move to such destination and can relocate to a cheaper competing places.

Investment climate in the destination country is also an influential factor of tourist attraction in such destination. Tekin (2015) identified empirically that political and economic instability in the destination country adversely affect tourism in such destination. Dwyer and Kim (2003) identified trade openness, relative prices, and consumer prices as important factors explaining tourism demand in a destination.

Concept of Economic Growth: According to Jhingan (2003), economic growth is the quantitative sustained increase in the country's per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade. Milton (1980) conceptualized economic growth to be the rate of increase in an economy's full employment, real output or income over time.

Growth could be classified as actual or potential. The actual growth is what an economy is able to produce using it productive resource at a given period of time; while the potential growth has to do with what an economy could have produce if the available resources are optimally utilized.

Scholars have identified factors such as capital, investment, education, research and development, government policies, economic openness, foreign direct investments, strong institutions among others as the determinants of economic growth (see Eliot, 2014, Hermes & Lensink, 2000, Fischer, 1993, Mankiv, 1992).

The Economic Recovery and Growth Plan (ERGP): The philosophy behind the ERGP is that previous economic policies left the Nigerian economy ill-prepared for the recent collapse of crude oil prices and production. It is against this backdrop that the Buhari-led administration in the quest to diversify the Nigerian economy that launched the Economic Recovery and Growth plan (ERGP), it is a medium term plan for 2017-2020 which has been developed for the purposes of restoring economic growth while leveraging the ingenuity and resilience of the Nigerian people.

The broad objectives of the plan are:

1. Restoring Growth: To restore growth, the plan focuses on achieving macroeconomic stability and economic diversification. Macroeconomic stability will be achieved by undertaking fiscal stimulus, ensuring monetary stability and improving the external balance of trade. Similarly, to achieve economic diversification, the policy will focus on the key sectors driving and enabling economic growth with particular focus on agriculture, energy, MSME led growth industry, manufacturing and key services such as tourism by leveraging science and technology. The aim is to restore growth in the short-term and create jobs and bring structural change.
2. Investing in people: The plan aims at achieving inclusive growth by creating opportunities and providing support to the vulnerable. The ERGP will invest in the Nigerian people by increasing social inclusion, creating jobs and improving the human capital base of the economy.
3. Building a globally competitive economy: The ERGP aims to tackle the obstacles hindering the competitiveness of Nigerian businesses, notably poor or non-existent infrastructural facilities and difficult business environment. It will increase competitiveness by investing in infrastructure and improving the business environment.

Given that the policy direction of the ERGP is in tune with the Sustainable Development Goals (SDGs), which tourism is explicitly emphasized in goals 8, 12, and 14 of SDGs for its capacity to foster economic growth, create jobs, promote sustainable consumption and production and advance conservative and sustainable development; the

Nigerian economy given the tourism potentials it has, can simply leverage on these potentials to achieve the ERGP.

Tourism Potentials of the Nigerian Economy

Nigeria has a land mass of about 365,000 square miles and is a country of magnificent arts, crafts, sports, parks, museums, cultural and historical heritages, good tropical whether, lush vegetation, variety of wildlife, tribes and ethnicities among others which are critical factors for developing rural and urban tourism (Ogunberu, 2011). With these tourism potentials, the most populated country in Africa, Nigeria has become untapped tourist paradise with long stretches of exotic beaches, lush mountains, well preserved tradition and culture and enchanting tourist attractions.

The table below shows the top 30 tourist attractions and their locations in Nigeria.

Table 1: The top 30 Tourist attractions and their locations in Nigeria

Tourist Attraction	Location
1. The Ibeno Beach	Ibeno, Akwa Ibom State
2. Obudu Mountain Resort	Obudu, Cross River State
3. Ngwo Pine Forest	Ngwo, Enugu State
4. Awhum Waterfall	Awhum, Enugu State
5. Arochukwu Long juju slave route	Abia State
6. The Giant Footprint of Ukhuse oke	Owan, Edo State
7. Port Harcourt Tourist Beach	Port Harcourt, River State
8. Gashaki-Gumpti National park	Gashaki-Gumpti, Taraba State
9. Alok Ikom Monoliths	Ikom, Cross River State
10. Isaac Boro Garden Park	Port Harcourt, River State
11. The Tinapa free zone and resort	Calabar, Cross River State
12. Osun-Osogbo Grove	Oshogbo, Osun State
13. The Emotan Statue	Benin, Edo State
14. The Royal palace of Oba of Benin	Benin, Edo State
15. Sukur cultural landscape	Madageli, Adamawa State
16. Queen Amina’s wall	Zaria, Kaduna State
17. Surame cultural landscape	Surame, Sokoto State
18. Oban Hills	Cross River State
19. Oke-Idanre Hills	Oke-Idanre, Ondo State
20. Ogbnike Caves	Enugu State
21. Ancient Kano city walls	Kano, Kano State
22. Coconut Beach	Badagry, Lagos State
23. Bar Beach	Victoria Island, Lagos
24. Millennium Park	Maitama, Abuja
25. Nana living history museum	Wari, Delta State
26. The Ancient Nok settlement	Jaba, Kaduna State
27. New Afrika Shrine	Ikeja, Lagos State
28. Abuja Arts and crafts village	Abuja
29. Kainji National Park	Niger State
30. Yankari National park	Bauchi State

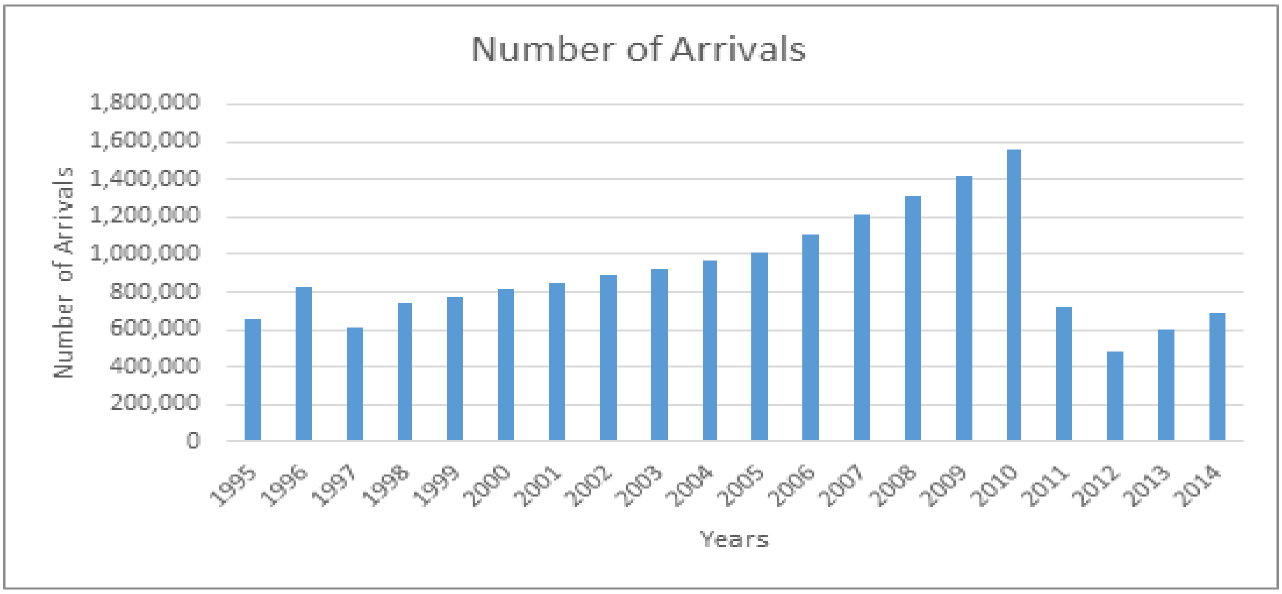
Source: Ministry of Information, Culture and Tourism, 2016

The above reveals that Nigeria has boundless tourist attractions across the country. These enormous tourist potentials are scattered across the states of the country. In addition to these thirty top tourist attractions, there are business tourism like seminar conferences and meetings as well as festivals that vary across regions, ethnicities and groups all year round such as Argungun fishing festivals, Akata fishing festivals and enormous tourist activities that are commonly used to showcase the Nigeria's rich cultural heritage. This rich heritage provides a range of tourism development opportunities which if properly harnessed would make the tourism sector viable in the country.

The quest to develop the tourism sector in the country, governments at various tiers have evolved policies and programs aimed at enhancing the performance of the sector in terms of contribution to GDP and employment creation.

In 2005, the federal government of Nigeria in collaboration with the United Nations World Tourism Organization (UNWTO) facilitated the Nigerian tourism development master plan. The objective was to develop sustainable tourism by capitalizing on heritage diversity as the basis for promoting domestic and international tourism.

The commencement of the implementation of the master action plan in 2006 was expected to build momentum and raise the profile of tourism in Nigeria amongst the general public, stakeholders, private sector tourism interest, federal and state government officials and potential investors. Regrettably however, eleven years after its implementation, tourism sector of the Nigerian economy has not significantly improved. The chart below shows the international inbound tourist (overnight visitors) in Nigeria from 1995 to 2014.



Source: World Tourism Organization, 2015

Figure 1: International Tourism, Number of Arrivals in Nigeria

The chart above shows the international inbound tourists (overnight visitors) in Nigeria from 1995 to 2014. These are the number of tourists who travelled to Nigeria for a period not exceeding 12 months and whose main purpose of visiting is other than an activity remunerated from within Nigeria. This indicator shows that over the past 18 years its value reached a value of 1,555,000 in 2010 and a minimum value of 486,000 in 2012. The implication of these maximum and minimum values is that after the implementation of tourism master plan in Nigeria, the tourist arrivals increased from 1,010,000 arrivals in 2005 to an all-time high of 1,555,000 and started declining in 2011 and reached the minimum value of 486,000 in 2012. This means that the master plan had not achieved its predetermined objective of promoting sustainable development of the tourism industry since the increase in the number of tourist arrivals was just short-lived.

Furthermore, international tourism receipts (% of exports) were considered from 1995 to 2014. This has to do with the share in exports and it is calculated as a ratio to exports of goods and services, which comprise all transactions between residents of a country and the rest of the world involving a change of ownership from residents to non-residents of a general merchandize, goods sent for processing and repairs, non-monetary, gold and services. The graph below shows the trend of the international tourism receipts (% of exports) in Nigeria from 1995 to 2014. The graph shows that its value over the past 19 years was 1.41% in 2002, while its lowest value was 0.13% in 2004.

Source: World Tourism Organization, 2015

Figure 2: International Tourism Receipts (% of Exports)

A cursory look at figure 2 reveals that upon the implementation of the National tourism master plan in Nigeria in 2006, international tourism receipts (% of exports) rose from 0.24% in 2005 and reached a peak of 1.35% in 2008, after which it continuously declined. This is also indicative of the fact that the tourism master plan failed to achieve its goal of promoting sustainable tourism development in Nigeria.

Again, data on international tourism receipts passenger transport items were collected. These are expenditures by international inbound visitors for all services provided in international transportation by resident's carriers. The data are in US current dollars. The chart below shows the international tourism receipts for passenger transport items in Nigeria from 1995 to 2014.

Source: World Tourism Organization, 2015

Figure 3: International Tourism Receipts for passenger transport items

As it can be seen from the above chart, upon the implementation of the tourism master plan in Nigeria, the international tourism receipts for passenger transport items increased from $25,000,000 in 2006 and reached an all-time high value of $390,000,000 in 2008, after which declined. This also supports the other indicators previously considered that the master plan of tourism has failed to achieve its predetermined mandate of promoting sustainable development of the tourism sector in Nigeria.

Theoretical and Empirical Literature

The study is anchored on tourism-led growth hypothesis and the growth-led tourism hypothesis. The tourism-led growth hypothesis suggests that there is unidirectional relationship between tourism and economic growth; and the relationship runs from tourism to economic growth. According to this hypothesis, the inbound tourism growth is one of the engines of economic growth. Therefore, the restrictions on inbound tourists may hurt the process of economic growth. However, the hypothesis of tourism-led growth is mostly found in small countries.

On the other hand, the growth-led tourism hypothesis postulates that there is a unidirectional causality between economic growth and tourism which runs from economic growth to tourism (Oh, 2015). This implies that economic growth leads to improvement in inbound tourism as such, restrictions on the international tourists have no or little adverse effects on economic growth of an economy. This line of thought presupposes that it is economic growth that drives the development of the tourism sector.

Yet, there is another school of thought that has argued that there is a feedback mechanism between tourism and economic growth; meaning that there is a bidirectional causality between tourism and economic growth. This implies that inbound tourism and economic growth jointly determine each other (Dritsakis, 2004; Durbary, 2004). The table below shows a survey of empirical studies on the nexus of tourism and economic growth.

Table 2: TOURISM GROWTH- NEXUS.

Authors	Time Coverage	Econometric methodology	Country Coverage	Causal Relationship
Multi-Country Cases:				
Lanza et al (2003)	1977-1992	Almost Ideal Demand System	13 OECD countries	Tourism → growth
Adamos & Sofranis (2005)	1981-2004	Fixed Effect Estimation	162 Countries	Tourism → growth
Skerrit &Huybers (2005)	1965-1992	Ordinary Least Squares	37 developing Countries	Tourism → growth
Neves & Paula (2008)	1982-2002	GMM and LSDV	94 countries	Tourism → growth
Po and Huang (2008)	1995-2005	Threshold Autoregressive Model	88 Countries	Tourism → growth
Lee and Chang (2008)	1992-2002	Panel Co-integration	OECD and non-OECD countries	Tourism → growth
Holzar (2010)	1970-2007	Ordinary Least Square	134 countries	Tourism → growth
Seetanah (2011)	1990-2007	GMM-Granger Causality Test	19 Island	Tourism → growth
Tiwari (2011)	1995-2008	Fixed and Random Model	China, Pakistan, Russia and India	Tourism → growth
Single Country Cases				
Balaguer & Cantavella-Jorda (2002)	1975-1997	Johansen Co-Integration	Spain	Tourism → growth
Driksakis (2004)	1960-2000	Error Correction Model	Greece	Tourism → growth
Durbarry (2004)	1952-1999	Error Correction Model	Mauritius	Tourism → growth
Narayan (2004)	1970-2000	Error Correction model	Fiji	Tourism → growth
Oh (2005)	1975-2001	Granger Causality Test	Korea	Growth → tourism
Kim et al (2006)	1956-2002	Granger Causality Test	Taiwan	Tourism → growth
Sr and Croes (2003)	1975-2000	co-integration	Aruba	Tourism → growth
Jimenez (2008)	1990-2004	Dynamic Panel Techniques	Spain and Italy	Tourism → growth
Kaplan and Celik (2008)	1963-2005	VAR Model	Turkey	Tourism → growth
Ozturk and Ali (2009)	1987-2007	ARDL	Turkey	Tourism → growth
Chen and Wei (2009)	1975-2007	EGARCH-M	Taiwan	Tourism → growth
			South-Korea	Growth → tourism
Katircioglu (2009)	1960-2005	Granger Causality Test	Cyprus	Growth → Tourism
Malik et al (2010)	1972-2007	johansen Co-integration	Pakistan	Tourism → growth
Akinboade and Braimoh (2010)	1980-2005	VAR Model	South-Africa	Tourism → growth
Brida et al (2008)	1980-2007	Johansen Co-integration	Mexico	Tourism → growth
Noor (2009)	1973-2007	Johansen Co-Integration	Pakistan	Tourism → growth
Brida et al (2010)	1987-2006	Johansen Co-integration	Mexico	Tourism → growth
Chancharat and Chancharat (2010)	1979-2006	Gregory-Hansen Test	Pakistan	Tourism → growth
Khalil et al (2010)	1960-2005	Johansen Co-integration	Pakistan	Growth → tourism
Tang (2011)	1995-2009	Error Correction Model	Malaysia	Growth → tourism
Kreishan (2011)	1970-2009	Johansen Co-integration	Jordan	Tourism → growth

Source:

From the above table, it can be seen that different countries with different levels of development have been studied using different time frames and methodologies. These studies have arrived at four different conclusions. Majority of the studies have found that tourism development leads to economic growth, and a few have shown that economic growth leads to tourism development. Others have suggested a feedback mechanism, that is, a two- way causation between tourism and economic growth. Finally, one of the studies have found no causation between economic growth and tourism development.

Of all these studies surveyed none is about Nigeria inspite of the enormous tourist potentials the country has. This is the major motivation of this study coupled with the fact that the economy is in dire need to diversify the economy away from oil as a result of the slump in oil prices that has taken a serious toll on the economy.

Methodology of the Study

Model Specification

In line with Abdul, Tahir and Muhammad (2013), the theoretical foundation of the model for this study is the Cobb-Douglas production function given as;

$$Y_t = A_t K^{\alpha} L^{1-\alpha} \text{--} 1$$

Where Y_t is real per capita GDP, A_t is factor productivity, K is capital stock, L is labour force.

However, empirical studies have linearized and expanded the Cobb-Douglas function to include other variables for analytical purposes. Thus, in this study, the Cobb-Douglas function is expanded to incorporate important determinants of economic growth such as trade openness of the economy, exchange rate, tourism, (see Abdul, Tahir and Muhammad, 2013). The functional specification of the model becomes;

$$y_t = f(K, Op, To, reer) \text{---} 2$$

Where y_t is real GDP, K is Gross Fixed Capital formation, Op is a measure of the openness of the Nigerian economy to the rest of the world. To refers to tourism arrivals in Nigeria, $reer$ is the real effective exchange rate,

In order to ascertain whether or not economic growth leads to tourism development in Nigeria, the tourism variable was endogenized and model 2 becomes;

$$To = f(y_t, K, Op, reer) ----------------------3$$

Stochastically, models 2 and 3 are expressed as follows;

$$lny_t = \alpha_0 + \alpha_1 lnK_t + \alpha_2 lnop_t + \alpha_3 lnTo_t + \alpha_4 lnreer_t + \varepsilon_{1t} -----4$$

$$lnTo_t = \beta_0 + \beta_1 lnK_t + \beta_2 lnop_t + \beta_3 lny_t + \beta_4 lnreer_t + \varepsilon_{2t} -----5$$

Where α_0 and β_0 are the constant terms for models 4 and 5, respectively. α_i and β_i, (i =1,2,3,4) are the parameter estimates for models 4 and 5, while ε_{1t} and ε_{2t} are the stochastic terms in the models.

Given that previous studies have revealed mixed conclusions about the direction of causality between economic growth and tourism, this study has employed the Autoregressive Distributed Lagged (ARDL) methodology. This model has the advantage of testing for long-run cointegration using the bounds test cointegration; also, the method estimates both the short and long run estimates within a single framework.

Following the framework of the ARDL, equations 4 and 5 can be expressed as:

$$\Delta lny_t = \alpha_0 + \sum_{i=1}^{p} \alpha_1 \Delta lny_{t-1} + \sum_{i=1}^{p} \alpha_2 \Delta lnK_{t-1} + \sum_{i=1}^{p} \alpha_3 \Delta lnop_{t-1} + \sum_{i=1}^{p} \alpha_4 \Delta lnTo_{t-1} + \sum_{i=1}^{p} \alpha_5 \Delta lnreer_{t-1} + \varphi_1 lny_{t-1} + \varphi_2 lnK_{t-1} + \varphi_3 lnop_{t-1} + \varphi_4 lnTO_{t-1} + \varphi_5 lnreer_{t-1} + \varepsilon_{1t} ------- 6$$

$$\Delta TO_t = \beta_0 + \sum_{i=1}^{p} \beta_1 \Delta lnTO_{t-1} + \sum_{i=1}^{p} \beta_2 \Delta lny_{t-1} + \sum_{i=1}^{p} \beta_3 \Delta lnK_{t-1} + \sum_{i=1}^{p} \beta_4 \Delta lnOP_{t-1} + \sum_{i=1}^{p} \beta_5 \Delta lnreer_{t-1} + \varphi_1 lnTO_{t-1} + \varphi_2 lny_{t-1} + \varphi_3 lnK_{t-1} + \varphi_4 lnop_{t-1} + \varphi_5 lnreer_{t-1} + \varepsilon_{1t} ------- 7$$

The error correction version of the ARDL model for equations 6 and 7 are presented below:

$$\Delta lny_t = \delta_0 + \sum_{i=1}^{p} \delta_1 \Delta lny_{t-1} + \sum_{i=1}^{p} \delta_2 \Delta lnK_{t-1} + \sum_{i=1}^{p} \delta_3 \Delta lnop_{t-1} + \sum_{i=1}^{p} \delta_4 \Delta lnTo_{t-1} + \sum_{i=1}^{p} \delta_5 \Delta lnreer_{t-1} \emptyset ECM_{t-1} + \mu_{1t} \ldots\ldots\ldots\ldots 8$$

$$\Delta TO_t = \beta_0 + \sum_{i=1}^{p} \beta_1 \Delta lnTO_{t-1} + \sum_{i=1}^{p} \alpha_2 \Delta lny_{t-1} + \sum_{i=1}^{p} \alpha_3 \Delta lnK_{t-1} + \sum_{i=1}^{p} \alpha_4 \Delta lnOP_{t-1} + \sum_{i=1}^{p} \alpha_5 \Delta lnreer_{t-1} + \emptyset ECM_{t-1} + \mu_{1t} \ldots\ldots\ldots\ldots 9$$

Existence of a long-run relationship among the variables is examined by Bounds test. If the calculated F statistic is higher than the upper bound critical value, I (1) for the number of explanatory variables (k), the null hypothesis will be rejected. If the F statistic is lower than the lower bound critical value I (0), null hypothesis cannot be rejected. The F statistic being between I (0) and I(1) puts forth an indecision about co-integration.

Empirical Analysis

The starting point of this analysis is the unit root testing, even though the ARDL technique does not require pre-testing for unit root properties of the series, but the essence is to avoid series that are integrated of higher order. The result is presented in the following table.

Table 3: Unit root at level and first difference of the variables

variables	ADF (null: variable has unit root)			PP (Null: variable has unitroot)		
	level	1st difference	critical values at 0.05 level	level	1st difference statistic	critical value at 0.05 level
y_t	-0.64408	-5.085439	-2.297182	1.20842	-5.63242	- 3.98745
K	-0.5313	-5.7825	-2.97183	-1.3829	-4.5632	- 2.73456
TO	5.42572	-5.1316	-3.58062	-2.82472	-4.8248	- 3.2356
OP	1.15623	-4.07095	-2.97183	-1.04281	-3.9983	- 2.45982
reer	1.89361	-3.38321	-3.5872	-2.08438	-5.6784	- 3.67582

Source: Author's Computation Using Eviews 9

From the table above, when the computed values of the ADF and PP statistics are compared with the critical values, it reveals that in both ADF and PP statistics, the values of the computed statistics at first difference are higher than the critical values. This leads to the rejection of the null hypotheses and the acceptance of the alternative hypotheses. This implies that all the variables are integrated of order one i.e. I(1), meaning that the variables have the mean reverting ability in the long-run. This then calls for a long-run test. Thus, the bounds test co-integration was conducted and the results are shown in the following table;

Table 4: Bounds Tests for the existence of long -run Relationships

	F-Statistics	5% critical Bounds	
		I(0)	I(1)
Growth-led Tourism	3.3487	3.8241	4.8367
Tourism-led Growth	8.6289	4.2827	5.2843

Source: Author's Computation Using Eviews 9

Based on the results of the Bounds test, there is no long-run relationship between economic growth and tourism development in Nigeria since the F-statistic value of 3.3487 is less than the lower bound value of 3.8241; while there is long-run relationship between tourism development and economic growth in Nigeria since the F-statistic value of 8.6289 is higher than upper bound value of 5.2843.

Given the outcomes of the bounds tests, for Growth-led Tourism model, we estimate only the short-run ARDL estimates because of the fact that there is no long-run relationship and for Tourism-led Growth model, estimate both the short and long-run ARDL estimates since there is co-integration.

Table 5 Short-Run Estimates of ARDL (1,0,2,0,1) for Growth-led Tourism

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
lnTo(-1)	0.123963	0.179864	0.689207	0.4973
lny	4.047464	3.174639	1.274047	0.3221
lnK	0.340750	0.114088	2.986780	0.0241
lnKI(-1)	0.036413	0.108539	0.335483	0.7402
lnK(-2)	0.412014	0.114797	3.589059	0.0015
lnOP	0.004206	0.002199	1.912287	0.0678
lnreer	0.001249	0.002300	0.542903	0.5922
lnreer(-1)	0.004732	0.002430	1.947208	0.0633
C	-2.097044	0.480011	-4.368739	0.0002
@TREND	0.037406	0.023509	1.591139	0.1247

R-squared	0.990574	Mean dependent var	0.960064
Adjusted R-squared	0.987039	S.D. dependent var	1.322103
S.E. of regression	0.150517	Akaike info criterion	-0.709552
Sum squared resid	0.543730	Schwarz criterion	-0.260622
Log likelihood	22.06238	Hannan-Quinn criter.	-0.556454
F-statistic	280.2317	Durbin-Watson stat	2.022886
Prob(F-statistic)	0.000000		

Source: Authors' Computation using Eviews 9.0

The short-run estimates of ARDL (1,0,2,0,1) model have shown that economic growth though has positive relationship with tourism development in Nigeria but it is statistically insignificant. This may be due to the fact that the government is not investing much to develop the tourism sector. The outcome of the result invalidates the growth-led hypothesis, implying that in Nigeria, economic growth does not lead to the development tourism. This is evident in the current ranking of Nigeria in tourism development inspite of the enormous tourist potentials of the country. The R-square value of 0.99057 means that variations in the dependent variable (tourism development) is 99.6% explained by the explanatory variables included in the model.

Diagnostic Tests for Growth-led Model

In order to validate the performance of the model, the following diagnostic tests, Ramsey RESET test, Breusch-Godfrey LM test, and Breusch-Pagan-Godfrey heteroscedasticity test were performed.

Table 6: Diagnostic Tests for Growth -led Model

Tests	Statistics	Probability values
Ramsey RESET test (F-statistic)	0.165040	0.8489
Autocorrelation (Breusch-Godfrey LM test)	1.40078	0.1517
Heteroskedasticity (Breusch-Pagan-Godfrey)	1.54399	0.1328

Source: Authors' computation using Eviews 9

All the diagnostic tests have revealed that the null hypotheses should be accepted implying that the model is free from mis-specification problem, and that the successive errors are not correlated with each and there is equal variance among the errors of the model.

For the tourism-led model, having ascertained the existence of the long-run relationship running from tourism development to economic growth, the long-run and short-run estimates were computed and results are presented in the following tables.

Table 7: Long-Run Estimates of ARDL (2,2,0,0,0)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
lnTO	3.651829	0.879814	4.150688	0.0046
lnK	0.307165	0.458540	0.669876	0.5084
lnOP	0.028658	0.038874	-0.737202	0.4671
lnreer	-0.004877	0.008697	-0.560718	0.5794
C	1.096553	1.143417	0.959014	0.3458
@TREND	0.032958	0.095279	0.345913	0.7320

Source: Authors' Computation using Eviews 9.0

The long-run coefficients of the ARDL (2,2,0,0,0) showed that tourism development has a positive and significant relationship with economic growth in the long-run in Nigeria; this means that 1% increase in tourism development will lead to 36.5% increase in economic growth in the long-run. This result lends credence to the tourism-led growth hypothesis in the long-run in Nigeria.

Table 8: Short-Run Estimates of ARDL (2,2,0,0,0) for Tourism -led Growth

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
D(lny(-1))	0.344820	0.161344	2.137173	0.0430
D(lny(-2))	0.325096	0.149336	2.176939	0.0395
D(lnTO)	0.252416	0.255050	0.989673	0.3322
D(lnTO(-1))	0.753606	0.364623	2.066809	0.0497
D(lnTO(-2))	1.068410	0.345439	3.092901	0.0050
D(lnK)	0.076860	0.020680	3.716662	0.0011
D(lnOP)	0.001433	0.000479	2.994308	0.0063
D(lnreer)	-0.000101	0.000276	-0.364914	0.7184
C	0.229606	0.064611	3.553636	0.0016
CointEq(-1)	-0.019610	0.004873	-4.024541	0.0005
R-squared	0.999140	Mean dependent var	2.718786	
Adjusted R-squared	0.998818	S.D. dependent var	0.805373	
S.E. of regression	0.027692	Akaike info criterion	-4.095393	
Sum squared resid	0.018405	Schwarz criterion	-3.646464	
Log likelihood	79.62168	Hannan-Quinn criter.	-3.942295	
F-statistic	3098.654	Durbin-Watson stat	2.369956	
Prob(F-statistic)	0.000000			

Source: Authors' Computation using Eviews 9.0

The short-run estimates of ARDL (2,2,0,0,0) have revealed that the lagged estimates of GDP have positive and significant relationship with the growth in the manufacturing GDP. This means 1% increase in GDP in the previous years will lead to 66.9% increase in the growth of the GDP in the short-run. Also, in the short-run, tourism development has positive and significant relationship with economic growth in Nigeria. This means 1% increase in tourism development will lead to 207.44% growth in economic growth in the country. The R-square value of 0.99914 means that variations in the dependent variable (economic growth) is 99.9% explained by the explanatory variables included in the model and the F-statistic value of 3098.65 with the probability value of (0.0000) shows a very robust joint effect of the explanatory variables of the model on the dependent variable (economic growth). In the short-run too, the results support the tourism-led growth hypothesis in Nigeria. The error correction term which is the speed of adjustment is correctly signed, which means if there is any deviation from equilibrium in the long-run, it will annually adjust by 2.0% to achieve convergence.

Diagnostic Tests of the Tourism-led growth model

In order to validate the performance of the model, the following diagnostic tests, Ramsey RESET test, Breusch-Godfrey LM test, and Breusch-Pagan-Godfrey heteroscedasticity test were performed.

Table 9: Diagnostic Tests of the Tourism -led growth model

Tests	Statistics	Probability values
Ramsey RESET test (F-statistic)	0.17534	0.4489
Autocorrelation (Breusch-Godfrey LM test)	1.43278	0.2617
Heteroskedasticity (Breusch-Pagan-Godfrey)	1.89399	0.4378

Source: *Authors' computation using Eviews 9*

All the diagnostic tests have revealed that the null hypotheses should be accepted implying that the model is free from mis-specification problem, and that the successive errors are not correlated with each and there is equal variance among the errors of the model.

Conclusion and Policy Implications

Based on empirical findings of this study, it means that in Nigeria tourism development can lead to economic growth both in the short and long-run. This finding support the tourism-led hypothesis. This finding corroborates the findings of Narayan (2004), Sr and Croes (2004), Oztruk and Ali (2009), Malik et al (2010), Akinboade and Braimoh (2010) and Tiwari (2011) that when tourism potentials of any economy is fully developed, it positively affects the process of economic growth both in the short and long-run.

Thus, given the vast and enormous tourist potentials of the Nigerian economy which have largely remained untapped, it is the position of this paper that the government and private individuals should expedite actions to invest in the tourism industry with a view to accelerating the process of economic growth especially now that the economic struggling to recover from the recession. The government can achieve this feat through the economic recovery and growth plan (ERGP).

Given that the policy direction of the ERGP is in tune with the Sustainable Development Goals (SDGs), which tourism is explicitly emphasized in goals 8, 12, and 14 of SDGs for its capacity to foster economic growth, create jobs, promote sustainable consumption and production and sustainable development; the Nigerian economy given the tourism potentials it has, can simply leverage on these potentials to achieve the ERGP and overcome the recession being currently faced with. This can be achieved through improvement in infrastructural facilities, political stability and security in the country.

References

Abdul, J. Tahir, M. Muhammed, I. (2003), Tourism-growth nexus in Pakistan: Evidence from ARDL Bounds Test. *Economic Modelling* 35(1) 185-191.

Abdulrahman, N., Muhammad, S. and Mohammed,Y.H. (2014). The possible impact of tourism industry on Nigerian Economy. *Review of public administration and management.* 3(5), 45-49

Adamos, A. and Sofranis, C. (2005). Prospects of limits of tourism-led growth: the international evidence, *Review of economics analysis* 3, 287-303.

Akinboade, A.O. and Braimoh, L.A. (2010). International tourism and economic development in south Africa: A Granger causality test. International journal of tourism research 12, 149-163.

Balaguer, J. and Cantevella-Jorda, M. (2002). Tourism as a long-run economic growth factor: the Spanish case. Applied economics, 34, 877-131.

Brida, J.C. Carrera, E.S. and Risso, W.A. (2008). Tourism's impact on long-run Mexican economic growth. Economics Bulletin 3, 1-10.

Brida, J.C. Lanzilotta, B. Lionetti,, B. and Risso, W.A. (2010). Tourism-led growth hypothesis for Uruguay. Tourism economics 16, 765-771.

Chen, C.F & Wei, S.Z.C (2009), Tourism expansion, Tourism uncertainty and economic growth: new evidence from Taiwan and Korea, Tourism management 30,812-818.

Dritsakis, N. (2004). Tourism as a long-run economic growth factor: An empirical investigation for Greece using Causality analysis. Tourism Economics 10, 305-316.

Durbarry, R. (2004). Tourism and economic growth: The case of Mauritus. Tourism economics 10, 389-401.

Dwyer, L. and Kim, C. (2003). Destination Competitiveness: A model and determinants. Journal of Travel Research, 33(1), 12-23.

Holzar, M. (2010), Tourism and Economic Development: The Dutch Disease. Tourism Management 32, 522-533

Jimenez, I.C. (2008), Which type of tourism matters to the regional economic growth? The Case of Spain and Italy. International Journals of tourism Research 10, 127-139.

Kaiser, C. and Helber, L.E.(1978). Tourism planning and development. Retrieved at http://www.abebooks.com/9780843621693.

Kaplan, M. and Celik, T, (2000). The impact of Tourism on Economic Performance: The case of Turkey. International Journal of Applied Economics & Finance 2, 13-18

Katrircioghu, S. (2009). Tourism Trade, and growth: The case of Cyprus. Applied Economics 41, 2741-2751.

Kim, H.J, Chen, M.H. & Jang, S. (2006), Tourism expansion and economic development: The case of Taiwan. Tourism management 27, 925-933.

Krishan, F.M. (2011). Time series evidence for tourism-led growth hypothesis: A Case of Jordan. International Management Reviews 7, 89-93.

Lanza, A, Tenplee, P. and Urgad. C, (2003), The implication of tourism specialization in the long-run: An Econometric analysis for 13 OECD economies. Tourism management 24, 315-321.

Lee, C.C. and Chang, C. (2008). Tourism development and economic growth: A closer look at panels. Tourism management 29, 180-192.

Malik, S, Chandhry, L.S, Sheikh, M.R, & Sharif, F. (2010), Tourism, Economic growth and current account deficit in Pakistan: Evidence from co-integration and Causal analysis. European Journal of Economic, Finance and Administrative Sciences 22, 21-31.

Mejabi, I.E. and Abutu, G.N. (2015). Nigeria's Tourism: Acatalyst for Sustainable national Development. International Journal of Public Administration and Management Research (IJPAMR), 3(1), 37-47.

Milton, F. (1980). A Theoretical Framework of monetary analysis. Journal of monetary issues, 1(2), 243-249.

Narayan, P. (2004), Economic impact of tourism on fiji's economy. Empirical evidence from computable general Equilibrium model. Tourism economics 10. 419-433

Neves, S.T and Paula, M.N. (2008), Does Tourism influence economic Growth? A Dynamic Panel data approach. Applied Economics 40, 2431-2441.

Noor, A. (2009), Economic Analysis of Tourism sector in Pakistan. (Mhil Dissertation) school of Economics, Quaid-i-Azam University, Islamalad, Pakistan.

Oh, C.O. (2005). The contribution of tourism development to economic growth in Korean Economy. Tourism Management, 26(1), 39-44.

Ozturk, I. & Ali, A.(2009). On the causality between tourism and economic growth: Empirical evidence from Turkey. Transylvanian Review of administrative Sciences 25, 73-81.

Po, W.C, & Huang, B.N (2005), Tourism Development and Economic growth- a non-linear approach. Physical and Statistical Mechanics and its Applications 287, 5535-5542.

Proenca, S.A. and Soukiazis, E. (2005). Demand for Tourism in Portugal: A panel Data Approach. A Discussion paper Febrauary, 2005, No.29.

Seetanah, B. (2011). Assessing the Dynamic economic impact of tourism for Island Economies. Annuals of Tourism Research 38, 291-308.

Skerrit, D. and Huybers, T. (2005), The Effect of international tourism on economic development: An Empirical analysis. Asia Pacific Journal of Tourism Research 10, 23-43.

Tang, C.F (2011) Is the tourism-led growth hypothesis valid for Malaysia? A View from disaggregated tourism markets, International Journal of Tourism Research 13, 97-101

Tekin, E. (2015). The impact of political and economic uncertainities on tourism industry in Turkey. Mediterranean Journal of Social sciences, 6(2), 56-64.

Tiwari, A.K. (2011), Tourism, exports and FDI as a measure of Economic growth: Evidence from Asian Countries: The Rumanian Economic Journal 40, 131-151

Stylised Facts on Nigerian Economy: Public Capital Expenditure, Economic Growth and Unemployment (1970-2015)

Okpachu Emmanuel, Ph.D.
Centre for Management Development
Email: okpachu@yahoomail.com

pp 332 - 339

Abstract

This study examined impacts of public capital expenditure on economic growth and unemployment reduction. The study made use of content and percentage analytical techniques. Graphical charts were used to depict trends of public capital expenditure, economic growth and unemployment in deferent eras for visual evaluation. The finding shows that large public capital expenditure had marginal effects on economic growth and unemployment reduction. Based on this salient fact, the study recommends that future public capital expenditure should be geared towards capital formation sectors to crowd in private investment for the purpose of reducing unemployment and accelerating economic growth.

Keywords: Public Capital Expenditure, Economic Growth and Unemployment

Introduction

In Nigeria, problems of unemployment and slow rate of economic growth have been of great concern to policy makers and economists since early 1970s. In this regard, the twin- macroeconomic objectives of economic development plans and macroeconomic management before and after the Structural Adjustment Progamme (SAP) in Nigeria were rapid economic growth and reduction of unemployment for socio- economic development. Public capital expenditure was a major tool for attainment of these two macroeconomic objectives.

The three consecutive development plans between 1970 and 1985 namely the Second National Development Plan (1970-4), the Third National Development Plan (1975-80) and the Fourth National Development Plan(1980-5) had rapid economic growth and unemployment reduction as foremost objectives .In spite of these three consecutive development plans, unemployment continues to rise beyond natural rate of unemployment level. More so, according to Asiwaju et' al (2014) the Structural Adjustment Programme (SAP) adopted in 1986 complicated unemployment problem in Nigeria. Despite the fact one of the core macroeconomic objectives of the structural adjustment programme was to stimulate employment opportunities in the private sector of the economy thereby removing public sector as a prime provider of employment.

Theoretically, the role of public capital expenditure in economic growth and unemployment management continues to reverberate in economic management thinking and discourse. This often brings in paradigm shift in the position of capital expenditure in economic planning and macroeconomic management. This is because the crux of the matter on issues surrounding the role of public capital expenditure borders on optimal allocation of resources between public and private sectors on the one hand and on the other hand investment of scarce resources which is capable of entrenching competiveness and long term stabilisation. According to Barro and Sala-i- Martin (2007), economic resources, particularly capital are not only scarce but have alternative uses with tremendous capability to yield different results at different circumstances in relation to growth, unemployment and economic stability. More so, Gwartney et'al (2003) stated that the role of capital expenditure deals with underlying assumptions that are capable of providing economic principles for rationing societal scarce resources between public and private sectors investments for structural change. In this regard, the role of capital expenditure in economic growth becomes more complex and complicated than ordinary budgetary matter when issue of economic growth and unemployment is conjoined in public capital expenditure policy for building a just and egalitarian society.

Pertinent questions that arise from the above role of public capital expenditure in Nigerian economy were:

(i) To what extend public capital expenditure had impact on economic growth in Nigeria?

(ii) To what extend public capital expenditure had impact on unemployment reduction in Nigeria?

(iii) To what extent public capital expenditure impacted on structural change in the Nigerian economy?

It is against this background this study sought to bring out salient empirical facts on impacts of public capital expenditure on economic growth, unemployment reduction and structural change in Nigerian economy. The study is divided into five sections. Section one introduces the subject matter, problem of economic growth, unemployment and the role of public capital expenditure. The second section describes how both qualitative and quantitative techniques were employed in the study. Section three brings out empirical facts on public capital expenditure, economic growth and unemployment in Nigeria. Section four discusses the structural change envisaged and outcome through the use of public capital expenditure. Finally, section five articulates the summary of findings and conclusion

Methodology of the Study

This study employed both qualitative and quantitative techniques in exploring and examining impacts of public capital expenditure on economic growth, unemployment and structural change in Nigerian economy: 1970- 2015. Content analysis was used to explore the three consecutive development plans between 1970 and 1985 namely the Second National Development Plan (1970-4), the Third National Development Plan (1975-80) and the Fourth National Development Plan (1980-5). Similarly, content analysis was employed to examine public documents on Structural Adjustment Programmes (SAP) and National Economic Empowerment Development Strategy (NEED).

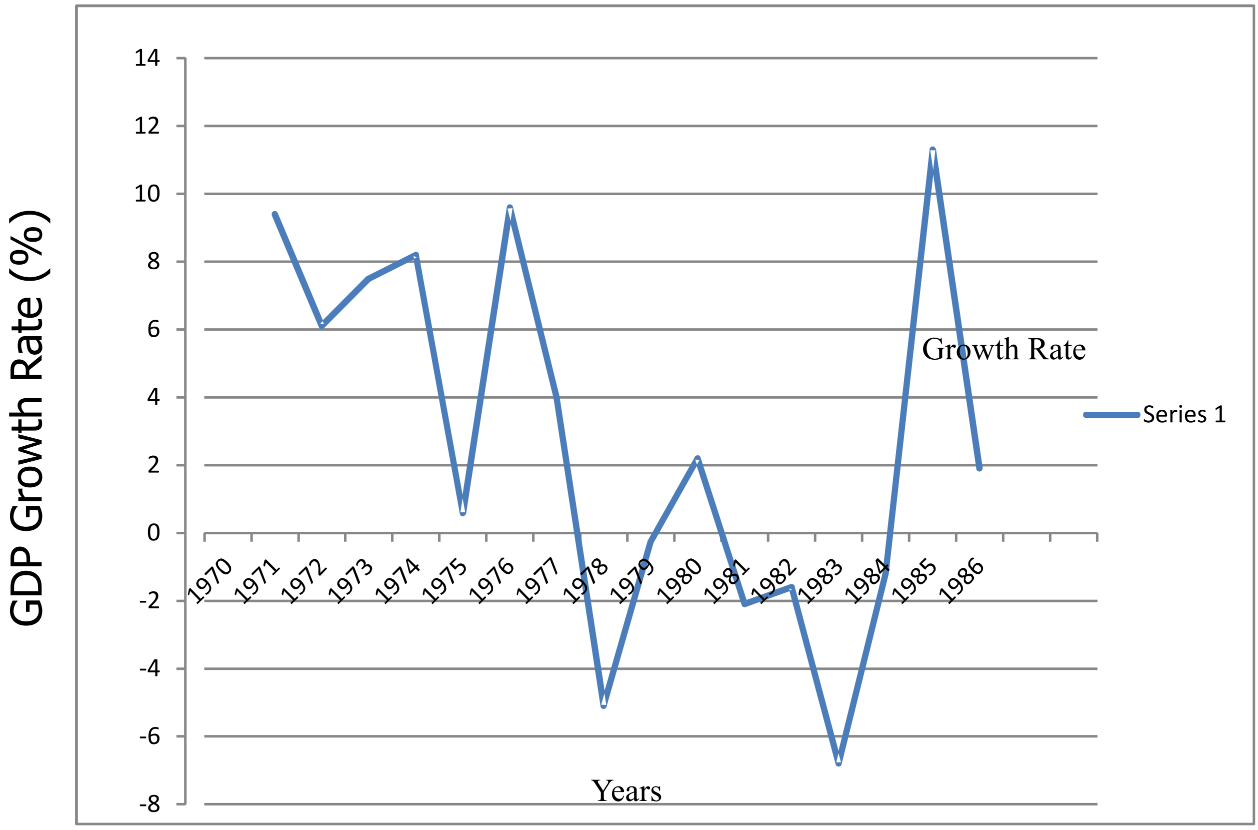
The study also applied quantitative techniques by using descriptive statistics in forms of per centage, and various charts to analyse and describe trends of public capital expenditure, economic growth an unemployment between 1970 and 2015.In general, multiple sources of secondary data guided by economics and historical research methodologies were carefully and meticulously utilised in this study. The sources include National Bureau of Statistics, Bullion, publication of Central Bank of Nigeria, Public documents on National Development Plans and Economic Empowerment Development Strategy.

Empirical Evidence: Economic Growth, Unemployment and Public Capital Expenditure

Economic Growth

According to Iwayemi (2006), in the 1970s, the Nigerian economy grew at 6.3 per cent with impressive growth consumption, investment and industrial output. In another dimension, Ekeocha (2007) maintained that there was substantial expansion in key macroeconomic indicators but there was little or no achievements in terms of establishing a strong foundation for sustainable growth and employment generation as subsequent decades revealed. The table below shows trend in GDP rate between 1970 and 1985.The growth trend is not only unsustainable but exhibits volatility and negative growth rate. The highest growth rate was 11.3 per cent in 1985, while the lowest was1983 with a negative growth of -6.8 percent. The line graph below depicts trend of real GDP growth rate during the planned period (1970-1986).

Figure 1.1: Line Graph of GDP Growth Rate from 1970-86



***Source**: Plotted by the author using data from the National Bureau of Statistics*

***Source**: Plotted by the author using data from the National Bureau of Statistics*

Unemployment

As regard to unemployment, one of the major objectives of the development plans in Nigeria was unemployment reduction. This is because, according to Onwioduokit (2006) unemployment was seen as the major cause of poverty and inequality in Nigeria, and therefore the three consecutive development plans aimed at addressing these problems through reduction of unemployment. Between 1960 and 1970, Nigeria exhibited unemployment rate similar to or even less than the industrialised economies. Unemployment among the educated was not a serious macroeconomic problem. Thus, the first national development plan (1962-1968) after independence 1960) did not treat unemployment as a serious national problem. It merely indicated the need to grow the economy as rapid as possible and to expand educational institutions and health facilities. In this regard, in the 1960s, the emphasis of employment policies was that of shifting surplus labour from the agricultural sector to the manufacturing sector. This is because prior to oil boom in 1970s, the Nigeria economy was agrarian and over 70percent of the working population was engaged in agriculture activities in the rural areas. The policy of shifting labour from agriculture to modern sector was in line with the dual sector and labour surplus theory. It was also consistent with structural development theory.

The interruption of the first national development plan (1962-68) by the political crisis of the 1960s and particularly the civil war (1967-70) offered opportunity for setting new goals and objectives for the second national development plan (1970-74). The overall goal of the second development plan according to Oloni (2013) was to reconstruct the war battered economy and to promote economic and social development. To these effects, reduction of unemployment was one of the cardinal objectives of the second national development plan (1970-4). As a result of the civil war (1967-1970) there was disruption of economic activities and consequently the problem of unemployment emerged at macro level. This could be easily inferred from the fourth objectives as expressed in the second national development plan (1970-1974):

(a) increased production of food for domestic consumption;
(b) a drastic reduction in the magnitude of the unemployment problem;
(c) increased in the diversification of the economy;
(d) more equitable distribution of income among persons;
(e) Maintenance of reasonable measure of stability through the use of appropriate instruments of policy.

Examining the above objectives of the second development plan (1970-74) a high economic growth rate, rapid industrialisation, expansion of food production, diversification of the economy, equitable distribution of income, maintenance of price stability were all complementary to the objective of reducing the magnitude of unemployment. Thus, the second national development plans (1970-4) overwhelming embraced unemployment reduction as a cardinal objective. Interestingly, there was no conflicting objective exception of the objective of maintaining reasonable price stability. Theoretically, maintaining price stability through fiscal policy could conflict with the objective of reducing the magnitude of unemployment within the range of Philip Curve on the short run. This is a subject of debate in economic thinking and discourse.

Also, according to Ogunrinola and Osahbuohien (2010), it was true that the second National Development Plan (1970-4) considered the problem of unemployment. However, all it did in that respect was simply to work out the employment implications of investment programme positively towards the creation of employment. The second national development (1970-4) did not comprehensively articulate and specify labour intensive sectors to realise the objective of magnitude reduction of unemployment. Nigeria labour market both the traditional and modern sector was characterised by high rate of underemployment and unemployment. This is in spite of the fact that reduction of unemployment remained one of the outstanding goals of the three consecutive economic development plans between 1970 and 1985.

Again, further examination of the objectives of the third national development plan (1975-80) revealed that they were similar to that of the second national development (1970-4). Reduction of unemployment remained one of the cardinal objectives with other objectives complementing it. It is pertinent to mention here that according to Sodipe and Ogunrinola (2011) the Third National Development plan (1975- I980) contained the following manpower policy statement. "the expansion of employment opportunities through the implementation of employment oriented programmes and the removal of constraints on the growth of employment in various sectors of the economy;
provision of industrial attachment programmes, occupational guidance and similar schemes which are aimed at bridging the gap between training and the world of work; strengthening of exiting educational and training facilities and establishment of additional ones in identified areas of need.

Similarly, a curious look at the fourth national development plan revealed similar result (1980-5). According to Fajingbesi (2009) the fourth national development plan was intended to continue the process of creating solid foundation for the long- term

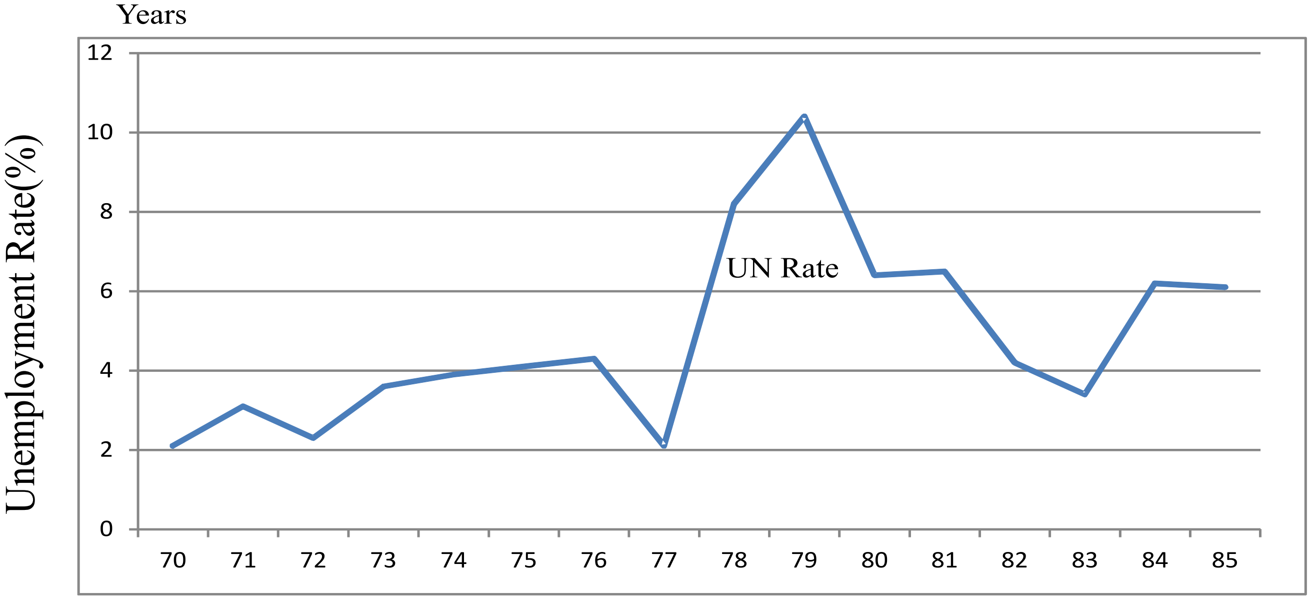
economic and social development. This could be inferred from specific objectives of the fourth national development plan (1980- 1985) were:
(a) increase in the real income of the average citizen;
(b) more even distribution of income among individuals and socio –economic groups;
(c) reduction in the level of unemployment;
(d increase in the supply of skilled manpower;
(e) balanced development i.e achievement of balance in the development different sectors and various geographic areas;
(f) increased participation by citizens in the ownership and management of the productive enterprises;
(g) greater reliance on internal resources;
(h) development of technology and increased productivity;
(i) promotion of a new national orientation conducive to greater discipline, better to work and cleaner environment. As may be observed, the objectives of the fourth national development plan (1980-5) were similar to the second and third national development plans.

In examining the development plans in Nigeria, Iwayemi (2006) maintained that the two developmental goals of growing the economy and eliminating large –scale unemployment, which are long term in nature, raised a host of important policy design and implementation questions not only for the federal government, but also for state and local government, the civil society and international development agencies. The way these questions were addressed determined the timescale for achieving these key development goals. In this regard, Oni (2006) concluded that the economic growth in the post-Independence Nigeria had not only be vulnerable, but had not been commensurate with the requirements of rapid poverty reduction and employment regeneration needed to absorb the rising numbers of unemployed. To his point, Iwayemi (2013) maintained that it was the inappropriateness application of the dual economy and labour surplus theory to Nigerian experience that led to high rate of unemployment in both urban and rural areas. The assumption of surplus labour particularly in Nigerian agriculture had little empirical validity.

According to Arewa and Nwakakahma (2013) the link between unemployment and several macroeconomic variables in Nigeria are not only disconnected but absurd". This is testified by the shift in the composition of unemployment in Nigeria since 2000. It has also revealed the inadequacies of the received theory of dual economy and surplus labour towards explaining the unemployment phenomenon in the country.

Similarly, Asiwaju et al (2014) revealed that corruption in both public and private and at the individual levels, industrial decay, and neglect of the agricultural sector are among many others factors responsible for the scourge in unemployment. It was also revealed that widespread poverty, youth restiveness, high rate of social vices and criminal activities are prevalent because of joblessness, and if not controlled, apathy, cynicism and revolution might become the consequent.

Figure :1.2 Unemployment Rate During the Planned Period (1970- 1985)



Source: Plotted by the author using data from the National Bureauof Statistics

Public Capital Expenditure

On public capital expenditure, between 1970 and1974 and within the provisions of the Second National Development Plan, a total capital expenditure programme of about N4.9 Billion was to be undertaken. Out of this according to Ayo (1988) the proposed public sector investment was N3.3 Billion while the private sector was expected to make investment of N1.6 Billion. By this projection, the overall economy was expected to grow at an average of 6.3% per annum in the planned period. However, the actual growth in terms of gross domestic product was from N9.44 Billion in 1970/71 to N14,410 billion in 1974/5. This represented annual growth rate of 11%. It was quite impressive performance.

Based on the impressive performance of the Second National Development Plan and emerged favourable conditions of sharp increase in crude oil price and quantity demanded in the international oil market, the Third National Development Plan (1975-80) had a huge investment plan of N43.3billion. According to Ayo (1988) "by march 1975, the country's oil production was at a record level of 2.3 million barrel a day while the oil price was stood at $14.69 per barrel haven risen from $3.56 in 1973". Given the above two optimistic scenarios, the overall objective of the Third National Development Plan was to utilised the proceeds from oil to develop the productive capacity of the economy and improve the living standard of the people. However, this was not attained as a result of the world economic depression which led to fall in oil price at international market. Consequently, there was a review of the Third National Development Plan. On the whole, the GDP grew from a level of N27.4 billion in 1975/76 to N35.2 billion in 1979/80. This represented annual growth rate of 6.5% as compared to the projected target of 9.5%.

The Fourth National Development Plan which was launched in 1981 during democratic era was aimed that long term economic and social development. It had capital investment of N82.2 billion that was expected to generate an average annual growth rate of 7.2%.Out of the N82.2 billion capital investment, N70.5billion was to come from public sector. The private sector was to generate N11.7 billion. As soon as the plan was launched in 1981, the international price declined from $40 to $30 per barrel. The level of production also fell down from 2.1 million barrel per to 1million barrel per day. The plan was therefore reviewed in 1984 as a result of the fall in oil price in international market. In term of performance, the expected annual growth rate was 7.2% but the actual performance during the period was only 3%.

Still on public capital expenditure, average annual public capital per cent of total expenditure from 1970 – 1985 which covered the three development plan was 37.6%.The annual average recurrent expenditure per cent of total expenditure during the period was 62.4%. The annual average capital of the planned period (1970-86) was 4199.53.

Structural Changes

In terms of structural change, the agricultural sector was marginalised as attention was shifted to industrial sector through import substitution development strategy. According to Sodipe and Ogunrinola (2011) the structural shift from agriculture sector to industrial sector had not resulted in any significant and sustainable economic growth and development. The wind falls of oil in 1970s swung the economy from agriculture to waste - spending in public sector. The import substitution industrialisation strategy funded by inflow of large amount of foreign exchange from the oil boom put the public sector at commanding height of the Nigerian economy. Thus, rural -urban dichotomy increased as result of the effort of the government on industrialisation and urbanisation. This was evidenced through the movement of labour force from rural area to urban area. According to Oloni (2013) the labour –intensive and dominant agricultural sector did not only decline due to rural-urban drift, but the drift also led to significant productivity decline in the agricultural sector "This development is in contrast to the assumption of presence of zero marginal product in agricultural sector as postulated by Lewis theory of Dual economy and Surplus labour.

Post Structural Adjustment period (SAP) :1986 - 2015

However, in the 1980 there was poor performance in contrast to the impressive performance in terms of economic growth in 1970s According to Iwayemi (2006), in1980s the economy collapsed to -0.3 per cent per annum. Although there was recovery up to 4.2 per cent annual growth in the 1990s. The taking 1980s and 1990s together, the performance of the economy in terms of economic growth was not impressive. Kareem (2006) explained that the short lived nature of the striking macroeconomic performance of 1970s was derived from mainly the combination of oil –induced microeconomic distortions, macroeconomic imbalances, policy and institutional failure and adverse effects of volatile international oil market development. The Spill over effects of the sudden fall in international oil also affected the external debt obligations. All these resulted to the reversal in economic growth performance and the subsequent introduction of Structural Adjustment Programme in1986 to address the problems of internal and external imbalances. The consequence of poor structural change from agricultural economy between 1970 and 2015 was more worrisome as the trend in real per capital is considered. According to Oni (2006), the average living standard of Nigerians as measured by the level of per capital income was only$300 in the late 1990s. However, for the much of the 1990s the real per capital income growth was negative.

Summary of Findings and Conclusion

This study examined the impacts of public capital expenditure on economic growth, unemployment reduction and structural change between 1970 and 2015. Accelerating growth and reduction of unemployment had been the twin -major objectives of economic development plans. Similarly, the Structural Adjustment Programme introduced in 1986 had sustainable economic growth and employment generation as its core objectives. Despite all these, Nigerian economy continues to witness unsustainable economic growth and rising unemployment. It is against this background this study examined impacts of public capital expenditure on economic growth, unemployment reduction and structural change. The major findings deduced from the empirical facts were:

(i) Public capital Expenditure had marginal impact on economic growth in Nigeria
(ii) Public capital had marginal impact on unemployment reduction
(iii) Public capital expenditure had not brought structural change in Nigeria from agrarian to industrial economy.

In concluding, based on the above findings from the empirical facts, the use of public capital could be effective in accelerating economic growth, reducing unemployment in Nigeria but not sufficient enough in bringing structural change from agrarian to industrial economy. Based on these salient facts, the study recommends that future public capital expenditure should be geared towards capital formation sectors to crowd in private investment for the purpose of reducing unemployment, accelerating economic growth and structural change.

References

Adebayo,A.A.and J.O. Ogunirola , (2006) " Contemporary Dimensions of Unemployment Problem" In Employment Generation in Nigeria: NES Annual Conference of 2006.

Arewa A. and Nwakahma(2013),"Macroeconomic Variables and the Dynamic Effects of Public Expenditure":Journal of Knowledge Management, Economics and Information Technology. Vol.III, Issue 6,

Asiwaju, K., S. Arome&S.F. Anyio (2014)."*The rising rate of unemployment in Nigeria: the socio-economic and political implications*." In Global Business and Economics Research Journal, 3(2): 12-32

Ayo, E.J. (1988), Development Planning in Nigeria, University Arosanyin, G.T, T. O. Adekule& G.M. Oyeyemi. (2011). Employment generation and earning in the informal sector in Nigeria. Journal of International Business and Management. VOL. 2, No. 2.

Barro, R. J.and Sala-i-Martin (2007) Economics Growth, Prentice Hall of india Private Limited: New Delhi

Ekeocha C.P. (2007) "Macroeconomic Stabilisation Policies" Nigeria In *Development inTime Perspective:* Past,Present and Future. The 2007 NES Annual Conference

Fajingbesi, A.A. (2009), "Potential Sources of Development Resources for Nigeria", in Mobilization and Management for Development. Ibadan NCEMA.

Fagingbesi A.A. and Odusola A.F. (1999), "Public Expenditure and Growth" in Oluranti S.K., Jalilian H. and HileyM., ends Fiscal Policy Planning and Management inNigeria Ibandan : NECEMA

Gwartney, J. D. and et 'al, (2003). Public and Private Choice. Austtralia: Thomso, South- Western

Iwayemi. A. (2013). Youth unemployment in Nigeria - challenges and way forward.Paper presented at the world Bank Regional workshop on youth employment.

Abuja Iwayemi A. (2006). "Modelling the NigerianEconomy for Growth and Employment " *In Employment Generation in Nigeria*, NES 2006 Annual Conference. The Nigeria Economic Society: Ibadan.

Kareem, O. I. (2006). Globalisation and Employment in Developing Countries. In NSE, Employment Generation in Nigeria: Selected Papers for the 2006 Annual Conference (pp.

341-357). Ibadan: Nigerian Economic Society

Keynes, J.M. (1936). General Theory of Employment, Interest and Money. Macmiliam Cambridge University Press; Royal Economics Society NISER. (2005). Unemployment in Nigeria: A Situational Analysis. Nigerian Institute of Social and Economic Research Occasional Paper

Oloni,. E. F, (2013) "The Impact of Economic Growth on Employment in Nigeria" International Business and Management. Vol.6, No.1,2013, pp 113-119

Okoroafor, O.K.D. (2010) "Money, Inflation and Economic Growth in Nigeria" in Nigeria' Macro economics Development : Issues and Challenges.

Ed J.A Adam and S.A.J. Obansa; Richard and Partners: Gwagwalada- Abuja

Onwioduokit ,E.A. (2006) "Character of Unemployment in Nigeria and its links with the Macro economy." *In Employment Generation in Nigeria*, NES 2006 Annual Conference. The Nigeria Economic Society: Ibadan.

Oni, B. (2006). Employment Generation: Theoretical and Empirical Issues. In NSE, Employment Generation in Nigeria: Selected Papers for the 2006 Annual Conference (pp. 11-30). Ibadan: Nigerian Economic Society

Oni, A.A. and A.M.Ozemkoka (2014) "Impact *of Public Expenditure on the growth of Nigerian Economy"In European Scientific Journal 2014 Edition. Vol 28 ISSN 18857-7881*

Sodipe O.A. and O.I. Ogunrinola (2011) "Employment and Growth Nexus in Nigeria "*International Journal OF Business and Social Science.* Voll 2, No. 11, Special Issue. June 2011.

Monetary Policy and Macroeconomic Determinants of Interest Rate Spread in Nigeria

Tyona Timothy[1]**,**
Ucherwuhe Samuel I[2]**,**
Awuzie Ijeoma.[3]

[1]Department of Accounting and Finance,
University of Agriculture Makurdi,
Benue State
tersoo2008@gmail.com.

[2]&[3]Department of Business Administration,
University of Agriculture, Makurdi,
Benue State

pp 340 - 344

Abstract

The study examined the impact of monetary policy and selected macroeconomic factors on the interest rate spread in Nigeria from1986-2015 using secondary data. The study conducted the Johares cointegration test for the analysis of the long run relationship among the variables. Though most of the variables conform to a period expectation, the study recommends among others, a reduction in the CRR to enable banks shore up on rate spreads.

Key words: Monetary Policy, Macroeconomic Determinants, Interest Rate

1. Introduction

The interest rate spread is referred to as the difference between the interest rate charged to borrowers and the rate paid to depositors. In other words, it could be seen as the difference between the bank lending rate the bank deposit rate.

The benefit of a liberalized financial sector is expected to be the narrowing of the interest rate spread Beck &Hesse (2009). If the interest rate spread is high, it may somehow discourage, would be savers, thereby having a negative input or saving as ultimately, investment which will in the long run reduce the level of economic activities.

This study differs from previous ones in that, it looks specifically on the effect of monetary policy and macroeconomic variables that effect or determine the interest rate spread, It excludes other factors like bank specific and industry specific determinants. The main objective of this study therefore, is to investigate the effects of the variables it the determination of interest rate spread in Nigeria from 1986-2015; the period which coincides with the full liberalization of the financial sector.

2.0 Literature Review

Conceptual Clarifications

The following concepts are clarified as they relate to this work in brief.

Interest Rate Spread

Interest rate spread is the difference between deposit and lending rates charged by deposit money banks (DMB). It is given by expressed as: interest rate spread = Deposit Rate – Lending Rates.

Monetary Policy.

Monetary policy is seen as any action taken by the monetary authorizes to influence the cost, volume and availability of normal stock within an economy at any point in time.

Interest Rate

Interest rate can be defined as the price of money, i.e the amount of money paid for borrowing expressed as a percentage. Interest rates are not however, uniformly charged, there values depends on tenor or maturity which is the time taken for repayment.

Theories of Interest Rate

Keynesian Liquidity Preference Theory

This theory is regarded by most economists as a stock theory. According to the theory, interest rate is determined by the demand for and the supply of money. It established the fact that interest rate is not a seal occurrence but an absolute monetary concept. Keynes believed also that issue of interest rates in determine mostly in the short run.

The Loanable Funds Theory

As opposed to the Keynesian theory the concept seen interest determined by which comes from the saving of economic agent like firms and the government.

Empirical Review

Using macroeconomic variables, Brock and Franker (2000), examined interest rate spread in Latin America and concluded that monetary policy variables defers depending on whether the spread are computed from balance sheets or from disaggregated loan and deposit data. Using multiple regression and Pearson correlation Beck and Hesse (2007), examined the determinants of interest rate spread in Uganda and concluded that such factors like GDP, Exchange Rate, liquidity and the policy rate had significant positive effect or IRS in Ghana. Using secondary data from 1986-2007, Akinlo et al (2012), examine the determinants of interest rate spread in Nigeria. The study make use of panel estimation technique such as fixed and random effect and concluded that, non-interest income, treasury certificate, and development stock exhibited negative effect on interest rate spread The study by Ndimg and Ngugi (2006), examined the determinants of bank spreads in Kenya from 1999-2005 and from that spreads have been driven basically by time invariant bank characteristics and overhead costs. Likewise, Enendu (2003) wrote on the determinants of interest rate spread in a liberalized financial system in Nigeria from 1989-2000. The result showed that macroeconomic and macro factors positively determined interest rate spread in Uganda, as opposed to bank specific factors. Writing on the factors behind high interest rate spread in Uganda, Beck and Hease (2009) concluded that, high treasury bills, were major determinants of bank spreads and that macroeconomic factors like inflation, exchange rate had major impact on spreads in Uganda.

3.0 Methodology

The general model is specified as below:

$IRS_t = \propto + \beta_{xt} + \delta_{Yt} + \varepsilon_t$...........(1)

Where

IRS_t = Interest spread

X_t = vector of monetary policy variable

Y_t = vector of macroeconomic variable

ε_t = The error stochastic term

$\propto$, β, δ are parameters to be examined. Independently and didactically in which case the variable is zero

Explicitly, equation 1 above be re-written as follow:

$IRS = \propto + \beta_{1CRR} + \beta_{2MPR} + \beta_{3MS} + \delta_{1INF} + \delta_{2CDP} + \delta_{3EXR} + \varepsilon_t$ ....(2)

Where CRR is cash reserve ratio, MPR = cs monetary policy rate, MS is Brod money supply, INF is inflation rate, GDP is gross domestic product.

EXP is the exchange rate and as before is the error term.

Data is analyzed through the technique of contagions and the error correction mechanism. This will be done after subjecting the data to unit root test to determine the stationary properties ε_t of the data under consideration. Also, correlation matrix and summary statistics will be undertaken first of all to see the degree of association among the variables.

4. Data Presentation and Analysis

In this section, we present data, followed by the analysis.

Summary statistics are reported as in table 4.1 below:

A cursory look at the summary statistics reveal among others that the mean value for interest rate spread is 11.6, CRR is 7800,000 and exchange rate 86.94. All the variables are positively expect interest rate spread which is skewed to the left. IRS, CRR, INF, GDP have all the values of their Kurtosis below the threshold of 3.

Apart from the exchange rate variable, all the other variables exhibit non-normality behavior going by their Jarque-Bera values.

Table 1: Summary Statistics

Statistic	IRS	CRR	MPR	MS	INF	GDP	EXR
Mean	11.65800	7800,000	14.52387	4029,808	38.86167	485.9787	86.94800
Medial	12.98550	8.600,000	13.3000	839.300	11.20000	346.0500	97.39500
Maximum	20.98550	14.20000	25.20000	182.191	728.000	1076.900	381.7000
Minimum	1.010000	2.500,000	7.400000	23.81000	5.050000	1980000	2020000
Std Dev.	4.5389630	2.220302	3.685750	7906.804	130.8802	266.7951	84.37858
Skewness	-0.533570	-0.337002	0.667013	1.371581	5.110511	0.842180	1.354385
Kurtosis	2.8903022	2.110970	4.498194	3.368942	27.42150	2.359615	5.785409
JarqueBera	2.035380	1.565841	5.038250	9.578143	876.0989	4.058940	18.86993
Prob.	0.361480	0.459360	0.080802	0.087323	0.070000	0.131406	0.000080
Sum	349.7400	234.000	406.7100	120894.2	1166.850	14579.30	2608.380
Sem Dev.	624.2707	300.7400	394.8173	1.01E+09	496759.0	2064209	206472.6
Obs.	30	30	30	30	30	30	30

Author's compilation from eviews output.

Unit Root Test

It is a well-known fact that most macroeconomic

Table 4.2 ADF Unit Root Test Results

Variable	ADF Statistic	5% Value	Remarks
IRS	-3.238619	-2.967767	1 (1)
CRR	-7.803490	-2.976263	1 (1)
MPR	-2.952031	-2951776	1 (1)
MS	-3.586137	3.004861	1 (1)
INF	-5.037073	-2.967767	1 (1)
GDP	-3.817327	-2967767	1 (1)
EXR	-3.146645	-2.971853	1 (1)

Author's compilation from eviews output.

JonansenCointegration test is carried out and the result reported and presented below:

Table 2: Cointegration Test Results.

Unrestricted Cointegration Rank Test (Trace Test)

Hypothesized No of CEs	Eigen Value	Trace Statistic	Critical Value 0.05	P Prob**
None *	0.915516	168.2401	125.6154	0. 0000
At most 1 *	0.783064	99.04705	95.75366	0.0.0291
At most 2	0.597948	56.25875	69.8189	0.0.3677
At most 3	0.383149	30.74587	47.85613	0.6801
At most 4	0.298893	17.21828	29.79707	0.6239
At most 5	0.228818	7.275616	15.49471	0.5468
At most 6	0.1.32E05	0.000170	3841466	0.9867

Trace test indicates 2 Cointergration equations at the 0.05 level
*derotes rejection of the hypotheses ate the 0.05 level
** Mackinon-HaugMichelis P-values

Unrestricted Cointegration Rank Test (Maximum Eigen Value)

Hypothesize No of CEs	Max. Eigen Eigen Value	Value Statistic	0.05Critical Value 0.05	P Prob**
None *	0.915516	69.19301	46.23142	0.0000
At most 1 *	0.783065	42.78830	40.07757	0.0241
At most 2	0.597948	25.51288	33.87687	0.3512
At most 3	0.383149	13.52758	27.58434	0.8538
At most 4	0.298893	9.942664	21.13162	0.7501
At most 5	0.228818	7.275249	14.26460	0.4571
At most 6	0.1v32E-05	0000370	3.841466	0.9867

Trace test indicates 2 Cointergration equations at the 0.05 level
*derotes rejection of the hypotheses ate the 0.05 level
** Mackinon-HaugMichelis P-values

The result of the cointegration test shown above reveals that for both the trace test and maximum Eigenvalue test, there exist 2 cointegrating equations respectively. In other words, the variables under consideration are cointegrated, meaning there is a long run relationship between the variables.

Analysis of the Model.

From the cointegration test results, the long run model is extracted (normalized cointegration coefficients) and presented as follows:

IRS = 0.144 + 2.67 CRR + 1.55 MPR + 0.01Ms + 0.05 INF + 0.01 GDP + 0.10 EXR.

The model above reveals the relationship between the interest rate spread and its determinants in Nigeria for the period of the study. The monetary policy variables are CRR, MPR, and EXR. While the macroeconomic variables here include GDP and the rate of inflation.

The coefficient of monetary policy variables (CRR, MPR, EXR) are correctly signed; as increase in monetary policy rates positively influence interest rate spreads However this is in line with Akinlo and Owoyemi, (2012), Crowley (2007). However, the impact of inflation on IRS is negative. National output, proxied by GDP and interest rate spread are positively related as increases in economic activities have positive effect on banking activities.

5. Conclusions and Recommendations.

The study examined the effect of both monetary policy and macroeconomic factors on the interest rate spread in Nigeria from 1986-2015 a period of 30 years. Long run relationship among the variables was examined using the Jahanseu Cointegration test. Results reveal a positive effect especially between monetary policy variables and IRS in Nigeria. However, it is recommended that the authority reduce the reserve requirements periodically, measures should also be taken to reduce the level of inflation to a management level within the economy.

References

Akinlo A and Owoyami B (2012) The Determinants of Interest Rate Spread in Nigeria. An empirical investigation. *Modern economy* 2012.3:837-045.

Beck P (2000) Understanding the Behaviour of Bank Spreads in Latin America. *Journal of Development Economics Vol 63 No.1.*

Beck T and Hesse H. (2007) Why are Interest Rate so High in Uganda? *Journal of Development Economics. Vol 88.*

Crowley S. (2007) Interest Rate Spread in English speaking countries. *IMF working paper WP/07/101*

Enedu G. (2013) Determinants of Commercial Bank Interest Rate Spreads. *Economic and financial Review Vol 41 No.1*

Ndiry N and Ngugi W. (2000) Banking Sector Interest Rate Spreads in Kenya *KIPPRA Discussion Paper No 5 (2000).*

Unemployment Challenges and Economic Growth in Nigeria

[1]Eche, Emmanuel
[2]Ibrahim Magaji
[3]Ishaku, R.N

Department of economics
Federal University Wukari, Taraba State
lecheznk@yahoo.com /eche@fuwukari.edu.ng (08063840405)
ymagaji@yahoo.com (08060917519)
ishakurimantanung@gmail.com (08060554819)

pp 345 - 351

Abstract

This study investigates the impact of unemployment on economic growth in Nigeria for a period of 41 years (1970-2010). The study focuses on determining the causes and impacts of unemployment, and how the problem of unemployment in Nigeria can be reduced minimally. It determines the relationship between unemployment and economic growth in Nigeria (GDP). The method of analysis used in testing the hypothesis was the T-test, F-test etc. the major findings was that unemployment has a negative impact on the gross domestic product (GDP) of the Nigerian economy. Some suggestions and policy recommendations were made based on the findings

Introduction

Unemployment is generally agreed to be one of the macro Economic ills affecting the Nigerian nation. This issue of Unemployment could be classified into voluntary and involuntary, voluntary is a situation where some people have some work but because they have other means of livelihood, they refuse to take up employment. On the other hand involuntary unemployment exists when persons are willing to work at the prevailing rate of pay but unable to find work. (Anyanwu 1995). It represents the number of people in the workforce who wants to work but do not have a job. Balogun, ed et al (2003) also defined unemployed as the proportion of the percentage of the labour force that is without job, but is able and willing to work. In Nigeria however the ability and willingness to work is not sufficient. It is necessary for the unemployed to be registered with an employment bureau in order to be recognized as unemployed. Yet, from an economic viewpoint, the unregistered unemployed are part of the labour force and are, therefore, technically unemployed. In Nigeria, unemployment data are obtained through labour force sample surveys which ask if the respondent has worked in the week preceding the survey. However, the international labour organization (ILO), realizing the shortcomings of the labour survey as it affects developing economies, such as Nigeria, with a large informal sector, has encouraged a review of the methodology to incorporate further disaggregation of respondent responses to bring out the true rate of unemployment.

Unemployment could be frictional, seasonal, structural and cyclical .In Nigeria, unemployment is regarded as one of the most challenging economic problem facing the Nation in both the urban and rural sectors of the economy. From the data, the 1985 figure shows the percentage of the national urban and rural unemployment as follows: national 6.10%, urban 9.8%m rural 5.2%and in year figure is as follows: national 3% urban 3.8% rural 2.7 %(CBN 2004).
The rising population of the country which is faster than the job opportunities, a situation in which birth rate is rising, death rate falling and the population growth rate is between 2.5% and 3% unemployment is bound to exist. There is also a total neglect of the agricultural sectors and consequent mass exodus of able bodied youths from the rural to urban areas in search of white coler jobs. This further reduces employment in agriculture and puts pressure on existing urban jobs (Anyanwu 1995)

Theoretical Review

Keynesian Economist see unemployment as a situation in which the number of people able and are willing to work at prevailing wage exceeds the number of job available and at the same time, firms are unable to sell all the goods they would like to sell(bannock et al 1998). When carefully analyzed, the Keynesian unemployment largely applies to situations in Nigeria (Bello 2003)
Here, unemployment can result to a situation where many Nigeria consumers including the government prefers foreign goods than domestic goods, thereby causing the domestic producers to face with the problems of low demand that naturally forces them to lower Output and of cause reduces work force. This experience continues in some firm specially the small scale ones till they are pushed out of the market resulting in the loss of more jobs, the long- term unemployment remains in the market for too long and thereby reducing his cause of job finding. Virtually, all countries exhibit negative direction dependence. That is, if one takes two unemployed people at random, one would expect that one with shorter unemployment duration to leave unemployment more quickly (Machine and manning 1998). According to olueye (2006) classical economist argued that unemployment exist when unions maintain wages above their equilibrium level. When this happens, we have a situation of involuntary unemployment.

Keynesian unemployment is the part of total unemployment could help mop up by using fiscal and monetary policy to boost aggregate demand (Olueye2006). Cyclical unemployment differs from structure and frictional (lindbeek et al 1999). It is an unemployment result from lack of aggregate demand in a down swing in the business cycle (Bannock et al 1998). For instance in Nigeria, since the collapse of oil boom in the late seventies, the economic has generally remained in a passive state even though some other period of oil price surge were later experienced (Bello 2003). What sound like cyclical unemployment in the most sub- Saharan Africa economist is the seasonal unemployment that is inherent in the agricultural sector then it may be best described as the very long Kondratieff cycle which lasts for over a period of fifty years (Bello 2003). This implies that to solve unemployment problem, it is simply to remove the artificial critical ceiling placed by the union. The demand deficit or cyclical unemployment is the disequilibrium level of involuntary unemployment caused by the combination of low aggregate demand and sluggish wage adjustment.

The classical case of unemployment is premised on the inflexibility of wages. Unemployment result because labour, due to organize activities, do not allow wage to decline for the accommodation of

excess labour force, when there is incidence of unemployment. Given-wage-price flexibility, there are automatic forces in the economic system that tends to draw the economy into equilibrium state. (Jhingan, 2000).
Unemployment incidence from classical perspective cannot really be situated in most sub- Sahara Africa economies. Although, price flexibility is not actually feasible due to trade union activities, but its existence wouldn?t have efficient claim of unemployment. This is because for instance, in Nigeria, most sector if not all especially the public sector enterprise have the problem of labour redundancy due to over staffing (Bello 2003).

Macro-economic model of structural employment assume that unemployed workers are not able or willing to get jobs by underbidding the prevailing wages of incumbent workers.
The most obvious microeconomic explanation of the absence of wage underbidding is perhaps the minimum wage laws. But there seems to be rather general agreement among labour market economist that minimum wages have not been high enough in recent decades in developed countries to explain much of aggregate structural unemployment (Lindbect 1999). So the problem is not that of wage price inflexibility or wage under binding declination but that of poor economic growth that is unable to sustain the population and labour supply growth rates.

Thirlwall (1983) referred to the concept of disguised unemployment which he defined as the Gap between the actual numbers of workers available for employment and the level of employment at which the marginal product is below the institutional or subsistence wage. He was of the opinion that since there are many reasons, particularly in developing countries, why labour may be fulfilling its potentials and why small changes may release substantial quantities of labour, we should be concerned with dynamic rather than static surplus. Parkin (1998) added that unemployment rate is the percentage of the people in the labour force who are employed. According to him, the unemployment rate is the best available measure of under those who do not have a job, are available for work and are willing to work but do not have the efforts to find work and measure unemployed people rather than unemployed labour hours as a result excluding part time workers who want full time jobs. He however noted that unemployment is a persistent feature of economic life.

Begg (1994) classified unemployment into frictional, structural demand deficient (Keynesian) and (classical). He saw frictional unemployment in a dynamic society which includes people whose physical or mental handicaps make them almost unemployable and those who are temporally unemployed as a result of changing jobs. Structural unemployment arises because there is a mismatch of skills and job opportunities when the pattern of demand failing and wage is deliberately maintained above the level at which the labour demand schedule intersect. He held that behavioural implication of types of unemployment and the consequences for government policy have necessitated different classification of modern analysis of unemployment. A worker is involuntary employed if he or she would accept job offer at the going wage rate. Employment and unemployment in developing countries have been the concern in recent years to the extent that international labour force has sponsored missions to several countries to undertake detailed analysis as part of world employment programmed (Olueye 2006).

Theoretical Link Between Unemployment and Economic Growth.

The market search theory imply that increase rate of job turnover is higher in natural rate of employment (Prescott and Lucas 1974). There some empirical audience to show negative long-run relationship been rates of Davis et al (1997) show that period of unemployment are periods of high firm level job turnover.
The source of unemployment in the model is the relocation of labours across firms. That is the unemployment is of transitory nature. Reallocation is triggered by the fixed overhead cost of human capital growth of rate (g) but technology of plan is fixed, that at some of plant is shut down by the firm (Mass 2005).

Empirical Literature

Tabeuina (2000) found empirical support by raising a hypothesis that unemployment has a negative effect on economic growth while Layard and Nickell (1999) cannot find the labour market institution that increase unemployment also lower economic growth. It is quite possible that some institutions that affect unemployment also affect economic growth and the level of output in Nigeria.

Lindbeek (1999) found that structural unemployment by not disappearing in cyclical booms. Using the(PSvs.uds model as the analytical framework for the paper). The model are also related to search model for labour market in which unemployment equilibrium is defined as a situation where the number of individual finding jobs equals to the number of individual who are separated from jobs. It points various factors that influence the level of structural employment which is different in time and place. Olson (1984) argues that democratic societies tend gradually to become more organized in strong pressure groups that for income distribution reasons have an interest in blocking the changes necessary for high growth.

Downes (1998) investigated the necessary condition for reducing the unemployment rate in Trinidad and Tobago from the period 1971-1996. Using the error correction model estimated by OLS (ordinary least square) instrumental variables, he found that in both long and short runs, changes in Real Gross Domestic product (RGDP) and Real Average Earning (RAE) have a statistical impact on changes in the unemployment rate. While increase in GDP reduces the unemployment rate in both short and long terms but lower it in the short-run. Increase in real average earning increase the unemployment rate on the long-run.

Levin and Wright (2000) find that it is important but difficult to distinguish between desirable effects of unemployment insurance that are observationary equivalent when designing optimal unemployment insurance cause? permanently higher involuntary unemployment by raising the reservation wage. The paper avoids the problem by regarding the trade-off between the unemployment insurance replacement rate and unemployment as an intermediate relationship that matters only as far as it impacts economic growth. Using annual panel data finds that unemployment insurance replacement rate is associated with higher unemployment. However they find no significant relationship between unemployment insurance, related on employment and the real growth rate of domestic product. Nigeria has been bedeviled with poverty and unemployment. Economic growth which is supposed to be a solution to the problem of unemployment appears not to be so in Nigeria.

Simbowale (2003) empirically evaluated macroeconomics policies vis-à-vis pro-poor economic growth in Nigeria using secondary data covering the period of 1960-2000. The study found among others that growth was actually weakly pro-poor. Also, those that are far below the poverty line have not really been enjoying the benefits of economic growth. In fact, the benefit getting to them has been decreasing or reducing at an increasing rate. And that economic growth in rural areas will be slightly more pro-poor than in urban areas. Overall, economic growth in Nigeria is not necessarily always pro-poor.

Bello (2003) investigated the phenomenon of unemployment in the sub-Saharan Africa with special reference to the Nigerian experience. Having diagnosed the nature of this episode in this sub-Saharan region, the study unfolds a number of factors that account for this phenomenon and of course the great threat it poses the economies involved. Assessment of past and the present anti unemployment policy measures in Nigeria was made and the result shows that a number of economic factors inhibit their performance.

Methodology

The work is conducted using multiple regressions, statistical and econometric tools in analysis.

Model Specification

To determine the relationship between unemployment and output we specify the model as:

Mathematical form

GDPGRT= f (UNEMP, GEXP, MS)

Statistical form

$$GDPGRT=\beta_o+\beta_1 UNEMP+\beta_2 GEXP+\beta_3 MS$$

Econometric form

$$GDPGDRT=\beta_o+\beta_1 UNEMP+\beta_2 GEXP+\beta_3 MS+\mu$$

MS=Money supply

UNEMP= Unemployment rate

GDPGRT= Growth rate of gross domestic product

GEXP= Government expenditure

β_o= the interception of the model

β_1&β_2& $_3\beta$= the coefficient of the independent variables

μ= error term that is used to capture other variables, that are not included in the model.

It is expected to be purely random.

Results and Discussion of Findings

TABLE 1

Dependent variable: Growth Rate of Gross Domestic Product.

Method: Ordinary Least Square. Period of study: 1970 –2010 Included Observations: 41

Variable	Coefficient	Standard error	t-statistics	t-prob.	{95% CI}
Constant	1.64733	0.5149781	3.20	0.003	0.6038853 2.690775
GEXP	0.3706984	0.3157561	1.17	0.248	-0.2690842 1.010481
LM2	0.6660841	0.2957697	2.25	0.030	0.0667978 1.265371
UNEMP	-0.054259	0.0266592	-2.04	0.049	-0.1082757 0.0002423

R^2= 0.9509 F{3,37} = 238.85 {0.0000} Adj R^2 = 0.9469

DW = 2.144141 Root MSE = 0.62294 for 4 variables and 41 observations.

The intercept value of 1.64733, shows that the Nigerian economy will experience a 1.64733 increase when all other variables are held constant.
The estimated coefficients of 0.3706984 {GEXP} shows that a unit change in GEXP will cause a 0.3706984% increase in GDPGRT, 0.660841 {LM2}shows that a unit change in LM2 will cause a 0.660841% increase in GDPGRT and -0.054259 {UNEMP} shows that a unit change in UNEMP will cause a 0.054259% decrease in GDPGRT.

Economic A priori Criteria:

The test is aimed at determining whether the signs and sizes of the results are in line with economic theory. Thus, economic a priori has it that the coefficients are positively related to the dependent variable, if an increase in any of the explanatory variables leads to a decrease in the dependent variable.
Therefore, the variable under consideration and their parameter exhibition of a priori signs have been summarized in the table below.

This table will be guarded by these criteria
When $\beta > 0$ = conform.
When $\beta < 0$ = not conform.

TABLE 2

Variables	Expected signs	Estimate	Remark
GEXP	+	$\beta > 0$	Conform
LM2	+	$\beta > 0$	Conform
UNEMP	-	$\beta < 0$	Conform

From the above table, it is observed that all the signs of the parameters actually conform to the economic a priori.

The positive relationship which exists between GEXP, LM2 and GDPGRT indicates that an increase in either GEXP and/or LM2 will result in a positive change in the Growth Rate of Gross Domestic Product. This conforms to the a priori criteria because an increase or high GEXP and LM2 over the years will increase GDPGRT in the economy.

Statistical Criteria {first order test}
Coefficient of Multiple Determinants {R^2}:

The R^2 {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as 0.9509 which is approximately 95%. This indicates that the independent variables accounts for about 95% of the variation in the dependent variable.

The Student's T- test:
The test is carried out, to check for the individual significance of the variables. Statistically, the t-statistics of the variables under consideration is interpreted based on the following statement of hypothesis.

H_0: The individual parameters are not significant.
H_1: The individual parameters are significant.

<u>Decision Rule:</u>
If t-calculated > t-tabulated, we reject the null hypothesis {H_0}and accept the alternative hypothesis {H_1}, and if otherwise, we select the null hypothesis {H_0}and reject the alternative hypothesis {H_1}.
Level of significance = 0.025= α at 5% =

Degree of freedom: n-k

Where n: sample size.

K: Number of parameter.

The t-test is summarized in the table below:

TABLE 3

Variables {t-value}	t-tab	Remark
GEXP {1.17}	± 1.960	Insignificant
LM2 {2.25}	± 1.960	Significant
UNEMP {-2.04}	± 1.960	Significant

The t-statistics is used to test for individual significance of the estimated parameters$_1$,β_2 and

F-Statistics:

The F-statistics is used to test for simultaneous significance of all the estimated parameters.
The hypothesis is stated;

H_0: $_i$ =β 0 (i= 0, 1,…,n)
H_1: $_i$ ≠β 0 (i= 0, 1,…,n)

Level of significance: α at 5%

Degree of freedom: 2

Decision Rule:
If the f-calculated is greater than the f-tabulated {f-cal> f-tab} reject the null hypothesis {H_0} that the overall estimate is not significant and conclude that the overall estimate is statistically significant.

From the result, f-calculated {238.85}is greater that the f-tabulated {2.84}, that is, f-cal> f-tab. Hence, we reject the null hypothesis {H_0}that the overall estimate has a good fit which implies that our independent variables are simultaneously significant.

Econometrics Criteria
Test for Autocorrelation:
One of the underlying assumptions of the ordinary least regression is that the successive values of the random variables are temporarily independent. In the context of the series analysis, this means that an error {Ut} is not correlated with one or more of previous errors {U_{t-1}}. The problem is usually detected with Durbin-Watson {DW}statistics.

Decision Rule:
1) If d* <d_L, then we reject the null hypothesis of no correlation and accept that there is positive autocorrelation of first order.
2) If d* > {4-d_L}, we reject the null hypothesis and accept that there is negative autocorrelation of the first order.
3) If d_U< d* < {4-d_U}, we accept the null hypothesis of no autocorrelation.
4) If d_L< d* <d_U or if {4-d_U}< {4-d_L}, that test is inconclusive.

Where: d_L = Lower limit
d_U = Upper limit
d* = Durbin Watson. From our regression result, we have; d* = 2.144141, d_L =1.338, d_U = 1.6594
d_L=2.6624d_U = 2.341

Conclusion:
Since d_U {1.659}< d* {2.144141}< {4-d_U}{2.341}, we accept the null hypothesis of no autocorrelation positive or negative

Normality Test for Residual:
The Jarque-Bera test for normality is an asymptotic, or large-sample, test. It is also based on the ordinary least square residuals. This test first computes the skewness and kurtosis measures of the ordinary least square residuals and uses the chi-square distribution {Gujarati, 2004}.

The hypothesis is:

TABLE 4

	UNEMP	GEXP	LM2	REMARK
UNEMP	1.000			-
GEXP	0.6735	1.000		Nm
LM2	0.6940	0.9924	1.000	Nm, M

Where M = Presence of multicollinearity

Nm = No multicollinearity.
From the above table, we can conclude that multicollinearity exists only between LM2 and GE

Conclusion
From the study carried out on the impact of unemployment on economic growth in Nigeria from 1970 - 2010 using ordinary least square, data shows that unemployment is negatively related to the economic growth.

The economic analysis of the findings in table 2 shows that the variables under consideration conform to apriority expectation of economic theory. The statistical evaluation equally shows a higher level of statistical significance (table 2).

The evidence stems from the fact that the T- statistics on the variables shows that GEXP is insignificant while LM2 and UNEMP are significant as shown in table 3.

Based on this, the R^2, which had a value of 95% indicate that the entire regression had a good fit and also explains that 95% fluctuation in the dependent variable is expended by fluctuation in the regression.

More so the F-test showed that the entire regression was adequate. the summary of the whole regression has shown that overall regression is statistically significant implying a good fit. The econometric finding shows that from then Durbin Watson test (DW)that all the variables under consideration were stationary at order. That is, the absolute values of DW statistics are greater than various critical values at 5%. The normality test shows the residual is normally distributed at 5% level of significance. And the test for autocorrelation shows that there is no serial autocorrelation present in the model. The test for multicolinearity, in table 4 shows that there is multicolinearity between the regressors. But has noted by Blanchard quoted by Guajarati (2004) a good model cannot be discarded due to multicolinearity. As well as test for heteroscedasticity conclude that the error term has a constant variance and that in the test specification errors is not wrongly specified. From the evaluation of the forecasting performance of the model, it shows that the predictive power of the model is fairly robust and reliable.
Finally GDP growth does not cause unemployment but rather unemployment causes GDP growth.

Recommendations

In the light of the above empirical findings the analysis carried out so far, the following recommendations are proposed to the government in the issue of unemployment in Nigeria would be minimized.

1. There is need for the government to revitalize the agricultural sector, modern equipment in agricultural facilities is likely to entice the youths into that sector, since the sector have been left in the hands of the old men.

2. Government should formulate policy that will aim at discouraging gender discrimination in the labour market since this will provide more opportunities for the females in the labour market participation final.
3. Government should embark on provision of social amenities in the rural areas so as to reduce the urban –rural drift which have consequences of reducing the rate of unemployment.

4. There is need for government to restructure the educational system in a way it will lead to the youths with capability of self-reliance and self-employment.
5. Government should formulate monitoring policy to check the channel of increase government spending to find out why the huge spending has not transmitted into a viable economics growth.

6. The government should embark on social security program that would help in elevating the unemployment condition of the people in Nigeria.

Bibliography

Ajekomobi&Ayanwale.(2005). *Evaluate Of Past Policy*: Measure For Solving Unemployment Problems In Nigeria. Jeen Publishing Company.

Bannock, Et Al. (1998). *Re-Designing University Curricular As A Long Term Solution To Graduate*. Many Dan Publishers.

Begg. (1994).Issues *In Local Government in Nigeria*. New Delhi: Prentice-Hall of India.

Bello. (2003). *Meeting The Challenge Of Risking Unemployment In Employment, Policy & Strategy Formulation Mission To Nigeria*, Report Submitted By The Ilo. 21st Oct-22nd November.

Central Bank Of Nigeria (CBN) *Statistical Bulletin* (Volume 16, 2005 Edition, & Volume 19, 2008 Edition) Retrieved From Www.Cenbank.Org

Davidson &Mackinnon. (1993). *Theory of Employment, Interested & Money*. London: Macmillan.

Downess. (1998). *Oxford Economics Papers*, 19(15) 24-25.

Gujarati. (1995).*Growth & Employment, in Development Problem Countries*. New York,Mcgraw-Hill, Publishers.

Levin & Wright. (2000). *Nigeria Unemployment Problem Tim* Int. Journal, Sept, 19 Vol.1 No 1.

Lindbect. (1999).*Unemployment In Developing Countries*: An Over-View. New York : Mc-Grow-Hill Publishers.

Nickel. (1999) *Issues On Unemployment & Violence*, Second Edition. New York Grow-Hill.

Olison. (1984). *The Federal Solution Political Studies* Vol.*1*.

Olueye. (2006).*Management & Unemployment*: Unpublished Lecture Note.

Variability of Voting Pattern among Ethnic Nationality in the 2015 Gubernatorial Elections of Delta State

IKENGA, F. A.
Department of Political Science
Faculty of the Social Sciences
Delta State University, Abraka, Delta State.
E-mail: faikenga@gmail.com

pp 352 - 360

Abstract

The study assessed the variability of voting pattern among the different ethnic groups in the 2015 governorship election in Delta State. Data was collected in respect of the votes from the 8 major ethnic groups in the state, and was analyzed accordingly. The hypothesis formulated was tested at 5% level of significance with the aid of the Kruskal- Wallis test. Findings indicate that there was no significant variation in the voting pattern of Deltans across the different ethnic groups. This simply indicates that ethnicity did not influence the results of the 2015 governorship election in Delta State. Given this result, the study recommended that the winner of the 2015 governorship election should form an all-inclusive government and ensure that no ethnic group experience any form of marginalization. Government should also strive to sustain unity among the various ethnic groups in the State by ensuring good governance at all facets and levels.

Key words: **Voting Pattern, Ethnicity, Election, Delta State, Governance**

Introduction

The problem of ethnicity/ culture is a global issue and not a Nigerian phenomenon. It has been and is still been experienced in both developing and developed nations. In Nigeria the impact of ethnicity is more devastating as it has hindered national development and Nigerian leaders and people are more committed to their ethnic group more than to the nation. The 2012 report of the national opinion survey of international foundation for electoral system (IFES, 2012), Washington DC on independent survey of public opinion in Nigeria, state that ethnicity is the strongest type of identity among Nigerians. According to Salawu and Hassan (2011), the correlation between ethnicity and electorate is identified on aggregate and this shows that an electorate has the tendency to concentrate his/her vote along discernible ethnic line.

Delta State is a rich mix of ethnic nationalities and has often been referred to as a mini Nigeria. It is made up mainly of several ethnic groups with Oshimili, Aniocha, Ndokwa, Ika, Urhobo, Ijaw, Itsekiri and Isoko as the major ethnic groups. It is quite unfortunate that ethnicity is perceived to have continuously bedeviled politics in most states of Nigeria. This is why, Agba (2008), opine that Nigerian politicians may have learnt nothing and may have forgotten nothing since after many years of independence; the country's politics is still crammed with issues of ethnic trauma. Ethnic based politics is said to have been bequeathed to us from early misguided politicians who shaped most states' creation and this has serious effect on the political integration of most states in the country, Delta State inclusive.

The avalanche of ethnic crisis that ravaged the peaceful co-existence of Niger Delta unity, ethnocentrism, tribalism, persecution and prebendalism has played a visible role in Delta State politics. Kins selective altruism had made its way into Delta state politics to concentrate state power to a particular ethnic group of interest. In the present Fourth Republic, ethnic politics/voting pattern has been less prominence. This may be due to the informal rotation and zoning arrangement of principal political offices in Delta State among the three senatorial districts. Amongst all of these, there is no doubt that most people tend to cling to the communal ties that brings them to their senatorial district leading them to cast their votes along ethnocentric divides during elections.

The 2011 general elections in Delta State gave a clearer picture. The outcome of the governorship election shows a pattern of vote that was deeply ethnic both Uduaghan and Ogboru have more than 80% of the total votes casted in their ethnic localities. Several analysts have argued that the political behaviour of some Nigeria is influenced heavily by the hyperbolic assumption that one's destiny is intrinsically and exclusively 'inked with one's ethnic linguistic.

Ethnic based politics deserves a complete research with the aim of ascertaining if it is one of the root causes of underdevelopment in nations as the researcher proposes that voting along ethnic ties promotes corruption and breakdown of social cohesion which may have wreaked havoc across various states in Nigeria and Delta State in particular. Bearing this in mind, this research investigate the variability of voting pattern among the various ethnic groups in Delta State in order to establish the effect of ethnicity on the results of the 2015 gubernatorial election in Delta State.

Objectives of the Study

This study was carried out to achieve the following specific objective:

i. Ascertain the variability of voting patterns and establish if the voting behaviour and trends of the 2015 gubernatorial electorates was influenced by ethnic divide.

Hypothesis Statement

Based on the objective, a hypothesis was formulated to guide this study:

Ho: There is no significant variability in the voting pattern among ethnic nationality in the 2015 gubernatorial elections of Delta State

Conceptual Clarification

Ethnicity

Ethnicity is considered to be shared characteristics such as culture, language, religion and traditions which contribute to a person or group's identity (Otite, 1990). Ethnic groups has been defined as groups that regards themselves as distinct community by certain characteristics distinguishable from the other group from the surrounding community (Otite, 1999). They are categories of people characterized by culture, language, value system and normative behavior. It is the contextual discrimination by members of one ethnic group against the others on the basis of some exclusive criteria such as political and socio-economic development. To another scholar, ethnicity is perceived as a social problem characterized by competition among ethnic nationalities (Okolo, 1980). From Okolo's review, Nnoli sees these ethnic groups as social formations differentiated by boundaries, membership, language and culture; where the language is perceived as the most important variable.

Problems of Ethnicity in Delta State

Ethnic rivalry in Delta State cannot be overemphasized. However, problems of ethnicity are not peculiar to Delta state alone. In fact it is also a Nigerian problem. Some of these problems include:

a. Breeding of disunity among the ethnic nations in Delta State.
b. It resulted in the rival claims of ownership of Warri and followed by conflicts.
c. It breeds marginalization of the minority ethnic groups by the majority economically, politically, socially, job placement.
d. It causes democratic and governance crisis
e. It causes violence and physical displacement and relocation
f. It serves as medium for politicians of questionable characters to win election.
g. It breeds divide and rules that brings about sectional development
h. It encourages corruption and embezzlement (Osaghae, 1994).

Minority issues and Rights in Delta state

A numbers of scholars have traced the disadvantaged position of the minorities in electoral democracy in Delta State to the obnoxious colonial divide and rule policy of indirect rule which not only aimed at cultural distinctions of the diverse ethnic (minority) groups but enforced a deliberate policy of separatism. Gurr (2000), identifies several conditions that have contributed to the mobilization of ethnic minorities grievances since 1945, which include: (i) unequal treatment of minority communities by the dominant or mainstream group (ii) competition with other groups for accesses to power in the state (iii) the contagious effect of ethnic political activism elsewhere (iv) pattern of state building, political power and economic development that channel communal emergencies into either protest or rebellion.

Review of Literature

Azeez (2009), states that an important cause of social crisis in Nigeria is the ethnic virus. He adds that the negative implication of ethnicity in our country has affected efforts to stabilize politically develop, and consolidate our democracy. He notes that before Nigeria's independence, the forming of Political party were done alone ethnic grouping. He explains that the Action Group grew from a social cultural association called Egbe Omo Oduduwa; the National Council of Nigerian Citizens was associated with Ibo State union, which the Northern People's Congress was established by the Fulani Aristocrats. He opines that a very strong feeling of regional commitment was developed as a result of the division of the country into three regions by the 1946 Colonial Constitution. He adds that at this point the key Political parties by 1953 were associated with the different ethnic nationalities and the leadership, structured along the ethnic cleavages. He concludes by calling for the re-structuring of the country with the re-orientation of the people on what nationhood entails.

Nnabuihe, Aghemalo and Okebugwu (2014) state that ethnicity has destroyed Nigeria's Politics. They assert that evidences have shown that ethnicity directs voting choice and patterns. They maintain that the choice of Nigerians in any election are ethnically coloured just as the emergence of Political parties are motivated ethnically, consequently, parties that emerged from the dominant ethnic group over-shadows the said region and 2/3 majority in elections become difficult to attain, except by coalition. They examine the history and Nigerian voting behaviour and opine that the First and Second Republic had ethnic colouration. They identify institutional structures that encouraged ethnicity in Nigeria to the detriment of our democratic consolidation. They conclude by showing that ethnicity remains the key factor affecting the establishment of a truly democratic state

Noko (2017) states that ethnicity in Nigerian government and politics has been a burning issue in the system since the beginning of democratic government in Nigeria, and it deserves an attention. He opines that in Nigeria, there had been treats to national political development; and since the time of colonial dominance one geo-ethnic group has tried to establish hegemony over the remaining geo-ethnic groups. He adds that this treat of dominance has led and is still leading to sub-national groups treating to succeed from the rest of the country. He gave an example of the North treating to leave in 1953, the West followed suit and lastly, the East in 1967. He asserts that this succession attempt has greatly affected Nigeria's political development. He explains that Nigeria have over 400ethnic groups with different languages and traditions. He adds that the Hausa/Fulani dominates the North; the East is dominated by the Igbo's, while the Yoruba's dominates the West. He maintains that the gradual incorporation of these ethnic groups, their areas and people led to the existence of Nigeria. He asserts that the British imported ethnicity into Nigerian government and politics, when she was colonized; and at independence the political system they left found it very difficult to contain with the problems of ethnicity. He states that Nigeria was described by a colonial Governor as an assemblage of self contained independent native states. He concludes by stating that ethnicity constitute a major problem to political development in Nigeria.

Ebinum (2013) starts by stating that Delta state emerged from Bendel State in 1991. He adds that before its emergence, ethnic groups in the current Delta State had lobbied for the creation of their own states. According to him, the Urhobo's wanted their own state, the Ibo speaking clamour for Anioma state, while some of the minority ethnic groups in the South of the state required theirs called a Costal State. He adds that Babangida out of marital favouritism decided to create Delta State and made Asaba the Capital, thereby neglecting the request from the different ethnic groups. He maintains that, since its creation there had been calls by the different ethnic groups for rotation of leadership position among them. According to him, the ethnic group leaders believe that this is the only way to maintain political and economic powers in the state. He states that no conscious effort has been made to bring in leaders that will help to develop the state economically and socially. Consequently, they clamour for zoning. He maintains that this clamour is not based on patriotic efforts, but for self aggrandizement; and this to him, has been the problem of the state. He asserts that for their selfish act to be achieved, mediocre and people with questionable characters are projected as leaders. He maintains that the qualities and attribute that characterize a good leader are ignored by the few selfish ones, who are reaping from ethnic politics. He states that, after the proposed leaders of this selfish few comes in, only his cronies, who lacks an agenda for the states development; benefits. He asserts that after his tenure, he struggles to get someone who can take over and cover up his deeds. He concludes by stating that Delta States does not require ethnic stooge imposed by those who destroyed and plundered their way to be governor.

From the literature, it was very clear that ethnicity has permeated the Nigerian political system, influencing elections and voting pattern. But did it influence the 2015 voting pattern in Delta State?

Theoretical Framework

The framework of analysis for this study is the group theory. This theory was primarily home grown with the ground breaking work of Arthur Bentley in 1908 (Robertson, 2004). It originated as a reaction against the atomistic liberalism of Locke and Bentham, and the idealist socialism of Green and Bosanquet. Since then the theory has been developed and used by Political and Social Scientists.

Some Political Scientists have agreed that a political group exists when men with shared interests organize, interact and seek goals through the political process (Isaak, 1985). Bentley's core argument was that people can understand politics properly only in terms of an ongoing struggle among group interests in society. **The group theory therefore postulates that decision–making is the end product of the activity of organized groups (Ray, 2009).** Exponents of this theory posit that the form of politics of any society is ultimately determined by the interaction among groups within the society and the competition among such groups to influence government in allocation of societal resources and exercise of power. Ethnicity had manifested much in the rival claims of ownership of warri by Itsekiris, Urhobos and Ijaws. The root cause of violence that erupted between the Ijaws and Itsekiris and later Urhobos in Warri, 1997 to 2003 was ethnically motivated, the Urhobo and the Ijaw see Governor Uduaghan's government in which ltsekiri dominate government structure in the three Warri Local governments as unfair (Egbosiuba, 2011). This explains the competitive struggle by all ethnic groups for the governorship seat which was more noticeable during the Peoples Democratic Party (P.D.P) Governorship primaries in December 8, 2014 in Asaba. It also explains the gang up by some ethnic groups such as the entire ethnic groups in Delta North, Ijaw and Itsekiri that resulted in their voting pattern on April 11, 2015 gubernatorial election in favours of the P.D.P governorship candidate (Dr. lfeanyi Okowa) (Fund for Peace, 2015).

Research Methodology

This study is an ex-post facto design which uses the 2015 governorship result in Delta State to find out the variability of voting patterns among different ethnic groups in Delta State. This design is most appropriate because the study assesses what has already occurred and the researcher has no influence over the data used for the study. The population of this study was the 2,275,264 registered voters in Delta state for 2015 general election. The purposive sampling technique was employed in the determination the sample size. The sample size therefore was determined based on the number of total valid vote cast during the gubernatorial election which was put at 931,808 votes. Although 18 political parties/candidates participated in the election, only the results of the total vote cast for the three major political parties/candidates that participated in the election were considered for convenience since the total number of votes accrued to the other fifteen political parties were insignificant and negligible relative to the votes accrued by the three major political parties (APC, LP and PDP). Having done this, the sample size used for this study was put at 922,478 votes during the Delta 2015 gubernatorial election.

The INEC certified results of the 2015 governorship election in Delta state was obtained from the website of INEC and were considered according to the eight ethnic Nationalities that make up Delta state as follows:

Table 2: Geographical Spread of the Various Ethnic Nationalities by Senatorial District

Local Government Area	Senatorial District	Ethnic Nationality
Aniocha South	Delta North	Aniocha
Aniocha North		
Oshimil South	Delta North	Oshimili
Oshimili North		
Ika South	Delta North	Ika
Ika North East		
Ndokwa West	Delta North	Ndokwa
Ndokwa East		
Ukwuani		
Ethiope East	Delta Central	Urhobo
Ethiope West		
Ughelli South		
Ughelli North		
Uvwie		
Udu		
Sapele		
Okpe		
Isoko South	Delta South	Isoko
Isoko North		
Warri North	Delta South	Itsekiri
Warri South		
Warri South West		
Bomadi	Delta South	Ijaw
Burutu		
Patani		

Source: Author's Compilation, 2017

Nature of Ethnic Identity in Delta 2015 Election

APC governorship candidate Chief Emerhor Otega when interviewed said, I will not deny my Delta central senatorial district identity. It is natural for ethnic nationalities that make up the state to have interest on who becomes the governor of Delta State (The Vanguard, 2015). According to Ake (1996) identity is a word characterized by the phenomenon. The nature of ethnic identity on election in Delta state with focus on the April 11, 2015 gubernatorial election cannot be ruled out. This is summed up with a statistical presentation below using three local government areas to represent the three senatorial districts (Ika North East, Ethiope East and Warri South West).

Table 1: Nature of Ethnic Identity across the 3 Senatorial Districts in the State

Local government Area representing senatorial District	Vote cast for two major contestants (Great Ogboru LP and Okowa PDP)	
Ethiope East (Delta central)	23, 747	8, 776
Ika North East (Delta North)	66	72, 612
Warri South West (Delta South)	470	73, 328

Source: Nigerian Forum 2015

This statistical table shows that electorates voted for candidates that is from the same ethnic nationalities with them, this explain the overwhelming votes pulled by Ogboru (LP) in Ethiope East and almost all the vote casted in Ika North East was for Okowa (PDP) and finally Warri South West voted overwhelmingly for PDP because Okowa's running mate hail from there (Adfeleye, 2017).

Data Analysis and discussion

The data obtained where first arranged and sorted according to the various ethnic nationalities, after which they were analyzed using simple percentages and presented in bar charts so as to give a clear view of the voting trend in the various ethnic nationalities.

Presentation of Result

The total vote pulled by the various candidates and their political parties in the ethic nationalities are presented below:

Table 3: Total Votes Pulled by the Candidates of 3 Major Political Parties in The State

S/NO	LGA	Senatorial District	Ethnic Nationality	APC	LP	PDP	SUB TOTAL
1	Aniocha South	Delta North	Aniocha	2168	841	31705	34714
	Aniocha North						
	Percentage (%)			**6.25**	**2.42**	**91.33**	**100.00**
2	Oshimil South	Delta North	Oshimili	2231	1723	67306	71260
	Oshimili North						
	Percentage (%)			**3.13**	**2.42**	**94.45**	**100.00**
3	Ika South	Delta North	Ika	1233	539	96234	98006
	Ika North East						
	Percentage (%)			**1.26**	**0.55**	**98.19**	**100.00**
4	Ndokwa West	Delta North	Ndokwa	5904	4331	60506	70741
	Ndokwa East						
	Ukwuani						
	Percentage (%)			**8.35**	**6.12**	**85.53**	**100.00**
5	Ethiope East	Delta Central	Urhobo	31035	101506	122394	254935
	Ethiope West						
	Ughelli South						
	Ughelli North						
	Uvwie						
	Udu						
	Sapele						
	Okpe						
	Percentage (%)			**12.17**	**39.82**	**48.01**	**100.00**
6	Isoko South	Delta South	Isoko	15096	7684	74564	97344
	Isoko North						
	Percentage (%)			**15.51**	**7.89**	**76.60**	**100.00**
7	Warri North	Delta South	Itsekiri	7732	10932	136272	154936
	Warri South						
	Warri South West						
	Percentage (%)			**4.99**	**7.06**	**87.95**	**100.00**
8	Bomadi	Delta South	Ijaw	2426	2426	135690	140542
	Burutu						
	Patani						
	Percentage (%)			**1.73**	**1.73**	**96.55**	**100.00**

Source: Author's Compilation from INEC database, 2017.

From Table 3, results for Aniocha revealed that the APC candidate (Chief E. Otega) polled 2,168 votes (6.25%), the LP candidate (Chief Ogboru) polled 841 votes (2.42%) while the PDP candidate (Dr. Ifeanyi Okowa) polled 31,705 votes (91.33%). This result showed that the PDP 2015 governorship candidate won in Aniocha with the massive support which PDP and Dr. Okowa enjoys in Aniocha. Similarly, for Oshimili, out of the 71,340 votes casted for APC, LP and PDP governorship candidates. APC candidate (Chief Otega) polled 2,231 votes (3.13%), the LP candidate (Chief Ogboru) polled 1,723 votes (2.42%) while the PDP candidate (Dr. Okowa) polled a total of 67,306 which is about 94.45% of the votes casted for Oshimili alone. The victory of the PDP candidate clearly shows the support which PDP and Dr. Okowa enjoyed in Oshimili.

Also from Table 3, out of 98,006 votes casted in Ika, APC candidate (Chief Otega) polled 1,233 votes (1.26%), LP candidate polled 539 votes (0.55%) and the PDP candidate polled 96,234 votes (98.19%).

PDP candidate also won an indication of the level of support which PDP and Dr. Okowa enjoyed in Ika during the 2015 governorship election. The result for Ndokwa also showed a similar trend in which, of the 70,741 votes casted, the APC candidate (Chief Otega) polled 5,904 votes (8.35%), LP candidate (Chief Ogboru) polled 4,331 votes (6.12%), while the PDP candidate (Dr. Okowa) polled 60,506 votes (85.53%). Again, the PDP candidate won in Ndokwa and this show the level of support that PDP and Dr. Okowa enjoyed in Ndokwa.

Table 3 equally revealed that in Delta Central (Urhobo speaking), out of 254, 935 votes cast, the APC candidate (Chief Otega) polled 31, 035 votes, representing 12.17%, the LP candidate (Chief Ogboru) polled 101, 506 votes, representing39.82%, while the PDP candidate (Dr. Okowa) polled 122, 394 votes, representing 48.01%. This result showed the support enjoyed by the PDP candidate among the Urhobo nation. Although, some felt it came as a result of electoral fraud. Similarly, in the same Delta South (Isoko nation), out of the 97, 344 votes cast, the APC candidate (Chief Otega) polled 15, 096 votes, representing 15.51%, the LP candidate (Chief Ogboru) polled 7, 684, representing 7. 89%, while the PDP candidate (Dr. Okowa) polled 74, 564, representing 76.60%. This result showed that the PDP candidate is generally accepted by Deltans.

Also from table 3, in another part of Delta South (Itsekiri), out of the total of 154, 936 votes cast, the APC candidate (Chief Otega) polled 7, 732 votes, representing 4.99% of the votes, the LP candidate (Chief Ogboru) polled 10, 932 votes, representing 7.06%, while the PDP candidate (Dr. Okowa) polled 136, 272 votes, representing 87.955. This result showed the massive support enjoyed by the PDP candidate. Even though, the former governor, who is from the Itsekiri nation, worked against him. Equally, in the other part of Delta South (Ijaw), out of 140, 542 votes cast, the APC candidate (Chief Otega) polled 2426 votes, representing 1.73%, the LP candidate (Chief Ogboru) polled the same 2426 votes, also representing 1.73%, while the PDP candidate (Dr. Okowa) polled 135, 690 votes, representing 96.55%. This result showed the overwhelming support and the acceptance of the PDP candidate.

Descriptive Statistics

The result of the descriptive statistics is presented in Table 4. This include results for the mean, standard deviation, minimum values and maximum values of the number of votes cast for each political party (APC, LP and PDP) across the 8 ethnic groups.

Table 4 outlines the summary of results for descriptive statistics for the 3 major political parties. The minimum votes for APC was 1,233 votes which came from Ika, while the maximum vote of 31,035 was from Urhobo (Delta Central). Also, the minimum vote of LP was 539 which again was from Ika, while the maximum votes of 101,506 was from Urhobo (Delta Central). For PDP, the minimum number of votes of 31,705 was from Aniocha, while the maximum vote of 136,272 was from Itsekiri. The mean votes for APC, LP and PDP were 8,478.125, 16,247.75, and 90,583.88 respectively. The large value of the respective standard deviation in all 3 cases is an indication that the votes were not normally distributed. This could be as a result of the variance in the number of registered voters in each senatorial district.

Table 4: Summary of Descriptive Statistics

Parties	Obs	Mean	Std.Dev.	Min.	Max.
APC	8	8478.125	10196.33	1233	31035
LP	8	16247.75	34638.37	539	101506
PDP	8	90583.88	38425.57	31705	136272

Source: Author's Compilation from Stata Output, 2017

Test of Hypotheses

Given the non-normality trend of votes, the Kruskal-Wallis test was deemed to be useful in testing the hypotheses of this study. The result based on the Kruskal-Wallis test is presented in Table 5.

Table 5: result for Kruskal Wallis Test

APC			LP			PDP		
Ethnic Group	Obs	Rank Sum	Ethnic Group	Obs	Rank Sum	Ethnic Group	Obs	Rank Sum
Aniocha	1	2.00	Aniocha	1	2.00	Aniocha	1	1.00
Ijaw	1	4.00	Ijaw	1	4.00	Ijaw	1	7.00
Ika	1	1.00	Ika	1	1.00	Ika	1	5.00
Isoko	1	7.00	Isoko	1	6.00	Isoko	1	4.00
Itsekiri	1	6.00	Itsekiri	1	7.00	Itsekiri	1	8.00
Ndokwa	1	5.00	Ndokwa	1	5.00	Ndokwa	1	2.00
Oshimili	1	3.00	Oshimili	1	3.00	Oshimili	1	3.00
Urhobo	1	8.00	Urhobo	1	8.00	Urhobo	1	6.00
chi squared = 7.000 with 7 d.f. probability = 0.4289			chi squared = 7.000 with 7 d.f. probability = 0.4289			chi squared = 7.000 with 7 d.f. probability = 0.4289		

Source: Stata Output, 2017

Results from the above shows a chi square value of 7.000 (p-value = 0.4289>5%) for the 3 major political parties. The implication is that there is no significant variation in the voting pattern of Deltans across the different ethnic groups in the 2015 gubernatorial election. This means that the hypothesis that there is no significant difference in the voting pattern of the different ethnic groups in Delta State in the 2015 gubernatorial election is rejected. We therefore conclude that ethnicity did not influence the results of the 2015 governorship election in Delta State.

Summary and Conclusion

The study has shown that ethnicity did not influence the voting behaviors of the ethnic groups in the 2015 governorship election in Delta state and analysis of the vote showed that there was variation in the voting patterns of the people. His ability to win in all the eight ethnic groups that made up Delta State showed that Delta State is a stronghold of PDP and Dr Ifeanyi Okowa has more acceptability by all the ethnic groups in Delta State; than all the other contestants. The 2015 governorship elections help to discourage tribalism, nepotism, inefficiency and ineffectiveness in governance. The result of the election showed that there was unity among the ethnic groups in Delta State, also the minority ethnic groups in Delta State are not marginalized but were treated fairly by the majority ethnic group economically and politically.

Recommendations

From the findings of this study come the following recommendations:

i. The winner of 2015 governorship election in Delta State should ensure good governance, enthronement of rule of law and respects for human dignity to avoid politics of ethnicity re-surfacing again in Delta State.
ii. The political parties should not be more than two contesting in governorship election and these political parties should field candidates of unquestionable characters in elective post or public offices.
iii. There should be improvement on the living standard of the masses in Delta State to sustain the hope Deltans have on the elected governor (Dr Okowa).
iv. Appointment, job placement, opportunities and the distribution of public goods should be devoid of tribalism and ethnic sentiment.
v. The winner of 2015 governorship election should form all ethnic inclusive government and ensures that no ethnic group would complain of marginalization and also the government should sustain unity among ethnic group in Delta State and discourage disunity.

References

Adfeleye, A. (2017, March 20). 2015 Elections: Impact of regional (party) alliances and ethnic bloc voting on results. Retrieved from the web at http://www.vanguardngr.com/2015/03/2015-elections-impact-of-regional-party-alliances-and-ethnic-bloc-voting-on-results/

Agba, O. (2008). Globalization and change, issues, concerns and impact retrieved on the 10th May, 2015 from www.agba.orgpk/saicon 2008.

Ake, C. (1996). Democracy and development in Africa. Ibadan: Spectrum Books Ltd.

Ansi, R. and Ukadike, J. (2013). Good governance: A panacea for peace and stability in Nigeria nation.

Attahiru, M. Jega (2007). Democracy, good governance and development in Nigeria, Ibadan, Spectrum Books Limited.

Azeez, A. (2009). Ethnicity, Party Politics and Democracy in Nigeria:Peoples Democratic Party (PDP) as Agent of Consolidation? Kamla-Raj, *Stud Tribes Tribals*, 7(1): 1-9

Delta (2015). Who wears the cap of the governorship? Retrieved 10th August, 2015 from http://modernghana.com/;. ./delta20 15 - who-w...

Ebinum, P. (2013). Ethnic politics in Delta State. Retrieved from the web at https://www.thenigerianvoice.com/news/92578/ethnic-politics-in-delta-state-by-paul-ebinum.html

Egbosiuba, M. (2011). Analysis of Recent Delta State Governorship Re-Run. Retrieved from the web at http://www.allthingsnigeria.com/2011/analysis-of-recent-delta-state-governorship-re-run/

Foresight for Development (2014). Ethnic and tribalism — welcome to foresight for development. Retrieved from the web at www.foresightfordevelopment.org/.../...31 october2014.

Fund for Peace (2015, Jan. 15). Nigeria 2015 elections scenarios and recommendations: Delta State. Retrieved from the web at **http://library.fundforpeace.org/electionscenario-delta-1501**

IFES (2012). Cultural justice to inter-ethnic mediation. Retrieved from the web at http://books.google.com/books.

Isaak, A. C. (1985). *Scope and methods of political science* (4th Ed.). New York: Dorsey Press.

Nigeria Elites Forum (2015). Delta state governorship election result. Retrieved on April, 2015 from http//:www.nigeriaelitesforum.

Noko, E. J. (2017). Evaluation of ethnicity and issue of political development in Nigeria. Retrieved from the web at http://educacinfo.com/evaluation-ethnicity-issue-political-development-nigeria/

***Nnabuihe, N. S., Aghemalo, A. & Okebugwu, N. Z. (2014).* Ethnicity and electoral behaviour in Nigeria.** *European Scientific Journal* 2

Okolo, J. E. (1980). Ethnic Politics in Nigeria. The Journal of Modern African Studies 18(4). http://www.jstor.org/stable/160810

Osaghae O. (1994). Ethnicity and its management in Africa. *Case occasioned monographs* No. 2.

Otite, O. (1990). *Ethnic pluralism and ethnicity in Nigeria*. Ibadan: sheneson Ltd.

……… (1999). Challenges and solutions to ethno-religious conflicts in Nigeria. Retrieved from the web at from www.ysdafrica.com.challenges%20and%20solution%2Oto%20.

Ray, S.N. (2009). *Modern comparative politics: approaches, methods and issues*. New Delhi: PHI Learning Limited

Robertson, D. (2004). *The Routledge Dictionary of Politics*. New York: Routledge, 3rd ed.

Salawu, B. and Hassan, O. (2011). Ethnicity, politics and its implication for the survival of democracy in Nigeria. *Journal of Public Administration and Policy Research* 3 (2).

Ted, G. (2000). People versus state: Minority at risk in the new century. Retrieved from the web at http://www.foreignaffairs.com.

The Vanguard (2015). Why I will win governorship poll. Retrieved from the web at www.vanguardngr.com/2015/...de1ta2015will1wingovernors 'poll.

An Assessment of The Roles of Government And Non Governmental Organizations in The Prevention And Management of Hiv/aids in Nigeria, 2000-2006

Ugbegili I. Sylvester
Department Of History
Benue State University, Makurdi
E-mailugbegili4u@gmail.com
Phone: +2348035098734

pp 361 - 371

Abstract

The outbreak of HIV/AIDS in Nigeria in 1986 was indeed disastrous. It took a serious toll on the population of the nation and brought untold hardship as well. To mitigate the potency and painful consequences of this disease, the Government of Nigeria as well as non-governmental organizations made frantic efforts in the area of prevention and management of the disease. The main objective of this paper therefore is to assess the various roles played by Government and Non-Governmental organizations in the prevention and management of HIV/AIDS in Nigeria from the year 2000 to 2006. Findings of this research will benefit the people of Nigeria generally. Secondary source of information was majorly used in writing the paper.

Keywords: HIV/AIDS, Non-governmental organisation, Prevention and Management

INTRODUCTION

Sub-Saharan Africa had remained the region worst hit by the HIV/AIDS scourge in the world. According to data available, almost three quarters of those infected with the HIV/AIDS virus were found in Africa. By 1997, countries of central, eastern and southern Africa had been identified as belonging to the "main AIDS belt", because they possessed the world's highest HIV sero-prevalence levels among the general population.[1] Although a few countries like Uganda (and Thailand in Asia) have responded decisively to AIDS by adopting a multi-sectional approach prominently featuring condom use, among other things, not many countries in the developing world especially Africa had demonstrated convincing political will and economic wherewithal to effectively prosecute a sustained war against the epidemic.[2]

Although the situation in Nigeria and other West African nations was not as bad as in the "main AIDS belt", it was equally worrisome. While HIV prevalence in West Africa was generally below five percent (5%) Nigeria and a few other countries, namely Cote d'Ivoire, Burkina Faso and Togo had prevalence figures well above the regional average. The situation in Nigeria had made a multi-sectional approach in combating the epidemic inevitable. Moreover, the lessons learned from the experiences of the countries in the "main AIDS belt" made it imperative for other countries outside the belt to take preventive measures to arrest the spread of HIV/AIDS.[3]

This paper examines the roles of Government and Non-Governmental organizations in the prevention and management of HIV/AIDS in Nigeria from the year 2000 to 2006. This paper is segmented into five major parts. The first segment is the ongoing introduction, the second segment examines the role of Government in the prevention and management of HIV/AIDS in Nigeria, the third segment considers the role of Non-Governmental Organisations (NGOs) in the prevention and management of HIV/AIDS in Nigeria, and the fourth segment looks at the role of the family in HIV/AIDS prevention and management in Nigeria, and the fifth segment is a conclusion.

The Role of Government in the Prevention and Management of HIV/AIDS in Nigeria

Early in the year 2000, the president of Federal Republic of Nigeria then Chief Olusegun Obasanjo formed the National Action Committee on AIDS, (NACA) which emphasized a multi-sectoral approach to the disease – HIV/AIDS. Membership included representatives from ministries, the state also formed to spearhead a local multi-sectoral response to the epidemic. Nigeria's first HIV/AIDS Emergency Action Plan prepared by the National Action Committee on AIDS was approved in 2001.[4] The plan's objectives included: increasing awareness and making the general population and key stakeholders more aware of the epidemic, promoting behaviour change in both low-risk and high-risk populations, ensuring that communities and individuals were empowered to design and initiate community specific action plans.[5]

The other objectives included the ensuring that, laws and policies encouraged the mitigation of HIV/AIDS in Nigeria, the institutionalization of best practices to provide care and support for people living with HIV/AIDS, the mitigating efforts on the effects of the disease (HIV/AIDS) on orphans, people living with HIV/AIDS and other affected groups. Also, there was the objective of creating networks for people living with HIV/AIDS and others affected by the disease as well as the establishment of an effective HIV/AIDS surveillance system and stimulation of research on the disease. "The state of activities on the HIV/AIDS epidemic was suggestive of a determined role of considerable momentum to qualify Nigeria for the action stage of the onslaught against it".[6]

There was a political commitment at the highest level with president Olusegun Obasanjo hosting a major international conference on HIV/AIDS in 2001 in Abuja during which the United Nation's Secretary General proposed a Global Fund against AIDS, Tuberculosis and Malaria.[7] The Federal Government had outlined a HIV/AIDS Emergency Action Plan (HEAP), a three-year U.S. $190 million joint funding between the government, bilateral donors and World Bank IDA (International Development Association) credit which was to come interest-free since IDA provides interest free loans, called credits, to government of the poorest countries.[8]

The 1997 National Policy on HIV/AIDS and Sexually Transmitted Infections (STI) was reviewed. The policy ultimately sought to achieve a reduction of HIV/AIDS prevalence to less than 1% of the population of Nigeria by the year 2010.[9]

There was the establishment of National AIDS and STDs (Sexually Transmitted Diseases) Control Programme (NASCP) which developed guidelines on key interventions. It also supported monitoring and surveillance of the epidemic.[10] The establishment of a Civil Society Consultative Group on HIV/AIDS Nigeria (CISGHAN) to help with NGO coordination and advocacy on the epidemic was seen.[11]

Between 2000 and 2006 when NACA was established, Nigeria had developed a comprehensive HIV/AIDS response implementation structure and financing process that absorbed and effectively utilized the budgetary savings from debt conversion to stop AIDS in Nigeria. Based on the strong programme planning and implementation structures developed during the first phase of the HIV/AIDS Emergency Action Plan (HEAP), (2001 – 2003), the government went ahead by projecting a requirement of $500 million per year, for a total of $1.5 million, to achieve accelerated results over the timeframe of 2003 –2005.[12]

As from 2002, NACA moved towards a "financial flow" mechanism based on global standards for achieving programme impact and financial accountability. International accounting firm KPMG was the official auditor for NACA and equally served as the local monitoring agent for the Global Fund.[13] Resources were programmed through the above mentioned mechanism which operated under the oversight of joint committees that included representatives of governments civil society and the private sector.[14] The tripartile accountability structure comprised established procedures and rules based on international standards and contained a strong motivation to minimize excessive bureaucracy and inefficiencies.[15]

The government of Nigeria also during the period, proposed that, all resources provided through the conversion of debt servicing payments should be programmed through the financial flow mechanism, supported by the government's Due Process Mechanism. The Due Process Mechanism was a key element of government's drive to combat corruption and was already used in a variety of transactions to guarantee accountability and transparency in the procurement of pharmaceuticals for ARV programmes.[16] Since 2001, Nigeria had had this procedure in place to safeguard government budgeting and procurement. This process enforced compliance with rules in budgeting, procurement and spending. The main agency responsible for implementation of the procedure was the Budget Monitoring and Price Intelligence Unit (BMPT), which was created in early 2001 and which received full, legal authority in October 2001.[17] This was located in and had the full backing of the office of the presidend. The goal of the mechanism was to confront Nigeria's history of carrying out budgeting and procurement without adequate planning and regularity, cost benefit analysis, broad and public bidding for government contracts or clear and objective criteria for bid evalution.[18]

Difficulties for Effective Governm ent Role in the Prevention of HIV/AIDS in Nigeria

Difficulties of great magnitude confronted the Nigerian government in her quest to intervene or prevent the HIV/AIDS scourge in Nigeria. The major ones were Corruption and Unsustainable Debt burden.

Corruption

An international corruption and transparency expert, Jack A Blum said the "biggest single problem" Nigeria faced was the "corruption of the past" which was "hanging over" its future economic growth in the form of a large external debt.[19] The attorney who specialized in controlling bank fraud, government corruption and money laundering, when called upon to testify on the Nigerian debt and corruption situation by the United States Congress said "many of the people who took those public funds were sitting in London as some of the wealthiest people in England. Those assets were not to be overlooked because they ran into billions, $40 billion at least since independence", with some estimates running as high as $90 billion.[20]

Corruption was and is a global phenomenon which was and is an anti-social behaviour conferring improper benefits contrary to legal and moral norms and which undermined government's capacity to secure the welfare of all citizens.[21] In Nigeria it became the major means of accumulation of wealth. All regimes – military and civilian had been victims of corruption.[22] Enhanced by oil revenues, there were deepening crisis of corruption which resulted in a combination of scandalous wealth accumulation among the ruling class which deepened poverty, misery and degradation among the masses while the economy and social institutions continued to decay. This trend in itself engendered HIV/AIDS infection in Nigeria.

Unsustained Debt Burden

It has been argued that if Nigeria was to sufficiently finance an expanded and comprehensive HIV/AIDS response, innovative resource mobilization mechanisms were required. Drawing from the provisions of "Debt Relief Enhancement Act 2002" the capping of Nigeria's debt service payments to 5% of its net internal revenues, based on her public health crisis, particularly, the HIV/AIDS emergency. The debt sustainability ratio for 2001 and 2002 was 23% and 18% respectively.[23] The United States waves of HIV/AIDS study of five of the world's most populous countries, including Nigeria warned that, the countries needed “dramatic shifts in priorities” to control their epidemics by 2010 because the disease had built up significant momentum. Health services were not adequate and the cost of education and treatment was overwhelming.[24]

Referring specifically to Nigeria, Dr Gordon, one of the authors of the report, said the AIDS epidemic caused tensions in the country. That, the AIDS epidemic weakened her peacekeeping roles on the continent. Government officials acknowledged that but argued that, beyond that situation, Nigeria's debt overhang was to blame for the government's diminishing capacity to respond to the humanitarian, social and economic consequences of HIV/AIDS as repayment of liabilities had tied resources that would otherwise have gone into HIV/AIDS programmes. In 2002, the Debt Management Office of the Federal Government put the nation's total indebtedness at US $28.6 billion, which represented about 80% of Gross National Product (GNP) or 186% of export earnings. A report entitled “filling the funding gap” which made a case for the conversion of debt payments to combat HIV/AIDS in Nigeria argued that, debt repayments were unsustainable and that the nation's income from oil sales should not be used to justify denial of debt cancellation or significant debt reduction.[25]

In 2000, Nigeria paid creditors US $1.5 billion in debt service, nine times more than its total health spending. She paid US $2.1 billion in 2001 and another $1.1 billion in 2002, an average of $1.56 billion over the past three years. These payments represented a massive drain on Nigeria's resources, severely handicapping the country's efforts to tackle poverty and to respond effectively to the HIV/AIDS emergency. An excessive external debt burden limited government capacity by trying up financial resources that could have been used for urgent HIV/AIDS programming.[26]

At the Nigerian national and state levels there was need to scale up interventions more rapidly and speed up efforts to reach the Abuja Declaration's 15% goal of Federal spending for health care so as to continue efforts in health reform and containment of high transmission rates among high risk groups, such as port workers, truckers and commercial sex workers and their clients. The legislative would have passed legislation to protect people living with HIV and AIDS and government generally would have urgently initiated comprehensive programmes for orphans and other vulnerable children. Provision of life saving AIDS medication for parents and economically productive adults would have been made a high priority for accelerated procurement of generics AIDS medications in order to address the HIV/AIDS problem.

The Role of Non-Governmental Organisations (NGOs) in the Prevention and Management of Hiv/Aids in Nigeria

The Non-Governmental Organisations under consideration here includes The Christian Church and the Support to International Partnership Against AIDS in Africa (SIPAA) in Nigeria.

The Christian Church and HIV/AIDS Prevention/Management in Nigeria

They played enormous roles in the prevention of HIV/AIDS in Nigeria. The research shows that, some denominations did set up their own HIV/AIDS awareness programmes to educate pastors, church leaders, women's fellowship groups and young people.[27] The Evangelical Church of West Africa (ECWA) led the way in Nigeria. The ECWA AIDS Ministry (TEAM) traveled from state to state in Nigeria, visiting churches to give training about AIDS. TEAM also operated the Spring of Life Counselling Centre, an AIDS Counselling Centre at Evangel Hospital in Jos. Besides providing counselling for inpatients and outpatients suffering with AIDS.[28] Spring of Life Counselling also visited the homes of people with HIV/AIDS, giving home-based care to those who needed it. They also taught families how to care for the persons dying with HIV/AIDS, and once a month they ran a support clube for those living with HIV/AIDS.[29] The ECWA AIDS Ministry (TEAM) also trained staff in ECWA's primary health care clinics to do AIDS Counselling and Care. In the area of education, they developed HIV/AIDS lessons for ECWA primary schools.[30]

The Church of Christ in Nigeria (COCIN) also developed its own AIDS Awareness and Care Programme.[31] They educated pastors and church leaders to know how to teach their congregations about AIDS, and how to counsel members who had AIDS.[32]

“Tarayar Ekklesiyoyin Kristi a Nigeria” (TEKAN) along with Sudan United Mission/Christian Reformed Church, also had AIDS awareness and care programme, - “Beacon of Hope”. They worked with all member denominations that made up TEKAN, to encourage each one to be active in AIDS awareness and care in their own areas of northern Nigeria.[33]

The Roman Catholic Church (RCC) was prominently involved in the prevention/awareness and management of HIV/AIDS in Nigeria. They were known for organization of conferences and seminars aimed at creating more awareness on the HIV/AIDS pandemic. Such conferences and seminars gathered priests, seminarians, religious communities of men and women, and the laity of the various dioceses. These for a desired to marshal the participants in becoming critical agents in their communities, helping to educate and organize local networks towards furthering similar activism relative to HIV/AIDS.[34] The Catholic Church's early awareness campaigns against HIV/AIDS began prior to the proactive stance of the Nigerian government in this direction. The tenure of the late Professor Olukoye Ransome Kuti as Federal Minister of Health was to witness a proactive attention by government to establish the Federal Ministry of Health's National Expert Advisory Committee on AIDS. This committee produced HIV/AIDS materials such as pamphlets, posters and other texts that proved useful in the awareness campaign on HIV/AIDS. One of the most detailed materials published by the committee in this regard was the pamphlet Fifty Questions and Answers in AIDS.[35]

The materials were crucially helpful in heightening public awareness. The Catholic Church more significantly, was involved in the free distribution of these materials in Nigeria. Furthermore, the Catholic health care as members of the joint ecumenical collaborative health care initiative – the Catholic Healthcare of Nigeria (CHN) venture headquartered in Jos, vitally continued to address the issue of HIV/AIDS. Through conferences, seminars and other events organized by this institution, the Catholic Church was able to share the nature of their work and network among institutions in furthering their work for healthcare in general but specifically on HIV/AIDS and other such diseases.[36] Since Catholic healthcare was not only focused upon curative medicine but also preventive, it relied on the published educational materials of CHN, especially printed flyers, pamphlets, booklets and other relevant instrumentations published in different languages (especially Nigeria's main languages – English, Hausa, Igbo and Yoruba), as aids in conducting specific educational events.[37]

Catholic healthcare institutions were able to acquire essential and scarce pharmaceuticals easily, especially ethical and retroviral drugs for the management of HIV/AIDS cases. Such process helped health care institutions, to save costs and time regularly lost in bureaucratic procedures.

The Catholic Healthcare of Nigeria (CHN)'s partnership with overseas agencies such as the World Council of Churches (WCC) and Christian Charitable Organizations like Oxfam and Caritas were significant, as these partners helped to secure, package and ship these medications at cheaper costs than at manufacturers' prices, thus allowing for the efficient and lower costs affordable for most Catholic and Mission health care institutions. Such collective efforts also minimized the unfortunate bureaucratic bottlenecks associated with the importation and clearance procedures of medical drugs and equipment. Below is a list of Catholic healthcare distribution in Nigeria.

Table 7.1: Catholic Hospitals, Clinics and Health Centres

Metropolitan Ecclesiastical Jurisdiction *(Diocesan sees constitutive of metropolitan jurisdiction in parentheses)	Number of healthcare institutions	Number of Healthcare Training Institutions	Health Coordinator 0=No, 1=Yes
Abuja Ecclesiastical province *(6)	28	1	0=1, 1=5
Benin Ecclesiastical province (5)	11	1	0=5, 1=0
Calabar Ecclesiastical province (5)	16	0	0=4, 1=1
Ibadan Ecclesiastical province (5)	27	3	0=2, 1=3
Jos Ecclesiastical province (5)	19	1	0=3, 1=2
Kaduna Ecclesiastical province (8)	19	2	0=2, 1=7 (6) (6+1=7)
Lagos Ecclesiastical province (3)	40	0	0=1, 1=2
Onitsha Ecclesiastical province (6)	31	1	0=6, 1=0
Owerri Ecclesiastical province (6)	26	1	0=5, 1=1
Cumulative Total 9(49)	217	9	0=29, 1=21

Source: Adapted mainly, with some updated modifications, from the Cathol Directory 2002, pp. 109

The table above shows the number of Catholic healthcare institutions in Nigeria. These institutions, as shown by the table were higher in number in the Lagos Ecclesiastical province (40) while the lowest being the Benin Ecclesiastical province (11). What is important to note here is the fact that, it within these units that the prevention and management of HIV/AIDS case by the Catholic Church was handled. Below is also information on related Catholic institutions of care.

Table 7.2: Related Catholic Institutions of Care

Metropolitan Jurisdiction	Leprosaria	Rehabilitation	Dental care	Elderly Home care
Abuja province	-	-	-	-
Benin province	1	-	-	2
Calabar province	1	2	-	-
Ibadan province	-	-	-	1
Jos province	-	1	-	-
Lagos province	2	-	-	1
Kaduna province	-	-	-	-
Onitsha province	1	-	1	-
Owerri province	-	1	-	1
Total	5	4	1	4

Source: Adapted mainly with some updated modifications, from the Catholic Diary and Directory 2002, pp. 109 – 263.

In the table above, Lagos has the highest number of Catholic Leprosaria (2) with Calabar having the highest number of rehabilitation centers (2). Benin has also the highest number of Catholic Elderly home care units (2) in Nigeria.

Other Catholic related institutions are shown in the table below:

Table 7.3: Other Catholic Related Institutions

Metropolitan Jurisdictions	Health Learning Institutions	Family Planning	Disability care
Abuja province	1	-	-
Benin province	2	-	-
Calabar province	-	-	-
Ibadan province	3	1	-
Jos province	-	-	2
Lagos province	1	-	-
Kaduna province	2	-	-
Onitsha province	-	-	-
Owerri province	-	-	-
Total	9	1	2

Source: Adapted mainly with some updated modifications, from the Catholic Diary and Directory 2002, pp. 109 - 263.

From the above table, it could be seen that Ibadan province has the highest number of health learning institutions (3) as well as family planning units (1). Jos province has the highest number of disability care units (2) within the catholic cycles respectively. The important point here is that, the Catholic Church indeed spread its tentacles to many social endeavours.

From these social outfits the church was able to embark on campaigns of prevention and management of HIV/AIDS in Nigeria.

Para-Church Organizations and HIV/AIDS in Nigeria

Various para-church organizations (Christian organizations other than church bodies) did very effective jobs in reaching out with HIV/AIDS awareness. The Aid for AIDS/Design for the Family Programme (AAFP) of Fellowship of Christian Students (FCS) was one of the first organizations in Nigeria to catch the vision of what needed to be done to prevent the impending AIDS disaster.[38] The FCS leadership started their programme with little finance or backing. However, since 1997, more than 5,500 trainers were trained to the HIV/AIDS awareness work. This FCS training team travelled from state to state through the twenty northern states of Nigeria and the Federal Capital Territory. Scripture Union (SU) in the southern part of Nigeria had a similar ministry, thought not well developed as of 2002.[39]

The Mashiah Foundation (MF) also ministered to many people with HIV/AIDS as well as those without it. They primarily had counselling and care ministry for those near the end of their lives. They also supported the families of the dying through loans to start small businesses.[40] AIDS awareness programmes in schools were also carried out by the Mashiah Foundation. The Mashiah Foundation group also cared for people who were rejected by their families and society.[41]

The International Institute of Christian Studies, based at the University of Jos worked with the Fellowship of Christian Students, Professors in the Islamic Studies department and the Federal Ministry of Education to develop faith-based AIDS awareness curricula for primary and secondary schools for the Christian and Islamic religious studies teachers.[42] Universities in Nigeria were much affected by this disease (HIV/AIDS). It was discovered by the research that, many factors were responsible for the spread of HIV/AIDS in Nigerian Universities. Prominent among these factors were poverty, promiscuity peer-group pressure, stigmatization, low self esteem, lack of appropriate sexual education.

Poverty drove a lot of people into doing what they would naturally not do. In Nigeria, many families lived below poverty line. They had difficulty in eating three meals a day and even in sending their children to school. In situations where some of these poor families were able to send their children to schools and even universities, some of these children led lives that promoted the spread of HIV/AIDS. For instance, most female students in the universities from poor backgrounds engaged in commercial sex. They had sex with anyone that was willing to pay and use money to pay their tuition fee and living expenses. Sometimes these girls used part of the money to augment their family income.[43]

A promiscuous person is that who keeps many sexual partners. Some members of the Nigerian university communities were not satisfied with one partner or their spouses. Their promiscuous life style had helped in spreading HIV/AIDS in the Nigerian Universities.[44]
Peer-group pressure was one other factor that was responsible for the spread of HIV/AIDS in the Nigerian universities especially among students. A lot of students were engaged in sexual intercourse because their peers were doing it. Some of these students came to these universities as virgins but had to give in to the slogan that "everybody is doing it". Though they were knowledgeable and concerned about contracting HIV/AIDS from their partners, they still gave in to peer pressure.[45]

On stigmatization, it was observed that, due to the stigma associated with HIV/AIDS, a lot of people were afraid to declare their HIV status. Since the disease was not made manifest in them until after some years they went about having unprotected sex with other members of the university communities.[46] Apart from this, people with low self-esteem or low social status were sometimes powerless to reject risky behaviours or negotiate preventive actions for fear of loosing their partners.

Lack of appropriate sexual education was one other reason for the spread of HIV/AIDS in Nigerian universities especially among students. Because of the belief of shielding young people from receiving sex education so as to avoid their becoming sexually active, these youngsters became exposed to pornography, on their own through television, internet, magazines and mobile phones.[47] By these means, the young people got involved in discriminate sex life that promoted the spread of HIV/AIDS in the Nigerian universities.

The International Institute of Christian Studies, the Africa Christian Textbooks (ACTS) and other para-church groups having understood the factors responsible for the spread of HIV/AIDS in the Nigerian universities, embarked on awareness campaigns against the disease in these institutions.

The Role of the Support to International Partnership against AIDS in Africa (SIPAA) in the Prevention and Management of HIV/AIDS in Nigeria

The support to International Partnership against AIDS in Africa (SIPAA) Programme was a three year initiative managed by the Regional Office for Africa of Action aid International (AAI) and funded by the British Government's Department for International Development (DFID) as part of the broader DFID's support to the International Partnership Against AIDS in Africa. The SIPAA programme was conceived and developed within the framework and principles of the International Partnership Against AIDS in Africa (IPAA). IPAA was initiated and approved by the United Nations Joint Programme on HIV/AIDS (UNAIDS) and African Governments as a working strategy to mobilize support for an extra ordinary response to fight HIV and AIDS in Africa.[48]

The SIPAA programme initially implemented in four African countries – Ghana, Ethiopia, Rwanda and Burundi was extended to five more countries – Cameroon, Lesotho, Swaziland, Tanzania and Nigeria after the programme Review of July 2003. In February 2004, an inception mission came to Nigeria from the Africa Regional Office to:

a) Introduce the SIPAA programme to stakeholders at all levels in the National response,
b) Collect information on the status of the National Response and identify possible SIPAA support niche in the country and
c) Plan possible SIPAA support to the National HIV/AIDS response and agree on the inception phase activity plan.[49]

After extensive consultations with various stakeholders, the Nigeria SIPAA programme was eventually developed and was designated to run between 1st April 2004 and 31st March 2005. The programme had a budget of £568,587 British sterling. However, a 6 months extension, which carried no implication for the programme budget, was obtained at the end of the original duration.[50]

The goals of the Nigeria SIPAA was to contribute towards reducing poverty in Nigeria, by reducing the spread and impact of HIV and AIDS through support to the International Partnership Against AIDS in Africa.[51] The programme had a two folds purpose: that is, to support, intensified, better coordinated and more effective national and community level responses to HIV and AIDS in Nigeria and to build the capacity of State Action Committees on AIDS in three states in Nigeria to respond to HIV and AIDS. The programme was also designed to realize three other major outputs: that is, the capacity for management of response in three states of Nigeria enhanced through support to SACA, make policy and practice informed by links between HIV and AIDS and poverty reduction by the end of the project and provide capacity to monitor and evaluate impact of national HIV and AIDS responses in three states enhanced in Nigeria. These states were selected on the basis of the geopolitical spread and balance; interest shown in the SIPAA programme by relevant stakeholders during the situational assessment surveys; absence or inactivity of World Bank HIV/AIDS programme in the state(s); low donor or international development partner presence in the states; and SACA structure in place. On the basis of these factors, these three states were selected: Cross River in the South-South zone of the country, Lagos in the South West zone and Nasarawa in the North Central zone.[51]

SIPAA's activities were implemented in all the three output areas. Under the capacity Building for Management and Coordination Initiative, the SIPAA programme built capacity through training, technical mentoring and support of staff of SACA (State Action Committee on AIDS) and other stakeholders in the state response; supply of equipment to improve the institutional capacity of SACA; and enhanced partnership framework and coordination system to improve response. Activities implemented under these, included the participatory process of Development and Dissemination of Terms of Reference; Workshop for Development of Strategic Plans and Work plan; and supply of Equipment and Materials.[52]

Human capacity development activities were carried out by SIPAA. These activities included improving knowledge and skills of key SACA staff on HIV response management and coordination. The training based on identified gaps; HIV/AIDS Advocacy and Sensitization Workshop for the State Legislators; and improving communication in the HIV/AIDS Response.

Without doubt, the SIPAA programme made a significant difference to the Nigerian National HIV/AIDS response. Some of the major areas where SIPAA made distinct differences in the HIV/AIDS response included the following: building alliances and strengthening partnership; giving voices to the voiceless groups within the HIV/AIDS response community; enhancing governance and management of programmes; and building human and institutional capacities.

Below is a timeline for key activities conducted by SIPAA in focal states of Nigeria.

Table 7.4: Timeline for Key Activities Conducted in Focal States of Nigeria

S/No	Key Activity	Location	Dates
1.	SIPAA stakeholders meeting	Abuja	October 4th 2004
2.	Production of 1st Edition of SACA Newsletter		January – March 2005
3.	Support of SACA meetings	1) Calabar 2) Lagos 3) Nasarawa	July – Nov. 2004 Oct 2004 – Sep. 2005 July – September 2005
4.	Stakeholders meeting of McArthur SIPAA Budget Tracking	Abuja	Nov. 11 – 13 2004
5.	Terms of Reference Workshop for NASACA and LASACA	1) Nasarawa 2) Lagos	Nov. 28 – Dec. 5th 2005

6.	National Response Information Management System (NNRIMS) Training of Trainers	Nasarawa	Nov. 2004
7.	Country Programme Review	1) Calabar 2) Lagos 3) Nasarawa 4) Abuja	Jan/Feb 2005
8.	Provision of Office Equipment and furniture	Calabar	January 2005
9.	Support for HIV/AIDS Mainstreaming Activities of Groups Working in the area of poverty	1) Ogoja 2) Akpabuyo 3) Calabar 4) Bakassi	August 2005
10.	Nasarawa State Strategic Plan Technical Working Group Review meeting	Nasarawa	26 & 27 August 2005
11.	Team Building for LSACA	Lagos	August 8 – 12, 2005
12.	Workshop	1) Calabar 2) Ikom 3) Ogoja	July – August 2005
13.	Partnership forum	Nasarawa	March 31, 2005
14.	Second partners forum in Lagos state	Lagos	August 4, 2005
15.	Capacity building forum	Calabar	August 2005

Source: Adopted from Olufemi Faweya (ed.) Catalysing an Extra ordinary HIV and AIDS Response in Nigeria, July 2004 – September 2005, pp. 65 – 68 .The activities outlined above for SIPAA in three states of Nigeria and Abuja were instrumental in the prevention and management of HIV/AIDS in Nigeria during the period (2004 – 2005).

The Role of the Family in the Prevention and Management of HIV/AIDS in Nigeria

The family is the closest social network to which an individual belongs. The nuclear family is supposed to consist of parents and their children. However, in some communities, such as African and Asians, the family is more likely than not to include uncles, aunts, cousins, nephews, nieces, grandparents and other close relatives. This traditional extended family has always been relied upon as the safety net for handling social ills.53

The needs and suffering caused by the HIV/AIDS proved that this safety net could no longer hold.54 The family had a great influence on how an individual responded to the epidemic in Nigeria. The family was instrumental in the lessening of the vulnerability of an individual to HIV and AIDS. Most families in Nigeria rejected individuals who were known to be practicing or who had behaviours that put such families at risk of HIV. Individuals affected were those that were involved in commercial sex work or who were suspected to be already living with the virus. On the other hand, good families in Nigeria supported such individuals and helped them to reduce their vulnerability to HIV and its associated physical and social ills.55

Ways of Help, Nigerian Families used to Reduce Youths Vulnerability to HIV/AIDS

The major issue was the way adults perceived the sexuality of youths. Many adults were intellectually aware that children start sex quite early in their adolescence. However, very few adults emotionally accommodated this fact when it came to their children. Most Nigerian parents preferred to imagine that the sexuality of their youths was something which did not exist.56 These families were observed only to be mentioning the fact that sex to their youth was dangerous and should not be undertaken until these youths were happily married. They failed to recognize the fact that adolescence is a period when the biology and social setting of young people induces them to fell sexually attractive to others and to want to be loved and that temptation for sex grows rapidly during this period.57 Most Nigerian families applied or used the following ways to prevent HIV/AIDS infection in the country.

In the first place, these families exposed issues of sex to their children. It was observed that families loaded with emotions about sex ran the risk of rejecting and abusing their own children at this stage. Also, parents that view every behaviour of their youth with suspicion eroded trust and built communication barrier between them and their youth.58 During the youthful period, there is much experimentation and risk taking and youths face many dangers including alcohol and drug addition, HIV, STD, teenage pregnancy, rape and other forms of violence.59 The understanding of some families that enable them to expose these issues to their youth went a long way in preventing the spread of HIV/AIDS in Nigeria during the period (1986 – 2006). But, the perceived insensitivity if parents to adolescence sexuality caused a dilemma when health workers discovered that a young person was pregnant or had Sexually Transmitted Disease (STD). It remained debatable whether it was ethical to treat a 13 year old for a sexually transmitted disease without notifying the parents. Some argued that informing the parents could be counterproductive, while counselling by the doctor or another adult could be more useful.60

Secondly, some families avoided marriage risks. Some married women were vulnerable to HIV and AIDS because their male partners had extramarital relations. Some of these women suffered forced sex. Many of these women had no power to negotiate safer sex or to insist also that their husbands or sexual partners use condoms outside marriage.61
Most families in Nigeria as part of their HIV/AIDS interventions focused on the strengthening of the women-men partnerships in order to reduce these marriage risks mentioned above. These families employed good communication, love, understanding and mutual respect as well as equal access to options by both partners. These steps prevented the spread of HIV/AIDS in Nigeria to a large extent.

Thirdly, some Nigerian families were clearly against Ritual sexual cleansing. So many societies in Nigeria had a practice of widow inheritance or widow sexual cleansing of women. This was done supposedly to chase away the spirits of the deceased husbands. This practice increased the widows' risk of HIV/AIDS transmission or reinfection. Most Nigerian families according to this research called for the abolition of this dangerous tradition and its replacement with safer rituals.62 L. Adeokun et al,63 observed that there should be a remarriage or development of new relationships after the previous one or two relationships were ended due to death of spouse or partner from HIV/AIDS.

HIV prevention strategies by the Nigerian family have been summarized as a scenario of three boats; one of Abstinence, the other of Faithfulness and a third of Technology which is Use of Condom.

Conclusion

HIV/AIDS indeed ravaged the Nigerian society since its official declaration in 1986. Government and Non-Governmental Organizations between 2000 and 2006 made frantic efforts with respect to the prevention and management of the disease. The paper explored the roles of government from the angle of its efforts towards preventing the HIV/AIDS scourge in Nigeria. Here, the establishment in 2000 of the National Action Committee on AIDS (NACA) was captured. The government's difficulty in curbing corruption and national debts were discussed by the paper. It was observed that, these key issues were major obstacles of effective government preventive measures against HIV/AIDS in Nigeria. SIPAA (Support Partnership Against AIDS in Africa), the family as well as the Church were the major case studies used to explain the Non-governmental efforts against HIV/AIDS in Nigeria.

ENDNOTES

1.J. C. Caldwell, “The Impact of the African AIDS Epidemic” in K. Awusabo-Asare et al (ed.) Evidence of the Socio-Demographic Impact of AIDS in Africa Supplement to Health Transition Review, Vol. 7, Camberra, Australia National University, 1997, p. 171.
2. N. Hearst and S. Chen “Condom Promotion for AIDS Prevention in the Developing World: Is it Working?” in Studies in Family Planning, Vol. 35, No. 1, 2004, pp 39 – 47 in Olufunke Adeboye “The Redeemed AIDS Programme Action Committee” in Toyin Falola and Matthew M. Heaton (ed.) Traditional and Modern Health Systems in Nigeria, Africa World Press, Trenton, USA, 2006, p. 13.
3. Olufunke Adeboye “The Redeemed AIDS Programme Action Committee” in Toyin Falola and Matthew M. Heaton (ed.) Traditional and Modern Health Systems in Nigeria, Africa World Press, Trenton, USA, 2006, p. 13.
4.S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, Ibadan University Printery, Ibadan, 2006, p. 193.
5. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 193.
6. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, pp. 193 – 194.
7. Musa Inuwa (Oral Interview) 40 years, Trader, Kaduna, 28/5/2008.
8. Makama Abdul (Oral Interview) 45 years, Civil Servant, Birnin Kebbi, Kebbi State, 24/4/2008.
9. Humfrey Edo (Oral Interview) 40 years, Civil Servant, Lafia, Nasarawa State, 21/3/2008.
10. Patrick Agbo (Oral Interview) 40 years, Civil Servant, Makurdi, 20/2/2008.
11. Patrick Agbo (Oral Interview) 40 years, Civil Servant, Makurdi, 20/2/2008.
12. Federal Ministry of Health of Nigeria, 2005.
13. NACA, 2002.
14. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 194.
15. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 194.
16. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, pp. 194 – 195.
17. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 195.
18. NACA, 2001.
19. NACA, 2001.
20. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 195.
21. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 196.
22. Chukwu Emmanuel (Oral Interview) 40 years,

Trader Awka Anambra State, 20/1/2008.
23. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 197.
24. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 197.
25. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 197.
26. S. N. Utulu, The Epidemiology of HIV and AIDS in Africa, p. 197.
27. C. Jean Garland, AIDS is Real and It's in our Church, Honey City Press, Jos, 2003, p. 240.
28. The ECWA AIDS Ministry (TEAM), based at ECWA Evangel Hospital, Zaria Road By Pass, Jos, 2003.
29. The ECWA AIDS Ministry (TEAM), based at ECWA Evangel Hospital, Zaria Road By Pass, Jos, 2003.
30. The ECWA AIDS Ministry (TEAM), based at ECWA Evangel Hospital, Zaria Road By Pass, Jos, 2003.
31. COCIN AIDS Awareness and Care Programme, 2003.
32. COCIN AIDS Awareness and Care Programme, 2003.
33. Beacon of Hope Ministry, a Segment of Tarayar Ekklesiyoyin Kristi a Nigeria (TEKAN), 2003.
34. Anthony Attah Agbali, "The Catholic Church, Social Justice Teachings and Health Care Delivery in Nigeria" in Toyin Falola and Matthew Heaton (ed.) Traditional and Modern Health Systems in Nigeria, Africa World Press, Trenton, United State of America, 2006, p. 58.
35. National Expert Advisory Committee on AIDS, Fifty Questions and Answers on AIDS, Lagos, Federal Ministry of Health, Nigeria, also Kunle Fagbemi "AIDS in Nigeria" African Concord, Nigerian Weekly News Magazine, July 28, 1987, pp. 15 – 20.
36. Anthony Attah Agbali, "The Catholic Church, Social Justice Teachings and Health Care Delivery in Nigeria" in Toyin Falola and Matthew Heaton (ed.) Traditional and Modern Health Systems in Nigeria, p. 58.
37. Anthony Attah Agbali, "The Catholic Church, Social Justice Teachings and Health Care Delivery in Nigeria" in Toyin Falola and Matthew Heaton (ed.) Traditional and Modern Health Systems in Nigeria, 59.
38. C. Jean Garland, AIDS is Real and It's in our Church, p. 241.
39. Fellowship of Christian Students, Yakubu Gowon Way, opp. Building Materials Market, Bukuru Road Jos, 2003.
40. Mashiah is in Hebrew for Messiah. Mashiah Foundation, 26 Ibrahim Dasuki Street, Jos, Nigeria 2003.
41. Mashiah Foundation, 26 Ibrahim Dasuki Street, Jos, 2003.
42. International Institute of Christian Studies, P.O Box 10402, University of Jos, Plateau State, 2003.
43. Z. E. Kwaghe "HIV/AIDS and Nigerian Universities" being a paper presented during the commemoration of the Thirtieth Anniversary of the Establishment of the University of Maiduguri, 27 – 30th November, 2005, p. 7.
44. Z. E. Kwaghe "HIV/AIDS and Nigerian Universities", p. 7.
45. Z. E. Kwaghe "HIV/AIDS and Nigerian Universities", pp. 7 – 8.
46. Z. E. Kwaghe "HIV/AIDS and Nigerian Universities", p. 8.
47. Z. E. Kwaghe "HIV/AIDS and Nigerian Universities", p. 8.
48. O. Faweya (ed.) Catalysing an Extraordinary HIV and AIDS Response in Nigeria, Actionaid International, Nigeria with support from DIFD, 2005, p. ix.
49. O. Faweya (ed.) Catalysing an Extraordinary HIV and AIDS Response in Nigeria, p. ix.
50. O. Faweya (ed.) Catalysing an Extraordinary HIV and AIDS Response in Nigeria, pp. xi – xii.
51. O. Faweya (ed.) Catalysing an Extraordinary HIV and AIDS Response in Nigeria, p. xii.
52. O. Faweya (ed.) Catalysing an Extraordinary HIV and AIDS Response in Nigeria, p. xiii.53. http://www.aidsnet.ch/e/infothek_edition_2_00_025.htm Last updated 26/9/2000.
54. M. E. Ankrah "The Impact of HIV/AIDS on the Family and other Significant Relationships: The African Clan Revisited" in AIDS Care, Vol. 5, No. 1, 1993, pp. 5 – 22.55. http://www.aidsnet.ch/e/infothek_edition_2_00_025.htm Last updated 26/9/2000.56. http://www.aidsnet.ch/e/infothek_edition_2_00_025.htm: The Role of the Family in HIV Prevention. Last update 26/9/2000.57. http://www.aidsnet.ch/e/infothek_edition_2_00_025.htm: The Role of the Family in HIV Prevention. Last update 26/9/2000.58. http://www.aidsnet.ch/e/infothek_edition_2_00_025.htm: The Role of the Family in HIV Prevention. Last update 26/9/2000.59. http://www.aidsnet.ch/e/infothek_edition_2_00_025.htm Last updated 26/9/2000.
60. American Medical News "Is it Appropriate to Notify Parents of a Minor's STD?", 25/8/1997, Vol. 40, No. 321, p. 19
61. J. C. Caldwell et al, African Families and AIDS: Context, Reactions and Potential Interventions, Health Transition Series, No. 4, ISBN 0731519019, 1994.
62. J. R. S. Malungo "Sexual Cleansing (Kasalazya) and Levirate Marriage (Kunjilila Mung'anda) in the Era of AIDS: Changes in Perceptions and Practices", The International Conference on AIDS and STDs in Africa (ICASA) Session Number: 13ET3 Lusaka Zambia, September 1999.
63. L. Adeokun et al. "Serial Marriage and AIDS in Masaka District (Uganda)" in Health Transition Review, Supplement to Vol. 7, 1997, pp. 49 – 66.

The Role of Interventionist Agencies in Addressing Poverty and Development Challenges in the Niger Delta Region of Nigeria

Efebeh, Eseoghene Vincent
Political Science Department
Delta State University
Abraka, Nigeria.
vinefebeh15@gmail.com
08034516815

pp 384 - 392

Abstract

This paper examines the developmental activities and efforts of various governmental agencies established in the wake of environmental degradation, infrastructural decay and poverty in the Niger Delta Region. Given the rate of poverty, unemployment and the health related problems occasioned by the exploration and exploitation of oil; the performance of interventionist governmental agencies have become very insignificant in addressing the plight of the people of the region. Adopting the historical method of data collection with reliance on secondary sources of gathering information, the paper notes that as a result of the lack of political will and endemic corruption in the system, all the interventionist agencies have failed woefully to meet the purpose for which they were set up. It however suggests that genuine political will devoid of sentiments and corruption will go a long way in developing the region and thus alleviate poverty, rather than the mere emphasis on the establishment of interventionist institutions.

Key words: Interventionist agencies, oil industry, poverty, Niger Delta region, Nigeria.

Introduction

Crude oil exploration in Nigeria started in 1908 when a German company, known as Nigeria Bitumen Corporation started exploring oil in the then Western region. Crude oil was first exported in February of 1958 following its discovery in August 1956 in commercial quantity, in Oloibiri, a village located in what is now Bayelsa state. Progressively since then, oil has become the mainstay of the Nigerian economy, effectively dominating other sectors of the economy. The dominance of the oil industry has placed Nigeria as the seventh largest oil producer in the world, the largest in Africa, sixth in the Organization of Petroleum Exporting Countries (OPEC). Fifth supplier to the United States and the most endowed oil producer in Sub-Sahara Africa, until about the last quarter of 2014 when the United States cut down on its oil importation following increase in domestic oil production and the discovering of shale oil;(Ibeanu,1997; Ibaba. 2005; Jike 2004; Fredrick 2008; ANEEJ 2004; Ikelegbe,2010; Mbachu, 2012; Omuta, 2014, Okaba, 2015, Efebeh, 2017). In fact, oil exploration and its contribution to Nigeria foreign exchange earnings is phenomenal. From a meager 10.2% to Nigerian total export in 1962, it was 58% in 1970. However from l978, oil has effectively displaced primary exports such as agricultural produce and occupied between 92-93 percent of Nigerian foreign exchange earnings (Mbachu. 2012). Today, over 80% of government revenue, 90% of total export and 90% of the country's foreign exchange is adduced to the intense exploitation of oil especially in the Niger Delta region; in the view of lyoha (2002), oil has been the engine of economic growth in Nigeria. Yates (2004), cited in Ikelegbe, (2010), aptly notes that by 2002, oil and gas accounted for 83% of government revenues, 95% of total exports, 90% of foreign exchange earnings and 40% of the Gross Domestic Product.

Paradoxically, oil exploitation has led to great harm on the Niger Delta environment, resulting to massive environmental degradation induced poverty and subsequently to forfeiture of the inhabitants' means of livelihood. Oil spillage, gas flaring, deforestation and loss of biodiversity are some of the effects of oil production which are prevalent in the Niger Delta region. While the quest for industrialization through the exploitation of petroleum has given the oil multinationals free hand to operate, the negative effects of crude oil production has also propelled the Nigerian government to take actions in mitigating its adverse effects,(Efebeh, 2017). This has led over the years, to "social activism" to draw the attention of all stakeholders to the plights of the people. The federal government of Nigeria has thus established various agencies saddled with the task of ensuring quality environment and ameliorating the sufferings of the people. These agencies which can be grouped into two types: regulatory and interventionist agencies are supposed to be actively involved not only in ensuring the survival of the ecosystem but also in creating a peaceful atmosphere for the continuous exploration of crude oil.

Theoretical Analysis

This study adopted the structural – functional analysis. Structural-functionalism was spearheaded by the scholarly views of American sociologists, Parsons (1951), Merton (1957), Davis & Moore (1945), as well as anthropologists, Radcliffe-Brown (1952), Malinowski (1932) and Almond & Powell (1966) among others. Structural-functionalism sees society as a social structure with functions in which all components are expected to function together comparatively and cohesively for the betterment of the entire society. These theorists emphasize the functions within the structure and the contributions of each for the overall survival and progress of the system. They argue that, in order to understand a political system, it is necessary to understand not only its institutional structures, but also their respective functional parts that made up the structure. (Almond & Powell,1966; Gauba, 2003).

Parson (1951) developed the idea of collectivities of roles that complements each other in fulfilling functions for the society. He held that, some roles are bound up in institutions and social structures (that is, economic, educational, legal and even gender based issues) that are functional and assist the society in operating and fulfilling its functional needs. Igwe (2007) stressed further that, structural-functional framework examines "society as a system made up of certain arrangement of parts (structures) which behave (function) in a coordinated and interdependent manner to achieve the objectives intended for them by society, these being the means by which equilibrium and peace can be maintained within it".

Merton (1957) concurred though, but observed a certain lapse in the functional unity, that not all parts of a modern complex society work for the functional unity of the society. He identified two types of functions: latent and manifest, saying that some institutions and structures may have other functions and some may even be generally dysfunctional, or be functional for a while and dysfunctional at another. This is because not all structures are functional for society as a whole. Here, Merton introduces the concepts of power and coercion into functionalism and identifies the aspect of 'tension' which may lead to struggle or conflict. He states that by recognizing and examining the dysfunctional aspects of society one can explain the development and persistence of alternatives. The analytical tool provided by the structural- functionalism as presented above, backs this work to objectively assess if, as Merton (1957) observed, there is any institutional (structure) and functional lapses in the assignment / mandate given to the various agencies and their instrumentalities to achieve the purpose(s) for which they were set up at various times. As such, the success or failure of these agencies infers the propensity of socio-economic and infrastructural equilibrium or disequilibrium/ contradiction as the case may be. In the case of the later, however, the continued failure of the government through the agencies may thus manifest in stiff agitations by the people in the region who may feel marginalized, disenchanted and exploited. The resultant effect may be protests and agitations that have threaten the peace and security of the region and the Nigerian state as a whole.

The Oil Industry in Nigeria and the Paradox of Poverty

One of the most remarkable features of post - colonial African society is the all pervasive role played by giant Multinational Corporations in dictating African economic policy drive. Researches in the activities of the MNCs have remained a flowing industry for academics. While some scholars have tended to positively analyze the roles of these big corporations, others have totally rejected the claims made by these MNCs themselves that they are partners in progress, but rather, seeing them more as agents of exploitation. In Nigeria for instance, the Oil Multinational Corporations (OMNCs) have come under serious attacks. The reasons have been the high rate of environmental degradation that has often been the results of intense exploration and exploitation of oil in the Niger Delta region of Nigeria without clear-cut efforts to protect the environment and people. They are also known for keeping to internationally acceptable best practices in the oil and gas industry in their parent countries, but the reverse is the case in Nigeria and in most third world countries where they operate. While the contribution of the oil sector to the national economy has been enormous, it has paradoxically created poverty among the people. In spite of the huge contribution of the region to the nation, the region still lacks basic infrastructures with wide spread neglect of the environment. Consequent upon this is the direct waning of the means of livelihood of the people which has caused untold hardship on the region as can be seen on table 1 below.

Table 1. The Niger Delta Human Poverty Index as at 2005

State	Probability of not surviving to age 40	Adult Literacy Rate	Unweighed average	HP1-I
Abia	26	26	34	29.169
Akwa Ibom	27	28	35.5	30.649
Bayelsa	30	31	39	33.826
Cross River	26	28	33	29.3
Delta	20	18	27	22.355
Edo	22	18	28	23.399
Imo	25	29	32	28.949
Ondo	30	31	42.5	35.442
Rivers	24	24	30.5	26.53
ND	25.556	25.889	33.4	28.847

Source: Grinding Poverty and Deprivation in Niger Delta, Vanguard, Aug, 26, 2007

As Singh et al, (2015) notes, despite its vast oil resources, the Niger Delta region remains poor. GNP per capita is below the national average of $280. Unemployment in Port Harcourt, the Rivers State capital, is over 30 per cent and is believed to be equally high in the rural areas…..Education levels are below the national average and are particularly low for women. While 76% of Nigerian children attend primary school, this level drops to 25-35 % in some parts of the Niger Delta. They further notes that the poverty level in the Niger Delta is exacerbated by the high cost of living. In the urban areas of Rivers State, the cost of living index in the highest in Nigeria. Succinctly put, the discovery of oil in the Niger Delta region of Nigeria has not been beneficial to the inhabitants of the region, but has rather displaced many from their environment without giving them alternative means of livelihood. Majority of the people have become poorer, unable to feed, clothe and shelter themselves. This has been made possible by the negative activities of oil production. The economic and environmental cost of oil spillage, gas flaring and deforestation cannot be undermined, as these practices have tended to adversely affect the people. The socio-economic indices that spread through the Niger Delta region and that have also inhibit the sustainable growth and development have led to wide spread poverty and apathy where greater percentage of the population are living below poverty line. For instance, according to a UNDP report (2006:76), a total of 6817 oil spills occurred between 1976 and 2001. More than 70% was not recovered as approximately 6% spilled on land; 25% in swamps and 69% in off-shore environments. Oil spillage which is the uncontrolled release of any product relating to oil production, caused by equipment failure, operation mishap and human error or intentional damage to facilities, is one of the most common of the environmental impacts of oil exploration and exploitation in the Niger Delta region, (Ndinwa, Chukwuka & Akpafun 2012). Most of these oil spills occur because most of the pipelines are old and corrosive; others are adduced to sabotage of oil production operations.

There is also the case of gas flaring in the burning of natural gas that is associated with crude oil when it is pumped up from the ground. Gas flaring has today become the cheapest way to separate crude oil from associated natural gas. It is also a significant source of *greenhouse* gases released into the atmosphere. Gas flaring generates air pollution and heat. It has been linked to the depletion of the stratospheric ozone layer and also strange diseases affecting the inhabitants of the region. Besides, it is a waste of a potential source of income as Nigeria lost \$2.3 billion to gas flaring per year (Oil Watch, 2010). Thus, the economic and environmental cost of oil exploitation on the people of the Niger Delta region has ultimately been the loss of their source of income and the subsequent displacement from their land. According to Orubu (2002), oil production in the petroleum industry is largely capital and skill intensive and it is this characteristic that has tended to reduce the ability of oil companies to absorb the largely unskilled immigrant labour from the rural oil-producing communities. The depletion of the active labour force in the rural communities and the population pressure and open unemployment in the region have led to further mass exploitation of urban resources and the development of slums leading to new wave of environmental problems. Thus, it is this "paradoxical linkage which seems to exist between oil industry activities and the incidence of poverty in the Niger Delta that provides one forceful justification for environmental intervention (Orubu, 2002:130). Over the years, the federal government has been responding to this dilemma in many ways through the establishment of both regulatory and interventionist agencies. However, pollution still continues to affect the ecology of the Niger Delta environment and thus the economic lives of the people.

Stemming Poverty through Interventionist Agencies

Interventionist agencies were established by the government of Nigeria for the purposes of addressing the socio-economic and infrastructural problems faced in the Niger Delta region resulting from the negative effect of oil production on the environment and their source of livelihood. Despite the huge revenue from the proceeds of oil and the contribution of the oil industry to the Nigerian economy, the issue of environmental degradation, lack of social amenities and infrastructures, unemployment and poverty had become synonymous with the region. Consequent upon this, protests and social activism have in turn developed over time and have led to the vandalization of oil pipelines, communal clashes, kidnapping of oil workers and hostage taking in the Niger Delta region, with serious negative impact on the nation's external image and the economy. As a result of this, the Nigerian government decided to take some interventionist measures at various times to address these crises. These measures include the establishment of the Niger Delta Basin Development Authority (NDBDA), Presidential Task Force (PTF), Oil Minerals Producing Areas Development Commission (OMPADEC), and lately the Niger Delta Development Commission (NDDC) and the Ministry of Niger Delta Affairs.

As Ekpo (2004:65) notes, the Niger Delta has for long remained a hot bed for political activism and agitation for minority rights. It follows therefore that, agitations in the region pre-dates the discovery of oil in commercial quantity. Such agitations led the colonial government in 1958 to set up the Henry Willink Minorities Commission to look into the fears expressed by the people of the Niger Delta as well as other minority groups in the Country. Tosanwumi (2008: 14) notes that, prior to this time, the interest of the minority ethnic groups were crushed aside when constitutional conferences were being held in London and Lagos, and preparation were in full gear to give the country independence. Aside giving a report of far reaching steps to be taken by the federal government to allay the fears of the minority groups, the commission as part of its recommendations, emphasized the need for the establishment of a special board through which the government will meet the infrastructural needs of the people of the region and thus eliminate the fears and agitations for the creation of states for minorities in the region. To this end, the Niger Delta Basin Development Authority (NDBDA) was established in 1959. The board was charged, among other things, with the responsibility of bringing about rapid development of the region. It was also to advise the federal government and the then regional government of Western (Midwestern inclusive later) and Eastern Nigeria on the infrastructural development of the Niger Delta. These programmes of action would have produced some measures of development if they were carried out genuinely. Various factors acted against its implementation; chiefly among these was the nationwide crisis which culminated into a 30 month civil war; a war which saw the Niger Delta becoming a major part of the blood theatre. According to Ekpo (2004), the first major blow was the slashing of its 50 percent budget allocation to 20 percent by the federal government. The government soon discontinued out rightly the funding of the NDBDA, thus, leaving it at the mercy of foreign donors. As a result the board failed to achieve the purpose for which it was established.

In 1981, the then National assembly enacted the Revenue Act, a law designed to focus attention on the development of the area by making provision for the allocation of 1.5 percent derivation. However, no effective administrative organ was established to administer the fund. A Presidential Implementation Committee (PIC) was established in 1987 by the Babangida administration to administer the 1.5 percent derivation fund. The committee could not achieve much due to reasons that had to do with inadequate funding and logistics. Secondly, the committee operated from Lagos, far away from its area of responsibility. This made it lost touch with the realities in the Niger Delta, the travails of oil producing communities, their woes, agitations and aspiration (Ekpo, 2004). The resultant consequences of the failures of all these initiatives to address the Niger Delta problems are responsible for the restiveness that eventually engulfed the region. These agitations necessitated the creation of the Oil Minerals Producing Areas Development Commission (OMPADEC), by President Ibrahim Babangida in 1992. The OMPADEC replaced the PlC, which had become moribund. According to Horsfall (1999), the Decree 23 of July 1992 which set up the commission empowered it for the urgent as well as rapid infrastructural development of the Niger Delta region, among others. While these objectives can, without prejudice, be said to be overreaching, OMPADEC recorded little success. Even though, in the areas of road construction, provision of water and electricity as well as land reclamation and provision of loans were some of the high points of the commission; generally, OMPADEC was a total failure due to inter-ministerial intrigues and diverse political calculations in government.

As Horsfall (1999) notes, "governments - civil or military - never stopped eyeing our funds with a view to either poaching them or indirectly controlling or sharing in them." He further noted that, in March 1993, two billion naira was taken from OMPADEC account by the Federal Ministry of works for projects which "never ever took place". This account is an indication that there was a clear lack of governmental commitment. As table 2 below shows, the commission's entitled funds from the Federation Account and budgeted sums were either not fully paid or withheld.

Table 2, financial allocation to OMPADEC 1992-1996

N(000,00)	1992	1993	1994	1995	1996	TOTAL
Expected Allocation (N million)	6,042	6,414	6,621	27,827	38,596	85,590
Actual Allocation	1,614	2,619	2,629	3,215	3,077	11,858
Allocation Shortfall	4,428	3,795	3,992	24,612	35,509	72,335

Source: Horsfall (1999), *The OMPADEC Dream*.

The lack of commitment on the part of government is partly responsible for the problems encountered by OMPADEC. But however, as table 3 shows below, OMPADEC received very substantial funding for the five years it lasted. In 1993 alone it got about $250million for its activities, and by December 1997, it had expended some $870million. In comparing tables 2 above with table 3 below, it is obvious that the government may have erred, as shown in table 3 for the shortfall in its allocation to the body between 1992 and 1996. But the millions of dollars and naira the commission received was not well managed.

Table 3, OMPADEC monthly financial receipts, 1993-1997 (millions of Naira)

	1993	1994	1995	1996	1997
January	316.0	225.0	318.0	275.5	355.2
February	2,680.1	216.0	270.3	233.1	388.8
March	0.0	243.6	327.6	288.5	231.7
April	227.4	243.6	211.4	299.9	140.5
May	0.0	172.9	206.2	286.0	279.1
June	243.4	191.5	322.4	312.3	274.2
July	239.5	197.2	309.2	310.8	278.9
August	230.1	198.9	188.4	146.9	287.0
September	450.5	237.4	315.7	246.7	248.1
October	193.1	260.8	195.2	152.0	293.2
November	00.0	165.1	254.2	207.7	275.9
December	398.8	184.0	239.2	471.3	470.3
Total	4978.9	2536.0	3157.8	3230.7	3522.9

Source: Horfsfall (1999), *The OMPADEC Dream.*

It follows that, in actual fact, the management of OMPADEC made advance payments to contractors, sometimes to the tone of over 50% of project cost, even before projects were executed. In one instance in1993, this led to the loss of N275million over a disputed water project, (Ibeanu,2008). This implies official corruption in the board and the “eyeing” of the commission's funds by highly placed individuals in government was the bane of the commission. One is not surprised therefore that the commission failed completely to deliver on its mandate. By 1999, when the Fourth republic kicked off, a once financially buoyant organization had become a shadow of itself, virtually buried in high debts and fraud of monumental proportions (Ekpo,2004). Poor quality contracts were executed; it was littered with elephant projects, uncompleted projects and non functioning projects. In fact, the commission was a sort of `Father Christmas` to many. The commission lacked adequate data on the oil sector, including institutions and states. All these led to the setting up of the OMPADEC interim management Board by General Abdulsalam Abubakar causing stoppage of funding of the commission. According to Okonta & Oronta (2000), OMPADEC was a woeful failure under both the Babangida and Abacha regimes. Three years after it commenced operations; OMPADEC has committed itself to projects worth $500 million. Interestingly, the bulk of the money paid out for projects completed was to contractors whose addresses could not be traced. Even Eric Opia, head of the panel set up by the Abacha junta to probe Horsfall was appointed sole administrator in his place, he too proceeded to loot OMPADEC in an even brazen fashion. By September1998 when he was fired, Opia had embezzled some $208 million set aside for the development of the impoverished communities of the Niger Delta (Okonta & Oronta 2000). For an agency that was not properly equipped to carry out its functions, the sordid tale stated above is not surprising. A World Bank research team that studied the operations of the agency in 1995 found out among others, that aside the fact that there was no emphasis on environmentally sustainable development, the commission did not have the requisite personnel to enable it meets its ecological mandate. The World Bank also noted the absence of long term planning, lack of project assessment and monitoring and the absence of any form of integrated approach to development as local communities were deliberately ignored. Thus, the OMPADEC essentially deepened the misery of people of the region given the political motive behind its creation and operations as mostly evident in the kind of projects that it embarked upon in the oil region and the manner it awarded the contracts, (Omoweh, 2005).

Thus, the failure of the agency to meet the aspirations of the Niger Delta people necessitated the establishment of the Niger Delta Development Commission (NDDC) by the Olusegun Obasanjo's administration in 1999. In fact, it could be said that the Niger Delta problems have provided a forum for electioneering by ambitious politicians. Obasanjo used it effectively during his presidential campaign in 1998/1999, promising that the NDDC bill will be the first he will push forward to the National Assembly if elected as president. Without being pessimistic, many have come to see the NDDC as a mere change in nomenclature, especially when the performances of the commission are thoroughly assessed. Like previous efforts and agencies, the NDDC has also grappled with lack of agenda, official corruption, politics and inadequate staff and outright inefficiency. Thus, over a decade since its establishment, the problem it was set up to tackle are not only still there but has grown in great proportion. The NDDC mandate is not deferent markedly from the mandate of the defunct agencies. It operates under the mandate of improving social and environmental conditions in the Niger Delta region which it described as horrific in its own reports. How well the agencies have impacted on these problems is questionable because the crisis, which precipitated its creation, has shown no sign of improvement. In fact, in recent times, NDDC has come under scrutiny. There are those that regarded the NDDC as a source of corrupt practices and conduit pipe for stealing public fund. When its activities so far is compared to the rate of environmental degradation, poverty and serious health cases which engulf the region, it is safe to say that, like its predecessors, the NDDC has not recorded much success. Besides the problem of official corruption and negative politicking that the commission has to contend with, the Nigerian government has been accused of withholding the statutory allocation to the commission to the tone of many billions of naira. The oil multinationals as well have also come under serious criticism of not paying the mandatory 3% of their annual budget, as contained in the Act setting up the commission to it. What this amounts to is that, the commission is being starved of funds on one hand and the 'little' that accrues to it is being grossly mismanaged.

Appraising Government Efforts in the Development of the Niger Delta Region

The aim of the government in establishing interventionist agencies is to address the problems of poverty; infrastructural development and environmental degradation engulfing the Niger Delta region. These aims are far from being achieved, as the agencies have always failed to deliver on their mandates. One of the major reasons, for instance, why NDDC have not been able to achieve its mandate has been adduced to lack of adequate funding. The Federal government and oil companies operating in the region are major providers of the funds of NDDC. The Federal Government gives it 15 percent of the 13 percent oil revenue allocations slated for the nine states while the oil companies contribute 3 percent of their annual budget to the NDDC fund. Finally, 50 percent of funds due to the member states from ecological fund are also allocated to the NDDC (ANEEJ 2004). Apart from delays in the release of funds due in parts to prolonged face-off between the Executives and National Assembly which delays passage of appropriation bills, there are evidences to the extent that, the commission does not receive even the approved allocation. For instance, the Federal Government is known to have withheld over 250billion naira of the agency's statutory allocation in 2009. Even then, the Niger Delta 13 percent derivations are not paid in full (Human Right Watch,2002),the case of NDDC which does not have any political clout can be better imagined coupled with the fact that some oil companies are not complying with the provision of the NDDC Act. Besides, the agency, as NEITI (2013) found in its study, the commission had not prepared audited accounts for 2009, 2010, 2011 and 2012 as at July of 2013. This is against the provisions of Section 20(1) which requires, by law, the commission to submit audited account to the President not later than 30 June in each year of the activities of the preceding year. Thus, this is in blatant contravention of the law setting up the commission. This long delay of account rendition may significantly reduce the value of the management decision of the commission. What this amounts to is that, there is lack of transparency, probity and accountability required for the commission to perform its duty of delivering on its mandated to the people of the region. It has also be found that, there are project duplication, in which case contract for a particular project are awarded twice; cases of abandoned and stagnated projects and the payments for projects exceeding the contract sums; (NEITI, 2013). Furthermore, the commission have at various times, been accused of mismanagement and or outright stealing of fund by its various management boards. There has also been a case of in-fighting among its management officials over where to site a particular project and the contractor to be awarded a particular project. This has led to the dissolution of some of its boards and another reconstituted.

In spite of NDDC relative success, especially when compared to its predecessor, the people of the Niger Delta have not, in actual fact, felt its presence as poverty continue to be on the increase. It has been accused of operating independently ignoring inputs from state governments by way of ideas and other areas of collaboration. Many are of the view that the youths should be the primary targets of the commission since they are seen as the primary agents of restiveness. Though the NDDC, in all fairness, has incorporated this suggestion in its programme, it is believed that they need to do more. The issue of sustainability has also not been incorporated in their activity. Probably in their bid to make their presence felt, the NDDC may have spread its budget too thinly without paying attention to sustainability. It can be seen that the NDDC is not sufficiently different from the previous deliberately 'designed to failed efforts' of the ill-fated so-called interventionist development agencies, because the thinking of the state and its allies in the exploitation and marginalization of the region had not been altered. Thus, the commission is another aloof government agency, like its predecessors, and a superficially refurbished cocoon for official corruption by the state and its cronies is evident , considering the fact that over ten years after its existence, the oil-rich region which is the treasure base of the nation, fares relatively poor in every indicator of well-being and development. Sanubi (2011) has particularly taken a swipe at the failure of existing government policies to develop the Niger Delta region. This failure he locate within the political economy foundation of the country, citing irregularities of funding, official profligacy, corruption, excessive political interference and lack of transparency and accountability. The lack of focus which engulf previous agencies were to be the major reasons why, despite the modest achievement of NDDC, the impact the commission had had on the lives of the people, especially in poverty reduction, had been minimal. Thus, the NDDC today is virtually a mere image of itself as an instrument of government policy as its roles are being gradually shifted and or duplicated to newly established Ministry of the Niger Delta.

Concluding remarks

Attempts have been made in the foregoing analysis to establish that the continued poverty, infrastructural decay, unemployment, youth restiveness, militancy and other forms of agitations in the Niger Delta region are as a result of failure of governance and the institutional framework put in place by the government to tackle the environmental problems faced by the people of the region as thrown up by the continued oil exploration and exploitation in the region. It is apt therefore to posit that, the solution to the Niger Delta numerous problems are not more of the establishment of neither agencies nor ministries or any form of institution per se, but rather the government only need to develop the right attitude and the will power to act rightly. This became necessary as well as important because of the fact that, so many developmental agencies and commissions have been established to solve the Niger Delta crises for more than 50 years now and none has been able to solve the problems. There are those that argued that, since no special agency or body was set up to develop infrastructures' in Lagos and Abuja, it follows therefore that the Niger Delta region does not require special interventionist agency or ministry for its non-exiting infrastructures to be developed and to 'help' stop further degradation of its environment, which has adversely affected the means of livelihood of the people of the region.

It is against this backdrop that one would want to suggest that, there is the need to have a total departure from the so-called normal norm or existing order of establishing agencies or ministry that makes it look as if the nation is moving in a vicious circle that is 'destined' and designed to fail. Experiences have shown that such agencies have over time become avenues / channels through which money is stolen from government coffers and political jobbers, party loyalists and associates alike, are "settled" through appointments to the board of such agencies, as evident in the present NDDC and its sister body, the Ministry of Niger Delta Affairs. Thus, these bodies have become sources of primitive accumulation of wealth by the ruling elites and their cronies. Besides, these institutions have large bureaucracies with the numerous shortcomings associated with bureaucracy in Nigeria; a thing that made matters worse for these institutions, as policies of the bodies are bound to surfer some setbacks in terms of implementation and quick response to the needs of the people of the region. It thus follows that, the right political will on the part of the government is the panacea for development of the Niger Delta. A political will that is totally devoid of sentiments as well as corruption will see the Niger Delta transformed in holistic terms. There is also the need to de-emphasis the establishment and proliferation of agencies, bodies or any institutions for that matter, for the purpose of developing the region; especially as these approaches has failed overtime and have been used to enrich a few corrupt persons. The government should rather employ the approach used to develop Abuja; a pragmatic approach that helped to achieve the dream of building a new Federal Capital. This Marshal Plan-like approach will achieve what OMPADEC could not achieve, and NDDC and the Ministry of Niger Delta Affairs are finding difficult to achieve.

References

African Network for Environment Economic Justice (ANEEJ), (2004) Oil of poverty in Niger Delta, Lagos: ANEEJ Publications.

Almond, G. & Powell, G. (1966) *Comparative politics: A developmental approach*. Boston: Little Brown.

Central Bank of Nigeria (CBN) (2006). Annual statistics bulletin, 17, December.

Davis, K. & Moore, W. E.(1945) Some principles of stratification; *American Sociological Review,* No. 10 (2).

Ekpo, U. (2004) *The Niger Delta and politics*, Lagos: International Energy Communications Ltd.

Falola, T. & Ihonvbere, J. (1985). *The rise and fall of Nigeria's second republic: 1979-1984*. London: Zed Publishers.

Fredrick, A.O. (2008) A theoretical consideration of the Niger Delta crisis, whose solution, the people or the government? A paper presented at the International Conference on the Nigerian state, oil industry and the Niger Delta. Yenegua, March 11-13.

Efebeh, E.V. (2017). The political economy of environmental degradation in Bayelsa and Delta states of Nigeria. An unpublished Ph.D. thesis submitted to the Postgraduate School, Delta state University, Abraka.

Gauba, O.P. (2007). *An introduction to political theory*, Delhi: Macmillan Indian Ltd.

Horsfall, A. K. (1999). *The OMPADEC Dream*, London: Imprint Publishers.

Human Rights Watch (2002) Chop fine: The human rights impact of local government corruption and mismanagement in Rivers state, Nigeria, http://hrw.org/reports/2007/nigeria0107/nigeria0107webwcover.pdf. Accessed November 8, 2016.

Igwe, O. (2007) *Politics and Globe Dictionary*, New Edition, Enugu: Keny and Brothers Enterprises.

Ibaba, S. (2005) *Understanding the Niger Delta Crisis.* Port Harcourt: Amethysts Publishers.

Ibeanu, O. (1997) Oiling the friction: Environmental conflict management in the Niger Delta. An environmental change and security profile report. Woodrow Wilson center.

_______(2008) Doves, Hawks and the Vultures: Oil politics in the Niger Delta, in Sam Oyovbaire (Ed.) *Governance and Politics in Nigeria: the IBB & OBJ Years.* Ibadan: Spectrum Books.

Ikelegbe, A.O. (2010) *Oil, resource conflicts and the post conflict Transition in the Niger Delta: Beyond the Amnesty*; Centre for Population and Environmental Development (CPED), Benin City: Ambik Press.

Iyoha, N. (2002) The environmental effects of the oil industry on the Nigerian economy: A theoretical analysis. In C.O. Orubu (Ed.). *The petroleum industry, the economy and the Niger Delta environment.* A Department of Economics publications, Abraka, Delta State University.

Jike, V. T. (2004) Environmental degradation, social disequilibrium and the dilemma of sustainable development in the Niger Delta region of Nigeria, *Journal of black studies* No. 34, 5.

Ndinwa, C., Chukwuka, G. & Akpafun, S. (2012) Environmental impacts of oil exploration and exploitation in Niger Delta region on Nigeria. In A.S. Akpotor, (Eds.) *Five decades of oil production in Nigeria: Impact on the Niger Delta. Abraka:* Centre for

Environment and Niger Delta studies publications.

Nigeria extractive industry transparency initiatives (NEITI) (2013), Revenue, deductions, analysis of disbursement and application of funds by Niger Delta Development Commission. www.neiti.com accessed on July 13, 2017.

Mbachu, I.O. (2012) The Nigerian Petroleum Bill: An appraisal. In A.S. Akpotor, (Ed) *Five Decades of oil production in Nigeria: Impact on the Niger Delta. Abraka:* Centre for Environment and Niger Delta studies publications.

Merton, R. (1957) *Social theory and social structure: Revised and enlarged*, London: The Free Press of Glencoe.

Okaba, B. (2015). My people perish for lack of knowledge: The knowledge-industry and the Niger Delta question, 45th in the series of inaugural lectures, Delta State University, Abraka, delivered on August 6Th.

Okonta, I. & Oronta D (2000) Where vulture feasts: Shell, human right and oil, http: www.humanrightsoil/pdf/files. Downloaded on 1/1/2008.

Omoweh, D.O. (2005) Shell petroleum development company, the state & underdevelopment of Nigeria's Niger Delta: A study in the environmental degradation, Africa: World press.

Omuta, G. E. D. (2014). Transition to sustainable development and a green economy in the Niger Delta of Nigeria: Challenges and Prospects, CPED Monograph series No.9; Benin-city: Ambik Press LTD.

Orubu, C.O. (2000) Oil Industry Activities, Environmental quality and the paradox of poverty in the Niger Delta. In C. O. Orubu (Ed) *The petroluem industry, the economy and the Niger Delta environment,* Abraka: Delta State University Press.

Parsons, T. (1951). *The social system,* London: Routledge.

Radcliffe-Brown, A.R. (1950). Introduction; in A.R. Radcliffe-Brown & W.C. Daryll-Ford (Eds.). *African systems of kinship and marriage,* London: Oxford University Press.

Sanubi, F.A. (2011) Armed militancy in the Niger Delta: Quintessential play-off of sub-regional economic disparities. *Africana journal,* 5, No. 1.

Singh, J., D. Moffat, & O. Linden (2015) *Defining an environmental development strategy for the Niger Delta*. Washington, D.C.: The World Bank, 25 May.

Tosanwumi, R. (2008) Case for Niger Delta master plan, Urhobo Voice, August 25.

Okolie, E.V. (2007), Grinding poverty and deprivation in Niger Delta, Vanguard, Aug, 26.

U.N.D.P (2006). *United Nations development programme, Niger Delta Human Development Report.* New York: United Nations.

The Role of Interventionist Agencies in Addressing Poverty and Development Challenges in the Niger Delta Region of Nigeria

Efebeh, Eseoghene Vincent
Political Science Department
Delta State University
Abraka, Nigeria.
vinefebeh15@gmail.com
08034516815

pp 384 - 392

Abstract

This paper examines the developmental activities and efforts of various governmental agencies established in the wake of environmental degradation, infrastructural decay and poverty in the Niger Delta Region. Given the rate of poverty, unemployment and the health related problems occasioned by the exploration and exploitation of oil; the performance of interventionist governmental agencies have become very insignificant in addressing the plight of the people of the region. Adopting the historical method of data collection with reliance on secondary sources of gathering information, the paper notes that as a result of the lack of political will and endemic corruption in the system, all the interventionist agencies have failed woefully to meet the purpose for which they were set up. It however suggests that genuine political will devoid of sentiments and corruption will go a long way in developing the region and thus alleviate poverty, rather than the mere emphasis on the establishment of interventionist institutions.

Key words: Interventionist agencies, oil industry, poverty, Niger Delta region, Nigeria.

Introduction

Crude oil exploration in Nigeria started in 1908 when a German company, known as Nigeria Bitumen Corporation started exploring oil in the then Western region. Crude oil was first exported in February of 1958 following its discovery in August 1956 in commercial quantity, in Oloibiri, a village located in what is now Bayelsa state. Progressively since then, oil has become the mainstay of the Nigerian economy, effectively dominating other sectors of the economy. The dominance of the oil industry has placed Nigeria as the seventh largest oil producer in the world, the largest in Africa, sixth in the Organization of Petroleum Exporting Countries (OPEC). Fifth supplier to the United States and the most endowed oil producer in Sub-Sahara Africa, until about the last quarter of 2014 when the United States cut down on its oil importation following increase in domestic oil production and the discovering of shale oil;(Ibeanu,1997; Ibaba. 2005; Jike 2004; Fredrick 2008; ANEEJ 2004; Ikelegbe,2010; Mbachu, 2012; Omuta, 2014, Okaba, 2015, Efebeh, 2017). In fact, oil exploration and its contribution to Nigeria foreign exchange earnings is phenomenal. From a meager 10.2% to Nigerian total export in 1962, it was 58% in 1970. However from l978, oil has effectively displaced primary exports such as agricultural produce and occupied between 92-93 percent of Nigerian foreign exchange earnings (Mbachu. 2012). Today, over 80% of government revenue, 90% of total export and 90% of the country's foreign exchange is adduced to the intense exploitation of oil especially in the Niger Delta region; in the view of lyoha (2002), oil has been the engine of economic growth in Nigeria. Yates (2004), cited in Ikelegbe, (2010), aptly notes that by 2002, oil and gas accounted for 83% of government revenues, 95% of total exports, 90% of foreign exchange earnings and 40% of the Gross Domestic Product.

Paradoxically, oil exploitation has led to great harm on the Niger Delta environment, resulting to massive environmental degradation induced poverty and subsequently to forfeiture of the inhabitants' means of livelihood. Oil spillage, gas flaring, deforestation and loss of biodiversity are some of the effects of oil production which are prevalent in the Niger Delta region. While the quest for industrialization through the exploitation of petroleum has given the oil multinationals free hand to operate, the negative effects of crude oil production has also propelled the Nigerian government to take actions in mitigating its adverse effects,(Efebeh, 2017). This has led over the years, to "social activism" to draw the attention of all stakeholders to the plights of the people. The federal government of Nigeria has thus established various agencies saddled with the task of ensuring quality environment and ameliorating the sufferings of the people. These agencies which can be grouped into two types: regulatory and interventionist agencies are supposed to be actively involved not only in ensuring the survival of the ecosystem but also in creating a peaceful atmosphere for the continuous exploration of crude oil.

Theoretical Analysis

This study adopted the structural – functional analysis. Structural-functionalism was spearheaded by the scholarly views of American sociologists, Parsons (1951), Merton (1957), Davis & Moore (1945), as well as anthropologists, Radcliffe-Brown (1952), Malinowski (1932) and Almond & Powell (1966) among others. Structural-functionalism sees society as a social structure with functions in which all components are expected to function together comparatively and cohesively for the betterment of the entire society. These theorists emphasize the functions within the structure and the contributions of each for the overall survival and progress of the system. They argue that, in order to understand a political system, it is necessary to understand not only its institutional structures, but also their respective functional parts that made up the structure. (Almond & Powell,1966; Gauba, 2003).

Parson (1951) developed the idea of collectivities of roles that complements each other in fulfilling functions for the society. He held that, some roles are bound up in institutions and social structures (that is, economic, educational, legal and even gender based issues) that are functional and assist the society in operating and fulfilling its functional needs. Igwe (2007) stressed further that, structural-functional framework examines "society as a system made up of certain arrangement of parts (structures) which behave (function) in a coordinated and interdependent manner to achieve the objectives intended for them by society, these being the means by which equilibrium and peace can be maintained within it".

Merton (1957) concurred though, but observed a certain lapse in the functional unity, that not all parts of a modern complex society work for the functional unity of the society. He identified two types of functions: latent and manifest, saying that some institutions and structures may have other functions and some may even be generally dysfunctional, or be functional for a while and dysfunctional at another. This is because not all structures are functional for society as a whole. Here, Merton introduces the concepts of power and coercion into functionalism and identifies the aspect of 'tension' which may lead to struggle or conflict. He states that by recognizing and examining the dysfunctional aspects of society one can explain the development and persistence of alternatives. The analytical tool provided by the structural- functionalism as presented above, backs this work to objectively assess if, as Merton (1957) observed, there is any institutional (structure) and functional lapses in the assignment / mandate given to the various agencies and their instrumentalities to achieve the purpose(s) for which they were set up at various times. As such, the success or failure of these agencies infers the propensity of socio-economic and infrastructural equilibrium or disequilibrium/ contradiction as the case may be. In the case of the later, however, the continued failure of the government through the agencies may thus manifest in stiff agitations by the people in the region who may feel marginalized, disenchanted and exploited. The resultant effect may be protests and agitations that have threaten the peace and security of the region and the Nigerian state as a whole.

The Oil Industry in Nigeria and the Paradox of Poverty

One of the most remarkable features of post - colonial African society is the all pervasive role played by giant Multinational Corporations in dictating African economic policy drive. Researches in the activities of the MNCs have remained a flowing industry for academics. While some scholars have tended to positively analyze the roles of these big corporations, others have totally rejected the claims made by these MNCs themselves that they are partners in progress, but rather, seeing them more as agents of exploitation. In Nigeria for instance, the Oil Multinational Corporations (OMNCs) have come under serious attacks. The reasons have been the high rate of environmental degradation that has often been the results of intense exploration and exploitation of oil in the Niger Delta region of Nigeria without clear-cut efforts to protect the environment and people. They are also known for keeping to internationally acceptable best practices in the oil and gas industry in their parent countries, but the reverse is the case in Nigeria and in most third world countries where they operate. While the contribution of the oil sector to the national economy has been enormous, it has paradoxically created poverty among the people. In spite of the huge contribution of the region to the nation, the region still lacks basic infrastructures with wide spread neglect of the environment. Consequent upon this is the direct waning of the means of livelihood of the people which has caused untold hardship on the region as can be seen on table 1 below.

Table 1. The Niger Delta Human Poverty Index as at 2005

State	Probability of not surviving to age 40	Adult Literacy Rate	Unweighed average	HP1-I
Abia	26	26	34	29.169
Akwa Ibom	27	28	35.5	30.649
Bayelsa	30	31	39	33.826
Cross River	26	28	33	29.3
Delta	20	18	27	22.355
Edo	22	18	28	23.399
Imo	25	29	32	28.949
Ondo	30	31	42.5	35.442
Rivers	24	24	30.5	26.53
ND	25.556	25.889	33.4	28.847

Source: Grinding Poverty and Deprivation in Niger Delta, Vanguard, Aug, 26, 2007

As Singh et al, (2015) notes, despite its vast oil resources, the Niger Delta region remains poor. GNP per capita is below the national average of $280. Unemployment in Port Harcourt, the Rivers State capital, is over 30 per cent and is believed to be equally high in the rural areas…..Education levels are below the national average and are particularly low for women. While 76% of Nigerian children attend primary school, this level drops to 25-35 % in some parts of the Niger Delta. They further notes that the poverty level in the Niger Delta is exacerbated by the high cost of living. In the urban areas of Rivers State, the cost of living index in the highest in Nigeria. Succinctly put, the discovery of oil in the Niger Delta region of Nigeria has not been beneficial to the inhabitants of the region, but has rather displaced many from their environment without giving them alternative means of livelihood. Majority of the people have become poorer, unable to feed, clothe and shelter themselves. This has been made possible by the negative activities of oil production. The economic and environmental cost of oil spillage, gas flaring and deforestation cannot be undermined, as these practices have tended to adversely affect the people. The socio-economic indices that spread through the Niger Delta region and that have also inhibit the sustainable growth and development have led to wide spread poverty and apathy where greater percentage of the population are living below poverty line. For instance, according to a UNDP report (2006:76), a total of 6817 oil spills occurred between 1976 and 2001. More than 70% was not recovered as approximately 6% spilled on land; 25% in swamps and 69% in off-shore environments. Oil spillage which is the uncontrolled release of any product relating to oil production, caused by equipment failure, operation mishap and human error or intentional damage to facilities, is one of the most common of the environmental impacts of oil exploration and exploitation in the Niger Delta region, (Ndinwa, Chukwuka & Akpafun 2012). Most of these oil spills occur because most of the pipelines are old and corrosive; others are adduced to sabotage of oil production operations.

There is also the case of gas flaring in the burning of natural gas that is associated with crude oil when it is pumped up from the ground. Gas flaring has today become the cheapest way to separate crude oil from associated natural gas. It is also a significant source of *greenhouse* gases released into the atmosphere. Gas flaring generates air pollution and heat. It has been linked to the depletion of the stratospheric ozone layer and also strange diseases affecting the inhabitants of the region. Besides, it is a waste of a potential source of income as Nigeria lost $2.3 billion to gas flaring per year (Oil Watch, 2010). Thus, the economic and environmental cost of oil exploitation on the people of the Niger Delta region has ultimately been the loss of their source of income and the subsequent displacement from their land. According to Orubu (2002), oil production in the petroleum industry is largely capital and skill intensive and it is this characteristic that has tended to reduce the ability of oil companies to absorb the largely unskilled immigrant labour from the rural oil-producing communities. The depletion of the active labour force in the rural communities and the population pressure and open unemployment in the region have led to further mass exploitation of urban resources and the development of slums leading to new wave of environmental problems. Thus, it is this "paradoxical linkage which seems to exist between oil industry activities and the incidence of poverty in the Niger Delta that provides one forceful justification for environmental intervention (Orubu, 2002:130). Over the years, the federal government has been responding to this dilemma in many ways through the establishment of both regulatory and interventionist agencies. However, pollution still continues to affect the ecology of the Niger Delta environment and thus the economic lives of the people.

Stemming Poverty through Interventionist Agencies

Interventionist agencies were established by the government of Nigeria for the purposes of addressing the socio-economic and infrastructural problems faced in the Niger Delta region resulting from the negative effect of oil production on the environment and their source of livelihood. Despite the huge revenue from the proceeds of oil and the contribution of the oil industry to the Nigerian economy, the issue of environmental degradation, lack of social amenities and infrastructures, unemployment and poverty had become synonymous with the region. Consequent upon this, protests and social activism have in turn developed over time and have led to the vandalization of oil pipelines, communal clashes, kidnapping of oil workers and hostage taking in the Niger Delta region, with serious negative impact on the nation's external image and the economy. As a result of this, the Nigerian government decided to take some interventionist measures at various times to address these crises. These measures include the establishment of the Niger Delta Basin Development Authority (NDBDA), Presidential Task Force (PTF), Oil Minerals Producing Areas Development Commission (OMPADEC), and lately the Niger Delta Development Commission (NDDC) and the Ministry of Niger Delta Affairs.

As Ekpo (2004:65) notes, the Niger Delta has for long remained a hot bed for political activism and agitation for minority rights. It follows therefore that, agitations in the region pre-dates the discovery of oil in commercial quantity. Such agitations led the colonial government in 1958 to set up the Henry Willink Minorities Commission to look into the fears expressed by the people of the Niger Delta as well as other minority groups in the Country. Tosanwumi (2008: 14) notes that, prior to this time, the interest of the minority ethnic groups were crushed aside when constitutional conferences were being held in London and Lagos, and preparation were in full gear to give the country independence. Aside giving a report of far reaching steps to be taken by the federal government to allay the fears of the minority groups, the commission as part of its recommendations, emphasized the need for the establishment of a special board through which the government will meet the infrastructural needs of the people of the region and thus eliminate the fears and agitations for the creation of states for minorities in the region. To this end, the Niger Delta Basin Development Authority (NDBDA) was established in 1959. The board was charged, among other things, with the responsibility of bringing about rapid development of the region. It was also to advise the federal government and the then regional government of Western (Midwestern inclusive later) and Eastern Nigeria on the infrastructural development of the Niger Delta. These programmes of action would have produced some measures of development if they were carried out genuinely. Various factors acted against its implementation; chiefly among these was the nationwide crisis which culminated into a 30 month civil war; a war which saw the Niger Delta becoming a major part of the blood theatre. According to Ekpo (2004), the first major blow was the slashing of its 50 percent budget allocation to 20 percent by the federal government. The government soon discontinued out rightly the funding of the NDBDA, thus, leaving it at the mercy of foreign donors. As a result the board failed to achieve the purpose for which it was established.

In 1981, the then National assembly enacted the Revenue Act, a law designed to focus attention on the development of the area by making provision for the allocation of 1.5 percent derivation. However, no effective administrative organ was established to administer the fund. A Presidential Implementation Committee (PIC) was established in 1987 by the Babangida administration to administer the 1.5 percent derivation fund. The committee could not achieve much due to reasons that had to do with inadequate funding and logistics. Secondly, the committee operated from Lagos, far away from its area of responsibility. This made it lost touch with the realities in the Niger Delta, the travails of oil producing communities, their woes, agitations and aspiration (Ekpo, 2004). The resultant consequences of the failures of all these initiatives to address the Niger Delta problems are responsible for the restiveness that eventually engulfed the region. These agitations necessitated the creation of the Oil Minerals Producing Areas Development Commission (OMPADEC), by President Ibrahim Babangida in 1992. The OMPADEC replaced the PlC, which had become moribund. According to Horsfall (1999), the Decree 23 of July 1992 which set up the commission empowered it for the urgent as well as rapid infrastructural development of the Niger Delta region, among others. While these objectives can, without prejudice, be said to be overreaching, OMPADEC recorded little success. Even though, in the areas of road construction, provision of water and electricity as well as land reclamation and provision of loans were some of the high points of the commission; generally, OMPADEC was a total failure due to inter-ministerial intrigues and diverse political calculations in government.

As Horsfall (1999) notes, "governments - civil or military - never stopped eyeing our funds with a view to either poaching them or indirectly controlling or sharing in them." He further noted that, in March 1993, two billion naira was taken from OMPADEC account by the Federal Ministry of works for projects which "never ever took place". This account is an indication that there was a clear lack of governmental commitment. As table 2 below shows, the commission's entitled funds from the Federation Account and budgeted sums were either not fully paid or withheld.

Table 2, financial allocation to OMPADEC 1992-1996

N(000,00)	1992	1993	1994	1995	1996	TOTAL
Expected Allocation (N million)	6,042	6,414	6,621	27,827	38,596	85,590
Actual Allocation	1,614	2,619	2,629	3,215	3,077	11,858
Allocation Shortfall	4,428	3,795	3,992	24,612	35,509	72,335

Source: Horsfall (1999), *The OMPADEC Dream*.

The lack of commitment on the part of government is partly responsible for the problems encountered by OMPADEC. But however, as table 3 shows below, OMPADEC received very substantial funding for the five years it lasted. In 1993 alone it got about \$250million for its activities, and by December 1997, it had expended some \$870million. In comparing tables 2 above with table 3 below, it is obvious that the government may have erred, as shown in table 3 for the shortfall in its allocation to the body between 1992 and 1996. But the millions of dollars and naira the commission received was not well managed.

Table 3, OMPADEC monthly financial receipts, 1993-1997 (millions of Naira)

	1993	1994	1995	1996	1997
January	316.0	225.0	318.0	275.5	355.2
February	2,680.1	216.0	270.3	233.1	388.8
March	0.0	243.6	327.6	288.5	231.7
April	227.4	243.6	211.4	299.9	140.5
May	0.0	172.9	206.2	286.0	279.1
June	243.4	191.5	322.4	312.3	274.2
July	239.5	197.2	309.2	310.8	278.9
August	230.1	198.9	188.4	146.9	287.0
September	450.5	237.4	315.7	246.7	248.1
October	193.1	260.8	195.2	152.0	293.2
November	00.0	165.1	254.2	207.7	275.9
December	398.8	184.0	239.2	471.3	470.3
Total	4978.9	2536.0	3157.8	3230.7	3522.9

Source: Horfsfall (1999), *The OMPADEC Dream.*

It follows that, in actual fact, the management of OMPADEC made advance payments to contractors, sometimes to the tone of over 50% of project cost, even before projects were executed. In one instance in1993, this led to the loss of N275million over a disputed water project, (Ibeanu,2008). This implies official corruption in the board and the "eyeing" of the commission's funds by highly placed individuals in government was the bane of the commission. One is not surprised therefore that the commission failed completely to deliver on its mandate. By 1999, when the Fourth republic kicked off, a once financially buoyant organization had become a shadow of itself, virtually buried in high debts and fraud of monumental proportions (Ekpo,2004). Poor quality contracts were executed; it was littered with elephant projects, uncompleted projects and non functioning projects. In fact, the commission was a sort of `Father Christmas` to many. The commission lacked adequate data on the oil sector, including institutions and states. All these led to the setting up of the OMPADEC interim management Board by General Abdulsalam Abubakar causing stoppage of funding of the commission. According to Okonta & Oronta (2000), OMPADEC was a woeful failure under both the Babangida and Abacha regimes. Three years after it commenced operations; OMPADEC has committed itself to projects worth $500 million. Interestingly, the bulk of the money paid out for projects completed was to contractors whose addresses could not be traced. Even Eric Opia, head of the panel set up by the Abacha junta to probe Horsfall was appointed sole administrator in his place, he too proceeded to loot OMPADEC in an even brazen fashion. By September1998 when he was fired, Opia had embezzled some $208 million set aside for the development of the impoverished communities of the Niger Delta (Okonta & Oronta 2000). For an agency that was not properly equipped to carry out its functions, the sordid tale stated above is not surprising. A World Bank research team that studied the operations of the agency in 1995 found out among others, that aside the fact that there was no emphasis on environmentally sustainable development, the commission did not have the requisite personnel to enable it meets its ecological mandate. The World Bank also noted the absence of long term planning, lack of project assessment and monitoring and the absence of any form of integrated approach to development as local communities were deliberately ignored. Thus, the OMPADEC essentially deepened the misery of people of the region given the political motive behind its creation and operations as mostly evident in the kind of projects that it embarked upon in the oil region and the manner it awarded the contracts, (Omoweh, 2005).

Thus, the failure of the agency to meet the aspirations of the Niger Delta people necessitated the establishment of the Niger Delta Development Commission (NDDC) by the Olusegun Obasanjo's administration in 1999. In fact, it could be said that the Niger Delta problems have provided a forum for electioneering by ambitious politicians. Obasanjo used it effectively during his presidential campaign in 1998/1999, promising that the NDDC bill will be the first he will push forward to the National Assembly if elected as president. Without being pessimistic, many have come to see the NDDC as a mere change in nomenclature, especially when the performances of the commission are thoroughly assessed. Like previous efforts and agencies, the NDDC has also grappled with lack of agenda, official corruption, politics and inadequate staff and outright inefficiency. Thus, over a decade since its establishment, the problem it was set up to tackle are not only still there but has grown in great proportion. The NDDC mandate is not deferent markedly from the mandate of the defunct agencies. It operates under the mandate of improving social and environmental conditions in the Niger Delta region which it described as horrific in its own reports. How well the agencies have impacted on these problems is questionable because the crisis, which precipitated its creation, has shown no sign of improvement. In fact, in recent times, NDDC has come under scrutiny. There are those that regarded the NDDC as a source of corrupt practices and conduit pipe for stealing public fund. When its activities so far is compared to the rate of environmental degradation, poverty and serious health cases which engulf the region, it is safe to say that, like its predecessors, the NDDC has not recorded much success. Besides the problem of official corruption and negative politicking that the commission has to contend with, the Nigerian government has been accused of withholding the statutory allocation to the commission to the tone of many billions of naira. The oil multinationals as well have also come under serious criticism of not paying the mandatory 3% of their annual budget, as contained in the Act setting up the commission to it. What this amounts to is that, the commission is being starved of funds on one hand and the 'little' that accrues to it is being grossly mismanaged.

Appraising Government Efforts in the Development of the Niger Delta Region

The aim of the government in establishing interventionist agencies is to address the problems of poverty; infrastructural development and environmental degradation engulfing the Niger Delta region. These aims are far from being achieved, as the agencies have always failed to deliver on their mandates. One of the major reasons, for instance, why NDDC have not been able to achieve its mandate has been adduced to lack of adequate funding. The Federal government and oil companies operating in the region are major providers of the funds of NDDC. The Federal Government gives it 15 percent of the 13 percent oil revenue allocations slated for the nine states while the oil companies contribute 3 percent of their annual budget to the NDDC fund. Finally, 50 percent of funds due to the member states from ecological fund are also allocated to the NDDC (ANEEJ 2004). Apart from delays in the release of funds due in parts to prolonged face-off between the Executives and National Assembly which delays passage of appropriation bills, there are evidences to the extent that, the commission does not receive even the approved allocation. For instance, the Federal Government is known to have withheld over 250billion naira of the agency's statutory allocation in 2009. Even then, the Niger Delta 13 percent derivations are not paid in full (Human Right Watch,2002),the case of NDDC which does not have any political clout can be better imagined coupled with the fact that some oil companies are not complying with the provision of the NDDC Act. Besides, the agency, as NEITI (2013) found in its study, the commission had not prepared audited accounts for 2009, 2010, 2011 and 2012 as at July of 2013. This is against the provisions of Section 20(1) which requires, by law, the commission to submit audited account to the President not later than 30 June in each year of the activities of the preceding year. Thus, this is in blatant contravention of the law setting up the commission. This long delay of account rendition may significantly reduce the value of the management decision of the commission. What this amounts to is that, there is lack of transparency, probity and accountability required for the commission to perform its duty of delivering on its mandated to the people of the region. It has also be found that, there are project duplication, in which case contract for a particular project are awarded twice; cases of abandoned and stagnated projects and the payments for projects exceeding the contract sums; (NEITI, 2013). Furthermore, the commission have at various times, been accused of mismanagement and or outright stealing of fund by its various management boards. There has also been a case of in-fighting among its management officials over where to site a particular project and the contractor to be awarded a particular project. This has led to the dissolution of some of its boards and another reconstituted.

In spite of NDDC relative success, especially when compared to its predecessor, the people of the Niger Delta have not, in actual fact, felt its presence as poverty continue to be on the increase. It has been accused of operating independently ignoring inputs from state governments by way of ideas and other areas of collaboration. Many are of the view that the youths should be the primary targets of the commission since they are seen as the primary agents of restiveness. Though the NDDC, in all fairness, has incorporated this suggestion in its programme, it is believed that they need to do more. The issue of sustainability has also not been incorporated in their activity. Probably in their bid to make their presence felt, the NDDC may have spread its budget too thinly without paying attention to sustainability. It can be seen that the NDDC is not sufficiently different from the previous deliberately 'designed to failed efforts' of the ill-fated so-called interventionist development agencies, because the thinking of the state and its allies in the exploitation and marginalization of the region had not been altered. Thus, the commission is another aloof government agency, like its predecessors, and a superficially refurbished cocoon for official corruption by the state and its cronies is evident , considering the fact that over ten years after its existence, the oil-rich region which is the treasure base of the nation, fares relatively poor in every indicator of well-being and development. Sanubi (2011) has particularly taken a swipe at the failure of existing government policies to develop the Niger Delta region. This failure he locate within the political economy foundation of the country, citing irregularities of funding, official profligacy, corruption, excessive political interference and lack of transparency and accountability. The lack of focus which engulf previous agencies were to be the major reasons why, despite the modest achievement of NDDC, the impact the commission had had on the lives of the people, especially in poverty reduction, had been minimal. Thus, the NDDC today is virtually a mere image of itself as an instrument of government policy as its roles are being gradually shifted and or duplicated to newly established Ministry of the Niger Delta.

Concluding remarks

Attempts have been made in the foregoing analysis to establish that the continued poverty, infrastructural decay, unemployment, youth restiveness, militancy and other forms of agitations in the Niger Delta region are as a result of failure of governance and the institutional framework put in place by the government to tackle the environmental problems faced by the people of the region as thrown up by the continued oil exploration and exploitation in the region. It is apt therefore to posit that, the solution to the Niger Delta numerous problems are not more of the establishment of neither agencies nor ministries or any form of institution per se, but rather the government only need to develop the right attitude and the will power to act rightly. This became necessary as well as important because of the fact that, so many developmental agencies and commissions have been established to solve the Niger Delta crises for more than 50 years now and none has been able to solve the problems. There are those that argued that, since no special agency or body was set up to develop infrastructures' in Lagos and Abuja, it follows therefore that the Niger Delta region does not require special interventionist agency or ministry for its non-exiting infrastructures to be developed and to 'help' stop further degradation of its environment, which has adversely affected the means of livelihood of the people of the region.

It is against this backdrop that one would want to suggest that, there is the need to have a total departure from the so-called normal norm or existing order of establishing agencies or ministry that makes it look as if the nation is moving in a vicious circle that is 'destined' and designed to fail. Experiences have shown that such agencies have over time become avenues / channels through which money is stolen from government coffers and political jobbers, party loyalists and associates alike, are "settled" through appointments to the board of such agencies, as evident in the present NDDC and its sister body, the Ministry of Niger Delta Affairs. Thus, these bodies have become sources of primitive accumulation of wealth by the ruling elites and their cronies. Besides, these institutions have large bureaucracies with the numerous shortcomings associated with bureaucracy in Nigeria; a thing that made matters worse for these institutions, as policies of the bodies are bound to surfer some setbacks in terms of implementation and quick response to the needs of the people of the region. It thus follows that, the right political will on the part of the government is the panacea for development of the Niger Delta. A political will that is totally devoid of sentiments as well as corruption will see the Niger Delta transformed in holistic terms. There is also the need to de-emphasis the establishment and proliferation of agencies, bodies or any institutions for that matter, for the purpose of developing the region; especially as these approaches has failed overtime and have been used to enrich a few corrupt persons. The government should rather employ the approach used to develop Abuja; a pragmatic approach that helped to achieve the dream of building a new Federal Capital. This Marshal Plan-like approach will achieve what OMPADEC could not achieve, and NDDC and the Ministry of Niger Delta Affairs are finding difficult to achieve.

References

African Network for Environment Economic Justice (ANEEJ), (2004) Oil of poverty in Niger Delta, Lagos: ANEEJ Publications.

Almond, G. & Powell, G. (1966) *Comparative politics: A developmental approach*. Boston: Little Brown.

Central Bank of Nigeria (CBN) (2006). Annual statistics bulletin, 17, December.

Davis, K. & Moore, W. E.(1945) Some principles of stratification; *American Sociological Review,* No. 10 (2).

Ekpo, U. (2004) *The Niger Delta and politics*, Lagos: International Energy Communications Ltd.

Falola, T. & Ihonvbere, J. (1985). *The rise and fall of Nigeria's second republic: 1979-1984*. London: Zed Publishers.

Fredrick, A.O. (2008) A theoretical consideration of the Niger Delta crisis, whose solution, the people or the government? A paper presented at the International Conference on the Nigerian state, oil industry and the Niger Delta. Yenegua, March 11-13.

Efebeh, E.V. (2017). The political economy of environmental degradation in Bayelsa and Delta states of Nigeria. An unpublished Ph.D. thesis submitted to the Postgraduate School, Delta state University, Abraka.

Gauba, O.P. (2007). *An introduction to political theory*, Delhi: Macmillan Indian Ltd.

Horsfall, A. K. (1999). *The OMPADEC Dream*, London: Imprint Publishers.

Human Rights Watch (2002) Chop fine: The human rights impact of local government corruption and mismanagement in Rivers state, Nigeria, http://hrw.org/reports/2007/nigeria0107/nigeria0107webwcover.pdf. Accessed November 8, 2016.

Igwe, O. (2007) *Politics and Globe Dictionary*, New Edition, Enugu: Keny and Brothers Enterprises.

Ibaba, S. (2005) *Understanding the Niger Delta Crisis.* Port Harcourt: Amethysts Publishers.

Ibeanu, O. (1997) Oiling the friction: Environmental conflict management in the Niger Delta. An environmental change and security profile report. Woodrow Wilson center.

_______(2008) Doves, Hawks and the Vultures: Oil politics in the Niger Delta, in Sam Oyovbaire (Ed.) *Governance and Politics in Nigeria: the IBB & OBJ Years.* Ibadan: Spectrum Books.

Ikelegbe, A.O. (2010) *Oil, resource conflicts and the post conflict Transition in the Niger Delta: Beyond the Amnesty*; Centre for Population and Environmental Development (CPED), Benin City: Ambik Press.

Iyoha, N. (2002) The environmental effects of the oil industry on the Nigerian economy: A theoretical analysis. In C.O. Orubu (Ed.). *The petroleum industry, the economy and the Niger Delta environment.* A Department of Economics publications, Abraka, Delta State University.

Jike, V. T. (2004) Environmental degradation, social disequilibrium and the dilemma of sustainable development in the Niger Delta region of Nigeria, *Journal of black studies* No. 34, 5.

Ndinwa, C., Chukwuka, G. & Akpafun, S. (2012) Environmental impacts of oil exploration and exploitation in Niger Delta region on Nigeria. In A.S. Akpotor, (Eds.) *Five decades of oil production in Nigeria: Impact on the Niger Delta. Abraka:* Centre for

Environment and Niger Delta studies publications.

Nigeria extractive industry transparency initiatives (NEITI) (2013), Revenue, deductions, analysis of disbursement and application of funds by Niger Delta Development Commission. www.neiti.com accessed on July 13, 2017.

Mbachu, I.O. (2012) The Nigerian Petroleum Bill: An appraisal. In A.S. Akpotor, (Ed) *Five Decades of oil production in Nigeria: Impact on the Niger Delta. Abraka:* Centre for Environment and Niger Delta studies publications.

Merton, R. (1957) *Social theory and social structure: Revised and enlarged*, London: The Free Press of Glencoe.

Okaba, B. (2015). My people perish for lack of knowledge: The knowledge-industry and the Niger Delta question, 45th in the series of inaugural lectures, Delta State University, Abraka, delivered on August 6Th.

Okonta, I. & Oronta D (2000) Where vulture feasts: Shell, human right and oil, http: www.humanrightsoil/pdf/files. Downloaded on 1/1/2008.

Omoweh, D.O. (2005) Shell petroleum development company, the state & underdevelopment of Nigeria's Niger Delta: A study in the environmental degradation, Africa: World press.

Omuta, G. E. D. (2014). Transition to sustainable development and a green economy in the Niger Delta of Nigeria: Challenges and Prospects, CPED Monograph series No.9; Benin-city: Ambik Press LTD.

Orubu, C.O. (2000) Oil Industry Activities, Environmental quality and the paradox of poverty in the Niger Delta. In C. O. Orubu (Ed) *The petroluem industry, the economy and the Niger Delta environment,* Abraka: Delta State University Press.

Parsons, T. (1951). *The social system,* London: Routledge.

Radcliffe-Brown, A.R. (1950). Introduction; in A.R. Radcliffe-Brown & W.C. Daryll-Ford (Eds.). *African systems of kinship and marriage,* London: Oxford University Press.

Sanubi, F.A. (2011) Armed militancy in the Niger Delta: Quintessential play-off of sub-regional economic disparities. *Africana journal,* 5, No. 1.

Singh, J., D. Moffat, & O. Linden (2015) *Defining an environmental development strategy for the Niger Delta*. Washington, D.C.: The World Bank, 25 May.

Tosanwumi, R. (2008) Case for Niger Delta master plan, Urhobo Voice, August 25.

Okolie, E.V. (2007), Grinding poverty and deprivation in Niger Delta, Vanguard, Aug, 26.

U.N.D.P (2006). *United Nations development programme, Niger Delta Human Development Report.* New York: United Nations.