The Paradox of Strategic Planning Process Formality

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Abstract

It identified and critically examined varied perceptions of the strategic planning formality process. This study was accomplished by reviewing related literature. The study found that there is lack of coherency in the definition of acceptable strategic dimensions for an organization. There is no basic standard of measure to determine how much strategic planning formality is required to realize expected outcomes. Descriptions of the strategic planning formality process were therefore found to have a blend of characteristics that run through perceptions in the extant literature. In view of this, it has been recommended that a proposed working definition and a framework (the Strategic Planning Formality Process Model – SPPFM) to guide the establishment of an effective system should be considered by organizations.

Keywords: Strategic planning process, strategic planning process formality

Introduction

Strategic planning has been discussed over the years as a tool to assist organizations identify appropriate strategies that result in desired outcomes; it is crucial to an organization's competitiveness (Ansoff, 1977; St-Hilaire, 2011). The absence of clearly defined strategies among organizations seem to have led to failure in creating and maintaining competitive edge. Formalization of strategic planning is believed to systematize the monitoring, collection, and dissemination of relevant information leading to efficient and effective strategic choices, focused implementation, and the achievement of specific goals (Dutton & Duncan, 1987). From this, it can be said that clear and comprehensibly analysed and disseminated information could lead to efficient and effective strategy implementation and enhanced performance.

A gap in the literature that has necessitated this study is the incoherency in defining acceptable dimensions for strategic planning process formality. There is the absence of definitional consistency of strategy; no basic standard of measure to determine how much strategic planning formality is required to realize expected outcomes. This has brought about theoretical and practical pluralism (O'Regan&Ghobadian, 2002), with resulting inconsistencies in the measurement of effectiveness within industries. Components of strategic planning process formality have not been distinctly defined, and this makes it impossible to measure the level of formality needed to realize strategic outcomes (Mintzberg, 1987). The perceptions of 'emergent' strategies (Mintzberg, 1994; Thnarudee, 2012) do not rule out the need for a systematic and "deliberate" approach toward an organization's planning system. In the long run, "deliberate actions" (not chance) greatly influence an organization's strategic position in an industry – at least some form of order is expected to exist in the field of strategic management studies.

According to Glaister and Falshaw (1999), strategic planning should involve explicit systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan. Phillips and Peterson (1999) also mention that the process should involve a preordained flow and processing of information that obtains input and commitment, and results in written documents. As indicated earlier, attempts to evaluate formality in the literature appear to be infrequent. This study has focused on major aspects of the planning process with the expectation to propose a simplified and precise strategic planning process formality model.

Methodology

This paper was based on literature review. It summarized and provided critical and evaluative account of existing knowledge related to the area of study. It sought to identify and analyse perceptions focused on easing a clearer understanding of the strategic planning process. Various approaches to the process were compared with an intention to highlight commonalities for definitional consistency.

Literature Review and Model Development

Definitional Similarities: Strategic planning formality has been defined as one that is more rationalized for the construction of strategic plans (Dutton and Duncan, 1987:106). Bryson (2011) defines strategic planning as "a disciplined effort to produce fundamental decisions and actions shaping the nature and direction of an organization's (or other entity's) activities within legal bounds" (p. 74). A formal strategic planning has also been viewed as a technique which involves the identification of future trends, threats, opportunities, and analysis of competition and diversification which may change organisational perceptions based on historical trends (Ansoff, 1977; Porter, 1991). Grant (1991) defines it as a search for balance between available organizational skills, and internal and external environments.

Other explanations that capture the future oriented focus of planning make-up for the limitation of this definition. Pearce, Freeman, and Robinson (1987; cited in Glaister & Falshaw, 1999) advocate that the strategic planning process involves the determination of a firm's mission, major objectives, strategies, and policies that direct the acquisition and allocation of resources for goal achievement. Formal strategic planning is time oriented. Pearce *et al.* (1987) specify at least how far into the future the strategic plan should go. According to the writers, it involves the systematic determination of a firm's objectives for at least three years; then developing strategies to direct the acquisition and allocation of available resources to achieve the identified objectives.

Strategic planning is considered by other scholars as a long-term, deliberate set of planned actions (O'Regan & Ghobadian, 2007). Phillips and Peterson (1999) note that it involves preordained information processing that seeks the input and commitment of stakeholders affected by the plan – the end result being written document. This definition introduces other components of formal strategic planning: the required information flow and processing must be determined ahead of time.

It also requires the involvement of its stakeholders. Formal strategic planning is a formalised practice to produce an articulated outcome in the form of an integrated structure of decisions, and concentrate on formalisation of the activities of strategy design or formulation. Strategic planning is a merger of varied organizational activities. Andersen (2000) explains it as a set of activities that focus on identifying mission and goals systematically, scanning the competitive environment, and analysing alternative strategies, and coordination of implementation actions across the entire organisation.

The measurement of formal strategic planning varies among organizations (Veliyath & Shortell, 1993). Glaister *et al.* (2008) measured formality of a firm's strategic planning process with “The Planning Formality Scale”. O'Regan and Ghobadian (2007) adopted a 'written strategic plan' as a surrogate measure of formality, while Veskaisri (2007) determined 'formality' by the level/extent of strategic planning. Kargar (1996) used five strategic planning system characteristics [measures] in studying small banks. These are the degree of internal orientation; degree of external orientation; level of integration within functional departments; extent of key personnel involvement; and extent of use of analytical tools. There seem to be plethoric perceptions of the subject, as indicated.

Characteristics of the strategic planning process do have a mix of features noted to run through advocates' perceptions in the literature. Based on the aforementioned inconsistencies in definition, the study suggests that strategic planning process formality goes beyond the infrequent criteria to broadly encompass *antecedent and process dimensions* (Phillips & Peterson, 1999; Glaister *et al.*, 2008); *time factor* – period covered by the plan (Pearce *et al.*, 1987; O'Regan & Ghobadian, 2007); *extent of planning* – strategic areas covered by the plan (Hellriegel *et al.*, 2005; Grant, 1991; Ansoff, 1977; Porter, 1991); *strategic analysis techniques* (Veskaisri, 2007; Kargar, 1996); and *participation in planning* (Phillips & Peterson, 1999). In view of this, a working definition for the process has been broadly considered by the study as the science and art of a deliberate, persistent and consistent futurist positioning of a firm, having taken a realistic purview of its existing infrequent environs, followed by the adoption of actions on how limited resources may be effectively and efficiently acquired and utilized for enhanced performance.

Antecedent and process dimensions

Formal strategic planning is believed to be guided by established rules [a check list; see Table 2.1] prior to the process, during the process, and after the process; these are rules to guide formal strategic planning. These dimensions may serve as the framework within which strategic planning process is effected. Mintzberg and Lampel (1999:22) highlighted, based on sampled views from commentators “that the process is not just cerebral but formal, decomposable into distinct steps, delineated by checklists, and supported by techniques”. Paris (2003:8) also states that “five ingredients are essential for an effective strategic planning process: the right people, good data, preparation, a structured process, and adequate resources of time and money”. Grant (2003) explains such dimensions to include specific time scales, detailed documentation and written reports, standardized methodologies, and planning specialists. The literature indicates that the aim of a strategy (competitive advantage) may be achieved only when a plan is well-designed and implemented (Porter, 1991; Shraeder, 2002). Traditional approaches to strategic planning have been considered inadequate to address the dynamic needs of organizations.

Phillips and Peterson (1999) mention that the strategic planning process is considered formal when it is preordained, seeks others' commitment, and results in written documents.

Strategic planning is 'formal' when the "process involves explicit systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan" (Glaister & Falshaw, 1999:172).

Formality, in this context is also conceptualized to mean intricacy. It is believed that firm performance may be improved only when there is a greater degree of complexity in the planning process; the existence of focused rules. Strategic planning typically sounds lengthy, expensive, formal, detailed process reserved for few at the top managerial level (Shraeder, 2002). Bryson (2011) has mentioned that strategic planning can be thought of as a detailed formalized process that incorporates the efforts of all organizational levels resulting in essential short and long term decisions and policies and recommended actions directed towards identified vision, mission, goals, and objectives.

While various studies swing through what should constitute the boundaries of 'formality', Bresser and Bishop (1983), and Glaister *et al.* (2008) argue and caution that the process may be dysfunctional if there is too much rigidity and excessive bureaucracy.

Table 1: The Planning Formality Scale

Flexible		**Formal**
Planning is emergent	....	Required by policy
Scheduled as needed	....	Regular scheduled reviews
As much time as needed	....	Strict time limits on reviews
Informal presentations	....	Formal presentations
Decision makers only	....	Numerous observers
Ten page plans, or less	....	Massive paperwork
Open dialogue	....	Restricted discussion
Decisions optional	....	Decisions compulsory
Results emphasized	....	Process emphasized
Random progress reviews	....	Regular progress reviews
Limited accountability	....	Strict accountability
Business intelligence	....	Data, numbers, facts
Flexible planning procedures	....	Uniform planning procedures

Source: Adapted from Glaister et al. (2008)

Time factor

One feature that runs through the literature regarding the concept of strategic planning is that it is time-bound and future oriented (Capon, Farley, Hulbert et al, 1994). Geiss (2003) defines strategic planning as the process of envisioning a firm's future and the development of the needed procedures and operations to achieve that future. He further explains that it uses a time horizon of several years during which management reviews company resources and current strategy to identify strengths and weaknesses. It deals with the long-term allocation of existing resources and the development of new ones essential to ensure the continued health and future growth of an enterprise. Long-term planning is studied to be linked with enhanced performance (Montebello, 1981).

The strategic planning process is an indication of an organization committing itself to certain solutions during many years. There is lack of consensus regarding the time frame in formal strategic planning. There seem not to be any fixed rules about planning time frame. Normally, planning is referred to as long term when the timing is higher than one year. But some consider long term planning as two years or longer, and one year as mid-range plan (Pacios, 2004). According to Pacios (2004), the most common time frame is between three and five years. Others have it as five or more years (David *et al.*, 2001). The plans themselves sometimes determine the need to make clarifications about the time frame.

Pacios (2004) explains that long-range planning spans five or more years, mid-range, 3 years, and short-range, 1 year or less. The longer the period covered by the plan, the more formalized the planning process (Crittenden & Crittenden, 2000; Veskaisri *et al.*, 2007). Formal strategic planning focuses on all time periods – both long and short terms. Timing is not only about the future state of the firm but also the length of time spent in a planning cycle. Naffziger and Kuratko (1991) in their investigation studied the amount of time spent by managers in plan development.

El-Mobayeb (2006) comments that long range refers to the longest time period deemed appropriate to make plans. The literature does not seem to clearly differentiate between the different time frames. Mintzberg (1994) explains that the definition for a plan's time period varies from organization to organization – the Social Security Administration must plan for the retirement of today's babies sixty five years from now; high tech computer companies are putting out new products every six months (see also El-Mobayeb, 2006). The literature emphasizes the importance of all time frames. The attainment of short term goals leads to long term goals. "An effective strategic planning system will link long-range strategic goals with both mid-range and operational plans. In order to facilitate this activity those involved in the strategic planning process collect data, forecast, model and construct alternative future scenarios" (Glaister & Falshaw, 1999:108).

Pacios (2004) further explains that good plans do not only specify the various stages through which organizations intend to proceed. They also point to the successive actions that are necessary to advance through each of such stages. Organizations operating within a complex and dynamic environments are subjected to the influences of several contingency factors, and will seldom look beyond five years with prospects of success in their planning (Pacios, 2004).

Conventionally, any period from five years and above is considered long enough for strategic planning (Glaister & Falshaw, 1999). O'Regan and Ghobadian (2007) argue that three years is arguably the minimum period of time considered practical for a strategic plan.

Extent of planning

Additional feature of the strategic planning process should be the extent of planning – the areas of the process covered during each planning cycle. Veskaisri *et al.* (2007) noted that firms should go the full length of the strategy formulation process (and not depend on ad-hoc measures) for effectiveness. Naffziger and Kuratko (1991) in a study considered the kinds of activities included in the planning process – for example, the setting of goals and environmental scanning.

In other studies, Olson and Bokor (1995) investigated whether available strategic plans were partially or fully developed. A six-dimension planning system was used by Ramanujam and Venkatraman (1987) to check the extent of planning. It encompassed the use of techniques, attention to internal forces, attention to external forces, functional coverage, resources provided for planning, and resistance to planning. Shelette (2002) also identified eight levels of strategic planning (See Table 2) that could be used as a guide for the planning process: mission, objectives, external analysis, internal analysis, development of alternative strategies, strategy selection, strategy implementation, and control. There is a wide body of agreement in the literature regarding the nature and scope of strategic planning.

Table 2: Extent of Strategic Planning

Mission	Establishment of a mission statement
Objectives	Identification of goals and objectives
External Analysis	Analysis of the external environment including strengths and weaknesses.
Internal Analysis	Analysis of the internal environment including strengths and weakness
Alternative Strategies	Establishment of alternative strategies
Strategy Selection	Identification of a particular course of action
Implementation	Execution of the selected strategy
Control	Evaluation and monitoring of the strategic planning process

Source: Shelette (2002).

Techniques for strategy analysis

To rightly adapt its activities to the changing business environments to enhance corporate performance, firms need to consider using the right management tools to formulate the right strategies (Blahova, 2010). Blahova emphasizes that the purpose of management tools is to help managers formulate the right strategies. The first emergence of strategic planning was in the 1960s. Its main aim was to create – on the basis of specific analytical tools – the one best strategy that was then transformed into a catalogue of actions and executed (Ansoff, 1965; cited in Wulf, Meissner, &Stubner, 2010).

The adoption and use of a range of techniques of strategic analysis enriches the extent of the planning process. According to Glaister et al (2009), this should be the organizations' priority due to increased competition. The tools are used to conduct research on the organization's business environment, and on the organization itself, in order to formulate strategies (Downey, 2007).

Studies show that a standard approach to strategic planning would incorporate some analytical tools. Some commonly known tools are SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis: an external environmental analysis to identify the opportunities and threats facing the organization, and an internal analysis to identity the organization's strengths and weaknesses (Andrews, 1971; cited in Glaister & Falshaw, 1999).Porter's Five Forces (industry attractiveness) analysis: advocated by Michael Porter (Porter, 1980; cited by Glaister & Falshaw, 1999) to evaluate the competitive strength and position of a firm (it examines the industry structure); Core capabilities analysis (Prahalad & Hamel, 1990; cited in Glaister & Falshaw, 1999) – analysis of capabilities that are critical to a business achieving competitive advantage; Value chain analysis – to determine activities within the organization that create value for customers; and PEST analysis – used to understand the political, economic, socio-cultural, and technological environments of a firm.

Other less common tools include, Curriculum-centered model (Dolence, 2004); Scenario based model (Wulf*et al.*, 2010); analysis of organizational culture; PIMS analysis, Portfolio matrices, Delphi, Soft systems methodology (SSM), Cognitive mapping, Four corner's analysis (developed by Porter), for generating insights into the future of competitors; Early Warning Systems – to detect or predict strategically, important events as early as possible; BCG growth-share matrix; McKinsey's 7S model; Economic forecasting models; scenario construction; Financial analysis of competitors; Spreadsheet "what if" analysis; Analysis of key or critical success factors; stakeholder analysis; and Corporate modeling/strategic planning software (Downey, 2007; Glaister *et al.*, 2009).

With such tools, it is assumed that strategic planners can design a workable strategy for an entire organization. It is expected that these standard techniques may not be utilized in an environment where strategic planning is emergent (Glaister *et al.*, 2009), that is to indicate that less formalized planning processes may least consider the use of strategic planning analysis techniques.

Participation in planning

Organization-wide participation is a characteristic of the strategic planning process. Participation is a formal practice in which a supervisor requests input from a subordinate and the two make a joint decision (Locke &Schweiger, 1979; cited in Richardson & Taylor, 2012). Bryson (2011) has mentioned that strategic planning incorporates the efforts of all organizational levels. Chandler (1962), cited in Geiss (2003) comments that the involvement and commitment of key decision makers and managers throughout the organizations is needed during strategic planning to support organizational efforts.

Some strategic planning advocates indicate that participation encourages a feeling of involvement and empowers employees to make decisions within the framework defined by the process; this shifts some decision making powers from top management to the participants resulting in increased employee commitment, growing out of a sense of ownership of the planning process (Mintzberg, 1994; El-Mobayed, 2006). Henry Mintzberg, in 1994 suggested that organizations should encourage active participation of as many employees as possible, engaging them in the ongoing dialogue of the strategic planning process. If all employees are aware and participate in the desired future outcomes of the organization, they are more likely to take actions that will lead to achievement of the objectives. This minimizes gaps and overlaps in activities among employees and departments (Pearce and Robinson, 1997; cited in Phillips &Petterson, 1999). Wall and Wall (1995) posit that broader participation leads to the creation of a better, more knowledgeable work force: increased participation and usage of employees' ideas communicates confidence in participants' abilities, making them more creative and motivated.

Participation in strategy making clarifies responsibilities and roles. Pearce and Robinson (1987) observed that employee involvement in the strategic planning process leads to a better understanding of the productivity-reward relationship, and increases their motivation. Arasa, Aosa, &Machuki (2011:198) add that projected resistance to organizational change could be reduced by means of "interactive strategy formulation process, which involves the decision-makers together with staff in a step-by-step process of strategy analysis and decision-making. This approach recognizes the important contribution of managers and staff to strategy formulation and implementation". Traditional (early) management was characterized by the top-down view of organization (Woyzbun, 2001:2), as described in the following comments:

> *These were for the most part centralized, 'top-down" exercises, characterized by teams of corporate planners sequestered at headquarters, occasionally calling for information or data, finally presenting their plan (very often a financial forecast or budget spreadsheet) to Senior Management. The plan (once blessed) was then presented to "operations" managers charged with execution. The "plan" descended from above. Implementation was a tactical consideration. As a result, the plans were far removed from the actual corporate "reality" existing beyond headquarters staff. One of the most frequent complaints by academics and practitioners was that strategic planning as practiced by many organizations was too inwardly focused and did not involve those who knew the most about markets, external environment and the actual strengths and capabilities of an organization related to its objectives.*

This limitation resulted in limited idea generation and commitment to strategy implementation. Comparatively, Wall and Wall (1995:16) observed a shift from top-down decision making in firms toward a wider participation. This shift is attributed to "the changing nature of the work force – the growing number of highly educated, knowledge-based workers and the increasing resistance to the old ethos of simply following orders". They add that the strongest drive originated from environmental dynamism and the need for responsiveness – quick response to changing market needs. Involvement in the formation of strategy is associated with improved organizational performance.

Woodridge and Floyd (1989) have noted that the dynamism of the business environments require a combination of purpose from top management and initiative from middle management. Top managers need to articulate the context and develop organizational structures and reward systems that encourage middle managers to think strategically. This view challenges the traditional division of work in strategy and suggests new roles in the strategic process. Researchers have measured the level and structure of employee participation at the various strategic planning levels (El-Mobayed, 2006; Veskaisri *et al.*, 2007).

Conclusion and Recommendation

Components of strategic planning process formality seemed not to have been distinctly defined in the literature, making impossible, the measurement of the needed level of formality to realize strategic outcomes. "Early stages of the effect of strategic planning systems have been criticized for adopting overly simple measures of process or formality" (Glaister *et al.*, 2008:374). Glaister *et al.* (2008) re-assessed the planning process formality but admitted to have missed certain major components. Mintzberg and Lampel (1999:22) highlighted, based on sampled views from commentators that the process is "…decomposable into distinct steps… and supported by techniques". This study focused on specific aspects of the strategic planning process and, using multiple indicators, proposes a *Strategic Planning Process Formality Model* (SPPFM). These encompass the areas of antecedent and process dimensions, time factor, extent of planning, techniques for strategy analysis, and participation in planning as discussed previously.

Based on available information, the study recommends that organizations shall do well if the strategic planning process is considered as a system with many components. Organizations must have a check list that will be a guide prior to, during, and after the process. These shall be rules to guide formal strategic planning. The *Strategic Planning Process Formality Model*(SPPFM) proposed by this study could be considered for an effective strategic planning process – the areas being antecedent and process dimensions; time factor; extent of planning; strategic analysis techniques; and participation in planning. All organizations should consider the SPPFM as a guide toward the establishment and maintenance of a performance enhancing strategic planning process.

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Leadership and Management in the Public Sector Organisations in Nigeria

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Abstract

Leadership and management principles have been used in private sector for decades. These principles are now introduced in the public sector management in developed and emerging economies around the world. While these are actively appreciated and practiced in developed countries, their applicability in emerging economies such as Nigeria are largely misunderstood and used in the way that do not enhance performance. Leadership and management are used interchangeably in most Nigerian organisations leading to confusion and most leaders ending up with performing administrative and managerial duties. The problem of leadership spans the whole spectrum of Nigerian society, particularly in the public sector. This paper shows that these principles are different and integrated. It shows that the understanding and separation of the duties of the leader from that of the manager is synergic and necessary for effective and efficient way of delivering projects and services. We sampled 2679 senior public sector staff from Federal and State organisations and the findings confirm lack of understanding of the difference and integrated roles of leadership and management principles. The lack of role understanding explains to some extent the reason for poor performance of public sector organisations in Nigeria as most leaders do mainly the managerial duties, failing to delegate managerial duties and concentrate on the leadership ones. The findings led us to conclude and recommend clear separation and integration of leadership and management roles in the Nigerian public sector organisations.

Key Words: Leadership, Management, Private and Public Sectors, Organisations, Service Delivery, Differentiation, Integrationng process formality

Introduction

A cursory search reveals that there is an extremely large and continuously growing literature on leaders and leadership as do management. Bass's Handbook of Leadership (Bass (1981)) references over 4,500 studies of leadership as of the 1981 date of that book, and Rost (1993, p. 46) reviewed over 312 books and chapters on the topic produced in the 1980-89 interval alone (his book contains 25 pages of references), and the rate of output has surely increased in the interim. Indeed, a search of Amazon.com for "leadership" yields 634,530 hits and management yields 212 million today. Despite this with some brilliant exceptions much of this literature is not rigorous or even usefulis not our intention to summarize it here. Rost (1993) does a good job of that in his excellent book, *Leadership for the Twenty-First Century*. Indeed, with few exceptions there is little that can be said to be a science of leadership. Rost has it close to correct when he writes:

> "The facts are that in the 1990's, the concept of leadership does not add up because leadership scholars and practitioners have no definition of leadership to hold on to. The scholars do not know what it is that they are studying, and the practitioners do not know what it is that they are doing." (Rost 1993:8)

> "Many scholars have studied leaders and leadership over the years, but there is still no clear idea of what "leadership" is or who leaders are … The problem with [this] statement is not that it is inaccurate but that, having made it, 95 percent of the scholars ignore the statement and write their book, chapter, or article as if they know what leadership is. Worse many scholars write as if their readers know what leadership is and their readers' understanding is the same as their own." (Rost 1993:13-14)

There are notable exceptions but Rost's statements remain true today. Recently Goffee and Jones (2006) addressed a vexing question of leadership and followership, which is a distinguishing factor in leadership. The best of the literature tends to focus on the psychological, personal and other characteristics that can make one person a more effective leader than another, including, for example, managerial mindsets and managerial roles. In addition, the outstanding books by Bennis (2003) and Bennis and Nanus (1997) deal with the essential competencies and characteristics of a leader as well as key aspects of leadership and its functions.4 The leading books by Heifitz (1994) and Heifitz and Linsky (2002) deal with the challenges of leadership and how they can be met.5 Heifitz (1994) focuses on how to create a vision that will call people into action and continue to motivate them in the face of the obstacles they encounter. Heifitz and Linsky (2002) describe how to effectively deal with the inherent risk and dangers of leadership. However Kotter (1977, 1990 and 2001) research distinguishes the work of management from that of leadership giving rise to a few scholarships. Kotter's work is the basis of our model of the nexus between management, leadership and differentiation and integration. Our model of leadership is consistent with the principles and practices described in most of leading management books. Seen through the lens of our new leadership model, we believe the content of these books becomes even more powerful suffice much as the literature required for our work. The focus of this not leadership traits, behaviours and styles, nor on leadership development, nor on management development but it is on the nexus between these differentiated and integrated roles. The focus is on how understanding and utilising these roles are synergistic and produce higher output or performance in both public and private sector organisations.

The Nature of Leadership

We see leadership is both a process and a property (Heifetz and Laurie, 1997). As a process-focusing on what leaders actually do-leadership is the use of no coercive influence to shape the group's or organization's goals, motivate behaviour toward the achievement of those goals, and help define group or organization culture (Yukl, 1994). As a property, leadership is the set of characteristics attributed to individuals who are perceived to be leaders. Thus, leaders are people who can influence the behaviors of others without having to rely on force; leaders are people whom others accept as leaders (Griffin, 1999). We therefore define leadership as that set of actions, including language actions (words), whether taken directly or by empowering others to act which fulfils visions, and produces results, outcomes, and consequences that otherwise would not have occurred. In our view we categorize leadership in four dimensions of scale, scope, effectiveness, and normative value. The dimensions of scale measures the size of vision and results to be produced while scope measures the amount of effort and resources required to produce the result. The dimensions of effectiveness evaluate the actual results in comparison with the desired results while normative value is the acceptability of vision and the produce result.

The scale of leadership can range from small visions/matters (such as arranging a tennis game amongst friends) to large matters (such as putting a man on the moon). The difference between small-scale leadership and large-scale leadership is the size of the vision or challenge that a person or group chooses to take on. Leadership begins with being the leader in one's own life and scales up from there. The scope of Leadership is a measure of the resources required to produce results and outcomes that satisfy the vision. Otherwise an effective leadership can produce both desirable or undesirable results and outcomes, and the determination of desirable and undesirable depend on both the results and the normative value judgments of the observer. We can identify historical figures, Hitler in Germany and Napoleon, who were effective leaders that produced results that were considered to be evil and others Churchill and Thatcher in England, Ghandi in India, Martin Luther in USA, de Gaulle in France, Mandela in South Africa and of course our Ahmadu Bello in Nigeria whose leaderships led to post effects.

To fully understand leadership, it is necessary to understand power. Power is the ability to affect the behaviour of others. One can have power without actually using it. For example, a football coach has the power to bench a player who is not performing up to par. The coach seldom has to use this power because players recognize that the power exists and word hard to keep their starting positions. In organizational settings, there are usually five kinds of power: legitimate, reward, coercive, referent, and expert power. Legitimate power is power granted through the organizational hierarchy; it is the power accorded people occupying a particular position as defined by the organization. A manager can assign tasks to a subordinate, and a subordinate who refuses to do them can be reprimanded or even fired. Such outcomes stem from the manager's legitimate power as defined and vested in her or him by the organization. Legitimate power, then, is authority. All managers have legitimate power over their subordinates. The mere possession of legitimate power, however, does not by itself make someone a leader. Some subordinates follow only orders that are strictly within the letter of organization rules and policies. If asked to do something not in their job description, they refuse or do a poor job. The manager of such employees is exercising authority but not leadership.

There is also expert power is derived from information or expertise giving the manager who knows how to interact with an eccentric but important customer, a scientist who is capable of achieving an important technical breakthrough that no other company has dreamed, and a secretary who knows how to unravel bureaucratic red tape all have expert power over anyone who needs that information. The more important the information and the fewer the people who have access to it, the greater is the degree of expert power possessed by any one individual. In general, people who are both leaders and managers tend to have a lot of expert power. The reward power is the power to give or withhold rewards. Rewards that a manager may control include salary increases, bonuses, promotion recommendations, praises, recognition, and interesting job assignments. In general, the greater the number of rewards a manager controls and the more important the rewards are to subordinates, the greater is the manager's reward power. If the subordinate sees as valuable only the formal organizational reward provided by the manager, then he or she is not a leader. If the subordinate also wants and appreciate the manager's informal rewards like praise, gratitude and recognition, however, then the manager is also exercising leadership. Still there are powers such as coercive and referent powers, but the above give adequate examples for our requirements in this paper.

The Nature of Management (Managerial Work)

Many of today's managers got their start welding on the factory floor, clearing dishes off tables, helping customers fit a suit, or wiping up a spill in aside. Similarly, lot of people will start at the bottom and work their way up. There is no better way to get to know your competition, your customers, and your business. But whether you begin your career at the entry level or as a supervisor, you job is not to do the work, but to help others to theirs. Management is getting work done through others. Pat Carrigan, a former elementary school principal who became a manager at a General Motor's car parts plant, say, I've never made a part in my life, and I don't really have any plans to make one. That's not my job. My job is to create an environment where people who do make them can make them right, can make them right the first time, can make them at a competitive cost, and can do so with some sense of responsibility and pride in what they're doing. I don't have to know to make a part to do any of those things.

Pat Carrigan's description of managerial responsibilities indicates that managers also have to be concerned with efficiency and effectiveness in the work process. Efficiency is getting work done with a minimum of efforts, expense, or waste. For example, United Parcel Service, which delivers over 3.5 billion packages a year, will save 14 million gallons of fuel annually when it fully implements its new PAL software. PAL, which stands for Pre-Load Assistance Label, is part of an overall computerized route and load planning system that shows number of loaders where to put packages on the delivery truck (to minimize travel time, distances, and fuel costs), and tells UPS drivers exactly where your package is on the truck when they stop in front of your house (to minimize search time at each stop).

By itself, efficiency is not enough to ensure success. Managers must also strive for effectiveness, which is accomplishing tasks that help fulfill organizational objectives, such as customer service and satisfaction. For instance, if you've ever walked into one of Home Depot's, warehouse-sized hardware stores, you may have had trouble getting someone to help you. Home Depot customer Rebecca Gorman complained, “it is crowded, and the lines are always long. The prices are a little lower, but you just can't find help”. To solve this problem, Home Depot started a program called Service Performance Improvement (SPI) that makes more employees available by preventing them from running forklifts and stocking shelves between 8am and 8pm. Store manager Steve Moody takes this one step further by encouraging his Home Depot employees to wait in the “neutral zone” at the front of the store (between the cash registers and the store shelves) and to be aggressive in asking customers if they need help. The goal is to encourage orange-clad Home Depot employees to be efficient (by restocking shelves) and effective (by first helping customers).

Management Functions

According to Fayol (Williams, 2007 and Griffin, 2000), to be successful, managers need to perform five managerial functions: planning, organizing, coordinating, commanding and controlling. Today, though, most management textbooks have adopted the coordinating function and refer to Fayol's commanding function as “leading”. Consequently, Fayol's management functions are known today as planning, organizing, leading, and controlling. Studies indicate that managers who perform these management functions well are better managers. For example, the more time the managers spend planning, the more profitable their companies are. Planning is determining organizational goals and a means for achieving them. Planning is one of the best ways to improve performance. It encourages people to work harder, to work hard for extended periods, to engage in behaviours directly related to goal accomplishment, and to think of better ways to do their jobs. But most importantly, companies that plan have larger profits and faster growth than companies that don't plan. And organizing: is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom in the company. Through organizing it even means splitting an existing company into separate parts to achieve higher level of performance and productivity. Leading involves inspiring and motivating workers to work hard to achieve organizational goals while controlling is monitoring progress toward goal achievement and then taking corrective action when progress isn't being made. The basic control process involves setting standards to achieve goals, comparing actual performance to those standards, and then making changes to return performance to those standards.

Differentiation and Integration of Leadership and Management

Management is about coping with complexity. Its practices and procedures are largely a response to one of the most significant developments of the twentieth century: the emergence of large organizations. Without good management, complex enterprises tend to become chaotic in ways that threaten their very existence. Good management brings a degree of order and consistency to key dimensions like the quality and profitability of products. Leadership, by contrast, is about coping with change. Part of the reason it has become so important in recent years is that the business world has become more competitive and more volatile. Faster technological change, greater international competition, the deregulation of markets, overcapacity in capital-intensive industries, an unstable oil cartel, raiders with junk bonds, and the changing demographics of the workforce are among the many factors that have contributed to this shift. The net result is that doing what was done yesterday, or doing it 5% better, is no longer a formula for success. Major changes are more and more necessary to survive and compete effectively in this new environment. More change always demands more leadership. If one considers a simple military analogue: a peacetime army can usually survive with good administration and management up and down the hierarchy, coupled with good leadership concentrated at the very top. A wartime army, however, needs competent leadership at all levels. No one yet has figured out how to manage people effectively into battle; they must be led. These two different functions – coping with complexity and coping with change – shape the characteristic activities of management and leadership. Each system of action involves deciding what needs to be done, creating networks of people and relationships that can accomplish an agenda, and the trying to ensure that those people actually do the job. But each accomplishes these three tasks in different ways.

In current global climate companies manage complexity first by planning and budgeting-setting targets or goals for the future (typically for the next month or year), establishing detailed steps for achieving those targets, and then allocating resources to accomplish those plans. By contrast, leading an organization to constructive change begins by setting a direction – developing a vision of the future (often the distant future) along with strategies for producing the changes needed to achieve that vision. Management develops the capacity to achieve its plans by organizing and staffing – creating an organizational structure and set of jobs for accomplishing plan requirements, staffing the jobs with qualified individuals, communicating the plan to those people, delegating responsibility for carrying out the plan, and devising systems to monitor implementation. The equivalent leadership activity, however, is aligning people. This means communicating the new direction to those who can create coalitions that understand the vision and are committed to its achievement.

The foregoing comparisons show that although leadership and management are related, they are not the same. And because both leadership and management span the whole spectrum of the organization, a person can be a manager, a leader, both or neither. At the lower levels of the organisation management skills are required more than leadership skills, but as one climbs higher the organisational ladder, this reversed and people or leadership skills are greater (Goffee and Jones, 2006). In practice, when executing plans, managers focus on monitoring results, comparing them with goals, and correcting deviations. In contrast, the leader focuses on energizing people to overcome bureaucratic hurdles to help reach goals. Thus, a manager as a team leaders when he/she monitors the performance of his employees, he is playing the role of manager. But when he inspires them to work harder at achieving their goals, he or she is performing the role of a leader. To be effective, organizations need both management and leadership. Leadership is necessary to create change, and management is necessary to achieve orderly results. Management in conjunction with leadership can produce orderly change, and leadership in conjunction with management can keep the organization properly aligned with its environment.

Finally, management ensures plan accomplishment by controlling and problem solving – monitoring results versus the plan in some detail, both formally and informally, by means of reports, meetings, and other tools; identifying deviations; and then planning and organizing to solve the problems. But for leadership, achieving a vision requires motivating and inspiring – keeping people moving in the right direction, despite major obstacles to change, by appealing to basic but often untapped human needs, values, and emotions. A closer examination of each of these activities will help clarify the skills leaders need. Generally in almost all corporate performance difficulties and decline, management and leadership have been number cause (Argenti, 1976; Slatter, 1984; Bibeault, 1982, Gbande, 1995).

With the foregoing discussion of the implementation literature, models and measure of successful implementation, we propose the following hypotheses:

H1 Lack of differentiation and integration of leadership and management by NAPEP has negative effect on poverty reduction in Nigeria

H2 Lack of differentiation and integration of leadership and management by NDE has negative effect on reduction of unemployment in Nigeria

H3 Lack of differentiation and integration of leadership and management by PHCN has led to stable power supply in Nigeria

Methodology

The empirical part of this paper focused on three projects of organising and policy implementation areas in Nigeria. These projects are Nigeria's Federal Government outfits created to deal with major national issues in the country – National Poverty Eradication Program (NAPEP) for reduce poverty, National Directorate of Employment (NDE) to work on creation of jobs for all (office and self-employed) and Power Holding Company of Nigeria (PHCN) to solely supply the country with its electricity needs. Our research is to show evidence of failed organising and policy implementation so we used secondary data obtained from various sources in Nigeria. Poverty incidence figures from 1986 to 2009, ten years before and five years after setting up NAPEP was obtained from Federal Office of Statistics. We also obtained unemployment data from Federal Office of Statistics and selected 14 years for our statistical analysis. We completed our sample with power outages data from PHCN from 2003 to 2009. We used two methods of data analysis, statistics and graphical analysis. We run paired t-test statistics, chi-square and graphic display for visual clarity. For NAPEP we discussed the data set received from Federal Office of Statistics. We contacted the three organisations to discuss our findings but the CEOs declined interviews.

Results and Discussion of Nigeria's Confused Leadership and Management

The rhetoric of policy statements in Nigeria has seldom transformed into workable implementation whereby the populace benefits. We show here a few example of abysmal performance of organised implementation of Nigeria's key programmes, where there is usually more management than leadership at almost all levels. The cry for lack of good leadership appears in Nigerian media on daily basis, yet high level manpower trained in Nigeria has always resorted to managing, control, control and more control is usually the main strength of most Nigerian leaders. While Nigeria has experienced growth as measured by GDP and GNP, it has not experienced development. For two decades employment has stalled and poverty seems to become a monster that has perpetual life. The country has, tried with little success to improve on implementation of projects, but has failed. The few examples cited are very much the representative picture of all the projects in the country speak for themselves. We suppose the explanation may lie in the level of indiscipline in the country that has given birth to performance mitigation variables such as corruption, laziness and plain partisan politics that reduce every conceivable project into a political ball.

Evidence from National Agency for Poverty Alleviation Programme (NAPEP) Performance

The background history of NAPEP arose from the foundation of previous poverty alleviations programmes. Nigeria has witnessed elaborate poverty alleviation programmes from successive governments. For instance, the first reign of President Obasanjo (1976-1979) saw the launch of Operation Feed the Nation (OFN) with its focus on increase food production, believing that improved nutrition would enhance healthy living in people. The President Shehu Shagari (1979-1983) introduced the Green Revolution with a similar focus to that of his predecessor. Though the next Head of State, General Buhari (1983-1985) did not articulate specific programme for poverty alleviation, his emphasis on fighting corruption and inculcating discipline in the citizenry was expected to have some positive impacts on poverty alleviation in the country. Most of these structures are still in place today though with modifications in some cases, for example (National Directorate of Employment, Peoples Bank, National Economic Reconstruction Fund, Directorate of Food, Road and Rural Infrastructure, National Agricultural Land Development Authority and President Abacha introduced Better Life for Rural Dwellers. The following statistical analysis shows the performance of the programme appears to have little of not effect on poverty as the results of statistical analysis on Tables 1 and 2 shows.

Table 1The descriptive statistics are self explanatory.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles 25th	50th (Median)	75th
C1980	38	25.5974	13.06478	7.20	49.50	12.8000	25.4000	33.5500
C1985	38	46.6763	10.30047	28.30	68.90	39.3000	46.0500	52.8000
C1992	38	43.6211	9.59939	29.90	68.80	37.5000	43.0000	49.7000
C1996	38	65.6395	10.45212	44.30	83.60	56.2000	66.2500	71.6000
C2001	38	70.9447	14.43557	39.60	94.70	60.9250	70.8500	79.5000
C2005	38	80.4289	19.58974	35.30	112.80	65.6000	80.8000	91.6000
C2009	38	89.9079	25.00834	31.10	131.40	70.2750	89.6500	103.4000

Table 2: Rank Tests

Ranks

	Mean Rank
C1980	1.12
C1985	3.07
C1992	2.21
C1996	4.47
C2001	4.78
C2005	5.75
C2009	6.61

The Ranks table shows the mean rank for each of the related groups and it shows how the groups differed.

Test Statistics [a]

N	38
Chi-Square	187.913
df	6
Asymp. Sig.	.000

The table above provides the test statistic (χ^2) value **(Chi-square),** degrees of freedom (**df**) and the significance level (**Asymp. Sig.**). There was a statistically significant difference in poverty level depending on the year to whilst running, $\chi^2(2) = 187.913$, $P = 0.000$.

a.

Both tables along with appendix Tables A1-A4, showing that poverty has continued to increase in the country. Table 2 Rank Test shows continuous increase in poverty and the Chi-Square test shows that NAPEP operation is insignificant in reducing poverty. We therefore accept H1 that Policy implementation through NAPEP will not reduce poverty in Nigeria.

National Directorate of Employment (NDE)

NDE was established in 1989 to tackle the problem of unemployment. From the tables 3 and 4, there is an increase in the mean value, which indicates an increase in unemployment rates between 2003 and 2009. However, assuming equal variances (null hypothesis), the increase is insignificant at alpha value of 5% and even 10% since the t-statistic is .106 (10.6%). Alternative view is graphically presented, which also shows the trend line slopping upwards, confirming our H2 that policy implementation by NDE will not significantly reduced unemployment in Nigeria.

Table 3: Frequency Distribution of Unemployment Trend (Group Statistics)

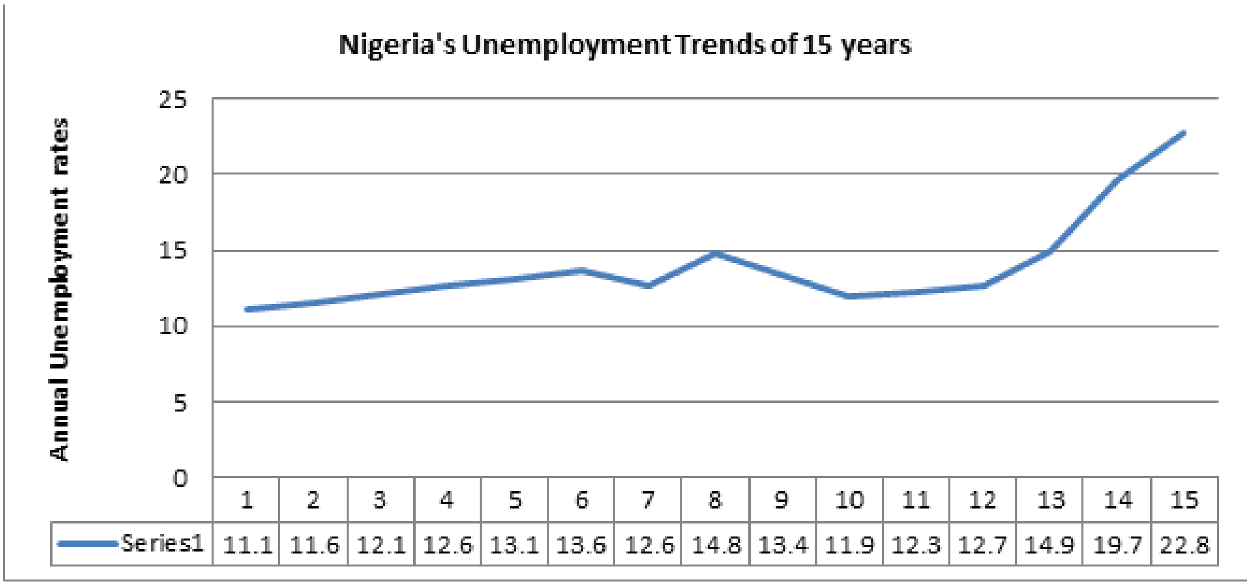
	VAR00016	N	Mean	Std. Deviation	Std. Error Mean
Unemp_Rates	1.00	7	12.3857	.85912	.32472
	2.00	7	14.2429	2.67324	1.01039

Table 4: Independent Samples Test of Unemployment Trends 1996 to 2009

	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig	T	Df	Sig.(2-tailed)	Mean difference	Std Error Difference	Lower	Upper
Equal Variances Assumed	3.413	.089	-1.750	12	.106	-1.85714	1.06129	-4.16948	-.45520
Equal Variances not assumed			-1.750	7.226	.122	-1.85714	1.06129	-4.35084	-.63655

Source: SPSS Research Data

Figure 1: Graphic Display of Unemployment Trends



Source: Federal Office of Statistics

Power Holding Company of Nigeria (PHCN) formerly National Electricity Power Authority (NEPA)

The Federal Government of Nigeria (1972:A465) Decree No.24 established NEPA by the merger of Electricity Corporation of Nigeria (ECN) and Niger Dams Authority (NDA) to improve the performance of the electricity industry. The supply of electricity, which is the key energy source for industrial, commercial and domestic activity in the modern world, falls far short of demand in many developing countries, including Nigeria. State monopoly of the energy sector in Nigeria has compounded rather than resolve the energy crisis. PHCN is organised into eight substations and eight distribution zones with power heavily concentrated at the headquarters (Gbande, 1995).

The survey by Manufacturing Association of Nigeria carried out in 2005 and in the first quarter of 2006 paint a gloomy picture of the Nigerian industrial sector. For instance, the survey showed that only 10 per cent of manufacturing concerns in Nigeria could operate at 48.8 per cent of installed capacity. We also note that about 60 per cent of the companies operating were barely able to cover their average variable costs, while 30 per cent had completely closed down. According to that report, most of the country suffered an average of 19.5 hours of power outage per day as against 4.5 hours of supply, and the cost of generating power supply by firms for production constitute about 36 per cent of total cost of production (Okafor, 2008; Adegbamigbe, 2007 and Udaejah, 2006). Indeed, Nigeria's electricity sector has continued to be in crisis. The electricity crisis is exampled by such indicators as electricity blackouts and persistent reliance on self generating electricity, leading to huge own generating base, whereby 9 out 10 households in the urban centres runs own power generating sets, effectively making PHCN power supply to be a standby source. Our finding is consistent with Ekpo (2009), who stated that Nigeria is running a generator economy with its adverse effect on cost of production. The country's electricity market is dominated on the supply side by a state owned monopoly – Power Holding Company of Nigeria (PHCN) formerly called the National Electrical Power Authority (NEPA) – and has been incapable of providing minimum acceptable international standards of electricity service that is reliable, accessible and available for the past decades, due mainly to leadership and management issues.

Table 5: Planned Power Outage 132kV Network

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Planned_Outage	185.0000	7	27.84481	10.52435
	Total	3322.2857	7	754.86019	285.31033

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Planned_Outage & Total	7	.944	.001

Available statistics indicate the percentage utilization of the installed capacity of electricity supply and index of industrial production lends further credence to the nature of the electricity crisisIn the 2007, installed electricity generation capacity was about 7,011MW, while actual utilization rate was 37.4 per cent (Okafor, 2008). We have confirmed most of these glum paintings with out statistical and graphic presentation of PHCN's performance shown below in figures 5 - 10 below. Despite huge budgetary allocation to the power sector, we still have this kind of results due, of course, to poor leadership and management.

Paired Samples Test

		Paired Differences					t	df	Sig. (2 - tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Planned _Outage - Total	-3137.28571	728.63793	275.39925	-3811.16341	-2463.40802	-11.392	6	.000

Table 6: Independent Samples Test of Power Outages incidence 2003 to 2009

	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig	T	Df	Sig.(2-tailed)	Mean difference	Std Error Difference	Lower	Upper
Equal Variances Assumed	13.162	.003	-- 6.052	12	.000	-447.42857	73.93268	-608.51404	-286.34310
Equal Variances not assumed			-- 6.052	6.259	.001	-447.42857	73.93268	-626.53464	-268.32221

The 132kV network experiences more difficulty than the 330kV network, but each of them has outages much greater than planned outages.

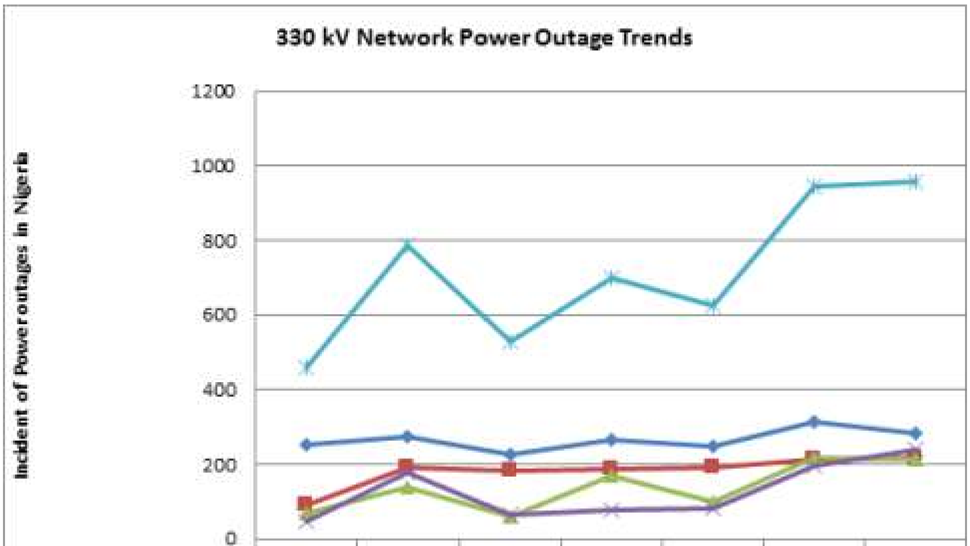
Table 7: 330 kV Network Group Statistics

	VA R00 010	N	Mean	Std. Deviation	Std. Error Mean
TDATA	1.00	7	266.5714	28.44795	10.75231
	2.00	7	714.0000	193.52778	73.14662

Table 8: Independent Samples Test of Power Outages incidence 2003 to 2009

	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig	T	Df	Sig.(2-tailed)	Mean difference	Std Error Difference	lower	Upper
Equal Variances Assumed	12.289	.004	-10.989	12	.000	-3137.286	285.504	-3759.346	-2515.225
Equal Variances not assumed			-10.989	6.016	.000	-3137.286	285.504	-3835.430	-2439.141

Figure 2: Graphic Display of Power Outages in Nigeria



	1	2	3	4	5	6	7
Forced Outage	252	277	225	265	249	313	285
Planned Outage	90	190	181	188	193	213	220
Urgent Outage	69	139	59	169	98	220	214
Emergency Outage	48	179	64	79	83	197	239
Total	459	785	529	701	623	943	958

The above figure, 2 shows graphic view of power outages in Nigeria. The trend is also upwards, confirming that electricity supply is erratic with power stripping happening most times of each day of the year.

Conclusion

Theoretically, leadership and management differentiation and integration nexus literature suffers from lack of scholarship despite its importance shown by Western government in the last decade. In the emerging economies where development is still to take off, understanding differentiation and integrtion is critical, particularly the discipline that goes with it. The dedication and discipline found in developed country is rare in a country like Nigeria, yet there is not literature on discipline as it is not research problem in these countries. Differentiation and integration of leadership and management requires discipline without which it is hard to successful implementation of projects and high performance. Such paucity in literature leaves one with attempting to make do with customising available literature to deal with the local environment being studied.

We have found that Nigerian public sector organizations suffer from lack of discipline and other factors that make successful differentiation and integration of these roles difficult. Such issues like We noted that traditional top models of management and leadership is misinterpreted in Nigeria's public sector organisations as most of them are rigidly centralised with authority residing in one person or a few people. The mix of top down and bottom up models approaches used on the basis of the situation is not practiced.

In view of these we conclude that the country need a major overhaul its value system and develop discipline that inform commitment and fair play. The learning curve appears large and it is generally not recognised or left to “don't care attitude” compounding the already bad situation. We feel that based on realigned values, the country may start experiencing some semblance of discipline necessary in any country to develop. We there conclude that the current leadership and management approaches need review. Leadership and management are different by complementary and understanding and blending the appropriate mix will be beneficial to both the practitioners and the receivers of service or services delivered by the department led and manned.

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Development and Challenges of Small and Medium Size Enterprises (SMEs) in Cameroon

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Abstract

The study enquired into the government's efforts toward development of SMEs in Cameroon and equally probed into then challenges by this sub-sector. A qualitative study was carried out with the review of relevant literatures, aimed of finding the extent of government's commitment towards the growth/development of SMEs. The study found among others that: government policies towards development of SMEs are not only weak but also suffer from lack of effective implementation; the dearth of financing alternatives and accessibility has hampered the growth of the SMEs in Cameroon; and the SMEs are faced with a series of problems ranging from poor infrastructure, high cost of raw materials and inputs, limited knowledge, poor management skills, etc. It recommends that government should, as a matter of urgency, plays a bigger role in the promotion of SMEs. In addition, government should create an enabling environment in which the financial sector can support the SMEs.

Keywords: Development, small and medium size enterprises, Cameroon

Introduction

Small and medium size enterprises (SMEs) are a very heterogeneous group. They include a wide variety of firms that possess a wide range of sophistication and skills and operate in very different markets and social environments. Their owners may be poor, some are dynamic, innovative and growth-oriented and others are traditional enterprises that are satisfied to remain small. In most cases, the SMEs owners in Cameroon are dominated by members of particular family or ethnic groups with the Bamilike tribe as dominant.

They play a key role in the industrialization of any economy and have a unique characteristic of their own. They are labour intensive, easy to start up, focus on small markets, require low investments, and promote customer intimacy. The owner/management relationship cannot be separated. SMEs have the ability to adapt to the most recent environmental changes. Since the economic crises of the 1980s, SMEs have enjoyed a high level of survival.

The statistical definition of SMEs varies by countries or type of industry, and is usually based on the number of employees or the value of assets. The lower limit for small scale enterprises as prescribed by the decree creating the small and medium size enterprises is set at 5 to 10 workers and upper limit at 30 to 50 workers.

SMEs may also be defined in terms of the size, turnover, balance sheet totals and their independence in other to better adopt measures which concern them. The definition is, however, valid when it comes to allowing benefit from preferential treatment over other enterprises. This is when such treatment is authorized by community regulation. However, SMEs will under this be classified under three main groups: micro, small and medium size enterprises. Medium Size Enterprises have fewer than 250 employees and their annual turnover should not exceed forty million (40,000,000cfa) on their annual balance or their annual balance sheet totals should be less than 27 millionfcfa.

The importance of the SMEs in the long-term performance of the underdeveloped countries is now generally being recognized. The World Bank report (1990) claims that if the share of employment and value added by this enterprise does not exceed a critical threshold, economies do not take off in terms of sustainable growth. As such, financing of small and medium size enterprises (SMEs) is verycrucial in the development of economies of recent. They need proper funding in order to bring forth the desired benefits. According to Sheifer, and Vishny (1998), the differences in legal and financial systems can explain much of the variation across countries in firms' financial policies and performance. Other recent empirical evidence supports the view that the development of a country's financial system affects firm's growth.

Globalization, however, has intensified both opportunities and challenges faced bySMEs. This phenomenon has alsoaffectedSMEsin Cameroon and has further deepened the need to upgrade the quality and quantity of theiroutputin order to survive in the competitive era. Making them more competitive should become of high priority by policy makers.

Over time, the government of Cameroon has recognized the importance of SMEs and seemed to act in a way to improve them in the face of the growing stiff competition. However, despite this attention of government and the creation of the Ministry of Small and Medium Size Enterprises (MSME), the growth and development is still yet to be reckoned with. The benefits of this important sub-sector, in terms of increased output, employment, poverty reduction, etc., are yet to be felt. It is in this regard that this paper sought to review government's efforts towards improving SMEs in Cameroon and to investigate the challenges that are hindering the growth/development of these SMEs.

The benefits of funding SMEs in Cameroon

Financing SMES is very important to the development of SMEs from the start-up face to the stages of maturity.During start-up, the best sources of finance can be business owner's savings, loan obtained from friends/relations. As they continue to develop, they obtain funds from commercial finance institutions, factoring, leasing, trade credit, and reinvestment of profit. When they have reached the stable stage, they may be financed from the capital market or equity investments. If these institutional arrangements are in place, SMEs financing can be easy to come by.

Some other sources of financing elsewhere include; venture capital, credit guarantee, trade finance, trade credit, securitization of loans.

Some SMEs may have special aid and loans assistance schemes from international financing institutions such as the ADB, IFC, and other donor institutions. Unfortunately, these are not available for SMEs in Cameroon. The most available source of SMEs financing in Cameroon are trade credit, mostly from business relationship, Short term loans from banks that require a large amount of collaterals that compose mostly of unmovable properties. There are virtually no special sources of long-term financing that can permit business expansion or investment in fixed assets, Involvement in training, research and product development. Although short-term financing, trade financing and other relationship lending exist, to meet the needs of working capital equity financing and long- term debt are actually more appropriate to finance the fixed capital investments which require longer gestation periods.

Providing the right type of financing that is needed for the development of the SMEs at each stage is therefore very crucial to their survival and growth. Without such, SMEs are condemned to rely on internally generated revenue (mostly of retained earnings and plough-back profit) that takes a lot more time to accumulate. This inability to raise the productive capacities of SMEs results in lost opportunities that lead to a slower growth rate of the SMEs. The lacks of financing retard to a greater extends further investment; reduce expansion and the inability to boost the competitiveness of the SMEs sector. A shortage of financing has also lead to the non-execution of business plans and product development of SMEs. This short fall is not only in the business class of Cameroon but also to the whole economy.

Though these problems are common to most economies of the emerging markets, it is more severe to Cameroon. The SME owners in Cameroon have to rely on their personal savings, funds from relatives and earnings from their operations to expand and upgrade their enterprises. The size of business expansion is limited up to the level of their accessible fund from personal sources or they have to turn to informal sources of finance from outside money lenders. As a consequence they pay higher interest rates which place them under pressure to high failure levels. That is the reason why financing matters for SMEs in Cameroon.

Current state of SMEs financing in Cameroon

Research on SMEs development is rare for Cameroon. Even when they are found they do not give special focus on the financing aspects of this sector. Consequently, little or no literature is available here to highlight the real financing situation of the SMEs sector.

Financing problems of this sector has been a complicated issue that has been existing for a long time in both the demand side and the supply side. These are also related to the development history and regimes of governments and level of the lending infrastructure in the country.

The case of Banque Camerounaise de Development (BCD) was created in 1960 to provide credit facilities to SMEs at relatively low interest rates. The shareholders were the state and Caisse central de cooperation Economique (CCCE).A majority of the management personnel were bureaucrats from the public service whose poor managerial skills led to very dismal recovery of loans by the bank. It was liquidated in 1989 as part of the restructuring of the banking sector under the structural adjustment plan by BEAC (i.e. the Central Bank), via the IMF.

Again, CAPME was created in 1970 with missions to carry out feasibility and marketing studies for SMEs, assist them in preparation of applications for investment code facilities, bank loans and also help train their personnel. Though the finding came from the German Cooperation (GTZ) and the state, it was the state that provided the management personnel. Just like the BCD, it was liquidated in 1990 as a result of the economic crisis and poor management.

Furthermore, FOGAPE was created in 1984 with the objective of providing collateral for SMEs loans by commercial banks. Later, it was restricted and given the additional function of giving loans by commercial banks. Later, it was restructured and given the additional function of giving loans to SMEs. By 1986 it held shares in 18 SMEs amounting to 27 percent of their combined share capital. It was liquidated in1992 for same reasons as the others.

SNI, the National Investment Company, was created in 1963 to act as the state's main agent for equity participation in business in the private sector. By 1986, the SNI had invested over one billion francs in SMEs.Today; it is performing at very low rates.

The Challenges of SMEs in Cameroon

This study breaks these problems (or challenges) into two parts; problems that are generated from the supply side and demand side respectively. Information asymmetry, poor track record, the absence of business plans, etc. are some of the demand side problems of the SMEs face; while the unfriendly and time wasting procedures to complete loan applications failure to adopt modern ways of evaluation, etc. are the supply side problems.

The demand-side problem

Most of the SMEs owners surveyed did not have enough collateral required by the banks: consequently they could not have access to bank credit. Even if they had lands and buildings, they could not use them because they had no title to them. Because the cost of land is very high, most owners preferred renting since acquiring land would not enable them start any business at all. This means that they are not entitled to bank loans since banks need immovable as collaterals.

Even when they use their lands and buildings as collaterals, banks always prefer to grant them just about 30 to 40 percent of the collateral market price. This amount could never be sufficient for the total sum demanded and they cannot use the same assets to borrow again from somewhere else in order to reach minimum required capital needed for expansion. Worse still they have to be renewing their loan contract every year. This would result in additional cost of doing business and which cost increases with other administrative burdens.

Most of these SMEs are managed by entrepreneurs meaning that their ability to observe any accounting manners of book-keeping is highly questionable. This makes them give to the bankers only the information they think is necessary not what the bank wants. This is information asymmetry. There could be reasons for this: either they are hiding the true state of the business for tax purposes or that they do not have the accounting knowledge. Some businesses maintain dual account records: one for interest (true one) and another one that is submitted to the banks and tax officials. In this case, they use independent accountants to prepare a set of records to be usual only for loan application purposes. Since these records do not reflect the true state of the business banks do not rely on them to make objective analysis for then loan decision.

Most SMEs owners do not have the skills of preparing a business plan that can be used to access the feasibility of these projects. Most of them begin without a plan, They use subjective judgments on the potentials of their planned businesses. This often leads to reduced quality of their decision making as well as missed opportunities. Business plans today are considered in line with other collaterals.

Another problem lies in cash management. Most SMEs owners do not know how to match their income with their expenditure. They do not know when they are spreading for the business or making personal expenditures. Some cannot make a distinction between business income and personal income. When they get large amounts from banks they do not use the money for business and instead use it for their personal expenditures. In some cases, they offer longer term credit sales than they can manage.

SMEs lack proper accounting standards, poor business plans, inadequate collateral, and poor management ability. The difficulty in obtaining loans also lies in the existing perception that lending of SMEs is very risky. Consequently, bank loans can not be used for business expansion and the acquisition of fixed assets that are very important to the long term survival of the business.

The supply side problems

We should first recognize that there are no financing programs funded by the state. State funds are dedicated for subsiding inefficient state enterprises in the public sector. Due to the banking crises on the late 1980s and early 90s, the central bank has issued so many regulations as concern liquidity ratios, loan deposit ratios, loan processing procedures, interest rates and so on. Now, commercial banks are not allowed to change the rate structure. This gives chargeable on loan to be the same, banks can only compete on the volume of processing and other services.

Collateral quality determines the loan value of the SMEs today. The quality of business is of lesser importance and when loans are granted, all interest rates are the same whether they have a good reputation or not. For credit worthy customers, the much they can get from a bank is quick facilitation of loan application or reputation of entrepreneur is reliable, banks play it on the safe side by providing between 30 to 40 percent market value of the collateral property instead of central bank's prescribed 50 percent. It is important to note that credit evaluation skills are not important in Cameroon as banks rely more on the market value of collateral property. This tampers the capability of bank staff to making systematic assessment on the borrowers and effective evaluation on their business plans and consequently, this will reduce the long- term competitiveness among banks.

Due to unnecessary controls by the central bank, private banks cannot implement their own risk management systems. For example, they cannot make loans without collaterals based on the soundness of the business plans or other characteristics of the business.

Another problem is that banks do not have any close relationship with the SMEs sector. This has led to intensive bank procedures because banks do not know the true requirements and nature of the SMEs. There is no data base to enable them use credit scoring mechanisms to process loan decisions.

Inability of banks to provide medium and loan term loans limits the growth of the SMEs sector because there is other to specialized sectors to provide such funding. For long term financial investment in business expansion and upgrades, SMEs, have no choice but to use their own funding. The financial gap has occurred in SMEs sector of Cameroon's economy and this effectively limits growth and effectiveness of financing SMES. Financing gaps pertains to the financing requirement of a business sector that cannot be fulfilled by formal financing sources of the economy. Since most of the SME owners cannot afford to spend large sums of money to buy assets, there is a wide financing gap in the area of long term investment and working capital. There is a mismatch between the supply side and the demand side of financing. The supply side can only offer shot term funds whereas the demand side requires long term funds for business expansion and further development therefore the conflict between the two. Unless this conflict is resolved, the development of SMEs has no chance to be realized. That is, it remains but a dream.

Conclusion

Conclusively, the study enquires if the good health of the Cameroonian SMEs. The investment charter, the tax code, the finance laws, customs code, decentralization code, funding, educational policies, monitoring and consultancy, governance structures in place, institutionalized structures, have affected the well-being of the SMEs, and, therefore, have slow the pace of development of the nation. Government on its part is found not have to special financing programme or structure for the SMEs. As such, only one viable form of lending technique exists today. Trade credit and collateral based (asset-based financing) have remained the only method of financing SMEs. In addition, there are no development financing programs or schemes for expansion, research and development, investments in fixed assets. Since commercial loans can only finance short-term capital requirements. This greatly limits the development of SMEs in terms of size, product, market and competitiveness.

Recommendations

Flowing from the above, the following recommendations are made.

Alternatives to bank lending such as leasing and factoring should be developed. Leasing and factoring are not yet developed. Yet there are useful ways to deal with insufficient collateral and in the case of leasing, with enforcement of collateral. The development of leasing faces some obstacles in Cameroon; the regulatory environment does not provide equal treatment with other sources of capital investment financing.

To deal with the common problems of liquidity and arrears, factorizing the sale of firms account receivable to financial institution known as a factor should be encouraged. The factor will be responsible for collecting the firms account in a way to improve a firm's liquidity by a provision in the law of contract that makes it possible to assign contractual rights independently of the assumptions of the corresponding obligations and without the consent of the debtor as a measure to stimulate the growth of factoring.

The creation and development of a private equity market should be fostered or promoted. Presently, this market does not exist in Cameroon. Indeed, offshore venture funds appear to be a far more important source of capital for start-up than domestic ones. Government should step up a force by preparing legislation on venture capital and investment funds. This legal instrument should be in place before private equity firms can develop. To develop the private equity fund market, would also depend on the ability of fund investors to use variety of financial instruments to structure investment. The lack of provision of issuance of the different classes of shares and Quasi-equity securities in the Cameroon Stock exchange seems to deny private enterprises the flexibility they need in their financial arrangements.

As a matter of urgency, government should create legislation on credit guarantee schemes that will act as a guarantor to the credits commercial banks give to businesses.

Government and other stakeholders should evolve a financing framework for SMEs to do away with the difficulties they face in sourcing for funds. If Cameroon wants to set up a nationwide SMEs development program to enhance the competitiveness of its indigenous SMEs, it has to address this financing issue first.

In order to establish an enabling environment for SMEs, some supportive measures are needed. Such as providing good and affordable infrastructure in the area of transportation and energy and setting up policies that will reduce taxes, administrative bottlenecks in the issuing of licenses. To make SMEs more effective, public policy may seek to improve on human resource development, cheap and affordable sources of finance, vocational training or opening up of research and development facilities for the SMEs.

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New Contributory Pension Scheme as a Strategic Intervention in enhancing Effective Pension Fund Administration and Management in Nigeria

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Abstract

This study seeks to examine the benefits of the new contributory pension scheme to retirees; assess the extent of the implementation of the New Contributory Pension Scheme from year 2005- 2010; and to identify areas that needs attention in order to fine tune and make the scheme more suitable and less stressful to both the government and retirees. The study adopted the cross sectional survey method. Primary data was purposively generated from a sample of 50 retirees of both federal and state civil service, 5 staff each from four Pension Funds Administrators (PFAs), 50 civil servants who are still in active service, and 19 staff of PenCom totalling 139 respondents in order to generalize about the population. Secondary data was also sourced from national dailies, documentation and bulletins from both the operators and regulators of the scheme for purposes of strengthening the result of the study. The data collected using questionnaire and interview was presented using tables and simple percentages. The hypotheses were tested using both parametric and non-parametric statistical techniques. The test of hypotheses was carried out using the Friedman Chi-square at 0.05 level of significance. The findings indicate that there are identifiable benefits of the new contributory pension scheme to retirees such that pensioners are no longer at the mercy of employers and are assured of the regular payment of retirement benefits among others. It also reveals that the level of implementation of the scheme nationwide was poor as only 8 states out of the 36 states of the federation has reasonably operationalised the scheme. The study concludes that the new contributory pension scheme present to retirees more benefits than the old pension scheme in terms of pension administration and management. The study therefore recommend among others that, the processing and issuance of retirement bond certificates should be done within the period of pre-retirement workshop where retirees data are readily captured and transmitted electronically to PenCom so that at the end of the pre-retirement workshop, all issues of clearance and issuance of retirement bond certificates should have been concluded thus easing and facilitating early payment of retirement benefits to retirees.

Key Word: Contributory pension, Strategic intervention, pension fund, Retirees

Introduction

There is overwhelming justification/rationale for pension. But the modalities for paying pension have been fraught with damming distortions and limitations or challenges in many countries especially in the less developed countries (LDCs) with particular reference to Nigeria. Worried by the devastating sufferings of the vast majority of public sector pensioners who have served the nation meritoriously, the Federal government of Nigeria decided to do something positive about the matter. The dehumanizing suffering of the pensioners has been widely reported in the electronic and print media. Scholarly publications have also focused on the plight of pensioners regarding inadequacy, shoddy and irregular payment of their pension entitlements, among other problems (Ogunbameru, 1999; Elumilade, 1999; and Idowu, 2006). There is also the employment of the voice options, including grievance investigation through the mechanisms of Ombudsman, public opinion programmes and servicom or the conduct of service delivery surveys (Olowu, 2002). The television stations and newspapers have repeatedly shown or written on how pensioners, who are no longer in their prime on many occasions, queued for long hours, waiting to be attended to by civil servants (The Punch, 2005). Some of them have even collapsed in the process.

Some other woeful experiences of pensioners had been reported to include offering bribe to civil servants so that their files could be located and processed, diversion of pensioners' benefits to personal accounts of officers in charge and the replacement of pensioner's identification with others for personal benefit (Omiunu, 2001). The whole problem has been predicated on the inability of the government to continue to maintain it's solely or Fully Funded Defined Benefits Pensions Scheme (FFDBPS).

The increasing pension burden on government, coupled with the attendant inability of some pension schemes, particularly amongst the parastatals and government owned companies to pay pension necessitated the need for reforms that would usher in a functional pension scheme in Nigeria. The strategies and reforms which brought about the introduction of the new pension scheme was meant to simplify retirement benefits delivery and make it beneficial to retirees in the public service but practical experiences of retirees as reported in most national dailies show that the scheme has not delivered on it mandate. More than a decade after the establishment of the new pension act, there is still speculation among Nigerians about the success of the scheme as to whether the new pension act will be able to address the many problems associated with retirement schemes in the past. Specifically, some have asked whether the Contributory Pension Act of 2004 would be able to address the problems of corruption, poor administration of pension fund, embezzlement, inadequate build-up of pension fund, poor monitoring, evaluation and supervision of pension fund that usually characterized pension schemes in Nigeria. Consequently, workers often ask whether they would ever have financial security after retirement. What is the fate of their children and other household after retirement? Does life after retirement means signing bond with poverty? These questions among others occupied the minds of workers in Nigeria especially those in the public sector who recently threaten to demonstrate and proceed on strike if their monthly deductions are not regularly remitted to their pension fund administrators. It is feared that this may be responsible for workers negative attitude towards retirement, age falsification to remain in service, low commitment to work as well as the high labour turnover witnessed in recent times in most public and private organisations. It is against this backdrop that this paper intends to examine the benefits of the new contributory pension scheme to retirees; assess the extent of the implementation of the New Contributory Pension Scheme from 2005- 2015 and also ascertain the areas that needs attention in order to fine tune and make the scheme more suitable and less stressful to both the government and retirees in Nigeria.

The Concept of Pension and Contributory Pension Scheme

The issue of pension has received much attention in many countries over the past decades. In fact, in recent times, pension has increasingly attracted the attention of policy makers in many countries as a means of facilitating privately funded retirement income savings by an ageing workforce (World Bank, 1994). Many countries have opted for various forms of contributory pension scheme where employers and their employees are supposed to pay a certain percentage of the employee's monthly earnings to a retirement savings accounts from which they would be drawing their pension benefits after retirement. Besides pension funds are now among the most important institutional investment in the world capital markets. Nigeria opted for the contributory pension scheme following her pension's reform in 2004.

Pension is the amount paid by government or company to an employee after working for some specific period of time, considered too old or ill to work or have reached the statutory age of retirement. It is monthly sum paid to a retired officer until death because the officer has worked with the organization paying the sum (Adam, 2005). Pension is also the method whereby a person pays into pension scheme a proportion of his earnings during his working life. The contributions provide an income (or pension) on retirement that is treated as earned income .This is taxed at the investors' marginal rate of income tax. On the other hand, gratuity is a lump sum of money payable to a retiring officer who has served for a minimum period of ten year. A greater importance has been given to pension and gratuity by employers because of the belief that if employees' future needs are guaranteed, their fears ameliorated and properly taken care of, they will be more motivated to contribute positively to organization's output. Similarly various governments' organizations as well as labour union have emphasized the need for sound, good and workable pension scheme (Alo, 2004, Owojori, 2008).

The New Pension Scheme

The Pension Reform Act 2004 (PRA 2004) is the most recent legislation of the Federal Government aimed at addressing the associated problems of the old pension system. It established the Contributory Pension Scheme (CPS), which is a uniform pension system for both the public and private sectors. Similarly, for the first time in the history of the country, a single authority, the National Pension Commission (PenCom) was established to regulate and supervise all pension matters in the country. The scheme is being managed by licensed Pension Fund Administrators (PFAs), while the custody of the pension fund assets are provided by licensed Pension Fund Custodians (PFCs). It encompasses employees in both the public and private sectors. The PRA of 2004 came into being with a view to reducing the difficulties encountered by retirees in Nigeria under the old pension scheme. It is believed that the new scheme will: guarantee the prompt payment of pensions to retirees, eliminate queues of aged pensioners standing hours and days in the sun to collect their pensions and also increase their standard of living. But the fear is whether the programme will actualize the set objectives by the "power and people that be" when we call to remembrance the abysmal failure of the National Housing Fund which was set up by Decree No3 of 1993. Nevertheless, before the enactment of the PRA of 2004, the three regulations in Nigerian pension industry were: Securities and Exchange Commission (SEC), National Insurance Commission (NAICOM) and the Joint Tax Board (JTB).The new scheme is regulated and supervised by the National Pension Commission.

The Commission has the power to formulate, direct and oversee the overall policy on pension matters in Nigeria. It also establishes standards, rules and regulations for the management of the pension funds .It approves, licenses, sanctions and promotes capacity building and institutional strengthening of the PFA and PFCS.

Features of the Pension Reform in Nigeria

The pension reform has some peculiar features that position it as a catalyst for sustainable social welfare programme. For example, the fact that the reform is fully funded ensures that the overall retirement income is maintained from the onset of the scheme. This ensures that retirement benefits are paid on sustainable basis because funds are always available to defray any pension obligation that falls due. The reform according to PenCom, (2006) has the following features:

Coverage and Exemption

The Law that established the Contributory Pension Scheme mandated all workers in the Public Service of the Federation, Federal Capital Territory, and the private sector where the total number of employees is 5 or more to join the contributory scheme. However, existing pensioners and workers that had 3 years or less to retire in accordance with the terms of their contract of employment were exempted from the scheme. Also, exempted were the categories of persons under Section 291 of the 1999 Constitution of the Federal Republic of Nigeria.

Contributory

Under this scheme, the public sector contributes 7.5% on behalf its workers and 12.5% in the case of the Military. Employers and employees in the private sector contribute a minimum of 7.5% each. An Employer may elect to contribute on -behalf of the employees such that the total contribution shall not be less than 15% of the monthly emolument of the employees. An Employer is obliged to deduct and remit contributions to a Custodian within 7 days from the day the employee is paid his Salary while the Custodian shall notify the PFA within 24 hours of the receipt of such Contribution. Contribution and retirement benefits are tax-exempt.

Voluntary Contributions

Section 9 (4) of the Pension Reform Act 2004 allowed for voluntary contributions. This has provided an opportunity for the self employed and those working in informal sector organizations with less 5 employees to open RSAs with a PFA of their choice and make contributions. However, for voluntary contributions, the tax relief is only applicable if the amount contributed or part thereof is not withdrawn before five years after the first voluntary contribution was made.

Individual Accounts

Each employee is required by law to open a 'Retirement Savings Account' in his/her name with a Pension Fund Administrator of his/her choice. This individual account belongs to the employee and will remain with him for life even if he/she changes employer or Pension Fund Administrator.

The employee may only withdraw from this account at the age of 50 or upon retirement thereafter. An employee can withdraw a lump sum of 25% of the balance standing to the credit of his retirement savings account if he/she is less than 50 years at the time of retirement and he could not secure a new job after six months from leaving the last job. Similarly, he can withdraw a lump sum if he is 50 years or above at the time of retirement and the amount remaining after the lump sum withdrawal shall be sufficient to fund programmed withdrawals or annuity (PenCom 2006).

Objectives of the Contributory Scheme

The objectives of the contributory pension scheme are stated under section 2.32 It is aimed at ensuring that every retiree receives his benefits as and when due, assisting improvident individuals by ensuring that they save in order to cater for their livelihood during old age, and establishing a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for retirees in the public service of the federation, the Federal Capital Territory and the private sector (PenCom 2006).

At face value, this package looks attractive and a seeming attempt at improvement over the previous unfunded pension system. However, in our view, the most critical aspect is the projections made for the welfare of the senior citizens in their old age. The scheme only says it would assist improvident citizens to save towards sustenance in old age. The question is what is the benchmark? In real terms, what is the aim? Is it to ensure their survival at whatever level, even if below subsistent level? The catch is in the word “assist.” Following from this, it is little excitement, if any, that the benefits would be paid as and when due, or that there are uniform applicable rules. The substance of a pension system is in its adequacy to 'take care' of the retired person, particularly in old age, when he doesn't have the strength to take care of himself or his still surviving family.

Benefits of the New Contributory Pension Scheme

Nigeria stands to benefit from the pension scheme. In the first instance, it addresses the pension liability by stemming its further growth and provides a platform for addressing this liability. Since the individuals own the contributions, the pensioner is no longer at the mercy of government or employer and is assured of regular payment of retirement benefits. Employee has up to date information on his retirement savings account. The scheme allows the contributor the freedom to choose who administers his retirement benefits account and this promotes competition among the PFAs. A major benefit of the scheme to the worker is that the individual accounts are portable and as such, the worker is able to change employment and still maintain the same account. He is merely required to provide the details of his account to the new employer. The scheme imposes fiscal discipline on the nation and is a solid foundation for economic development. There is an expansion of convertible funds, creation of a huge pool of long term funds and enhanced accountability. The scheme introduces clear legal and administrative sanctions and there is a separation of investment, administration and custody of assets. Transparency is also ensured by the requirements for published rate of returns, regular statements of contributions and earnings and annual audited accounts (PenCom 2006; MacGreenvey, 1990; World Bank, 1994; Kotlikoff, 1996; Ogunbameru, 1999; Orszag and Orszag, 2000; Masha, 2001; Duflo, 2003; Lindbeck and Persson, 2003; Bertrand, 2003; Shiller, 2003; and Idowu, 2006).

Challenges of the New Pension Scheme

There is obviously no system that is perfect. Therefore pension reform has some limitations. One major challenge is that benefits from contributors' funds investments are not explicitly linked to contributions. Therefore there are bound to be distortions in the payment of benefits to pensioners (Idowu, 2006). Other according to Masha, (2001); Duflo, (2003); Lindbeck and Persson, (2003); Shiller, (2003); and Idowu, (2006) include:

Monolith: The values of the CPS as highlighted above have the reverse side of the coin or the challenges. One of the striking challenges is that the pension plan in Nigeria is a monolith, approved for all organizations in the country, both public and private. This contrasts with what obtains in more developed economies such as the OECD countries. For example, in the United Kingdom, or Britain, there are not less than three types of pension schemes from which choices could be made by an organization or individual. Similarly, the major types of pension schemes in Canada are not less than three aside the private pension schemes (Wikipedia, 2009). They have differing operational guidelines and offer varying services, values and, of course, contain different challenges. Also, the availability of more pension schemes in many MDCs offer retirees more pension funds for their comfort and ability to meet their basic needs (Wikipedia, 2009).

With a monolithic pension scheme, pensioners in Nigeria, for example, may not be able to take adequate care of their families in spite of the CPS values discussed above, and also cater for their dependants. This is sequel to the fact that the pension scheme may yield only marginal returns to investment in sluggish and poorly regulated economies in many African countries, especially Nigeria. It is the return to investment that PFAs distribute to their contributors in CPS. This must have formed part of the reason for the apt call by the World Bank (1994) to impending old age crisis especially in the LDCs, which must be taken seriously in African countries. African countries are projected to experience life expectancy with many more people that are expected to live beyond 60 years of age increasing by more than 50% every decade between 2010 and 2050 (Wikipedia, 2009). The increase will have its corollary - increase in dependency ratio. The increased life expectancy will be no doubt a function of increased health care delivery but with precarious food security. This will take a toll on pensioners in African countries, especially Nigeria with a monolithic pension scheme.

Inadequate Investment Returns: The other problem that contributors experience is the inadequate investment returns. In some cases, contributors are able to view their assets with the PFAs, only to find that the investment returns are too meager for comfort or that the asset did not make any return at all, that is, zero profit. Yet the PFAs have the statutory guidelines or template, on how to take their commission from all contributors' assets. Some contributors have found that while their assets did not make any profit, PFAs deducted their commission from the contributors' assets, not from the returns on investments. The implication of this mode of operation is that the commission for the PFAs is a constant or guaranteed, while the return on investment for the contributors or pensioner is left to the vagaries of market forces. This means that the PFAs can grow richer at the expense of the pensioners or contributors. Aptly, this is what Academic Staff Union of Universities (ASUU) in Nigeria had described as the possibility of high overhead cost consuming the savings or contributions of contributors.

Return on Investment for only the Poor and not the Rich: An additional challenge of the CPS is the fact that it only earns returns to investment for the contributor. The advantage in DBPS in which there is income redistribution from the rich to the poor has now been reduced for the poor and instead increased for the rich. This is because the tax payers' money makes contribution in commensurate amount to a public worker's contribution to his pension or retirement fund. Therefore the less the contribution a public worker makes monthly to his pension asset, following the statutory contribution, the same amount of contribution is made from the tax payers' money to his pension fund and vice versa. Income redistribution from the tax payers' money is therefore against the poor or low income worker and in favour of the high income earners who also makes higher monthly contribution to his pension fund.

Delayed Pension Payment: There is the challenge of delayed pension payment made to "retirees in the CPS unlike the automatic pension that retirees enjoyed in virtually all federal organizations during the operation of the DBPS. But in the DBPS there was delay in the payment of gratuity, during which time a retiree processed his clearance. If he was indebted to the organization, the money was recovered from his gratuity.

The delay in the CPS is now occasioned by the fact that the retiree has to undertake his clearance and obtain a certificate to the effect before he can receive his pension and gratuity benefits together. This procedure is informed by the fact that the employer in the CPS, through the clearance system, ensures that the retiree is not indebted to the employer organization before he is given a clearance which enables him to proceed to his PFA for his pension benefits. All the same, this clearance process in the CPS causes varying length of delay to the retirees before they can receive their pension benefits.

Scanty and Inadequate Information: There is also the challenge of the scanty or inadequate information that some contributors/retirees receive from their PFAs which are located at their headquarters at the Federal Capital, Abuja and Lagos. All the PFAs have field offices which are about mere contact or liaison offices between the headquarters and the individual contributors. While some of the PFAs, send regular and adequate information to their contributors, others send irregular, scanty and sterile information to their contributors.

Methodology:

Hypotheses

Ho_1: The new contributory pension scheme does not have significant benefits to retirees.

Ho_2: The New Contributory Pension Scheme has not been significantly implemented since inception.

Ho_3: The New Contributory Pension Scheme does not need any restructuring in its modus operandi to make it more suitable and less stressful to both the government and beneficiaries.

This paper adopted the cross sectional survey method. Primary data was purposively generated from a sample of 50 retirees of both federal and state civil service, 5 staff each from four Pension Funds Administrators (PFAs), 50 civil servants who are still in active service, and 19 staff of PenCom totalling 139 respondents in order to generalize about the population. Secondary data was also sourced from National dailies, documentation and bulletins from both the operators and regulators of the scheme for purposes of strengthening the result of the study. The raw data collected from the primary source was presented using tables and simple percentages. The hypotheses were tested using both parametric and non-parametric statistical techniques.

Discussion of Results

The results of data analysis show that: There are certain identifiable benefits of the new contributory pension scheme to the beneficiaries of the scheme. Some of the few ones as observed in this study include the fact that: pensioners are no longer at the mercy of employers and are assured of the regular payment of retirement benefits; employees have up to date information on their retirement savings account; contributors have the right to choose who administers' their retirement benefits account; individual accounts are now portable; opportunity to pass wealth on to survivors is now possible; and that labour market flexibility is now greatly encouraged. This was further confirmed by the Chi-Square result ($\chi^2 = 349.333^a > \chi^2 = 10.307, p < 0.05$), indicating that these benefits are actually associated with the new contributory pension scheme in Nigeria. This finding is consistent with the PenCom 2006, MacGreenvey (1990), World Bank (1994), Kotlikoff (1996), Ogunbameru (1999), Orszag and Orszag (2000), Masha (2001), Duflo (2003), Lindbeck and Persson (2003), Bertrand, (2003), Shiller (2003), and Idowu (2006) which highlight the benefits of the new pension scheme to include all the benefits observed in this study.

Again, on the extent of implementation of the new contributory pension scheme in Nigeria, it was observed from both the study and other documentations particularly on national dailies that there is a significant level of implementation of the new contributory pension scheme in only few states. A publication by Daily Trust of December 14, 2014 indicated that only Lagos, Osun, Ogun, Kaduna, Zamfara, Niger, Delta and Rivers states have commenced remittance of pension contributions of their workers under the scheme. But the remittance of Ogun State, which is among the states that have registered their employees and commenced funding of accrued rights with the Central Bank of Nigeria (CBN), has been in arrears while its Group Life Insurance Policy has not been put in place yet. This could be linked to the state's recent extension of the transition period for implementation of the CPS by 18 years to 2025. Similarly, while Lagos has started remitting pension contributions, the accrued rights are yet to be transferred to either the CBN for safe custody or a licensed Pension Fund Administrator (PFA) for management. Meanwhile, further investigation has revealed that Katsina, Benue, Kwara, Plateau, Cross River, Abia, Ebonyi, Bauchi, Borno, Gombe and Yobe states have not passed the bill on CPS while Adamawa State has not taken any action on the scheme. Findings also showed that Kano and Jigawa states have adopted Contributory Defined Benefits Pension Scheme. While Jigawa has transferred its pension assets to six PFAs, Kano is yet to transfer pension assets to PFAs.

Among the states that have put in place the law for CPS, only Lagos, Osun, Ekiti and Niger states have put in place a Group Life Insurance Policy. Rivers State has put in Place the insurance policy for employees but this expired in June 2013. Investigation further revealed that most of these states are still operating the old defined benefits pension scheme hinged on Pay As You Go (PAYG) which has resulted to huge deficits owed to pensioners.

For the eight states that have reasonably implemented the scheme as mentioned above, it was observed that staff were duly registered with the scheme since 2005; all staff have also opened and maintained Pension Savings Account (PSA) with their preferred Pension Fund Administration (PFA); compulsory monthly deduction is made every month as pension contribution from staff salaries; and monthly remittance of deduction is paid into individual staff pension saving account by the employer every month since 2005. This result was further validated by the Chi-square test ($c_c^2 = 173.606^a > c_t^2 = 16.919, p < 0.05$), indicating that there is a significant level of implementation of the new contributory pension scheme in Lagos, Osun, Ogun, Kaduna, Zamfara, Niger, Delta and Rivers state. But on the whole, the compliance of only 8 states out of the 36 states in Nigeria shows that the scheme have not been significantly implemented in the country. Experts are of the opinion that inadequate awareness of the operation of the scheme, lethargy in compliance by states, associated costs of migration to the CPS, low wages resulting in so low accumulation of benefits in the RSA, resistance by labour and fears by top level civil servants are among the reasons some states have not keyed in fully into the scheme.

Furthermore, some of the identified areas that need attention in order to fine tune and make the scheme more suitable and less stressful to both the Government and beneficiaries in Nigeria as was observed in the study include: delay in the issuance of bond certificate, irregular remittance of deductions by the employer to staff PFAs, inadequate/irregular information from PFAs, about returns on investment from the contribution of pensioners, delay in the commencement of pension payment by PFAs after the submission of retirement bond certificate and the near absence of a visible customer complaint service desk in most locations through which complaints against PFAs could easily be lodged. The expression of these concerns is not unconnected with the fact that most of the staff are aging and would want these issues to be addressed before they finally retire from the service. This finding corroborate the result of studies by Dale, 1978, US Government, 1998 and Idowu, 2006 which also identify the challenges of contributory pension scheme to include: delay in the issuance of bond certificate, irregular remittance of deductions by the employer to staff PFAs, inadequate/irregular information from PFAs, about returns on investment from the contribution of pensioners, delay in the commencement of pension payment by PFAs after the submission of retirement bond certificate and the near absence of a visible customer complaint service desk in most locations through which complaints against PFAs could easily be lodged. The finding of this study was further validated by the hypothesis test result ($c_c^2 = 127.167^a > c_t^2 = 18.307$, $p < 0.05$), indicating that the areas identified herein need attention and fine tuning to make the scheme more beneficial to both the employees and the government.

Conclusion/Recommendations (strategic intervention)

The new contributory pension scheme present to retirees and other stakeholders more benefits than the old pension scheme in terms of pension administration and management. The removal of most of the lapses associated with past pension schemes makes the new contributory pension scheme more friendly and beneficial to retirees.

As a strategic intervention to make the new pension scheme deliver on its core mandate of efficient and effective pension management, the following measures are recommended:

I. The processing and issuance of retirement bond certificates should be done within the period of pre-retirement workshop where retirees data are readily captured and transmitted electronically to PenCom. Thus, at the end of the pre-retirement workshop, all issues of clearance and issuance of retirement bond certificates should have been concluded so as to ease and facilitate early payment of retirement benefits to retirees

ii. On the issue of delay and irregular remittance of contributions to PFAs, PenCom should put in place a mechanism for enforcing and monitoring compliance by Ministries, Departments and Agencies (MDAs) and where defaults are discovered, appropriate sanctions should be applied in line with the provisions of the Pension Reform Acts 2004. This will ensure that MDAs do not default or delay in remittance of contributions.

iii. In order to address the problem of inadequate and irregular information from PFAs about returns on investment from the contribution of retirees, PenCom should make it mandatory for all PFAs to disclose such information to contributors and in line with the provision of Sections 79(1&2) and Sections 81(1a-e) of the Pension Reform Acts 2004, PenCom should embark on regular inspection of public quoted companies to ascertain the viability and level of investment of Pension Fund Assets as well as the returns on contributors fund. This will allow for comparison of returns submitted by PFAs with the findings of PenCom to ensure transparency in the management of contributors' fund as well as guaranteeing the safety of the contributions.

iv. The delay in the payment of retirement benefits after submission of retirement bond certificates, the federal government through the Central Bank of Nigeria (CBN) should adequately fund the retirement bond which is assumed to be currently underfunded. This, if adequately funded will not only hasten the process of payment of retirement benefits but also go a long way to deplete the huge deficit of outstanding pension benefits which has slowed down the payment process. When adequately funded, retirement bond certificates will be redeemed on presentation.

v. The absence of a visible customer complain desk through which complaints against PFAs can easily be lodged could be address through the following ways:

a. Opening a web link by PenCom through which contributors could channel their complaints directly.

b. Appointment of desk officers in PenCom to handle complaints from specific MDAs service wide as it is obtainable under the old Pay As You Go pension scheme.

c. Appointment of a resident Pension Desk Officer in all MDAs who will liaise between PFAs, PenCom and the MDAs on pension matters generally. This , if properly coordinated will yield positive results by curbing unnecessary anomalies such as missing files, non-responds to complaints and short-payments. This has become necessary as the present desk officers in MDAs only handles matters relating to the old pension scheme only.

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Appendix

Table 1: Responses in respect of Objective One

	SA	A	U	D	SD	Mean	Std. Deviation
1. Pensioners are no longer at the mercy of employers and are assured o f regular payment of retirement benefits	47 (35.61)	69 (52.27)	10 (7.57)	6 (4.55)		4.1894	.76301
2. Employees have up to date information on their retirement savings account	69 (52.27)	44 (33.33)	13 (9.85)	6 (4.55)		4.3333	.83499
3. Contributors have the freedom to choose who administers their retirement benefit account	71 (53.79)	50 (37.87)	9 (6.82)	2 (1.52)		4.4394	.69081
4. Individual accounts are portable	66 (50)	55 (41.66)	5 (3.79)	6 (4.55)		4.3712	.76573
5. Opportunity to pass on wealth to survivors is possible	69 (52.27)	43 (32.58)	15 (11.36)	5 (3.79)		4.2424	.80151
6. Labour market flexibility is encouraged	48 (36.36)	70 (53.04)	7 (5.30)	7 (5.30)		4.2121	.75190

Source: Field Survey, 2012

Table 2 Responses in respect of Objective Two

	SA	A	U	D	SD	Mean	Std. Deviation
1. All staff are duly registered in the scheme since 2005	110 (83.33)	12 (9.09)	8 (6.06)	2 (1.52)		4.7424	.63752
2. All staff have opened and maintained Pension Saving Account (PSA) with their preferred Pension Funds Administrator (PFA) since 2005	110 (83.33)	12 (9.09)	7 (5.31)	3 (2.27)		4.7348	.66378
3. Compulsory monthly deduction is made every month as pension contribution from staff salaries	121 (91.66)	8 (6.06)	2 (1.52)	1 (0.76)		4.7652	.78982
4. Monthly remittance of deduction is paid into individual staff Pension Saving Account by the employer every month	37 28.03	23 17.42	6 (4.55)	64 48.48	2 (1.52)	3.2197	1.34400

Source: Field Survey, 2012

Table 3: Responses in respect of Objective Three

	SA	A	U	D	SD	Mean	Std. Deviation
1. Delay in the issuance of retirement bond certificates	92 (69.70)	30 (22.73)	8 (6.06)	2 (1.52)		4.6061	.67403
2. Irregular remittance of deduction by the employer to staff PFA's	110 (83.33)	18 (13.64)		4 (3.03)		4.7727	.60014
3. Inadequate/irregular information from PFA's about returns on investment from the contribution of pensioners	45 (34.09)	52 (39.39)	15 (11.37)	20 (15.15)		3.5606	1.31496
4. Delay in the commencement of pension payment by PFA's after the submission of retirement bond certificate	31 (23.48)	30 (22.73)	51 (38.64)	20 (15.15)		3.5455	1.01413
5. No visible customer complaint service desk at all locations through which complaints against PFA's could be lodged easily.	37 28.03	35 (26.52)	39 (29.54)	21 (15.91)		3.5909	1.13214

Source: Field Survey, 2012

Test Statistics

	Obj1
Chi-square	349.333[a]
Df	10
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.0.

Test Statistics

	OBJ2
Chi-square	173.606[a]
Df	9
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 13.2.

Test Statistics

	OBJ3
Chi-square	127.167[a]
Df	10
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.0.

Factors Affecting Personnel Management Policies among Selected Mobile Telecommunication Companies in Abia State, Nigeria

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Abstract

This study is aimed at determining the factors affecting the personal policies of mobile telecommunication companies located in Umuahia and Aba in Abia state. The specific objectives of the study are to; identify the socio-economic characteristics of the respondents and examine the factors influencing the perception of the Mobile Telecommunication Network staff to the personnel policies. To achieve the objectives descriptive statistics and probit regression analyses were employed. 90 workers of telecom companies operating in Umohia and Aba were drawn to participate in the study using simple random sampling technique. From the result of data analysis, it was observed that education, salary (income), working conditions, working duration and job security have significant affect on the perception of the employees about the personnel policies of telecommunication companies in Abia state. The study recommends that, management and policy makers should critically put these factors into consideration while formulating the organizational policies.

Key: Personnel Management, Policies, Telecommunication dium size enterprises, Cameroon

Introduction

There are a number of critical factors affecting the organizational policies that further affect how organizations need to manage their employees. Some of these factors pertain to changes taking place in the external environment of the organization; others pertain to some of the ways organizations are responding internally to such factors. According to Pavathy (2010) A personnel policy is a plan of action, a set of proposals and actions that act as a reference point for managers in their dealings with employees. Personnel policies constitute guides to action. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization's values, philosophy, concepts and principles". Personnel guide the course of action intended to accomplish personnel objectives. A policy is a guideline for making wise decisions. It brings about stability in making decisions. A policy is a stance, often a choice made between two or more alternatives, such as the choice between promoting employees on the basis of merit versus promoting them on the basis of seniority. According to Ogunsaju (2006), personnel management is the effective mobilization of human resources based upon appropriate recruitment, selection, training and placement of appointed staff in order to achieve the organizational set down goals and objectives. It could also be defined as the effective utilization of human resources in an organization through the management of people and related activities. Personnel management hinges on the personnel policies of the organization.

According to Flippo (2002) policies are man- made rules or predetermined course of action of action that is established to guide the performance of work towards the attainment of organizational goals. It is a type of standing plans that serves to guide subordinates in the execution of their tasks. Employers should avoid making unconditional promises in their personnel policies. Implying that an employee who follows the rules will never be fired, for example, may result in a lawsuit even when an employee is fired for good reason. While a personnel policy requires good rules, good rules alone will not yield personnel policies because the effectiveness of a well-designed rule depends ultimately on the willingness of people to comply. A well-designed rule that no one follows is roughly equivalent to a poorly designed rule that is faithfully followed: both fail the managerial mission. So the key to achieving personnel policy is not only well-designed rules, but also rules that are implemented in a way that motivates people to follow them.

When there is a challenge of poor personnel policies, the smooth and efficient running of organizations is hindered. Most times, the staff of these organizations is not consulted while coming up with policies that affect their work condition. Complex organizations such as Mobile telecommunications companies have diversed and varied personnel management problem which include lack of motivation policies for their employee. These problems make it imperative to study the factors affecting the personnel management policies of telecommunication companies in Abia state.

Literature Review

Personnel policies often begin with a welcome address, a brief history of the business, a statement of the company's values and a description of its organizational structure. A policy is a guideline for making wise decisions. It brings about stability in making decisions. A policy is a stance, often a choice made between two or more alternatives, such as the choice between promoting employees on the basis of merit versus promoting them on the basis of seniority.

A personnel management policy is a plan and a set of proposals and actions that act as a reference point for managers in their dealings with employees. Personnel policies constitute guides to action. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization's values, philosophy, concepts and principles". Personnel guide the course of action intended to accomplish personnel objectives. Personnel policies, also called employee handbooks, are a set of statements that explain what the employer expects from its employees and what employees may expect from the employer. Policies offer guidelines for decision-making and reflect a business' values.

According to koontz and O'Donnel (2009) organizational personnel policies should have the following qualities:

- A personnel policy should be formulated in the context of organizational objective.

- A personnel policy may be writing or it has to be interpreted from the behavior of top management of the organization.
- A policy should provide guide lines to the member din organization for choosing a course of action. Thus policy should restrict their freedom in choosing their action.
- Policy should be formulated through the various steps in decision making process
- Policy formulation is a function of all managers. However, top management has important role in policy making.

A personnel policy is a plan and a set of proposals and actions that act as a reference point for managers in their dealings with employees. Personnel policies constitute guides to action. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization's values, philosophy, concepts and principles".

According to Drucker (2004), "The policies of an enterprise have to be balanced with the kind of reputation an enterprise wants to build up with special reference to the social and human needs, objectives and values.

Personnel guide the course of action intended to accomplish personnel objectives. Personnel policies, also called employee handbooks, are a set of statements that explain what the employer expects from its employees and what employees may expect from the employer. Policies offer guidelines for decision-making and reflect a business' values.

Personnel policy reflects the needs and aspirations of employees. If the values which policy generates are short of employees expectations, it will be difficult to bring such policy in practice. Therefore, the top management should take the advice of personnel or HRM Head to develop policies on all matters relating to personnel activities. The personnel head devising Personnel policies must have knowledge about the organization and its manpower. Policy formulation and implementation involves following steps:

Fact Finding: in formulating policies, the first step is to specify the areas needing policies. Initially important areas of personnel management (recruitment, selection, training, compensation, bargaining etc.) must have a policy formulation which is clearly spelt out.

Collecting Data: once priority areas are listed steps should be taken to collect facts before formulating a policy .Various sources could be tapped for this purpose, such as company's records, past practices, survey of industries, experience of personnel, top management philosophy, organizational culture, employees aspirations and changing economic , social and legislative environment etc.

Specifying Alternatives: the third stage in policy formulation deals with examination of alternative policies in the light of their contribution to the organizational goals. Policy alternatives should emerge only after collecting information from various sources. It is always better to involve people at various levels especially those who are to work with such policies.

Approval by Top Management:

When the policy is found appropriate and when everything is above board, the policy should be written down and put up before top management for approval. It should also be ensured that prepared policy do meet the organizational priorities.

Personnel policy reflects the needs and aspirations of employees. If the values which policy generates are short of employees expectations it will be difficult to bring such policy in practice. Therefore, the top management should take the advice of personnel or HRM Head to develop policies on all matters relating to personnel activities.

Methodology

The study is conducted in Umuahia and Aba metropolis of Abia State, Nigeria. Umuahia is the capital of Abia state in southeastern Nigeria and the major commercial city is Aba. The state was created in 1991 from part of Imo State and its citizens are predominantly Igbo people (95% of population). It is one of the nine constituent states of the Niger Delta region and formerly a British colonial government outpost.

The name "Abia" is an abbreviation of four of the state's densely populated regions Aba, Bende, Isuikwuato, and Afikpo. It is one of the thirty-six (36) States that constitute the Federal Republic of Nigeria. It has boundaries with Enugu state, Anambra state, Ebonyi state, Cross-River state, Rivers state and Akwa-ibom state. Its population according to the 2006 National census was about 2,833,999 comprising of 1,434,553 males and 1,399,446 (NPC, 2007)

Abia people are of the Igbo ethnic group who predominates much of the Southeastern part of Nigeria. Their traditional language is Igbo. English is widely spoken and serves as the official language in governance and business. Abia's 2.4mm people are mainly Christians.

This research is non-experimental but a case study, the result of which is that the researcher gathers the data from the Mobile telecommunication network (mobile telecommunication network) in Umuahia and Aba and its various outlets in both locations. The researcher focused basically on the effect of personnel management policies on organizational effectiveness. Most importantly the researcher focused on the various personnel management policies adopted by this telecom companies and on the various factors that affect workers perception towards the organizations personnel management policies as relates to achieving organizational effectiveness and finally make recommendations based on the findings in this research work.

Model Specification

The probit regression model for the analysis is stated as follows;

Pr(Y=1) = $\varphi(X'\beta)$

Where,

Pr(y=1) is the probability of the perception of the personnel policies (accepted=1, not accepted=0); and

$X_{1=}$ Level of education of the staff measured in years,

$X_{2=}$ Experience of the staff measured in years,

$X_{3=}$ Staff size measured in numbers,

$X_{4=}$ Working condition,

$X_{5=}$ Educational qualification,

$X_{6=}$ Motivation,

$X_{7=}$ Working experience,

$X_{8=}$ Proper communication system,

$X_{9=}$ Working duration,

$X_{10=}$ Job security,

$X_{11=}$ Number of policies,

$X_{12=}$ Payment of allowance and deductions,

β = a vector of parameters that relates Xi's to the probability of the perception,

e = error term.

The various independent variables included in the final model.

Results and Discussions

Socio-Economic Characteristics of Mobile Telecommunication Network Staff in the study area

The table 1 shows the Socio-economic characteristics of the workers (respondents) in the mobile telecommunicate network offices located in Aba and Umuahia of Abia State.

Table 1:

Sex	Frequency	Percentage (%)
Male	55	61.11
Female	35	38.89
Total	90	100

Education

Primary	19	21.11
Secondary	32	35.56
OND/HND	15	16.67
BSC/HND	17	18.89
Msc/PHD	5	5.56
Non Formal	2	22.2
Total	90	100

Marital Status	**frequency**	**%**
Married	33	36.67
Single	34	37.78
Widowed	23	25.56
Total	90	100
Working Experience		
0 to 5	32	35.56
6 to 10	28	31.11
11 to 15	25	27.78
16 and Above	5	5.56
Total	90	100
Cadre in the Org.		
Clerical (junior)	20	22.22
Executive (middle)	50	55.56
Management (top)	20	22.22
Total	90	100
Age		
18 to 25	23	25.56
26 to 35	33	36.67
36 & Above	34	37.78
Total	90	100

Source: Survey Data, 2013

Table 1 above depicts the distribution of sex, level of education, marital status, working experience, cadre in firm, and age of respondents from the returned questionnaires. Specifically, 55 representing 61.11% were males and 35 representing 38.65%.

The results from the table reveals that 22% of the respondents have no formal education, 5.56% had Msc and Phd, 18.89% had Bsc & Hnd, 16.67% had Ond & Nce, 35.56% had secondary education and finally 21.1 had only first school leaving certificate 1.9 primary education.

The result further showed that 36.64% were married, 37.78% were singled and 25.56 widowed.

According to the result in the above tables majority of the workers in the mobile telecommunication network organization about 35.56% had worked for 0-5 years, 31.11% have 6 to 10 years of experience, 27.78% had 11 to 15 years of experience and finally 5.56% of workers had 16 years & above working experience. This simply implies that not many of the staff have acquired enough on the job training experience & skills, hence could be hindered by some intricacies in serving its customers.

The results also suggests that 22.22% of the respondents were clerical staff (junior), 55.56% were executive (middle) staff and than 22.22% were management (top) staff.

Telecommunication network firm fell in to the age bracket of 18 to 25 years, 36.67% on 26 to 35 years and then finally 36 years and above had the highest percentage of 37.78%.

Factors affecting workers perception towards personnel management policies of the organization (mobile telecommunication network)

Table 2: Probit Analysis
Parameter Estimate

Parameter	Estimate	Standard error	Z
Working experience	-0.1220	0.082	-1.4871
Level education	-0.3860	0.1600	-2.4125*
Income	0.8900	0.1200	7.4166***
Cadre	0.0095	0.0080	1.1875
Salaries	0.0030	0.0050	0.6000
Working condition	0.0140	0.0050	2.8000**
Working duration	0.0590	0.0290	-2.0345*
Motivation	0.0811	0.0212	3.8255***
Job security	0.0083	0.0018	4.6111***
Allowance & deduction	0.0200	0.032	0.6250
Intercept	0.5340	0.6200	0.8612
Chi-square	104.815*		

Source: Survey Data, 2013

***Significant at 1%,**Significant at 5% and *Significant at 10%.

The probit regression model result from the tables above was found to be statistically significant at 100% based on the value of the chi-square which resulted to 104.815.

Educational qualification of the workers according to the result from the table 3 above have been found to be statistically significant at 10% and negatively related to the perception of the staff to the personnel management policies. Based on the inverse relationship, it implies that an increase in the level of education of workers will bring about a negative influence in the perception of workers of towards the organization's (Mobile Telecommunication Network) personnel management policies. This may be based on the fact that the worker will feel that with his/her acquired knowledge & skills the organization will be able to serve larger customer efficiently through his/her contribution and so therefore the worker will require more preferential and favorable personnel management policy.

The result of the analysis from table above shows that income is positively related to the perception of workers towards personnel management policies and it was statistically significantly at 1%. Increase in the income of the worker will bring about a percentage increase on how the worker perceives the organizations personnel management policies. This is in conformity with the a-priori expectation that most workers put in their best in the organization to make it effective & efficient in achieving its objective because they will be adequately rewarded (Onah 2008).

According to the above presented analysis in the table 3, working condition is positively related to the perception of workers towards the organizations personnel management policies and was significant at 5%. This result could be probably because of the high quality conditions of offices these workers occupy. The organization can be said to be putting a reasonable effort in giving workers good working condition thereby improving the workers view towards the mobile telecommunication network organization personnel management policies.

Working duration is inversely (negatively) related to the perception of the workers towards personnel management policies and significant at 10%, this is simply put by saying that the more the workers work for longer hours, the less they tend to like the personnel management policies.

Motivation was significant at 1 % and positively related to the workers perception of personnel management policies of the mobile telecommunication network. This agrees with a-priori expectation that motivation is the set of forces that leads people to behave in a particular way (Fabian 2005). Work motivation refers to the forces within a person that affect his or her direction, intensity and persistency of voluntary behavior in the work place (Onah 2008).

Job security is positively related to workers perception to the organizations personnel management policies and is statistically significant at 1%, this means that as the organization assures the workers adequately job security, throughout its personnel management policies, the staff will have no other choice than to like the personnel management policies of the mobile telecommunication network organization. People work for variety of reasons; security Onah (2005). The things that each unique individual in an organization decides that he or she wants from work plays an instrumental role in the workers perceptive towards the personnel management policies of the organization in which the worker finds him or herself, although some employees do not know what they want.

Conclusion

The general conclusion on this study based on the factors affecting staff perception of personnel policies of the mobile telecommunication network organization and the effectiveness of the organization, it showed that certain views of the workers on some policies enhances effectiveness such policies are; disciplinary policies, training and development policies, motivation policies, job security policies, communication policies and allowance and deduction policies. The study also revealed that some factors peculiar to the workers affect how they perceive these management policies, such factors include the level of education of the workers, working condition, job security, motivation among others.

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The Effect of Management Practices on the Productivity of Firms in Abia State

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Abstract

This study analyzed the effect of management practices on the productivity of business firms in Abia State, Nigeria. A total of ninety (90) business firms were randomly selected, while well structured questionnaires were distributed to the business firms in order to elicit the required data. The total factor productivity analysis, multiple regression analysis as well as correlation analysis were used in the analysis of the data. The results shows that good management practices have positive effect on the productivity of the business firms. It was therefore recommended that the business firms should adopt the identified good management practices for enhanced business performance.

Key Word: Management Practices, Productivity, Performance

Introduction

The effect of good management practices in improving the performance of firms cannot be over emphasized. In every firm, the main source of economic growth is as a result of an increase in productivity. Inversely, slowing down in productivity improvement is accompanied by slackened growth, stagnation and decline (Ghebrit, 2004).

Ascertaining the level of productivity related to the management practices of firms is an ever increasing issue for firms that are concerned with gaining a competitive edge. Productivity is an essential ingredient for competitive advantage. Understanding and implementing of an appropriate productivity measurement system is a required management tool in evaluating and monitoring the performance of a business operation. Productivity is, therefore, a major concern in today's business manufacturing firms, which enable them to survive and be profitable. Hence, in view of the growing need for the benefits to be realized from productivity improvement, managers should familiarize themselves with productivity and its measurement (Jahanien et al, 2012).

A cursory look in Nigeria shows that on daily basis business owners, executives, managers, and professionals are faced with production challenges. Changes occur within and without a particular manufacturing firm. Ile (2003) informs that the changes put pressure on the manager. To tackle the changes, every manufacturing firm has a management function overtly or covertly. Every manufacturing firm must; hire, train, pay, motivate, maintain and ultimately separate employees; this means that for manufacturing firm's effectiveness, the management function must be constituted in the manufacturing firm.

Imaga (2001) believes that management function has been elevated today because of the increasingly critical nature of problems and challenges in the more effective utilization of management. When a manufacturing firm buys or invests in an expensive piece of equipment, it receives a manual containing instructions for operating it, maintaining it, and trouble-shooting when the equipment does not function as it should, but when the manufacturing firms procures its human capital, it does not receive a similar manual. This information gap on the management must be filled. The role of the management manager is evolving with the change in competitive market environment and the realization that management must play a more strategic role in the success of a firm (Sims, 2005).

In order to succeed, management must be a business driven function with a thorough understanding of the manufacturing firm's big picture and be able to influence key decisions and policies. Today's management manager must focus on strategic personnel retention and talent development and therefore should coach, counsel, mentor and plan for succession in order to motivate manufacturing firm members and attract their loyalty. The management manager also should promote and fight for values, ethics, beliefs, and spirituality within their manufacturing firm, especially in the management of changes. There is therefore need to examine the effect of good management on the productivity of business manufacturing firms. To generate the much needed data or information for this study, the researcher formulated the following research questions to be administered to correspondents drawn from the firms.

1. What are the socio economic characteristics of the business firms?
2. What are the management practices of the firms?
3. What are the levels of productivity of the business firms?
4. What are the effects of management practices on the firms' productivity?

Methodology

Study area

This study was carried out in Abia state, Umuahia and Aba the two major towns in Abia State, Nigeria. Abia was created out of Imo state on August 27, 1991. It has a landmass of 700km^2 with seventeen Local Government Areas occupying it. it is situated north of the equator between longitude 30^{o}N, it is bound in the East by Cross River State, on the West by the Imo state, on the North by Ebonyi and Enugu and on the South by Rivers state. Abia consist of three agricultural zones namely; Aba, Ohafia and Umuahia. It has a population of 1.67 million people (NPC, 1993). The vegetation is tropical rain forest, relatively thick natural forest and plantation.

The following sampling technique will be adopted in the selection of the business manufacturing firms that will be used for the study. The first stage will be a fact finding visit to the Ministry of Commerce and Industry as well as Aba Chamber of Commerce, Industry, Mines and Agriculture, Nigerian Directorate of Employment and Small and Medium Enterprises Development Agency of Nigeria from where a list of all the business firms in the past five years (registered or empowered with the above agencies) in the State will be obtained. The second stage involves a purposive sampling technique to select the business firms in the list and the population guide in knowing the number that will be selected. The third stage will be a preliminary visit to some of the business firms by the researcher. The reasons for the visit will be to validate the list of business manufacturing firms and ensure that the entrepreneurs are existing. A random sampling technique will be employed in the selection of the business firms to be chosen for the study. Forty five Business firms will be chosen from each of the towns of Umuahia and Aba from the list making up a total sample size of 90.

Data for this study will be generated through cross sectional method using survey instruments administered on the entrepreneur or management team of each of the business firms. The survey instruments will be responded to by the firms or their representatives in the enterprise who are in positions to provide the necessary data. After which, random sampling technique will be used to select thirty viable business manufacturing firms which have been in existence within the last five years. The distributions of the firms will be as follows: forty-five business entrepreneurs will be randomly selected from each of the cities.

Data analysis

In order to achieve the objectives of this research work descriptive statistics and various econometric tools will be employed. In order to achieve 1, 2, and 3 descriptive statistics will be employed involving tables, chart, mean, frequencies and percentages. Objective 4 will be achieved using Total factor Productivity (TFP), to achieve objective 5 simple correlation analysis will be used and to achieve objective 6 multiple regression analysis will be used.

Model specification

For the total factor productivity (TFP) the model is stated as

$$TFP = \frac{Gross\ output - (material + energy + other\ expenses}{labour + capital}$$

And for multiple regression analysis is stated thus

$$Y = b_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + e$$

Where;

Y_1 = TFP
X_1 = Employee training and participation (Dummy)
X_2 = Organizational communication (Dummy)
X_3 = Customer focus (Dummy)
X_4 = Product quality (Dummy)
X_5 = Leadership and competitive environment (Dummy)
X_6 = Process control (Dummy)
X_7 = Supplier relationship (Dummy)
X_8 = Work attitude (Dummy)
bo = Intercept
U = Error term

Results and Discussion

Socio-economic characteristics of the business firms

Age of the business firms

Age of the firms or years of experience was determined by making use of age ranges as shown in Table 1 below.

Table 1: Firms distribution corresponding to age or years of experience

Age range (years)	Frequency	Percentage (%)
0-5	27	30
6-15	25	27.78
11-15	23	25.56
16-20	15	16.67
Total	90	100

Source: Field survey, 2014

The result from data computation indicate that firms which has their age ranging from 6-15 years are 25 in number representing 27.78% of the firms studied. The result also show that business firms that were established within the recent past 5 years are 27 firms, that is from 0-5 years, while 15 firms representing 16.7% were established for over 16 year ago. This study reveals that the business firms in Aba and Umuahia in Abia State has more of them established during the past 6-15 years.

Ownership Structure of the business firms

The firms in Umuahia and Aba were analyzed to identify the ownership composition of the firms. The classifications employed for this purpose include sole proprietorship, partnership and private limited liability company. Table 2 presents the results.

Table 2: Firms Distribution according to ownership composition

Classification	Frequency	Percentage (%)
Sole proprietorship	88	97.1
Partnership	2	2.9
Private limited company	-	-
Total	90	100

Source: Field survey, 2014

Table 2 shows that 68 firms or 97.1% of the business studied are operated as sole proprietorship enterprise. Only 2 firms are partnership business. This could reflect the people's preference for individual enterprise to associative enterprise.

Employment Status of Firms

Table 3: Firms distribution according to number of employees

No of employee	Frequency	Percentage (%)
1-2	40	44.44
3-4	34	37.78
5 and above	16	17.78
Total	90	100

Source: Field survey, 2014

Firms' employment position for the business firm in Aba and Umuahia is indicated on table 3 above. It shows that firms employing 1 to 3 people are 40 in number representing 44.44%.

This is followed by the firms whose employment status range from 3 to 4 persons, which is 37.78% or 34 firms. 16 firms employed 5 persons and above, making up 17.78% of the business firms studied.

Education Qualification of Employees/Owner Manager

This section presents the data of the educational qualification of the member

Level of education	Frequency	Percentage
Non formal	8	8.89
Primary	9	10
Junior secondary	14	15.56
Senior secondary	36	40
Tertiary	15	16.67
Post graduate	8	8.89
Total	90	100

Source: Field survey, 2014

Table 3 above illustrates the distribution of the respondents according to the level of education of the respondents. Most of the manager/ owners of the business firms are senior secondary school certificate holders representing 40% while 16.67% acquired tertiary education with 8.89% having post graduate education.

Capital structure of the firms

Table 5: Firms distribution according to the sources of capital

Source of capital	Frequency	Percentage (%)
Equity/owners capital	70	100
Grants	19	27.1
Loan: Bank	23	32.9
Other informal sources	32	45.7

Source: Computation on data from field survey, 2013

Multiple responses

The composition of the firms capital comprise of equity, grants and loans. All the firms had part of their capital composed of equity, 23 firms obtained their loans from bank, while 32 used other informal sources such as cooperatives, thrifts and other traditional institutions. 19 firms are funded with grants from relatives, this agrees with sources of fund for small-scale business.

Capital Investments of the Firms in the Business Enterprises in Aba and Umuahia.

Table 6: Firms distribution according to their level of investments.

Investment range	Frequency	Percentage (%)
120,000 – 200,000	24	26.67
200,000 – 300,000	38	42.22
300,000 - 400,000	16	17.78
400,000 – 500,000	12	13.33
Total	90	100

Source: Field survey, 2014

Investment capital outlays of the firms as revealed on table 6 show that firms with capital investments not less than N300,000 are 28 firms representing 31.11 percent of the firms studied. 16 firms representing 17.78% had investment outlay above N300,000 to N400,000, while the firms whose capital investment lie between N400,000 to N500,000 are 12 or 13.33%. These amounts of capital conform with the fund required for classifying a business enterprise as a small-scale enterprise.

Distribution of Firms According to Income Generation per Annum

Table 7: Distribution of Firms According to Income Generation per Annum

Income range (N)	Frequency	Percentage (%)
900,000 – 1, 100,000	29	32.22
1,250,000 – 1,450,000	42	46.67
1,650,000 and above	19	21.11
Total	90	100

Source: Computation on data from field survey, 2013

The annual income earned by the firms is indicated on table 7, showing that 42 firms or 46.67 percent of the firms earn income ranging from N1,250,000 (million) to N1,450,000 (million). Firms that earn between N900,000 to N1,100,000 (million) are 29, which is 32.22 percent of the firms studied. Only 19 firms have annual income of N1,650,000 and above. The result of this figure when compared with the amount invested by the firms represents a position of profitability.

The business firms embarked by the respondents

The identified business firms includes fishery, crop farming, leather works, wood works, manufacturing, distillation, poultry, animal husbandry and eatery.

Table 8: The business firms by the respondents

Type of business	frequency	Percentage
a. Fishery	10	11.11
b. Crop Farming	10	11.11
c. Leather works	9	10
d. Wood works	8	8.89
e. Manufacturing	18	20
f. Distillation	6	6.67
g. Poultry	14	15.56
h. Animal husbandry	6	6.67
i. Eatery	9	10
Total	90	100

Source: survey data 2014.

From table 7 which presents the types of Business firms embarked by the respondents, it was identified that 11.11 percent of the respondent are involved in fishery and crop farming respectively. Leather works, eatery and wood works were embarked by 10% and 8.89% of the respondents respectively. Poultry took a higher percentage of the responses (15.56%) while manufacturing took 200% of the responses. Distillation firms which mainly situated in Aba took 6.67 percent as well as animal husbandry firms. The result indicates that there is a wide range of Business as well of opportunity for investment.

Analysis of the management practices of the Business firms

This section analyzed the management practices adopted by the business firms which include Employees training and participation organizational communication, customer focus, product quality, leadership and competitive environment, process control, supplier relationship and work attitude.

Table 8: The management practices

	High	Average	Low	No idea	total	mean	Ranking
Employee training and participation	7	5	35	3	50	0.56	8
Organizational communication	53	12	15	4	84	0.93	4
Customer focus	57	19	18	2	96	1.07	2
Product quality	32	24	54	1	111	1.23	1
Leadership and competitive environment	45	12	2	0	59	0.66	5
Process control	15	17	19	5	56	0.62	6
Supplier relationship	14	24	7	9	54	0.6	7
Work attitude	13	17	53	3	86	0.96	3

Source: survey data, 2014.

From table 8 which presents the response of the respondents of the respondents the management practices adopted by the business firms. Product quality was ranked number 1 as the management practices adopted by the firms. This indicates that the business firms maintain the product quality as a management practice to ensure their profitability.

This was followed by customer focus, as number 2 which implies that the business firms ensure that it satisfies the needs of the customers by identifying their work attitude, communication, leadership and process control were ranked 3,4,5 and 6 respectively. The suppliers relation and employees participation management practices were ranked 7and8 which indicates that the management of has 10.6 percent, the business firms pays less attention to these important of Management practices.

Level of productivity of the business firms.

The total factor productivity for each of the identified type of business was examined and the percentage of the total factor productivity for each of the business identified.

Table 9: Level of productivity of the business firms

	gross output (N00)	expenses	wage/labor	capital	TFP	%to total TFP
a. Fishery	150000	80000	50000	355000	504998.4	9.72
b. Crop Farming	170000	80000	18000	295000	464995.6	8.9
c. Leather works	150000	70000	67000	387500	537499	10.4
d. Wood works	175000	70000	54000	380000	554998.7	10.7
e. Manufacturing	174000	50000	65000	386500	560499.2	10.8
f. Distillation	400000	85000	56000	625000	1024998	19.8
g. Poultry	155000	60000	79000	412500	567499.2	10.9
h. Animal husbandry	160000	100000	50000	385000	544998	10.6
i. Eatery	150000	95000	18000	290000	439994.7	8.5
Total	1684000	690000	457000	3516500	5200481	100

Source: survey data 2014.

From table it was found that firms in the distillation business has higher percentage of TFP of 19.8 percent, poultry has 10.9 percent animal husbandry has10.6 percent, manufacturing has 10.7 leather works 10.4 percent wood works 10.7 percent and fishery 8.9 percent the result indicates that the business has a good total factor productivity with distillation as the highest and eatery firms the lowest.

Relationship between the management practices and the business firms

The following are the results of the Pearson correlation coefficient (r)

Table 10: Correlation coefficient result

	Fishery	*crop farming*	*Leather works*	*Wood works*	*distillation*	*poultry*	*animal*	*eatery*	*Employee training*	*Communication*	*customer focus*	*product quality*	*process control*	*supplies*	*Work attitude*
Fishery	1.0														
crop farming	0.9	1.0													
Leatherworks	-0.3	-0.5	1.0												
Woodworks	1.0	0.9	-0.4	1.0											
Distillation	0.2	0.1	0.0	0.2	1.0										
poultry	0.1	0.0	-0.1	0.1	0.0	1.0									
Animal	0.4	0.4	0.0	0.4	0.2	0.1	1.0								
Eatery	-0.2	-0.3	0.6	-0.3	0.3	-0.3	0.0	1.0							
employee training	0.1	0.1	0.1	0.1	0.4	0.5	-0.3	-0.1	1.0						
Communication	0.1	0.1	0.3	0.1	0.4	0.2	0.2	0.2	0.4	1.0					
customer focus	0.4	0.3	-0.2	0.4	0.1	-0.2	-0.1	0.2	0.5	0.1	1.0				
product quality	0.6	0.7	0.2	1.0	0.7	0.7	0.3	0.4	0.7	0.2	0.1	1.0			
process control	0.7	0.2	0.0	0.1	0.2	0.2	0.2	0.1	-0.2	0.0	0.2	0.0	1.0		
Supplies	-0.1	-0.2	0.1	-0.1	-0.3	-0.1	-0.4	0.2	-0.1	0.1	0.3	-0.1	0.8	1.0	
Work attitude	0.2	0.2	-0.4	0.2	-0.2	0.3	-0.4	-0.3	-0.1	-0.1	0.3	-0.2	-0.3	0.0	1

Source: survey data 2014.

Table 11: Level correlation

Correlation coefficient	Negative	Positive
Weak	0.00 to -0.3	0.0 to 0.3
Moderate	-0.3 to -0.7	0.3 to 0.7
Strong	-0.7 to -1.0	0.7 to 1.0

Table 11 above explains how to interpret the strength of the relationship existing between the studied variables. This section examines the co relation between the types of business firms and the management practices adopted by these business firms.

From table 10 which presents the results of the co relation analysis between the management practices and the management practices and the productivity of the business. It was found that positive co relation exists between employee training and the business except or animal husbandry and eatery, this indicates that the more the businesses adopt the employee training management practices this results to increase in the productivity.

In the case of eatery and animal husbandry most of the managers believe that this does not require much training and development (Phan et al, 2005) the communication management practices was found to be positively co relation with all the business firms TFP which indicates that communication increases the productivity of the firms. Customer focus was found to be positively related to the TFP of the firms. Customer focus was found to be positively co related with fishery, crop farming, wood works and eatery.

This implies that the customer focus management practices ensure that there is an increase in the productivity of the above firms. Product quality has a positive co relation with all the business firms, process control was also positively related in all the business firms while showing a stronger relationship with fishery. Supplier relationship was found to be positive related to leather work and eatery businesses work attitude was found to be positively related to fishery crop farming, wood work and poultry.

The effect of management practices of the business firms' productivity.

This section examines the effect of the management practices on the productivity of the business firms which is presented in table 12 below

Table 12 Effect of management practices on the productivity

	Linear	Exponential	Semilog	Double log+
Constant	-87357.367	12.483	-2.531E7	-10.757
	(-0.907)	(29.207)***	(-3.882)***	(-7.460)***
Employee training and participation	1.794	1.244E-6	670940.610	0.381
	(2.806)**	(4.385)***	(1.945)**	(3.649)***
Organizational communication	0.160	1.364E-7	216072.596	0.165
	(1.608)*	(3.089)***	(1.316)	(3.314)***
Customer focus	0.378	5.345E-7	839053.516	1.408
	(2.304)**	(7.336)***	(1.463)	(8.107)***
Product quality	135.178	0.062	909290.809	518
	(0.003)	(-2.865)*	(0.749)	(1.407)
Leadership and competitive environment	0.000	-1.721E-5	-13.128	0.542
	(-14.080)***	(13.498)***	(-16.681)***	(15.782)***
Process control	7562.540	0.022	13405.346	0.025
	(0.364)	(0.722)	(0.217)	(8.780)***
Supplier relationship	0.524	-0.007	27274.198	0.058
	(2.230)***	(2.755)**	(0.774)	(0.257)
Work attitude	34414.387	0.059	88000.285	0.168
	(2.923)*	(3.373)***	(1.893)*	(0.014)
R^2	0.888	0.975	0.839	0.849
R^{-2}	0.798	0.954	0.711	0.721
F-statistics	9.872	8.115	6.528	8.528

Source: survey data 2014.

,**, statistically significant at 10,5 and 1 percent**

From table 12 which presents the result of the effects of the management practices on the productivity of the business. The double log regression model was chosen as the lead of equation based on the value of the R^{-2} which indicates that 72.1 percent of the total independent variables included in the model. The variables were significant based on prior expectations. The statistics value of 8.528 indicates that the model is statistically significant at 1 percent.

Employee training and participation management practice was found to be significance at 1 percent and positively related to the total factor productivity of the business firms. This implies that employee training and participatory management practices positively influence the productivity of the business firms.

Organizational communication was found to be statistically significant at 1 percent and positively related to the productivity of the business firms studied. This implies that the flow of communication in the firm.

The level of productivity improves significantly. Customer focus was found to be significant at 1 percent and positively related to the productively of the business firms. This implies that as the firms identify the need of the customers and focus their attention on such needs, the productivity level of the twins increases.

Leadership and competitive environment was found to be significant at 1% and positively related to the productivity of the business households. Process control was also significant at 1% and positively related to the productivity of the businesses. This indicates that as the firms adopt the process control management practices the firms total factor productivity increases.

Conclusion and Recommendations

The study examined the effect of good management practices on the productivity of the business firms in the study area. Five specific objectives were formulated, which include examining the socio economic characteristics of the respondents, to identify the management practices of the firms, examine the level of productivity of the business firms, examine the relationship between the business firms and the management practices and to examine the effect of management practices on the productivity of the firms. The data for the study was generated through cross sectional method using survey instruments administered to 90 randomly selected business firms. The research instruments used in the study include descriptive statistics total factor productivity, correlation and multiple regressions. It was found the adoption of the good management practices by the firm leads to higher productivity.

The result indicates that most of the business firms were established within the past 15 years and that they are mainly sole proprietorship. The identified business included fishery, crop farming, leather works, wood works, manufacturing distillation, poultry, animal husbandry and eatery. The good management practices adopted by the business communication, customer focus, product quality, leadership and competitive environment, process control, supplier relationship and work attitude. In order to measure the level of productivity of the firms total factor production was used and it was found that the business firms are productive at different productivity levels. The relationships between the productivity and management practices was estimated using Parson's correlation coefficient and it was found that management practices are positively correlated to the productivity of the firm. The result of the multiple regression analysis indicates that employee training and participation, communication, product quality, process control and leadership have significant and positive effect on the productivity of the business firms and therefore are good management practices to be adopted.

Recommendations

Based on the findings of this study it is therefore recommended

1. That business should ensure employee training and participation as a good management practice especially those in manufacturing, distillation and fishery.
2. Communication is very vital and should be encourage in the firms.
3. The business firms should remain customer focus by identifying the need of the customers, as this ensures their productivity.
4. Good leadership management practices that foster a good competitive environment

should be encouraged.

5. Process control is very essential and should be adopted by firms in manufacturing, distillation and fishery as well as other firms.
6. The identified business such as fishery, crop farming, leather works, wood works, distillation, poultry, animal husbandry and eatery are viable areas of self employment and entrepreneurship based on their total factor productivity which proves that they are very productive economic activities.

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Human Resource Management as Tool for Effective Revenue Generation in Nigerian Public Sector

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Abstract

The management of people in Nigerian public sector for effective performance, particularly in the area of revenue generation is an enormous task. However, the concepts, classifications and types of revenue, as well as divergent forms of public sector enterprises were examined. Detailed analogies as it pertains to basic types of organizational structure were discussed. Thus, the study examines the central thesis through discussing human resource management for effective revenue generation in Nigerian public sector. Methodologically, the researcher made use of secondary sources in generating data. Conclusively and from the context and content in the study, the paper suggested that people resource management otherwise known as human resource management is among the principal ingredients for effective revenue generation in Nigerian Public sector.

Introduction

The global economy and social political environment are predominantly dominated with vibrant activities that are supposedly manned by human beings (human resource). These people who are performing their duties in various ministries, parastatal and extra-ministerial organizations are drawn from different professions. Such activities extant in the world also span to African continent through colonialism, which Nigeria is inclusive. Thus before the coming of the Europeans, traditional administrative activities were under the confines of traditional elites. However the demise of this traditional administrative frontiers and subsequent emergence of these Europeans through the African sea brought what we see today as governmental administration in Nigerian public sector service. These governmental administrative offices are expected to be managed by people from different works of life with assigned roles to perform including generating revenue for optimal growth. Therefore to achieve the optimal result (goals) in this direction (revenue generation), human resource management has become a very strong component in management research as well as the strategic and coherent approach to the management of an organizations most valued assets which is the people working there, who individually and collectively contribute to the achievement of the set objectives in the organization (public sector). Consequently, every organizations desire is to have skilled and competent people to make their organization more effective than their competitors. Hence, humans are very important assets for the organization rather than land and buildings. Without employees (humans) no activity in the organization can be done even in this era of modern technology since the machines meant to produce more quality goods and render services are likely to be operated by human beings only. Nevertheless, people otherwise known as the staff are being used to generate revenues (such as licensing, property rate, tenement rate etc) using various agencies such as Federal in land revenue for the Federal government and board of internal revenue for state government and task forces for Local government as the case may be. In most cases, these revenues generated do not go into the coffers of government. But this can be attributed to level of the organizations management of human resource among other detrimental factors (corruption inclusive). However these sordid activities gave birth hitherto to the principles of "down-sizing" and right-sizing in public sector service in Nigeria. To this extent therefore, it is our desire to peruse human resource management for effective revenue generation in Nigerian public sector.

The Concept of Resource Management

Human resource management has become a major component of business school and is quickly becoming dominant focus of management research (Marciano quoting Kaufman, 1993, Lewin, 1991 and storey, 1992). It has almost universally displaced personnel, and in many schools is threatening to supplant industrial relations and organizational behavior. Of late therefore, articles according to Marciano in British and Canadian journals are beginning to question what human resource management is and what impact its normative prescriptions will have on unions, workers and employment relationships (Barkin, 1989, Blyton and Turnbull, 1992, Guest, 1987, Godard, 1991, Ichniowski, Delaney and Lewin, 1989). However, these articles according to Marciano frequently noted few attempts to resolve the definitional fog that surrounds the term "human resource management". Sadly, efforts at defining human resource management (HRM) are grounded on current descriptions of HRM and do not attempt to resolve the issue by tracing the terms history.

Furthermore, there has been little success in clarifying the definition of HRM, in identifying its boundaries, or in distinguishing it from related disciplines. The histories of these related disciplines have been occasionally discussed (for example Baron, Dobbin, and Jennings (1986) and Ling (1965) for personnel management, Jacoby (1985) and Wien (1987) for American management theory, and Kaufman (1993) and Adams (1993) for industrial relations. However, the history of human resource management has not. Also Beer etal (1984) defined human resource management as the synthesis of perspectives from organizational behavior/development, labour relations and personnel administration. As a field of study according to Beer etal, (1984) HRM was viewed as the study of all management decisions and actions which affect the nature of the relationship between the organization and employees. However their application of the definition is broader, as they also discuss work system design as an important function in HRM. Okpata (2004) quoting Decenzo and Robbins (2000) asserted that human resource management is concerned with people dimension in management. They went further by stating that since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization is essential to achieve organizational objectives. This is true regardless of the type of organization-government, business, education, health or social action.

Nonetheless, three families of definition of the concept human resource management emerged. The first family laid out by Drucker (1954), Bakke (1958) and reiterated by Beer etal (1984) and others Lewin, (1991), schuler, (1990), held that HRM is a broad general mangers function which deals with the proper management- understanding, maintenance, development, utilization, and integration of individuals in the work place. Second family of the definitions- Henneman etal (1980), Peterson and Tracy (1979), Robbins (1978), Strauss and sayles (1980), Werther etal and others held that HRM is a new synonym for personnel management, the management of employees by specialist staff. It assumes the existence of a set of best or acceptable practices for making effective use of workers and attempts to detail these. The third family of definitions results from the managerialist/unitarist resurgence in Britain during the Thatcher years. Many scholars with worker's/pluralist orientations held that HRM is essentially a sophisticated form of union avoidance, and a camouflaged method of managerial control. They focus not on the tools or levers which HRM encourages or uses but rather on the different way that HRM conveys managerial legitimacy.

Revenue generation: This is a process by which a company markets and sells a product or service to produce income- http://www.medwelljournals.com/fulltext/?doi=ibm.2009.54.60 website of revenue generation.

Public Sector: The public sector is a part of the state that deals with the delivery of goods and services by and for the government, whether national, regional or local/municipal. However an example of public sector activity ranges from delivering social security, administering urban planning and organizing national defenses (Feignbaum).

Also public sector is usually composed of organizations that are owned and operated by the government. This includes Federal, provincial, state or municipal governments, depending on where you live- http://www.privacysense.ntet/differencebetween -private public-sector/ it is very germane to look at both the classification and types of revenues in the context of the discourse.

Classification of Revenues

Revenues can be classified as operating revenue and non-operating revenue

Operating Revenues: These are those that originate from main business operations. For examples, sales etc.

Non-Operating Revenues: These are earned from some side activity. For example, interest revenue, rent revenue (except in case where the business main industry is renting industry)- http://www.a-systems.net/qna/question.htm?id=27

Types of Revenue

The types of revenues can be stated briefly as:

Sales revenue- making money from selling goods or services.

Tax revenue- making money from taxpayers.

Interest revenue- making money from an investment, usually from a bank account.

Dividend revenue- if you have a stock in a company that pays dividend, that's considered revenue

Lease revenue- making money from renting things out, that is car rental, office rental etc.

Royalty revenue- you make money when other people use your asset. In the music industry for example, record companies can charge a royalty to internet radio stations that play their songs. http://www.a-systems.net/qna/question.htm?id=27

Different Forms of Public Sector Enterprises

The organization provides the framework, which substantially shapes interrelationships amongst the public enterprises as well as the government. However, the major organizational forms of the public enterprises are mentioned as follows: Departmental organization,

Public corporation- It is an autonomous form of organization "clothed with the power of the government, but possessed with the flexibility and initiative of private enterprise according to F.D. Roosevelt, the then president of United States of America, given while discussing the Tennessee valley authority. Also public corporations may be understood in general terms as an autonomous commercial organization established at governments' insistence outside the framework of government department and company legislation.

Government Company: The joint stock company is another organizational form of public enterprises. The company form which may also be called a government company is described in many countries as an enterprise registered under the companies act of the land in which the government and/or public enterprises hold at least (51) fifty one percent of equity capital.

Joint Enterprises: state participation in an economic activity along with the private sector has led to the creation of a specific type of organizational form, which is known as joint enterprise.

Development Corporation: It is difficult to exactly define Development Corporation. On the basis of empirical evidence world over, especially in the developing countries (Nigeria inclusive), it may signify an autonomous agency in the public sector, primarily to promote, rather than to operate economic activities through a system of subsidizing. Despite, the promotional activity of a development corporation may include; to promote an activity which otherwise might not come into existence, it accelerates an activity which otherwise would materialize at a slow pace in small outputs and in a sectorally unbalanced manner and finally, it promotes a desired pattern of economic activity, meaning thereby the expansion of desired sector of activity, promotion of units of desired sizes, attainment of desired balance of payments, development of certain economic activity in the desired region etc (Dnyanesh, 2011,) http://www.preservearticles.com/2011092714116/what-are-thedifferent-forms-of-public-sectorenterprises.html.

Basic Types of Organizational Structure

There are three basic types of organizational structures that can be seen and practiced in public sectors. Such basic types are: vertical structures, horizontal structures and divisional structure.

Vertical structures: Most government organizations are classic examples of vertical structure. Vertical organizational structures are characterized by few people at the top and increasing numbers of people in middle management and lower level positions. In other words, a few people make policy and decisions, and many people carry them out. Thus governments often lean toward them because they create various defined job scopes and powers. Each person has a clear role to play. Vertical structure is the classic bureaucracy and is epitomized and originated in one of the oldest government functions.

Horizontal structures: Horizontal organization charts are characterized by a few positions at top and then many positions on the next row down. In other words, there are very few supervisors and many peers or equals. While this structure is most common in professional organizations such as law and architecture firms or medical practices, a few types of government use this structure. For instance, in very small programmes- especially after budget cutbacks- certain city and county social services such as drug prevention or domestic violence education programmers may find themselves with only a few staff members. In order to deliver services or because they do job sharing, staff may work together cooperatively rather than in hierarchical order.

Divisional structures: Divisional structures divide function and responsibility based on specialty or geography such as a market territory. In the case of public sector, a few organizations such as courts use this system. For example, Federal courts are divided into regional circuits and even most countries have multiple court houses which hear cases from their defined territories within the country. These courts run parallel and are not affected by one another. Similarly, police and fire departments usually have precincts and battalions with specific jurisdictions for better functionality.

From the basic point of discussions, it is very imperative to delve into the aspect of human resource management for effective revenue generation in the public sector service in Nigeria.

Human Resource Management for Effective Revenue Generation

The use of people as well as management of human beings for achievement of goals in an organization is a very vital one, particularly in public sector. One significant thing to note is that when people are rightly employed and rightly matched to their responsibilities, they are expected to be productive. More so when the facilities required in performing the role activities are made available. Therefore effective utilization of human resource to generate revenues in public sector service both in the federal, state and local or municipal government will go a long way in assisting government for goods and service delivery. Thus for any organization to function effectively, it must have resource of men (human resource), money, materials and machinery to achieve set goals of the organization. However, the resources by themselves cannot fulfill the objectives of an organization, but they need to be collected, coordinated and utilized through human resources, hence the effective management of human resources is vital for effective revenue generation in public sector (the bureaucracy).As a result, human resource management has emerged as a major function in this regard (revenue generation). Subsequently, the ten "Cs" of human resources management- cost effectiveness, competitive, coherence, credibility, communication, creativity, competitive advantage, competence, change and commitment as advocated by Alan Price, in his book titled human resource management in a business context, provided a framework of consensus that human resource and human resource management are fundamental for income generation in businesses. For instance, in the Nigerian Local governments, the staff or employees in accounts or treasury department are employed to discharge some functions (including generating revenues such as tenement rates, licenses of all kinds etc) to enhance service delivery of the councils. Unfortunately, these revenues are not generated, even when generated are not paid into the coffers of government. Because of corruption, its converse accountability, ineffective management of human resource among other factors (Dialoke, 1996). In governing human resources for effective revenue generation, three major trends such as demographics (that is the characteristics of a population/ workforce, for example, age, gender or social class), diversity, skills and qualifications are typically considered (Elwood and James, 1996)

From broad theoretical underpinning of this research, it is obvious that effective revenue generation in Public sector is dependent on available human resources, hence organizations engage in a wide range of human resource management practices in order to achieve desired goals.

Research Methodology

In the course of this research, our data was mainly collected from secondary sources such as books, journals, government documents, newspapers, magazines, internet system etc.

Conclusion

It is pertinent to note here that human resource management is a key element to successful goals achievement in any organization, be it public or private. This is so, especially in the public sector, where modus operandi of functional activities lies on the people. Such activities must be performed in line with guiding "principles" within the bureaucracy. Therefore, how effective or ineffective incomes are generated for primary or prime development of a state (nation) is dependent on how the organization managed her human resources. Therefore, people resource oriented management, perhaps could serve as a framework for effective revenue generation in Nigerian public sector.

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Nexus between Staff Characteristics and Organizational Commitment

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Abstract

This study was carried out to ascertain the impact of staff characteristics on organizational commitment. A school of thought has argued that staff characteristics are predictors of organizational commitment while another school of thought disagrees. The fundamental objective of this study therefore, is to determine whether or not staff characteristics (age of employees, gender, educational background/level, marital status, organizational tenure and religious affiliations are predictors of organizational commitment. It is also intended to ascertain whether there is a correlation and significant relationship between staff characteristics and organizational commitment. The research employed survey method with 200 staff of GT bank drawn as the population. Data was gathered through questionnaire which was administered on the staff of four branches, of Guarantee Trust Bank in Lagos, Nigeria. Seven hypotheses were formulated and tested using multiple regression analysis as well as Pearson's correlation technique. The results of the study indicate that staff characteristics jointly and independently predicted organizational commitment. The result of the research also indicated that there is a significant relationship between staff characteristics and organizational commitment. Given the critical role of commitment in organizational performance, it is recommended that organizations need to be fair, just and apply the principle of equity in dealing with staff matters. It is equally recommended that because of the impact of staff characteristics on organizational commitment, adequate and appropriate training and development should be available to staff periodically.

Keywords: staff characteristics, gender, educational background, organizational tenure, organizational commitment

Introduction

Organizational commitment is crucially important in the study of organizational behaviour. This is predicated on the results of various researches, which have found relationships between organizational commitment and attitudes and behaviours in the work place (Porter et al, 1999, Koch and Steers, 2001; Angle and Perry 1997). Bateman and Strasser (2004) have adduced reasons for studying organizational commitment, which include inter alia (a) employee's behaviours and performance effectiveness (b) attitudinal, affective and cognitive constructs such as job satisfaction (c) characteristics of employee's job and role such as responsibility and (d) personal characteristic of the employee such as age, job tenure. Organizational commitment is important for productivity quality and indeed good performance of an organization.

Empirical evidence abounds regarding job commitment and its relationship with job satisfaction. A strong relationship between job satisfaction and organizational commitment has been found over the years (Locke and Luthans, 1999). This accounts for the continued interest on the study of organizational commitment.

Bateman and Strasser (2004) opine that organizational commitment has been operationally defined as multidimensional in nature involving an employee's loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value currency with the organization and desire to maintain membership. Mowday et al (1999) identified commitment related attitude and commitment related behaviour.

Commitment is an attitude reflecting an employee's loyalty to the organization, and an ongoing process through which organization members express their concern for the organization and its success and wellbeing (Northcraft and Neale,1996). On the other hand, Salancik (1997) views commitment as a state of being in which an individual becomes bound. Larson et. al (1999) feel that organizational commitment is a dead issue because of the new environment and should be replaced by career commitment.

Research findings on the issue of relationship between employee characteristics, performance and their levels of commitment are mixed and not categorical. Baugh and Roberts (1994), Meyer et al (1993) posited that committed employees had high performance expectations and therefore, performed better. Persons with strong sense of normative commitment remain in organizations because they feel they ought to do so (Samad, 2007; Ayeni et. al, 2007; Omar et. al., 2007). However, Meyer and Allen (1997) have adduced reasons why performance and commitment may be unrelated. They contend that factors such as the seriousness supervisors attach to appraisal process, the value the organization places on job performance and the level of control the employee has over the outcome of the job have direct impact on commitment and performance of an employee. Commitment can also arise because the individual perceives a high cost of loosing organizational membership (Becker, 1960). Indeed research findings indicate that employees who are committed to their profession and organization have high levels of job performance.

Cleavages of opinions and lack of agreement amongst experts on relationship between commitment and performance have given rise to this study. Particularly against the backdrop of the general belief in the society as well as organizations that possession of certain characteristics makes the difference in the level of individual commitment and performance in the organization. Such staff characteristics as gender, age, marital status, organizational tenure, educational background, culture and religiosity are said to affect organizational commitment. This research therefore intends to investigate the extent to which these staff characteristics are associated with organizational commitment. Specifically, it seeks also to ascertain whether gender/ age, educational background, marital status, organizational tenure, and religiosity will jointly and independently predict organizational commitment; to determine whether there will be a significant relationship between gender and organizational commitment; to determine if there is a significant relationship between age of an employee and organizational commitment; to find out whether there is a significant relationship between educational background of employees and organizational commitment; to ascertain whether there is a significant relationship between marital status and organizational commitment; to find out whether there is a significant relationship between organizational tenure and organizational commitment; and to find out whether there is a significant relationship between religiosity and organizational commitment.

Literature Review

Today's work place is enveloped by fear of down-sizing, loss of job, insecurity, overwhelming challenges in technology and stress to do more with less. Managers need to establish the type of caring spirited work place that will ignite employee commitment (Luthan, 2005). Organizational commitment inspires managers to identify with organizational objectives including those of multinationals and their global objectives (Bartlet and Ghoshal 2007).

Employees who are committed to their employing organizations are less likely to quit than those who are not (Matthieu and Zajac 1998). It has been observed that greater organizational commitment is linked to lower rate of absenteeism and better job performance (Geurtz Schaufeli and Rutte 1999; Somers 1995; McNese Smith 1995, Guest 1991). Certain variables including interesting work, organizational dependency and attitudes of family and friends have been found to be relevant to organizational commitment (Dornstein and Matalon (1998).

Various personal characteristics have been found to be crucial in organizational commitment. Glisson and Derrick in Adeyemo and Aremu (1999) opined that skill variety and role ambiguity are best predictors of job satisfaction while leadership and the age of the organization tend to be the best predictors of commitment. Older employees and employees with longer organizational period tend to be more committed than younger individuals or those with shorter organizational period (Kac mar, Carlson and Brymer 1995; Grau et. al 1991; Matthieu and Zajac 1990, Kiyark et. al 1997, Lok and Crawford 2001; Price and Mueller 1998).

The conception here is that older workers or those with longer organizational periods accumulate more benefits like pension plans and other benefits (Meyer and Allen 1998). Evidence suggests that more educated employees show lower levels of commitment than less educated ones probably because they have higher expectations or greater alternative job opportunities (Matthieu and Zajac 1998) ;Grau et al, 1991; Adeyemo 2000). It has also been said that married individuals show higher levels of commitment than unmarried individuals, due to greater financial family demands and responsibilities (Mattieu and Zajac 1998; (Kac mar et. al 1999) .

A correlation has been observed between job satisfaction and organizational commitment. Job satisfaction is so important that its absence often leads to lethargy and reduce organizational commitment (Levinso 1997; Moser 1997). Wiener and Gediman (1977) Akanbi and Ofoegbu, (2013) observe that pattern of behavior resulting from commitment possess certain characteristics including persistence, personal sacrifice made for the organization and personal preoccupation with the organization. Empirical evidence shows that persons with a strong sense of normative commitment in the organization are committed because they feel they should do so (Sarmad, 2007, Ayeni et. al. 2007, Omar et. al., 2007). Committed and satisfied employees are normally higher performers and contribute towards organizational productivity (Samad 2007)

While Meyer and Allen 1998, Meyer and Allen (1984) argue that age is positively correlated with organizational commitment Irving, Coleman and Cooper (1997) argue that age is not related to organizational commitment. Furthermore, Ellemer, Gilder and Henvel (1998) found that background variables such as, level of education, gender and team size were not clearly the best predictors of organizational commitment.

The existence of such dichotomies of opinions and contradictions as well as contrasting research findings regarding organizational commitment and personal characteristics give support to this study.

Methodology

The design for this study is a survey research design which measured two variables dependent and independent variable. The independent variable is staff characteristics which are measured by seven sub variables including age of employees, gender, education background, marital status, organizational tenure and religiosity while the dependent variable is organizational commitment. The study was limited to one foremost financial institution in Nigeria, Guaranty Trust Bank Plc. As a result of some limiting factors, it was not possible to cover all the countries where the bank operates. Therefore, a sample size of 200 was drawn using stratified sampling technique. The stratification was done on the bases of management, senior staff and junior staff. Two hundred questionnaires were distributed to the staff of the Bank in Lagos, South West Nigeria and 150 were retrieved. The questionnaire was used as primary source of data.

Description of Instruments

The study adopted questionnaire method as an instrument for data collection. The questionnaire was divided into two sections. Section A measured the demographics of the respondents which include, gender, age, educational qualification, job tenure, religiosity and others while, section B measured organizational commitment. The scale for organizational commitment was adapted from organizational commitment questionnaire which was developed by Porter and Smith (1981). The scale is a fifteen item questionnaire with Likert scoring format ranging from strongly agrees (5) to strongly disagree (1). The instruments were revalidated and the Cronbach Alpha reliability coefficient of 6.786 for organizational commitment was found. First section of the questionnaire has 7 items (1-7) which measured staff characteristics while sections B contains 15 items (1- 5) which measures the degree to which employees are committed to the organization using staff characteristics as a basis for explanation. The five-item scale tries to measure the degree of personal characteristics on organizational commitment. All reliabilities reported are above 5.65 and the scale has demonstrated discriminant validity in relation to personal characteristics and organizational commitment. Frequency counts and simple percentages were used in the analysis of the demographic data. The Hypotheses were tested using multiple simple regression and Pearson's correlation. Hypothesis I was tested with multiple regression while hypotheses 2-7 were tested with Pearson's correlation

Hypotheses

Certain hypotheses were postulated and tested for the study thus:

Ho_1: Gender, age, educational background, marital status, organizational tenure and religiosity will jointly and independently predict organizational commitment.

Ho_2: There will be significant relationship between gender and organizational commitment.

Ho_3: There will be a significant relationship between age of employee and organizational commitment.

Ho_4: There will be a significant correlation between educational background of the employees and the organizational commitment.

Ho_5: There will be a strong relationship between organizational tenure and organizational commitment.

Ho_6: There will be significant relationship between marital status and organizational commitment.

Ho_7: There will be a significant relationship between religiosity and organizational commitment.

Data Presentation, Analysis and Interpretation

Descriptive statistics of Demographics of respondents

Table I: shows the descriptive statistics of demographics

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Male	76	50.3	50.3	50.3
Female	75	49.7	49.7	100
Total	151	100	100	
Age	**Frequency**	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid 20 -29years	55	36.4	36.4	36.4
30-39years	66	43.7	43.7	80.1
40-49years	26	17.2	17.2	97.4
50-60years	04	2.6	2.6	100.0
Total	151	100	100	
Educational back ground	**Frequency**	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid Postgraduate	45	29.8	29.8	29.8
BSc/HND	68	45.0	45.0	74.8
OND/WCE	17	11.3	11.3	86.1
SSCE	21	13.9	13.9	100
Total	151	100.0	100.0	
Marital Status	**Frequency**	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid Married	93	61.6	61.6	61.6
Single	44	29.1	29.1	90.7
Divorced or separated	11	7.3	7.3	98.0
Widowed	3	2.0	2.0	
Total	151	100.0	100.0	
Organizational Tenure	**Frequency**	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid 1 -5years	77	51.0	51.0	51.0
6-10years	53	35.1	35.1	86.1
11-15years	18	11.9	11.9	98
Above 15years	3	2.0	2.0	
Total	151	100	100	
Religion application	**Frequency**	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid Islam	62	41.1	41.1	41.1
Christianity	76	50.3	50.3	91.4
Others	13	8.6	8.6	
Total	151	100	100	
Degree of Religiosity	**Frequency**	**Percentage**	**Valid percentage**	**Cumulative percentage**
Valid Never	11	7.3	7.3	7.3
Indifferent	14	9.3	9.3	16.6
Slightly Religion	30	19.9	19.9	36.4
Religions	61	40.4	40.4	76.8
Highly Religions	35	23.2	23.2	
Total	151	100.0	100.0	

Source: field survey 2013.

Table I indicates that there are 76(50.3%) male respondents and 75(49.7%) female respondents. It also shows that 55(36.4%) of the total respondents fall into age bracket 20-29 years, while 66(43.79%) are aged 30-39 years. Also 26(17.2%) of the respondents are aged 40-49 years while 4(2.6%) of the respondents are 50-60 years old. Of all the respondents 45(29.8%) have postgraduate degrees, 68(45.0%) hold BSc/HND while 17(11.3%) hold Ordinary Diploma and National Certificate of Education (HND/NCE). Also 21(13.9%) of respondents hold secondary school certificate. Table I also shows that 93(61.6%) of the respondents are married, 44(29.1%) are single; 11(7.3%) are divorced while 3(2.0%) are widowed. A look at Table I also indicates that 77(51%) of respondents have 1-5 years experience, 53(35.1%) 6-10years experience, 18(11.9%) 11years and 3(2.0%) alone 15years experience.

For religious affiliation, table I shows that 62(41.1%) respondents are Muslims, 76(50.3%) are Christians while 13(8.6%) of respondents belong to other religious worshippers. The questionnaire explored the degree of religiosity of respondents bearing in mind that Nigerians have been claimed to be religious. Table I shows that 11(7.3%) of respondents say they are never religious; 14(9.3%) say they are indifferent to religion; 30(20.0%) are slightly religion; 61(40.4%) are just religious; 35(23.2%) of respondents are highly religious.

Test of Hypotheses

Ho$_1$: Gender, age, educational background, marital status, organizational tenure and religiosity will jointly and independently predict organizational commitment.

Multiple regression analysis was carried out to determine their joint prediction while a simple linear regression was also conducted to examine their independent prediction.

Table II: Summary of analysis showing gender, age of employees, marital status, organizational tenure, religiosity on organizational commitment

Variables	F-ratio	Significant of P	R	R^2	^{2}	B	T	P
Gender	1.042	0.5	0.205	0.042	0.002	-1.558	-1.672	0401
Age						0.088	0.144	
Educational background						-0.244	0.616	
Marital status						-0.608	-0.929	
Organizational tenure						-0.317	-0.370	
Degree of religiosity						0.623	1.425	

Table II- shows that the linear combination effect of gender, age, educational background, marital status, organizational tenure and religiosity will jointly and independently predict organizational commitment and was significant with F(3,148)-1.042; R=205; R^2=042; Adj. R^2=002 P<0.05. This result indicates that it is significant at 5%. The independent predictor variables jointly accounted for a variation of about 4%.this however shows a low prediction of this independent predictors on organizational commitment hence the hypothesis is rejected.

The results obtained on the independent analysis of the variables are presented below

Table III: Gender will independently predict organizational commitment

Variables	F-ratio	Significant of P	R	R^2	^{2}	B	T	P
Gender	3.200	.01	.145	.021	.015	-1.627	-1.789	.000

Table three above shows that the independent prediction of gender on organizational commitment is significant with F (1,150) =3.200; R=.145; R^2=.021; Adj. R^2=.015P<0.1.

The result indicates that it is significant at 1%. The independent predictor variable accounted for a variation of about 3percent. This shows a low prediction of gender on organizational commitment.

Table IV: Age will independently predict organizational commitment

Variables	F-ratio	Significant of P	R	R^2	^{2}	B	T	P
Age	0.020	.888	.012	.000	.007	.082	.141	.000

The above table indicates that the independent prediction of age on organizational commitment is significant with F (1,150) =0.020; R=.012; R^2=000; Adj.R^2=.007; P<0.05. The results indicate that it is significant at 5%. The independent predictor variable accounted for a variation of about 2percent. This however shows a high prediction of age on organizational commitment. However with P<0.05, it is concluded that age will independently predict organizational commitment.

Table V: Mmarital status will independently predict organizational commitment

Variables	**F-ratio**	**Significant of P**	**R**	**R^2**	**^{2}**	**B**	**T**	**P**
Marital Status	0.960	0.329	0.080	0.006	0.000	-.633	-.980	.000

Table V above indicates that the independently prediction of marital status on organizational commitment is significant with F (1,150) =0.960; R=0.080, R^2=006; Adj. R^2=000; P<0.05. The results show that it is significant at 5%. The independent predictor variable accounted for a variation of about 2percent. This however shows a high prediction of marital status on organizational commitment with P (0.05, it is concluded that marital status will independently predict organizational commitment.

Table VI: Educational background will independently predict organizational commitment.

Variables	**F-ratio**	**Significant of P**	**R**	**R^2**	**^{2}**	**B**	**T**	**P**
Educational background	0.138	0.711	0.031	0.001	0.006	-.143	-.372	.000

Table VI above indicates that the independent prediction of educational background on organizational commitment is significant with F (1,150) =0.138; R=.031; R^2=.001; Adj. R^2=006; P<0.05. The result shows that it is significant at 5%. The independent predictor variable accounts for a variation of about 2percent. This however shows a high prediction of educational background on organizational commitment. P<0.05, it can be concluded that educational background will independently predict organizational commitment.

Table VII: Organizational tenure will independently predict organizational commitment.

Variables	**F-ratio**	**Significant of P**	**R**	**R^2**	**^{2}**	**B**	**T**	**P**
Organizational tenure	0.256	0.614	0.042	0.002	-.005	0.306	0.506	.000

Table VII above indicates that the independent prediction of organizational tenure on organizational commitment is significant with F (1,150) =0.216; R=.042; R^2=.002; Adj. R^2=005; P<0.05. The result indicates that it is significant at 5%. The independent predictor variable accounts for a variation of about 2percent. This however, shows a high prediction of organizational tenure on organizational commitment. P<0.05, it can be concluded that organizational tenure will independently predict organizational commitment.

Table VIII: Religiosity will independently predict organizational commitment.

Variables	**F-ratio**	**Significant of P**	**R**	**R^2**	**^{2}**	**B**	**T**	**P**
Religiosity	2.257	0.135	0.123	0.015	-.008	0.605	1.502	.000

Table VIII above indicates that the independent prediction of Religiosity on organizational commitment is significant with F (1,150) =2.257; R=.123; R^2=.015; Adj. R^2=008; P<0.05. The results show that it is significant at 5%. The independent predictor variable accounts for a variation of about 2percent. This however, shows a high prediction of religiosity on organizational commitment. P<0.05, it can be concluded that organizational tenure will independently predict organizational commitment.

Hypothesis2: There will be a significant relationship between gender and organizational commitment.

Pearson's correlation technique was employed and the results obtained are presented below.

Table IX: Summary of Pearson's correlation between gender and organizational commitment.

Variable	Mean	Standard deviation	N	R	P	Remark
Gender organizational commitment	1.4967 45.1200	0.50165 5,60910	151 151	.145	.05	Sig.

Table IX above indicates that the mean value of 1.4967 for gender and 45.1200 for organizational commitment falls within the minimum and maximum value of 1.00 and 2.00 and 28.00 and 61.00.The results show a low standard deviation of 0.50165 and 5.60910. However, the result on the correlation table indicates that correlation is significant at the 0.05 level with a 2tailed test. The result also indicates P<0.1 since P=0.05, hence, it is significant at 10%. Based on the outcome of the analysis therefore, it is concluded that there is a significant relationship between gender and organizational commitment. The hypothesis is therefore, accepted.

Ho_3: There will be a significant relationship between age of the employee and organizational commitment.

Pearson's correlation technique was employed to test the hypothesis. The result obtained is stated below.

Table X: Summary of Pearson's correlation between age of employees and organizational commitment.

Variable	Mean	Standard deviation	N	R	P	Remark
Age organizational commitment	1.8609 45.1200	0.50165 5,60910	151 151	.012	.05	Sig.

The above table shows that the mean value of 1.8609 for age and 45.1200 for organizational commitment falls within the minimum and maximum value of 1.00 and 4.00 and 28.00 and 61.00.The results show a low standard deviation of 0.79196 and 5.60910. However, based on the result on the correlation table it indicates that correlation is significant at the 0.05 level with a 2 tailed test. This result indicates P<0.1 since P=0.05 hence it is significant at 10%. Based on the outcome of the analysis therefore, it is concluded that there is a significant relationship between gender and organizational commitment. The hypothesis is accepted.

Ho_4: There will be a significant relationship between educational background and organizational commitment.

Pearson's correlation technique was employed to test the above hypothesis and the result obtained is presented below.

Table XI: Summary of Pearson's correlation between educational background and organizational commitment.

Variable	Mean	Standard deviation	N	R	P	Remark
Educational background organizational commitment	2.1921 45.1200	1.19842 5,60910	151 151	.0031	.05	Sig.

Table XI above indicates that the mean value of 2.1921for Educational background and 45.1200 for organizational commitment falls within the minimum and maximum value of 1.00 and 5.00 and 28.00 and 61.00.The results show a low standard deviation of 1.19842 and 5.60910. However, the result on the correlation table indicates that correlation is significant at the 0.05 level with a 2tailed test. The result also indicates P<0.1 since P=0.05, hence, it is significant at

10%. Based on the outcome of the analysis therefore, it is concluded that there is a significant relationship between gender and organizational commitment. The hypothesis is therefore, accepted.

Ho_5: There will be a significant relationship between organizational tenure and organizational commitment.

Table XII: Summary of Pearson's correlation between organizational tenure and organizational commitment.

Variable	Mean	Standard deviation	N	R	P	Remark
Organizational tenure organizational commitment	0.4967 45.1200	0.71995 5,60910	151 151	.0080	.05	Sig.

The above table shows that the mean value of 0.4967 for age and 45.1200 for organizational commitment falls within the minimum and maximum value of 1.00 and 4.00 and 28.00 and 61.00.The results show a low standard deviation of 0.71995 and 5.60910. However, based on the result on the correlation table it indicates that correlation is significant at the 0.05 level with a 2tailed test. This result indicates P<0.1 since P=0.05 hence it is significant at 10%. Based on the outcome of the analysis therefore, it is concluded that there is a significant relationship between gender and organizational commitment. The hypothesis is accepted.

Ho_7: There will be a significant relationship between religiosity and organizational commitment.

Table XI: Summary of Pearson's correlation between marital status and organizational commitment.

Variable	Mean	Standard deviation	N	R	P	Remark
Organizational tenure organizational commitment	0.4967 45.1200	0.71995 5,60910	151 151	.0080	.05	Sig.

Table XIV: Summary of Pearson's correlation between religiosity and organizational commitment.

Variable	Mean	Standard deviation	N	R	P	Remark
Religiosity organizational commitment	3.6291 45.1200	1.15248 5,60910	151 151	.0123	.05	Sig.

Table XIV above indicates that the mean value of 3.6291 for religiosity and 45.1200 for organizational commitment falls within the minimum and maximum value of 1.00 and 5.00 and 28.00 and 61.00.The results show a low standard deviation of 1.15248 and 5.60910. However, the result on the correlation table indicates that correlation is significant at the 0.05 level with a 2tailed test. The result also indicates P<0.1 since P=0.05, hence, it is significant at 10%. Based on the outcome of the analysis therefore, it is concluded that there is a significant relationship between gender and organizational commitment. The hypothesis is therefore, accepted.

Conclusion

The results of the study have demonstrated unequivocally that ensuring commitment among employees of an organization impacts positively on organizational performance. The results also indicate that highly committed employees are more likely to continue their association with the organization. There is no doubt that stability of tenure has positive implications for the organization commitment which acts as a centrifugal force that elicits the best out of staff with concomitant effect on organizational productivity, organization performance and organizational growth. One major implication of the result of this study is that organizations that seek to improve effectiveness and efficiency have to build strong organizational commitment and need indeed to create the enabling environment for such commitment to flourish. Job performances are mostly determined by the motivation to work hard and high motivation means greater efforts and higher performances (Mitchell 1982). The fundamental basis of such strong motivation is undoubtedly commitment. When employees are sure that they will grow and learn with their current employers, their level of commitment to stay with that particular organization is higher (Okpara, 2004). The result of this study is consistent with the above position. The results of this study which have established positive relationship between staff characteristics (age, educative background, gender) are consistent with the findings of (Adeyemo 2000; Trving, Coleman and Cooper 1997; Meyer and Allen (1984) and Mathieu and Zajac (1990).

The conclusion from this study therefore, is that staff characteristics of gender, age, educational background, marital status, organizational tenure and religiosity jointly and independently predicted organizational commitment.

Recommendations

Given the results of this study and in view of the fact that modern organizations are desirous of increasing performance in order to remain in business, the following recommendations are made:

1. That organization must endeavor to create positive organizational enabling environment which will help to bring the best out of staff
2. Organizations need to ensure always that the principles of fairness and equity are their watchword as such would improve inter-personal and inter-group relationships and bring about good organizational climate which wonted result in internalization of organizational objectives as well increase in organizational commitment
3. Periodically, organizations should organize in-house training where the vision, mission, philosophy and culture of the organization should emphasize among other things; the concept of organizational commitment.

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Entrepreneurial Education for Sustainable Development

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Abstract

This paper focuses on entrepreneurial education as a vehicle for sustainable development in Nigeria. This objective has been pursued theoretically by reviewing the different government policies on education and the place of entrepreneurship development in such policies. It is not a debate that economic development and sustainability are hinged on creativity and innovation, which are the defining features of entrepreneurial education. It also follows that if entrepreneurial education must be used to define the country's developmental efforts towards a sustainable future, the focus must be on school age youths, to whom the future belongs. This paper argues that, though certain policies on education like those of the polytechnics which emphasises vocational and technical education and skills, there remain also a dire need for real orientation of concerned institutions towards building entrepreneurial mind-set in the youths. Certain theories on entrepreneurial education and development are considered, while often-encountered challenges of entrepreneurial education and their way out are highlighted. On the basis of this and other ancillary discourses, policy implication and recommendations are raised for consideration. These include, among others, a call on all relevant authorities to make fresh commitment towards entrepreneurial development by refocusing the education policy towards entrepreneurially eliciting programmes.

Keywords: Economic Development, Entrepreneurial Education, Sustainable Future

Introduction

Economic development through entrepreneurial education has become a major concern of all well-meaning countries of the world. There are a number of programmes and policies tailored towards the development of entrepreneurial mind-set among people from all walks of life in these countries. These programmes include both structured and unstructured ones. Entrepreneurship is becoming a focal point for the various economies of the world as a result of its potency to greatly influence economic growth and development through entrepreneurial drive and persistence (Kuratko, 2009).

Nigeria cannot sit back and watch other nations make progress in the common quest for economic independence; being able to deal with the problem of unemployment, poverty and other related socio-economic challenges. The fact that Nigeria has remained a developing economy for this long has even made urgent, the need to fully embrace the 'letter and spirit' of entrepreneurship by all individuals and institutions. Accordingly, poverty eradication and employment generation have been top priorities of many governments and institutions in developing countries (MDGs report in Garba, 2010). These problems appear to be getting worse by the day as hundreds of thousands of graduates are turned out annually from the various Nigerian institutions of higher learning. As if to compound the problem, there appears to be a disconnect between the various theoretical knowledge accumulated in school and the practical realities of such knowledge. This paper addresses the need for proper tailoring of Nigerian education system towards a sustainable entrepreneurship development.

This paper does this under the following subheadings: introduction, meaning of entrepreneurship and entrepreneurial education with its objectives, history of entrepreneurship in relation to Nigeria, educational policy and entrepreneurship, various theories of entrepreneurship, entrepreneurship development efforts in Nigeria, examination of challenges and possible solutions to entrepreneurship education and development, policy implication, recommendations and conclusion.

Concept of Entrepreneurship

Entrepreneurship has been defined variously by different authors. The concept is seen as the dynamic process of creating wealth by individuals who assume the risks involved in providing value for some products and/or services (Kuratko, 2009); "the process of performing the roles of planning, operating and assuming the risk of a business venture," (Inegbenebor & Igbinomwanhia, 2010); "the pursuit of lucrative opportunities by enterprising individuals... (being) inherently about innovation - creating a new venture where one didn't exist before," (Bateman & Snell, 2011); the process of creating value through the provision of some products or services for the benefit of the society, while learning the skills needed to assume the risk of establishing a business (Ahiauzu, 2009; Inegbenebor, 2006).

From the above definitions, it is clear that the concept of entrepreneurship development is a process which could be considered to begin with knowledge and skill accumulation to sufficiently predispose the individual learner to entrepreneurial pursuit. This, of course, is the focus of this paper - to establish the link between entrepreneurial education and sustainable development.

Meaning of Entrepreneurship Education

Entrepreneurial education is focused on developing youths as well as individuals with passion and multiple skills (Izedonmi & Okafor, 2010). It aims to reduce the risks associated with entrepreneurship thought and guide the enterprise successfully through its initial stage to the maturity stage. According to Brown (2000), entrepreneurial education is designed to communicate and inculcate competencies, skills and values needed to recognize business opportunity, organize and start new business venture. Gorman, Hanlon and King (1997) pointed out that entrepreneurship education is an educational programme that is focused on impacting students with issues on entrepreneurship. Entrepreneurship education has to do with encouraging, inspiring children, youths and elders on how to be independent both in thinking and creativity in business (Samson, 1999; in Mandara, 2012).

Objectives of Entrepreneurship Education

Entrepreneurship education is important because it is an education and training that empower students to develop and use their creativity to initiate responsibilities and risks. According to Paul (2005), entrepreneurship education aims at achieving the following objectives; to: offer functional education to the youths that will enable them to be self-employed and self-reliant; provide the youth or graduates with adequate training that will enable them to be creative and innovative in identifying novel business opportunities; serve as a catalyst for economic growth and development; offer tertiary institution graduates adequate training in risk management; reduce high rate of poverty; create employment opportunities; reduce rural-urban drift; provide the young graduates with enough training and support that will enable them to establish careers in small and medium sized businesses; inculcate the spirit of perseverance in the youths and adults which will enable them to persist in any business venture they embark on; and create smooth transition from traditional to a modern industrial economy.

Brief History of Entrepreneurship in Nigeria

The term 'entrepreneur' is said to have been introduced by the early 18th century French economist, Richard Cantillon, who defined the entrepreneur as the agent who buys means of production at certain prices in order to combine them into a new product. Yomere (2009) opined that when the concept of entrepreneurship first appeared, it was understood to have special characteristics and requires exceptional ability of special people. The phase championed by Jean-Baptist Say described an entrepreneur as someone who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield (Say, in Yomere, 2009). Kuratko (2009) has asserted, with respect to America, that from the little beginning of those early days, "… academic field of entrepreneurship has evolved dramatically over the last 35 years"

Here in Nigeria, entrepreneurial prowess of notable personalities was well recognized early enough. Some pre-colonial commercial heroes and entrepreneurial gurus in the Niger Delta, such as King Jaja of Opobo and Governor Nana Olomu of Itsekiri dictated business tune for that era (Siaka, 2010). It was in reaction to their policies that the African Association was formed in 1889, which was to become the United African Company (UAC) in 1929. Since then, a number of successful entrepreneurs have emerged in Nigeria among whom are: Aliko Dangote, Mike Adenuga, Frank Nneji owner of ABC Transport, Isaac Durojaiye founder of DMT, Ekenedili Chukwu, Olorogun Michael Ibru, Chief Obafewo Makun Joseph, Chief F. Edo-Osagie, John Edokpolor and others. However, in the midst of this huge expansion in entrepreneurial principles and practice, there remains the challenge of teaching entrepreneurship more effectively.

Educational Policy in Nigeria and Entrepreneurship

Expectedly, the history of Nigerian education system is traceable to the colonial era. According to Aladekomo in Garba (2010); "… the educational policy then was geared towards serving the interest of the colonial masters in terms of supply of manpower for their effective administration of Nigeria Colony…." The policy was, undoubtedly, aimed at producing Nigerians who could read and write to become clerks, inspectors and the likes without any entrepreneurial skill to stand on their own or even establish and manage their own ventures. It has been asserted that there was a neglect of entrepreneurial development, especially at the micro level as the education policy of colonial and the immediate post-colonial governments emphasized a fitting for 'white collar' jobs (Garba, 2010). Incidentally, getting these jobs was not a problem then, as numerous job openings awaited the yet-to-graduate Nigerians.

However, as economic realities began to unfold, the Nigerian government decided to encourage the informal industrial sector by establishing institutions like Nigeria Industrial Bank (NIB), Nigeria Agricultural and Cooperative Bank (NACB), and many others. Two of such policies worth-looking at are discussed below:

National Policy on Education (1981): No doubt, Nigeria was beginning to grapple with the reality of insufficient placements for the emerging vast army of unemployed youths. Hence, the attempt was made to link the 1981 policy with emphasis on self employment. However, this policy has been criticized for having a focus only on the primary and post-primary education. What this meant was that Nigerians who could proceed to tertiary institutions were not to be so shaped for self development. The higher education policy was left to develop both middle and higher levels manpower for the 'supposed' industries. In an attempt to find solution for the lingering problems, technical and vocational studies received a boost from the government in recent times.

National Policy on Education (2004): Emphasis was focused on technical and vocational education in this policy. Attention was given to these areas by the Federal and State governments. Garba (2010) observed that this commitment was demonstrated by the establishment of different institutions to offer programmes leading to the acquisition of practical and applied skills. He summarized the aims of technical education as follows: providing trained manpower in applied science, technology and commerce, particularly at sub-professional grades; providing the technical knowledge and vocational skills necessary for agricultural, industrial, commercial and economic development; raising people who can apply scientific knowledge to the improvement and solution of environmental problems for the use and convenience of man; giving an introduction to professional studies in engineering and other technology; giving training and impacting the necessary skills leading to the production of craftsmen, technicians and other skilled personnel who will be enterprising and self-reliant; and enabling young men and women to have an intelligent understanding of the increasing complexity of technology.

On the basis of this policy, Fakae in Garba (2010) stated that "emphasis is on skill-acquisition and sound scientific knowledge, which gives ability to the use of hand and machine for the purpose of production, maintenance and self-reliant [sic]." It is noteworthy that these policies, notwithstanding, the Nigerian problem of unemployment has remained largely unabated. To this end, it appears that emphasis on technical and vocational education may not be the 'glorified' panacea to the problem. Hence, entrepreneurship education, as a way out, has spread rapidly in Universities and Polytechnics across the world and Nigeria is not left behind. In the words of Inegbenebor (2012), "Nigerian Universities have committed themselves to producing entrepreneurial graduates as their contribution to stimulating private sector growth in Nigeria." The summary of objectives pursued by these various institutions, as stated by Inegbenebor (2012) include; to: change the perception of students of entrepreneurship by introducing them to the nature, role and scope of entrepreneurship; show students how to behave entrepreneurially; and build skills in various areas such as negotiation, networking, new products development, creative thinking, sources of ventures capital, entrepreneurial career options and the likes.

This points to the fact that there is a growing role education is expected to play in building entrepreneurial capacity, especially in Nigeria. This is corroborated in Yomere (2009) thus: "there is agreement among scholars that entrepreneurship education is vital in developing entrepreneurial attitudes, abilities and related skills in youths." What is left is tailoring the various curricula to deliver the much needed results.

Theories of Entrepreneurship

There have been various theories that explain the principles and practice of entrepreneurship. Most of these theories represent the main thrusts of the entrepreneurial views of the proponents.

In all, they represent how entrepreneurship may be considered for teaching, research and practice. As presented in Abdullahi (2009), some of these theories are briefly discussed, hereunder:

Schumpeter's Theory: This approach, developed by David Schumpeter in 1934, identified innovation as a function specific to all entrepreneurs. This theory opined that economic activities occur through a dynamic process of the *business cycle*. The supply of entrepreneurship, according to this theory is a function of the rate of profit and the social climate, which is to say that a vibrant profitable economy encourages entrepreneurship while a depressed economy discourages entrepreneurship. Mbaegbu in Abdullahi (2009) considered social climate as comprising educational system, the social values, the class structure, the nature and extent of prestige and other rewards that accompany business success and the attitude of society towards business success. One important thing here is that, if a purposeful and qualitative policy on education is pursued for skill acquisition, Schumpeter's Theory will encourage entrepreneurship.

Inkele's and Smith's Need to Improve Theory: This theory identifies disposition to accept new ideas and try new methods, a time sense that makes a person more interested in the present and future than in the past as altitudes which directly or indirectly affect entrepreneurship development. People with these characteristics are considered more disposed to entrepreneurial activities than those without such characteristics.

Drucker's Creative Imitation Theory: The approach views entrepreneurship differently from the Schumpeterian view. To the creative imitation theorist, entrepreneurs in the less developed countries merely imitate the products and production process that have been invented in the developed countries rather than being truly innovators. The underlining factor in this theory is change - a search for response to and exploitation of it as an opportunity.

The Economic Survival Theory: The theory explains that entrepreneurship is favoured by those affected by certain unpalatable situations of life. This is also in line with the Shapero's life path change model of new venture creation, which considers these situations as push factors. Hence, for survival, such people whose jobs are terminated are victims of discrimination, are widowed/divorced or are dissatisfied take easily to entrepreneurship.

A critical look at the theories reveals that the Economic Survival Theory is the most applicable in Nigeria where government is vigorously pushing the idea of entrepreneurship to solve the incessant problem of unemployment bedevilling the country. Although it is good to use the teaching and practice of entrepreneurship as a tool for tackling the problem of unemployment, greater effort should be made to instil the spirit of innovativeness and creativity in individuals in all sectors of the economy which is the hallmark of entrepreneurship so that they can perform optimally in their various endeavours.

Entrepreneurship Development in Nigeria

Entrepreneurial development may be conceived as a programme of activities to enhance the knowledge, skills, behaviours and attitudes of individuals and groups to assume the role of entrepreneurs as well as efforts to remove all forms of barriers in the path of entrepreneurs. It is anchored on the firm belief that entrepreneurship involves a body of knowledge, skills and attitudes which can be learned and applied by most people who are sufficiently motivated. In contrast to the idea that entrepreneurs are born, entrepreneurship development recognises that many individuals have latent potential to fit into the role of entrepreneurs. Such potentials can be actualised through training programme (Inegbenebor, 1999). Entrepreneurship development assumes that through the process of learning, these characteristics or pattern can be acquired by anyone who is adequately motivated. Similarly, individuals can learn to deal with socio-cultural constraints and inhibitions prevalent in growing economies. Entrepreneurs can be trained also on how to establish and maintain effective relationship with financial institutions, suppliers, government agencies, and other critical institutions upon which they depend for information, guidance and inputs. It is possible to achieve all these through business counselling and by providing relevant information (Inegbenebor, 1999).

Entrepreneurial Development Teaching Focus

The focal point of entrepreneurial education around the world will definitely assume different perspective. However, certain aspects of learning entrepreneurship appear to be favoured everywhere and by virtually all scholars. Yomere (2009) asserted that "entrepreneurship education in higher institutions is based on the formulation of course structures whose learning methods vary considerably from lectures, presentations, hand-outs and case study." He identified teaching and monitoring students on how to write a business plan as one of the firmly entrenched curriculum formats.

However, the nature of entrepreneurship, especially the level of complexity and ambiguity with which entrepreneurial activities are carried out, demands a total immersion of the entrepreneur, which goes beyond and is more involving than the conventional business planning. To this end, factors such as: the entrepreneurial mind-set, environmental opportunities, precipitating events, unique business concept, support from others and resource accessibility are critical and should be the focal point of entrepreneurial development teaching. Therefore, teaching should be focused on developing entrepreneurial characteristics such as creativity, resourcefulness, drive to achieve, ability to take calculated risks among others. Environmental scanning for opportunity identification and ability to access and assemble the needed resources should be given priority in the same vein. Attention is then shifted to skill acquisition which, when applied, will enable the intending entrepreneur differentiate business idea from business opportunity. This will help to reduce the stagnation encountered by many who are unable to appreciate this important difference to determine the feasibility of their ventures. In practical terms, however, there seems to be inadequate hand-on experiences in entrepreneurship teaching structure.

Contribution of Entrepreneurship in a Developing Economy – Nigeria in Focus

The overriding attribute of a developing economy is poverty and the inability to provide for the basic needs of the population. Other characteristics of such economy are: low average real income and a low growth rate of per capita income, low level of technology, low level of productivity, low life expectancy, inadequate health services among others (Inegbenebor & Igbinomwanhia, 2010). In this kind of economy, catering satisfactorily for the economic, social and other basic needs of the population is a dire challenge.

Entrepreneurship which can be described as a process of planning, operating and assuming the risk of a business venture plays critical roles in economic development. According to Inegbenebor and Igbinomwanhia (2010), the role of entrepreneurship in a developing society is presented as follows:

- *Employment generation:* Unemployment is a major problem facing all nations of the world and solving this problem that has become endemic is the quest of all nations. Entrepreneurship has remained the most important tool for solving them. Those, who take to entrepreneurship immediately, succeed in providing jobs for themselves, as well as others. Many Nigerians are very resilient in this regard in establishing and managing business profitably.
- *Increase in productivity through innovation:* Innovation which has been described as a process by which entrepreneur convert opportunities (ideas) into marketable solution (Kuratko, 2009), is crucial in raising productivity. Innovation is a key aspect in entrepreneurship. Because of the resourcefulness and ingenuity of entrepreneurs, they are able to contribute innovatively through productivity. Nigeria can become a producing nation instead of the present situation of being a consuming nation.
- *Facilitation of technological transfer/adaptation:* Opportunities for developing and adapting appropriate technological approaches are provided by entrepreneurs. This facilitates the absorption of all kinds of workers - skilled, semi-skilled and unskilled.
- *Increase in resource utilization:* In many nations, resources could be left fallow but entrepreneurs harness these resources, which might otherwise remain idle, and put them into productive and profitable use. They contribute to the mobilization of domestic savings and utilization of local resources including human resources.
- *Stimulation of growth in the sectors which supply it with inputs:* Generally, entrepreneurship is a tool for the stimulation of growth in the factor market. This is more apt in its factor supply market for a particular business/venture. The greater the number of small-scale entrepreneurs that exist in the downside of a particular sector, the greater the market, and by extension, the greater the capacity utilization.
- *Reinforcement of large-scale enterprises and public enterprises:* Entrepreneurs principally produce raw materials in the form of semi-processed goods for the use of bigger enterprises. This is clearly depicted by the synergized relationship existing

between them and large-scale enterprises, in terms of supply of inputs and assistance in the distribution of the finished goods to the final consumers.

- *Encouragement and sustenance of economic dynamism that enables an economy to adjust successfully in a rapidly changing global economy:* Due to their nature, small-scale entrepreneurial ventures are usually flexible and capable of responding quickly to global economic changes. Entrepreneurial ventures have, thus, accounted for a large percentage of all businesses and a favourable percentage of Gross National Product of many countries.
- *It enhances effective and efficient use of individuals' potentials and energies:* Entrepreneurship is making individuals to use their potentials and energies to create wealth, independence and status in the society. Most successful businesses in Nigeria today started small. As a result of opportunity to display potentiality and independence, some entrepreneurs are able to work on their ventures and growing them to become big businesses that bring them fulfilment for the growth and ability to create jobs for others.

Challenges of Entrepreneurial Education in Nigeria and Possible Solutions

As may be expected of this veritable tool for development, entrepreneurship in Nigeria is tainted with a plethora of problems. These problems, as highlighted in Inegbenebor (2012) and Kuratko (2003), are presented below together with the perceived solutions.

Students' Orientation: The place of passion is critical in cultivating and promoting entrepreneurial spirit in students. This follows that a passionate and committed student of entrepreneurship may end up taking the course as a career goal. Entrepreneurship, as it is today, is not taken by many as a vocational course of study in Nigeria, rather, wage earning is favoured. This is a challenge to the field. But to stimulate students' interest in this line, a design of entrepreneurship education with significant promotional content as well as an enabling environment is needed for that purpose.

Orientation of Schools Administration: At present, many schools' administrators are yet to appreciate the value and potential of entrepreneurship education in the development of the nation, hence, no real support is articulated by them. There is, therefore, a need for the leadership of schools to reorient themselves towards entrepreneurship development. Practical steps towards result-oriented entrepreneurship can only be achieved in schools only when school administrators themselves know and promote activities of entrepreneurial development. The National Universities Commission (NUC) and National Board for Technical Education (NBTE) should go beyond prescribing the minimum academics standards with respect to entrepreneurship education to organizing seminars and workshops with the aim of enhancing the knowledge of school administrators in this area.

The fundamental question of who to be the target in entrepreneurship education is another fascinating aspect of polytechnic and university administrators' orientation. Should entrepreneurship be an elective or a compulsory course? Should students be allowed to self-select themselves for entrepreneurship education? Whatever the answer to these questions may be, it is important that entrepreneurship is promoted heavily among young people. Special effort should be made to promote entrepreneurship education among students in science, engineering and agriculture where the potential for growing innovative, high growth firms is high (Inegbenebor, 2012).

What to Teach: What to teach depends on the overall aim that a given entrepreneurship education programme seeks to achieve. At the initial stage of entrepreneurship education, it was believed that the best that can be achieved by educators was to seek to change the perception of students by making them aware of the nature and scope of entrepreneurship, the characteristics and the role demands of entrepreneurs and the impact of social, economic and political environment on new ventures creation (Loucks, 1982 in Inegbenebor, 2006). According to Kuratko (2003), entrepreneurship education includes skill building in negotiation, leadership, new product development, creative thinking and exposure to technological innovation. Other areas considered to be important for entrepreneurial education are sources of venture capital, idea protection, characteristics of entrepreneurs, challenges of each stage of venture development and awareness of entrepreneurial career options. In relation to Nigeria, guidelines have been provided by the concerned regulating bodies. In spite of this, there is need for entrepreneurship teachers, educators and practitioners to brainstorm for the purpose of generating ideas about what to teach given the socio-economic peculiarity of Nigeria.

How to Teach: How to teach entrepreneurship addresses the issues of how best to stimulate students' interest in entrepreneurship, how best to transfer information, skill and attitudes relevant for successful venture creation and sustenance. Researchers have found widespread use of experiential learning in entrepreneurial education in most schools (Inegbenebor, 2006). Experiential learning is an effort to integrate real world experiences with conceptual learning. It involves various techniques as case analysis, business plans, consulting with practicing entrepreneurs as guest speakers, internship in entrepreneurially-run businesses, student involvement in product development teams, simulation, field trips, use of video and films and so on. The major advantage of this method is that the students are actively involved in the learning process. Also, the lecture method which is suitable for providing information, explaining concepts and theories is widely used where necessary.

Who is to teach Entrepreneurship? No doubt, special training and experience are required for the purpose of teaching entrepreneurship. Entrepreneurship teachers and facilitators should, as a matter of policy, be made to acquire the requisite knowledge, skills and expertise for this purpose. Inegbenebor (2006) opined that one technique that can be used in improving the teaching of entrepreneurship is to encourage the educational institutions involved to share resources, knowledge and experience in this area through seminars, conferences and workshops. Also, business experts and practitioners should be invited as speakers to share their practical experiences in the course of managing their businesses or rendering consultancy services.

Teaching Facilities: Materials to aid the learning process of entrepreneurship in Nigerian institutions are not adequate, in the real sense of it. Entrepreneurship has, to this day, remained largely the same as other subjects in terms of delivery. There should be hand-on teaching materials and equipment to aid learning process in the various institutions.

Capacity Building Centres: As alluded to in the point above, centres for capacity building, where the intending entrepreneur is made to have hands-on experience are not adequate, if they ever exist in Nigeria. Incidentally, entrepreneurship is better appreciated in practical experience than in being theoretical. It is important, therefore, that the knowledge gathered in theory be backed by real life practical experiences in laboratories, workshops and business incubation sites (Okhakhu & Adekunle, 2012).

Policy Implication and Recommendations

There are certain implications of the various fall-outs of this paper, to which attention must be shifted if entrepreneurial thought must be promoted among Nigerians especially, the youths.

To start with, the study has identified the place of entrepreneurship in the growth and development of developing countries, to which Nigeria belongs. Therefore, government at all levels should as a matter of urgency, make fresh commitment towards entrepreneurial development by refocusing the education policy to be entrepreneurial-oriented to ensure the generation of a ready pool of young men and women who take to entrepreneurship. Moreover, teaching materials and well-equipped capacity building centres should be provided in our institutions.

Secondly and very fundamentally too, the way of life of the youths through their basic beliefs and values, should be watched by relevant agencies for re-orientation. In this line, the National Orientation Agency (NOA), with this primary responsibility, should partner with schools at all levels, religious bodies and socio-political organizations to create youth vanguard groups for beliefs and values re-orientation. Dignity of labour, value for locally made products and individual contribution to nation building should be inculcated as virtues to live by. On the other hand, Nigeria is yet to gain sound footing on entrepreneurship by reason of the absence of capacity building centres. Therefore, the study recommends that establishing entrepreneurial development centres in each of the six geo-political zones of Nigeria, with adequate attention in providing necessary inputs by government is a necessity.

Government and other education stakeholders should make sure that educational programme at all levels of education are made relevant to provide the youths and graduates with the needed entrepreneurial skills. The same goes for the creation of a friendly political and economic environment by government conscious effort.

Finally, the study proposes a merger of National Directorate of Employment (NDE) and National Poverty Eradication Programme (NAPEP) in order to deliver efficiently. These programmes may have been well-thought of by those who pioneered them but they have probably lost their flavour, having been hijacked by the powers that be and politics. If merged, the new agency should be restructured and reoriented for vigorous development of the informal sector. To do this, there should be partnership with identifiable small scale entrepreneurs to encourage them for more productivity. Instead of clapping down factories which are considered producing sub-standard products, government should key into the ingenuity of the entrepreneurs, bring them out, empower them through capacity building, capital and input and give them the enabling environment to thrive.

Conclusion

Development through entrepreneurship has become the focus of all the nations of the world. This is better appreciated by the less-developed and developing countries of Africa, Asia and South America which need urgent transition to developed economy. However, economic development through entrepreneurship can very well be sustained with a focus and investment in entrepreneurship education. It has become clear that entrepreneurship can be taught and learned. Business educators and professionals have evolved beyond the myth that 'entrepreneurs are born, not made.' Certainly, the future belongs to the nations who are willing to pay the required sacrifice today and for us in Nigeria, there is no better time to do this than now if the economic fortune of generations to come will not be further jeopardized! The identified challenges of entrepreneurship education in Nigeria could be ameliorated with real commitment by all concerned government, educational institutions, students, and other agencies. It is hoped that, given this shared responsibility, entrepreneurship will take its place and be used as the viable vehicle for Nigerian economic growth and development.

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The Impact of Women Entrepreneurs on the Economic Growth of Benue State

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Abstract

This paper examines the impact of women entrepreneurs on the economic growth of Benue State. The study adopted a descriptive research design.A sample size of 30 respondents was randomly drawn across women entrepreneur in Logolocal government in Benue State. The instrument of data collection was a questionnaire titled "Impact of women entrepreneur on economic development questionnaire (IWEEGQ)".Mean and standard deviation was employed to answer the research questions and chi-square statistic was used to test hypotheses. The findings revealed that women entrepreneur havesignificant impact the economic growth of Benue State. It was therefore, recommended that the government should provide cheaper sources of credit to the womenfolk to boost the entrepreneur activities, formulate polices to guarantee women independence to secure their establishments among others.

Keywords: Entrepreneurs, economic growth, Benue State.

Introduction

Entrepreneurs create new businesses, and new businesses in turn create jobs, intensify competition, and may even increase productivity through technological change. High measured levels of entrepreneurship will thus translate directly into high levels of economic growth. The role assigned to entrepreneurship for economic growth and development especially in the developed economies such as USA, Britain, Japan, Canada and others made most developing economies like Nigeria, Ghana, among others to adjust their developmental concept and plan and see new entrepreneur development as very vital to their economic problems. Entrepreneurship as the engine of economic growth and wheel that pedal the vehicle of economic development has been recognized for its importance in the area of job creation, revenue generation, poverty alleviation and wealth creation. This concept is now identified as the central element in the theory of economic growth and development, (Josiane, 1998) and it makes up the largest business sector in economies. It has been recognized as the driver of employment and economic growth (Redmond, 2006).

Entrepreneurship is important for the support of small and medium enterprises (United Nations, 2006). With an active Small and Medium Enterprises (SMEs) sub-sector in the production process, developed and less developed countries are expected to depend less on large industries to drive their economy towards posterity. This is because economic renewal and growth is expected to be increasingly driven within the vehicle of enterprise creation and the industry clusters. Entrepreneurship attracts women who are interested in profitable inter-industry relationship. To ensure adequate development and competitiveness in entrepreneurship, considerable research has examined the participation of female in venturing in business activities, particularly those reported to have personal dreams of entrepreneurship. This category has rapidly joined hands together to achieve success in business and enterprise development (Gelin, 2005).

Women are therefore becoming increasingly important in the economic growth of both developed and developing economies as they account for significant percent of the operators of Small and Medium Enterprises (SMEs) (Nielson, 2000). Women entrepreneurs make a substantial contribution to national economies through their participation in start-ups and their growth in small and medium businesses (United Nations, 2006). Their interests and activities in the economic growth and development especially in the area of SMEs have received outstanding interest of researchers. Global Entrepreneurship Monitor (GEM) (2005) confirmed that women participate in a wide range of entrepreneurial activities across the 37 GEM and their activities in different countries have paid off in form of many newly-established enterprises for job and wealth creation.

The role of entrepreneurs as agents in the labour market for creation of employment, wealth creation, poverty alleviation and provision of resources has helped tremendously to increase the number of women–owned entrepreneurial ventures in the world. The emergence of the private sector as the major participant/player in the industrial development of many countries has also improved women's access in employment opportunities as against when they experienced denial in employment opportunities as wage workers because of their family responsibilities, lack of skills, social and cultural barriers (Josiane, 1998).

In Nigeria, the economy has been characterized with a lot of inefficiencies; public sector dominance, over reliance on oil as the major revenue earner and this has typically affected the country's course of development. More so, women constitute more than 50% of the total population in Benue State which they represent a substantial labour force.

Women therefore, seems to have contributed immensely through trading activities especially in the cultivation and distribution of food stuff, trading in imported food items, beverages, clothing and housing utensils. They have also been prominent generally in various crafts and cottage industries and in the provision of various services such as hair dressing, restaurants and running of public drinking places, Mobogunje 1991 in Akpera (2012). Many Nigerian women particularly in Benue State engage in one form of agricultural activity or the other, which ranges from planting of pepper, tomatoes, cassava, yams, guinea corn, soybean etc. all this constitute a sources of raw material or income that can generate resources for the economic growth of the State. In spite of their involvement in the commercial and service sectors, women continue to perform vital productive roles which have helped in the economic growth of the state especially in the areas of employment, poverty reduction, revenue generation etc. A number of studies suggest a positive relationship between women's participation in entrepreneurship and economic development (Moore, 1997; Hurley, 1999; Kutanis and Bayraktaroglu, 2003). Despite their participation in economic growth through entrepreneurship, women lack access to and control over financial and other forms of resources.

Therefore, the researcher sought to determine the extent to which women have contributed to the economic growth of Benue State, challenges they encounter and thus proffer recommendations for the improvement of women entrepreneur for a better economic growth of the state. In other words, the study set to examine the impact of women entrepreneur on economic growth of Benue State.

Literature Review

Entrepreneur

An entrepreneur is a person who undertakes a wealth creating and value adding process, through incubating ideas, combining resources and making things happen (Josiane, 1998). According to Jones and Sakong (1980), Entrepreneurship is "a force that mobilizes other resources to unmet market demand". Ronstadt (1984) on his part defined entrepreneurship as "the dynamic process of creating incremental wealth", Entrepreneurship is therefore a process that involves a willingness to rejuvenate market offerings, innovate, risks taking, trying out of new and uncertain products, services, markets and being more proactive than competitors towards exploring new business opportunities (Shepherd, 2005).

Economic Growth

Economic growth is the increase in the amount of the goods and services produced by an economy over time (Galbraith, 2008). Economic Growth also refers to increase in a country's real level of national output which can be caused by an increase in the quality of resources, increase in the quantity of resources & improvements in technology or in another way an increase in the value of goods and services produced by every sector of the economy. It is conventionally measured as the percent rate of increase in real gross domestic product; it is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Economic growth can be measured in nominal terms, which include inflation, or in real terms, which are adjusted for inflation. For comparing one country's economic growth to another, GDP or GNP per capita should be used as these take into account population differences between countries. Economic progress is an essential component.

Women Entrepreneur

Women entrepreneurs, simply put, are women that are involved in entrepreneurial activities. They are women that have decided to take the risks involved in, combining resources together in a unique way so as to take advantage of the opportunity identified in their immediate environment through production of goods and services. Women entrepreneurs around the globe strive to maximize the utilization of their talents, in their own businesses. Majority of them are involved in micro, small and medium scale businesses which contribute more than 97% of all enterprises, 60% of the nation's GDP and 94% of the total share of the employment (Ndubuisi, 2004). Entrepreneurship has actually brought women into the mainstream of economic development and turned them into world changers. In support of this, Kerta (1993) affirmed that "as women form micro-enterprises and bring their values and concerns to the marketplace, they are changing the face of the nation's business".

The Impact of Women Entrepreneur on Economic Growth

The most influential evidence on the importance of women to economic growth has come from research used to support the World Bank's 'Gender Main-streaming Strategy' launched in 2001 (Gatti, 1999). This research highlighted that societies that discriminate by gender tend to experience less rapid economic growth and poverty reduction than societies that treat males and females more equally, and that social gender disparities produce economically inefficient outcomes (World Bank, 2001a). For example, it is shown that if African countries had closed the gender gap in schooling between 1960 and 1992 as quickly as East Asia did, this would have produced close to a doubling of per capita income growth in the region (WBGDG, 2003).

The primary pathways through which gender systems affect growth are by influencing the productivity of labour and the allocative efficiency of the economy (World Bank, 2002). In terms of productivity, for example, if the access of women farmers to productive inputs and human capital were on a par with men's access, total agricultural output could increase by an estimated 6 to 20 percent (World Bank, 2001b). In terms of allocative efficiency, while increases in household income are generally associated with reduced child mortality risks, the marginal impact is almost 20 times as large if the income is in the hands of the mother rather than the father (WBGDG, 2003).Identification of women as being a reliable, productive and cheap labour force makes them the preferred workforce for textiles and electronic transnational corporations. Perception of women as 'good with money,' including being better at paying back loans, has led them to be targeted in microfinance programmes. Recognition of women as more efficient distributors of goods and services within the household has led to them being targeted with resources aimed at alleviating poverty, such as cash transfer programmes.

The women in Benue State predominantly participate in the production and sale of yams, cassava, tomatoes, pepper, vegetable, maize, and many other for wealth creation (Akpera, 2012).Kpelai (2007) in Akpera (2012) observed that the proportion of women in the economically active sectors in Nigeria is generally very low especially in Benue State. However, the potentials of women in entrepreneurial skills show that women have some greater natural abilities which if properly exploited for the purpose of entrepreneur could lead to positive economic growth.Entrepreneurship has made women to be able to set up economic activities and build independent resources base. This advantage helps them in providing financial support for them towards improving their social status and decision making ability. Women in entrepreneurship enjoy a number of potential advantages such as; possession of dual characteristics; (entrepreneurial and women characteristics) which gives them extraordinary ability to carry out their role as entrepreneurs. These characteristics include the following:

(a) **Adaptability.** Women find it easier to adapt their work to family life than their men counterparts. Adaptation to culture, behavioural norms, professional networks, and family relationships all affect the attitudes of women entrepreneurs.

(b) **Innovativeness/Creativity:** Women are highly innovative and creative. They can easily generate idea(s), initiate business plans and nurture it to maturity stage. They are potentially creative and more innovative than men (Gelin, 2005).

© **Strength:** Most women have strength and energy for multidisciplinary assignment (Timmons, 1995). This is why you are likely to see them combining many things at the same time. For instance a woman can be in business, plays the role of a daughter, a student, wife, a community developer and a mother at the same time. Hence, strength and energy are among the characteristics and unique attributes usually portray by women.

(d) **Internal Locus of Control:** Most women believe in their ability towards achieving their assigned task. They have a high internal locus of control and propensity toward achievement (Annenkova, 2001).

(e) **Ability to endure:** The potential of endurance and patience have been proved to be a requirement for achieving steady growth in business. To maintain a steady business growth, an entrepreneur must be patient. Patience as a virtue is peculiar mostly to women. Women ability to endure helps them to relate to people effectively.

(g) **Accountability and Credibility:** Patience as a unique attribute of women helps them to be accountable and credible. It has been proved that women are more reliable and accountable in financial recordings. This is the main reason why most MFIs have more women than men as customers. For instance, report from the Grameen Bank of Bangladesh showed that the bank has over two million members; 94% of the borrowers are women, who have proven a three times better credit risk than men (Khandker, 1998).

(h) **Managerial Skill:** Women are unique in that they have the skills and competencies that help them to merge both business and family lives, managing both effectively and intentionally (Trihopoulou, 2005). This confirms Birley (1989) assertion that every woman is a manager. According to him, women rely (consciously or not) on their experiences as homemakers for types of managerial experiences, even without professional experience and networks (Birley, 1989). Managerial skill is an in-born trait in women because of their peculiar nature of home keeping. Home keeping and management have made women to be better business managers. Women entrepreneurs portray personal qualities such as self-confidence, autonomy, responsibility, determination, and leadership that help them to be successful in the formation and management of their own businesses (Thomson, 2002). Report from the analysis of ten MFIs conducted by Anyanwu (2004) confirmed that the MFIs are of the view that women perform better than men in managing of resources and promotion of micro enterprises.

Challenges Facing Women Entrepreneurs

Although there are many contributions to be accredited to women entrepreneurs, a number of constraints have been identified as detriments to these contributors. Women entrepreneurs face many challenges, these include:

(a) **Lack of Access to Control of Property**: The restriction of women from having access to and control of property constitutes a fundamental constraint on women entrepreneurs. The legal system in most countries has not been able to recognize and enforce women's equal right to property and ownership. Statistically, International Labour Organisation (ILO) has on record that only 1% of the world's assets are in the name of women (Mayoux, 2001). Property in this context includes; land, houses, lockup-stores, production plants, equipment, motor van etc. Legal backing on women's access to and control of property will help women in setting up their own firms without much stress.

(b) **Lack of Access to and Control over Income:** Another constraint that faces women entrepreneurs is lack of access to and control over income. Low income, low investment and low profit may limit women's ability to save. More than 65% of the poor and rural settlers in Nigeria are women. Women usually face discrimination in the labour market (both in their remuneration and the nature of job they are offered). This affects their income, investment, and savings. Inability to save, can affect their start-up capital there by discouraging them from owing businesses. Mayoux (2001) also noted that Women have limited control over the incomes they earn. Gendered rights and responsibilities between man and women within households invariably operate to constrain women's ability to control their own income and access to male income. Even when women have opportunity to earn high income, by virtue of culture and tradition, they are subjected under their husbands who have control over them and their money. This can hinder their participation in business.

© **Age Limit:** Unlike men, there are certain periods in a woman age/time that she cannot do business –for instance, during pregnancy, labour period, child nursing and such other times that are peculiar to woman. Due to this, entrepreneurship therefore tends to be a midlife choice for women. Hence, majority of women start up business after the age of 35.

(d) **Family Dependence:** Most of the family members depend on women for care and hospitality, thereby limiting their full involvement and participation in business.

(e) **Restriction to Family Business:** Most women entrepreneurs are some how restricted to family business because of their family commitment. This affects their level of ingenuity, creativity, innovativeness and competitiveness.

(f) **Inaccessibility to Required Funds:** Women also may not have equal opportunity to access finance from external sources such as banks, and other finance institutions as a result of this, they tend to prefer using personal credit/saving in financing their business. This discourages a lot of women from going into entrepreneurship.

(g) **Much Emphasis on Domestic Role:** No matter the role of a woman in the society, she is mainly remembered for the domestic role. A woman, whether a director of a company, an educationalist, an entrepreneur, or a professional, must go back to the kitchen. The popular saying that a *"woman education ends in the kitchen"*- tends to prohibit women from going into business. "The kitchen" role dominates every other role of a woman (Kpohazounde, 1994).

Methodology

The research design used for this study is a descriptive survey design, which according to Best and Kahn (2006), is one that involves the assessment of public opinion using questionnaire and sampling methods.

The population for this study is made up of women in Benue State who involve in one entrepreneurial activity or the other which can contribute to the economic growth of the State in Logo local government of the State. Due to constraints such as time and resources at the researchers' disposal, she randomly sampled 30 women across the local government.

The instrument for the conduct of the research was the questionnaire titled: Impact of Women Entrepreneur on Economic Growth Questionnaire (IWEEGQ)". The questionnaire was structured to elicit responses based on four Likert scale (SA-4, A-3, D-2 and SD). Each respondent is expected to tick (√) only one option on each item presented in the questionnaire.The researcher went to each of the sampled person and administered the copies of the instrument to them. The purpose of the instrument and study that were not clear were explained. The researcher appealed for cooperation on the ground that the information given will be used purely for research work.

The data generated was analyzed using the Statistical Package for Social Science (SPSS). Mean and standard deviation were used to answer research questions and Chi-square of goodness of-fit was used to test the hypotheses at the 0.05 level of significance.

Data Presentation

Table 1: Impact of Women Entrepreneur on Economic Growth

S/N	Item Description	N	$\bar{x}$	Std.	Decision
1	Women create wealth through profit maximization in their business.	30	3.13	1.042	Agreed
2	Women reinvest their capital for business growth	30	2.80	1.064	Agreed
3	Women employ people in their establishment very well	30	2.70	.952	Agreed
	Cluster Mean		**2.88**	**1.019**	**Agreed**

Source: Field survey, 2015.

Table 1 above presents respondents opinions on the impact of women entrepreneur on the economic growth of Benue State. The mean rating on item 1-3 (3.13, 2.80 and 2.70) with a cluster mean of 2.88 which is above the cut-off point of 2.50. This therefore, implied that women contribute to the economic growth of the state.

Table 2. Respondent Views on the existing Challenges of Women Entrepreneur in Benue State

S/N	Item Description	N	$\bar{x}$	Std.	Decision
4	Women find it difficult to combine family responsibilities with their business	30	2.60	1.102	Agreed
5	Women do not have the autonomy to take independent decision concerning their business	30	2.73	1.081	Agreed
6	Women find it diffic ult to have access to loans	30	2.90	1.062	Agreed
	Cluster Mean		**2.74**	**1.082**	**Agreed**

Source: Field survey, 2015.

Table 2 above presents opinions of respondents on existing challenges of women entrepreneur in Benue State. The mean ratings of item 4-6 (2.60, 2.73 and 2.90) and with the cluster mean of 2.74 which is above the cult points of 2.50, it therefore, means that there are significant existing challenges of Women Entrepreneur in Benue State.

Table 3: Solution to the existing challenges of women entrepreneur in Benue State

S/N	Item description	N	x	Std.	Decision
7	Provision of loan facilities can help to boost women participation in entrepreneurship	30	2.70	1.088	Agreed
8	Improving women autonomy can improve their participation in entrepreneurship	30	2.93	1.048	Agreed
9	Reduction of women household activities can increase their participation in Entrepreneurship	30	2.87	1.008	Agreed
	Cluster Mean		**2.83**	**1.048**	**Agreed**

Source: Field survey, 2015.

Table 3 present respondents' opinions on the existing challenges of women entrepreneur in Benue State. Item 7-9 (2.70, 2.93 and 2.87) with a cluster mean of 2.83 which is above the cut-off point of 2.50. It thus, proves that there are existing challenges of women entrepreneur in Benue State.

Testing of Hypotheses

Hypothesis1. Women entrepreneur have no significant Impact on economic growth of Benue State.

Table 4: Summary of Chi-Square Analysis on Impact the impact of Women entrepreneur on economic growth of Benue State

Responses	fo	fe	x^2	df	Asymp sig.	Sig.	Remark
SA	15	7.5	11.067		0.011	0.05	Significant
A	7	7.5					
D	5	7.5					
SD	3	7.5					
Total	**30**						

x^2= 11.067,df=3,Asymp=0.011, level of significance=0.05

From table 4, the chi-square value of 11.067 at df=3 P<.011. Hence P<.011, the null hypothesis was rejected which meant that women entrepreneur have no significant impact on economic growth of Benue State

Discussion of Findings

The findings from the data presented, analysed and reviewed show that, women entrepreneur has significant impact on economic growth of Benue State. This finding is consistent with the literary work of Kpelai (2007) in Akpera (2012) who observed that the potentials of women in entrepreneurial skills show that women have some greater natural abilities which if properly exploited for the purpose of entrepreneur could lead to positive economic growth in terms of wealth creation through their profit maximization, employment of labour among others.

Conclusion

The success of economic development programmes is dependent on the cooperation between men and women. It means that women have to be given the required support to make them active participants in the economic growth and development process. Women entrepreneur will give them the innermost feeling of self-esteem and freedom from men servitude. This will then engender their productivity and its consequential economic growth of the state. This paper concludes that women entrepreneur is an inevitable, tool for economic development of

Benue State. This is due to the fact that entrepreneurship guarantee the actors high status, self esteem and dignity; education through which skills and knowledge are acquired. These attitudes are imperative for the economic growth of the State.

Recommendations

From the findings of the study, these following recommendations are inferable:

I. There should be increment in funds invested in the business enterprises of women entrepreneurs alongside reduced cost of expenses this can boost the possible expansion of their enterprises.

ii. There should be provision of psychological, moral and financial support from members of the family for enhancement of entrepreneurial development.

iii. Government should provide cheaper sources of credit to the women with little or no collateral to encourage their enterprises growth, self-reliance, which are necessary ingredients for nation's development.

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Effect of Management Styles on the Performance of Public Corporation in Imo State, Nigeria

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Abstract

This study investigates the effect of management styles on the performance of public corporations in Imo State, Nigeria. A well structured questionnaire was designed and administered to a randomly selected 399 civil servants drawn from public corporations in Imo state to obtain primary data that was used to carry out the statistical analysis. The data was analyzed using descriptive statistic and Analysis of Variance (ANOVA). From the empirical results it was found that management style affects the performance of public sector organizations in the state. However, it was also observed that the bureaucratic management style currently practiced in most of the public corporations was problematic because of its rigid nature. It was therefore recommended that democratic management style should be adopted in order to boost the performance of the civil servants working in the various public corporations in Imo state.

Key word: Bureaucratic Style, Participating Style, Civil Service, Public Sector, Public corporations

Introduction

After the industrialization in Europe in the 19^{th} century the need to establish public corporations was felt considering the extent of social issues prevalent within Europe at the time. Social issues prevalent like unemployment and economic inequalities necessitated state intervention in the control of the economy. There was the need to bridge the economic gap prevalent at the time and enhance the extent of welfare services provided to the populace.

A good number of African countries choose the adoption of government corporations to ensure economic and social development. This account for the reason why many more functions like industrial production, communication etc were assigned to the state in addition to its traditional functions like security and justice (Laleye, 2000). Government choose the control of government corporations as a mean or medium for economic and social development but it is notable that poor managerial skill, weak technological base, inadequate capital and lack of finance are among the numerous problems limiting the performance of such government corporations.

In Nigeria, initially the private sector was largely entrusted with the responsibility of economic development as is evident from the industrial policy resolution and plan documents. This strategy however, failed to bring about the required innovation in commercial and industrial enterprises as the private sector is solely guided by selfish motives like commercialism, profit maximization, exploitation and autocratism (Nwizu, 2008). Besides it has not been able to match economic development with social justice.

In order to remove the limitations of the private organization, the public enterprises which government corporations are parts of were established to develop the needed infrastructure of the economy. These corporations were to work as economic multipliers, to generate employment, help in expansion of ancillary industries, raise the standard of living and increase the Gross National Product (Mbonu, 2000).

Ushiagiale (2000) argues that government corporations flounder under the weight of political boards, poor management and demoralized states that the organization of such government corporations has been a matter of grave public concern and that this is attested to by the number of public enquires and government reforms that has characterized these corporations. It is noted that the composition of such boards of management which at times is influenced by political patronage instead of basis of contribution has frustrated the relevance of government corporations. Besides, due to under utilization of installed capacity, recurring losses, rigid bureaucratic control and unwanted governmental interference etc, it has not been able to achieve desired results. This discourse will evaluate the effect of management styles on the performance of public corporation in Imo State, Nigeria. The notion of public Corporation entails a situation whereby the government assumes responsibility for the management of an economic or social pursuit through a special entity that has its own legal personality. Ryndima et al (1980) dealing on the political economy of surplus argued that for there to be an increase on productivity or output commonly known as "surplus value", there will be intensified exploitation of the workers in the public corporations". These measures can be lengthening the hours of work, were these can measure up; there are other ways of getting their desired objective, example by speeding up work (production) over time and underpayment of workers.

In the words of Ogunna (1999), the poor performance of public enterprises in Nigeria can be approached from the perspective of inadequate financial and material resources, poor management, corruption and lack of continuity of public corporation boards.

On the other hand, the civilian governments of first and second republic appreciated the need for the policy of privatization and commercialization, which was reflected in the various panels to that effect which they established. Ollor (1986) was in support when he said that given the economic recovery objective of government "privatization will relieve the financial burden of government and release fund for it to use in other areas. General Abdusalami Abubakar (Rtd) came to power in June (1998), he continued with the policy with much more vigor and planned to privatize or at least commercialize all public enterprises which he believed would not only salvage the ailing public enterprises, make them more effective, but would in addition, provide enormous funds to government for other public services.

The major reason why the government ventures into such appointment is to ensure socio-economic development. Although the government established government corporations to create jobs, spread development and provide social service, experience has shown that these lofty ideals could not be achieved and thus has resulted to their inability to realize these objectives.

The broad objective of this study is to examine the effect of management styles on the performance of public corporation in Imo State, Nigeria.

The specific objectives are to;

1. Examine the socio economic characteristics of the respondent
2. Identify the management styles of different management levels
3. Identify the problems of management of public corporations
4. Examine the differences in the responses to the problems of management by the staff
5. Examine the effect of management problem on the performance of the firms.

Methodology

Imo State is one of the 36 states of Nigeria and lies in the south of Nigeria with Owerri as its capital and largest city. Imo State lies within latitudes 4°45'N and 7°15'N, and longitude 6°50'E and 7°25'E with an area of around 5,100 sq km. It is bordered by Abia State on the East, by the River Niger and Delta State on the west, by Anambra State to the north and Rivers State to the south. Besides Owerri, Imo State's major towns are Isu, Okigwe, Oguta, Orlu, Mbaise, Mbano, Mbieri, Orodo and Orsu.

The state is rich in natural resources including crude oil, natural gas, lead, zinc. Economically exploitable flora like the iroko, mahogany, obeche, bamboo, rubber tree and oil palm predominate. However with a high population density and over farming the soil has been degraded and much of the native vegetation has disappeared.

The state has a three tier administrative structure: State, Local and Autonomous community levels. The three arms at state level are the Executive, the Legislative and the Judiciary. The executive arm is headed by an elected Governor who is assisted by a deputy governor, commissioners and executive advisers.

The legislative arm is headed by the Speaker of the State House of Assembly. The remainder of the house is made up of elected legislators and is the lawmaking body of the state.

The judiciary is made up of the high court of justice and customary court of appeal and is headed by the Chief Judge of the state. Imo state water corporation was established with the Imo state water corporation edict of 1995 with the aim of providing good water for drinking and household activities. It is under the ministry of public utilities.

The study population consists of 400 staff of the public corporation.

The sample size was drawn using the Yaro Yamanes' Formula thus:

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

Where; n = Sample size
N = Population of the study
e = Error term
1 = Constant

By substitution, we have

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

$$n = \frac{400}{1+400(0.05)^2}$$

$$n = \frac{400}{1+400(0.0025)}$$

$$n = \frac{400}{1.0025}$$

$$n = 399$$

Therefore, the sample size is 399.

Method of Data Analysis

To achieve objective one, two and three of this study, descriptive statistics such as percentages, frequencies, mean and standard deviation will be used. A five point Likert-scale of strongly agreed, agree, strongly disagree, disagree and indifferent will be used to rate and analyze the responses. To achieve objective four, analysis of variance (ANOVA) will be used and to achieve objective five correlation analysis will also be used.

Model Specification

The mathematical model for the analysis of variance (ANOVA) is stated thus

$$Y_{ij} = \mu + \tau_i + \varepsilon_{ij}$$

Where Y_{ij} represents the *j*-th observation ($j = 1, 2, ...n_i$) on the *i*-th treatment ($i = 1, 2, ..., k$ levels). So, Y_{23} represents the third observation using level 2 of the factor. mis the common effect for the whole experiment, t_i represents the *i*-th treatment effect and $_{ij}$ represents the random error present in the *j*-th observation on the i-th treatment.

The errors e_{ij} are assumed to be normally and independently (NID) distributed, with mean zero and variance $s^2_{e\#}$. mis always a fixed parameter and t_1,#t_2,#...t_k are considered to be fixed parameters if the levels of treatment are fixed, and not a random sample from a population of possible levels.

Results and Discussion

Socio Economic Characteristics of the Respondents

Table 1 presents the socio-economic characteristics of the respondent staff of Imo state public corporation. The distribution of the respondents according to their levels of education indicates that 14.04 percent had just primary education, 22.06 percent had just secondary education 99.55 percent had just primary education 22.06 percent had just secondary education 99.55 percent had just diploma 22.06 also had a degree 14.04 also had a master degree, 14.04 also had a master degree with only 8.27 having just a PH.D. The distribution of the respondent according to their years of service indicates that 40.10 percent of the staff had an educational experience of 6 to 15 years 12.03 percent had experience of 16 to 20 years 11.28 percent had experience of 20 years and above while 36.59 percent had experience less than 5 years.

The distribution according to gender indicates that 43.86 percent of the respondents were males while 56.14 were females. The marital status indicates that 64.16 percent were married 22.305 percent were widowed while 13.53 percent were single. The distribution of the respondent according to their department indicate that 16.79 percent, 19.55 percent works at the records department 24.81 percent works as clerical staff while 38.85 percent works in other departments.

Table 1: Socio economic characteristics of the respondent

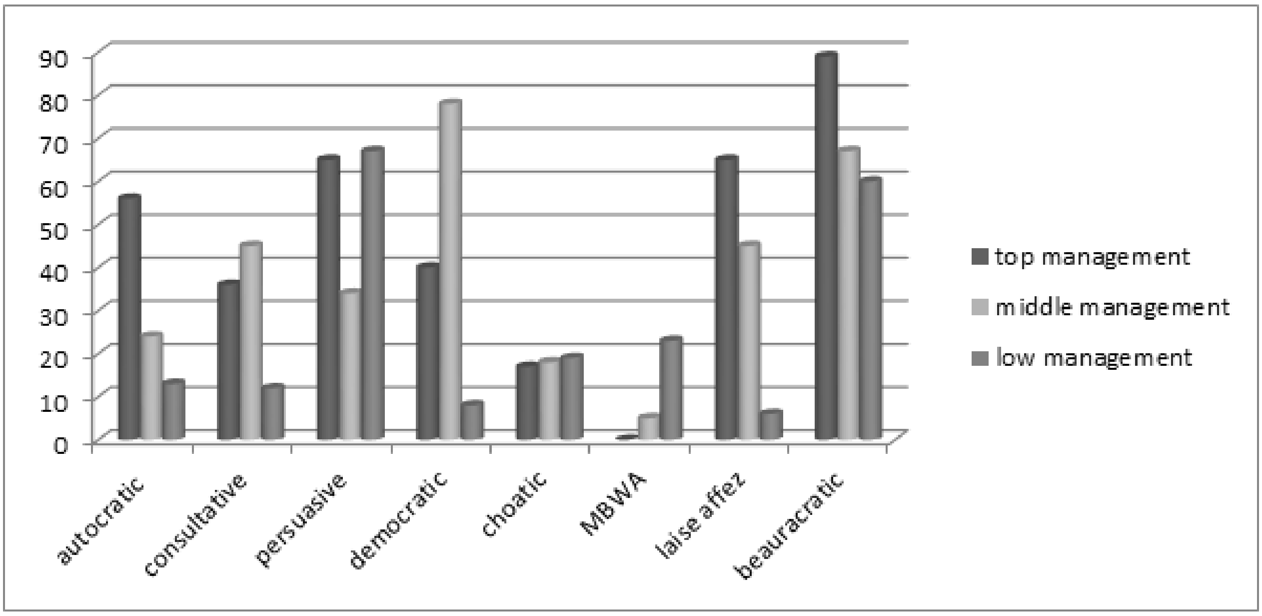
Socio economics characteristics	Frequency	Percentage
Education		
Primary	56	14.03509
Secondary	88	22.05514
ond/hnd	78	19.54887
Bsc	88	22.05514
Msc	56	14.03509
Phd	33	8.270677
Total	399	100
Experience		0
0 to 5	146	36.59148
6 to 15	160	40.10025
16 to 20	48	12.03008
20 and above	45	11.2782
Total	399	100
Gender		0
Male	175	43.85965
Female	224	56.14035
Total	399	100

marital status		0
Married	256	64.1604
Single	54	13.53383
Widowed	89	22.30576
Total	399	100
Department		0
Finance	67	16.79198
Records	78	19.54887
Clerical	99	24.81203
Others	155	38.84712
Total	399	100

Source: survey data, 2013.

The management styles of different management levels

From chart 1 which presents the percentage response of the different management level to the management style been adopted.



Source: survey data, 2013.

Chart 1: management level and management type.

The autocratic management style is been adopted by 55 percent of the top management level in this situation he makes decisions unilaterally on key issue without the subordinates in the middle management level 24 percent adopts this autocratic style. Identified that middle management staff tend to adopt this autocratic management style when there is pressure from the top management and this usually extends to the lower management was found to adopt the autocratic management style.

The consultative management style was adopted by 36 percent of the top management staff, in his work identified that the top management of an organization which includes the board of directors usually passed on to the middle management whom 45 percent and 12 percent adopts this style respectively.

It was found that 65 percent and 67 percent of the top management and lower level management respectively. The middle management style adopts the persuasive style by 34 percent of them.

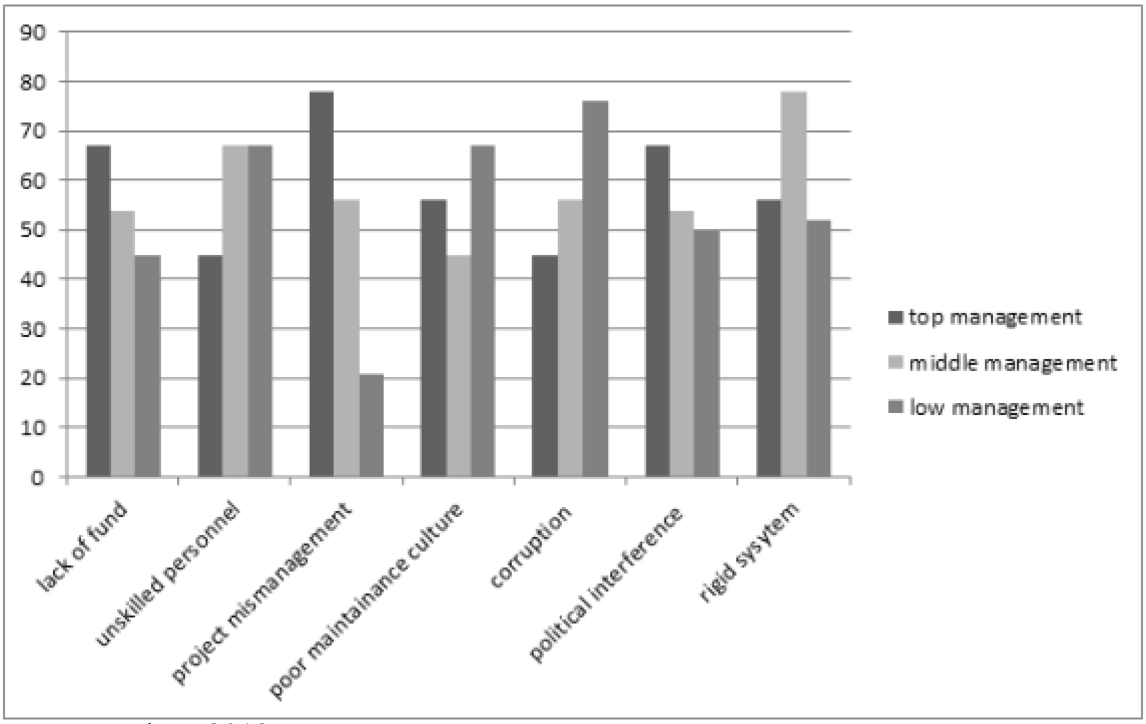
Democratic management style that is highly advocated by most international bodies was adopted by 40 percent the top management and 8 percent of the lower management. it was found that 17 percent , 18 percent and 19 percent of the top , middle and lower management do use the chaotic management style this low level of usage of the chaotic style of management is due to what described as the destruction force of chaotic management style.

The management by walking around (MBWA) which makes the management more proactive in information gathering is used by 5 percent of the middle management. The laissez faire management style is been responded to by 65 percent of the top management staff, 4.5 percent of the middle management staff and 6 percent of the lower management staff.

The bureaucratic management style was responded to by 89 percent of the management 67 percent of the middle management and 60 percent of the lower management this indicates the bureaucratic management style is mostly used in public corporation across all management level.

The Management problem of public corporations

Chart 2 presents the management problems associated with the management of public corporation. Lack fund was identified by 67 percent, 54 percent 45 percent of the top management middle management and lower level management as the major challenge of public corporation as Alimo (2007) made mention of lack of fund as a problem to the performance of public corporations. In the same vein Laleye (2000) in the study of management problems in government parastatals he identified the issue of unskilled personnel as a serious challenge and this was identified by 45 and 67 percent of the top middle and lower level management respectively.



Source: survey data, 2013.

Chart 2: Management level and management problems

Project identification implement and evaluation as well as overall management have hampered the efficiency of such corporation. The problem of project management was identified by 70, 56 and 21 percent of the top middle and low level management respectively.

Mbonu (2000) identified political interference in the operations of some corporation as one of the factors militating against management efficiency. Odiaka (2000) pointed out that some measure of political interference is unavailable and it was observed that 67,54 and 50 percent of the top middle and low level management identified political interference as the problem of management of public corporation respectively.

The rigid system that is highly influence by the bureaucratic nation of the administration coupled with great bottle necks and nepotism was identified as a serious challenge from 56, 78 and 52 of the top, middle and low level management.

Assessment of the performance of the public sector

Table 2 presents an assessment of the financial performance of the public corporation is high 23 respondent strongly disagreed to the statement with a mean responses of 13.9. In responses to the statement on the personnel performance of the public corporation 3.4 respondent strongly disagreed that the personnel performance of the public corporation is high with an mean responses of 11.13. The responses to the policy implementation performance was 56 for strongly agree and 43 for strongly agree and 43 for strongly disagree with a mean response of 13.67. The response of the respondent to the goal and objectives of the corporation 65 response agreed that the corporation have meant their goals and objectives while 21 responses strongly disagree with a mean response of 14.

Table 2: Performance of the Public Sector

	Strongly agree	agree	Disagree	strongly disagree	no idea	total	Mean
the financial performance of the public enterprise is high	45	56	76	23	9	209	13.93333
the personnel performance of the public corporation is high	34	45	53	27	8	167	11.13333
the policy implementation of the ministry is high	56	76	18	43	12	205	13.66667
the ministry has met its goals and objectives	65	67	34	21	23	210	14

Source: survey data, 2013.

Effect of Management Style on the Performance of Public corporation

Table 3 presents the correlation coefficient showing the relationship between management style mean responses and performance mean responses which shows a positive relationship between the management style and the cooperation performance greater than F- critical reject the will hypothesis.

Since the F calculated is greater than the F-critical we therefore reject the null hypothesis and accept the alternative that there is significant difference in the responses of the management level to the management styles.

Table3:ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Rows	8361.333	7	1194.476	2.981576	0.038898	2.764199
Columns	1665.333	2	832.6667			
Error	5608.667	14	400.619			
Total	15635.33	23				

Source: survey data, 2013.

Conclusions

This research work examines the effect of management styles on the performance of public corporation in Imo State, Nigeria.

Assuming the essence of management influence, "management could broadly be define as a group of people who undertake activities including planning, leading, organizing and controlling will aim to effectively and efficiently control company resource (and external resources) in order to meet organization objectives as dedicated in corporate vision and mission statement.

Autocratic management style is type of management in which the power and decision making lies with management in terms of operations, policy, planning and last setting.

Previous finding of similar study assert that autocratic is associate with management making unilaterally on the issue without the subordinates. The descriptive statistic however suggests that this style is prevalently practiced by top management of public corporation.

Recommendations

The research work suggests that there is significance difference in the response of the management level to the management styles.

- The result also suggests that management style affect the performance of the public corporation.
- Democratic management style is recommended to the all public corporation in Imo State, Nigeria. Since democratic management style will allow a manager to work with his staff by delegating it some work to subordinate.

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Influence of Total Quality Management on the Performance of Nigerian Financial Industry

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pp 105-115

Abstract

The paper examined the influence of Total Quality Management (TQM) on financial industry for quality service delivery, efficiency and effectiveness in all their undertakings. The paper made use of documentary information where relevant literature were reviewed and relevant theories such as Deming's theory, Crosby's theory, Joseph Joran's theory and Ishikawa's theory were used to support the influence of TQM on financial industry. The paper observed from the review of related literature that, globalization has not only intensified competition in a limitless market, it has also worsened the complexity of planning as firms now have the whole universe as their operating environment. Survival of the fittest has become the present day's philosophy. Both production/manufacturing and service industry are impacted positively and negatively by this global tide. The study concluded that, the application of total quality management in organization is not limited to an area of organization; it involves every department and section of the organization, TQM means a complete involvement of the entire workforce in the organization, that is from the chief executive to the least subordinates. This paper therefore, recommended that, the contribution of the total quality management approach to high quality products and customer satisfaction the Nigerian financial services industry should be taking seriously, organizations should look at TQM beyond national boundaries and its use should not only limited to financial industry but any business organization either government owned or privately owned.

Key: Total Quality Management, Financial Industry, Performanceil Service, Public Sector, Public corporations

Introduction

The industrial revolution that occurred in Europe, America and other developed countries led to fierce competition amongst firms. It must be stated that most managers during this early period of industrial revolution, chose their corporate strategies with little or regard for customer's value. However, with the continued growth in competition, managers were forced to pursue corporate strategy that is customer's focused (Oni, 2008). Today, customer's expectations are rising, hence they chose from among the competing firms, which produce or offer the best products and services for their money.

This trend towards getting customers satisfied at consistently lower real cost stimulated interest in the Total Quality Management Philosophy. There have been significant debates regarding the success of total quality management in business organizations. These have been between those supporting it for bringing improvements in performance due to its application in business organization and those considering it a failure and fad (Zairi 2009, Becker 2003, Wilkinson, Redman & Snape, 2004, Binney 2002, and Brown 2003).

The motive for this paper premised on the fact that quality is the grand surviving strategy for every organization and it involve all stakeholders as everyone has had experiences of poor quality when dealing with business organizations. These experiences might involve an airline that has lost a passenger's luggage, a dry cleaner that has left clothes wrinkled or stained, poor course offerings and scheduling at your college, a purchased product that is damaged or broken, or a pizza delivery service that is often late or delivers the wrong order, poor service in banks, inefficiencies in the stock market etc. The experience of poor quality is exacerbated when employees of the company either are not empowered to correct quality inadequacies or do not seem willing to do so. We have all encountered service employees who do not seem to care. The consequences of such an attitude are lost customers and opportunities for competitors to take advantage of the market need. Successful companies understand the powerful impact customer-defined quality can have on business. For this reason many competitive firms continually increase their quality standards and it is as a result of the above need for quality that the research is writing a paper on the topic "influence of TQM on the financial industry in Nigeria".

The main objective of the paper is to examine the influence of TQM on Nigerian financial industry. The specific objectives are; to examine management commitment towards TQM, to establish relationship between customer satisfaction and TQM and to examine application of TQM in financial industry.

The study will significantly help stakeholders such as; financial organizations to consider TQM as a tool for effectiveness and efficiency in service delivery, the government will be exposed with the weakness in public financial institutions and appropriate action would be taken to cushion the effect, the students, academia, consultants etc will use the work as a guide and/or reference material for their various undertaking.

The methodology adopted for the paper was secondary sources of information where materials such as textbook, periodicals, journals, magazines etc were used in writing this paper and the content was carefully analyzed.

Literature Review

The paper critically reviews relevant and related literature that established facts on the subject matter which is the relevance of TQM to quality product delivery among the financial industry in Nigeria.

Conceptual Framework

Concept of Financial Industry

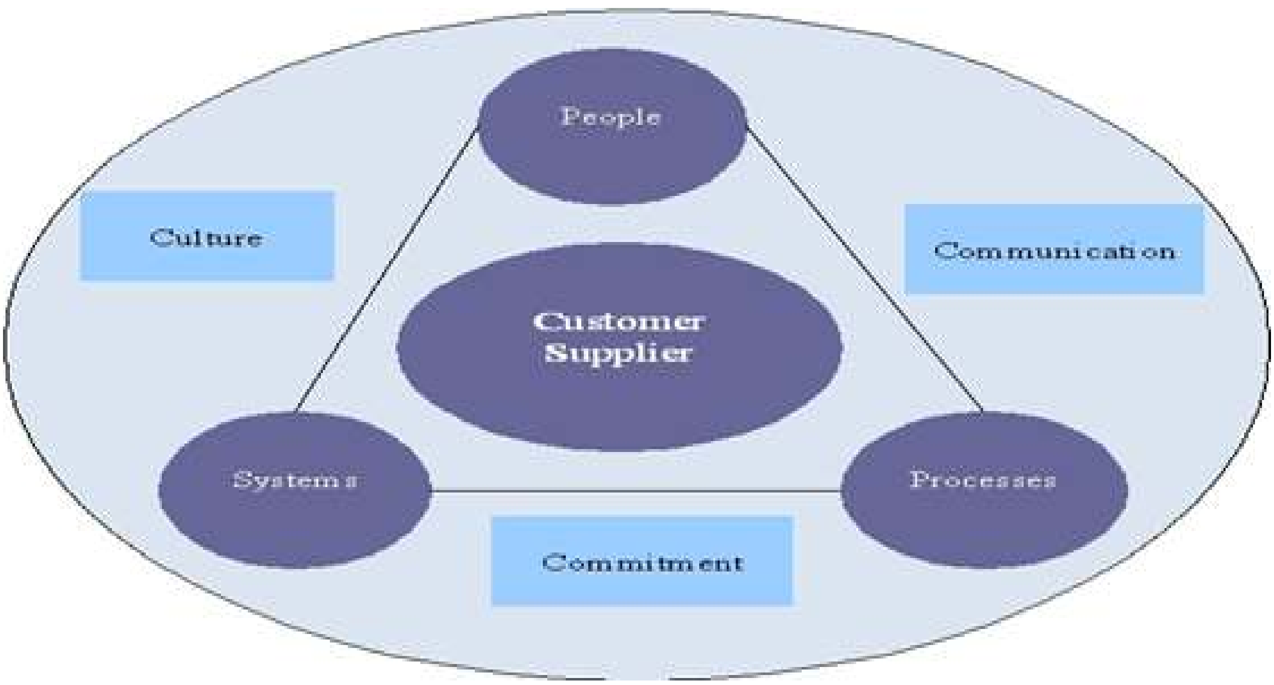
Financial industry is a category of stocks containing firms that provide financial services to commercial and retail customers. This sector includes banks, investment funds, insurance companies and real estate etc. Financial services perform best in low interest rate environments. A large portion of this sector generates revenue from mortgages and loans, which gain value as interest rates drop. Furthermore, when the business cycle is in an upswing the financial sector benefits from additional investments. Improved economic conditions usually lead to more capital projects and increased personal investing. New projects require financing, which usually leads to a larger number of loans (Brown, 2003).

The concept of TQM (Total Quality Management)

Total Quality Management is a management approach that originated in the 1950's and has steadily become more popular since the early 1980's. Total Quality is a description of the culture, attitude and organization of a company that strives to provide customers with products and services that satisfy their needs. The culture requires quality in all aspects of the company's operations, with processes being done right the first time and defects and waste eradicated from operations (Binney, 2002).

Total Quality Management, TQM, is a method by which management and employees can become involved in the continuous improvement of the production of goods and services. It is a combination of quality and management tools aimed at increasing business and reducing losses due to wasteful practices. Some of the companies who have implemented TQM include Ford Motor Company, Phillips Semiconductor, SGL Carbon, Motorola and Toyota Motor Company. TQM is a management philosophy that seeks to integrate all organizational functions (marketing, finance, design, engineering, and production, customer service, etc.) to focus on meeting customer needs and organizational objectives (Binney, 2002).

TQM views an organization as a collection of processes. It maintains that organizations must strive to continuously improve these processes by incorporating the knowledge and experiences of workers. The simple objective of TQM is "Do the right things, right the first time, every time". TQM is infinitely variable and adaptable. Although originally applied to manufacturing operations, and for a number of years only used in that area, TQM is now becoming recognized as a generic management tool, just as applicable in service and public sector organizations. There are a number of evolutionary strands, with different sectors creating their own versions from the common ancestor. TQM is the foundation for activities, which include; commitment by senior management and all employees, meeting customer requirements, reducing development cycle times, just In Time/Demand Flow Manufacturing, improvement teams, reducing product and service costs, systems to facilitate improvement, line Management ownership, employee involvement and empowerment, recognition and celebration, challenging quantified goals and bench-marking, focus on processes/improvement plans and Specific incorporation in strategic planning. This shows that TQM must be practiced in all activities, by all personnel, in manufacturing, Marketing, Finance, Engineering, R&D, Sales, Purchasing, HR, etc (Becker 2003).



Source: Ansoft, H. I. (2004). *Implementing strategic Management.* Prentice Hall.

The core of TQM is the customer-supplier interfaces, both externally and internally, and at each interface lie a number of processes. This core must be surrounded by commitment to quality, communication of the quality message, and recognition of the need to change the culture of the organization to create total quality. These are the foundations of TQM, and they are supported by the key management functions of people, processes and systems in the organization (Ross, 2005).

Management Commitment towards Total Quality Management

Total quality is a management-led process. As a result, success in its implementation depends on the demonstration of the top management's commitment in any organization. According to Ross (2005), the commitment and involvement of management need to be demonstrated and visible.

Munro-Faure (2005) believes that:

> The commitment required from management to a Quality Management System is absolute if it is to succeed. If management commitment is not absolute then the system will fail. Management must demonstrate their commitment in actions and words. Employees will soon see through new 'fads' that do not have real management support.

According to Wilkinson (2008) lack of commitment from any particular group within the organization can be a serious barrier in the management of quality. This is even more so for top management as TQM must be from top to down and not the other way. Wilkinson (2008) quote Segun Agbetuyi, CEO of Owena Bank Plc, at a lecture delivered at the maiden edition of the Top Executive Compulsory Professional Development programme of CIBN at Ibadan on May 19, 1999 stated:

> The commitment of Top Management is an essential requirement without which TQM implementation cannot succeed. This has to be demonstrated through active support of the programme by acting as role models and demonstrate personal integrity in promoting acceptable excellence standards.

Dahlgaard (2008) believe that "a vital task for any management is to outline quality goals, quality policies and quality plans". According to them, the active formulation of quality plans will necessitate a clear indication of what is going to be achieved concerning quality. The quality policies, as they observe will outline detailed guidelines of how employees are to achieve the organization's goals. While the meaningful action plans, either short-term or long-term, will provide a level ground for establishing organizational goals. Since the nature and direction of global competition is sometimes difficult to determine, the idea of leaving what could be termed a major organizational competitive strategy in the hands of a central department could be assumed to be consistent with skepticism on the part of management (Dahlgaard, 2008).

As Asher (2006) stated that, there is need for management to lead the total quality process to encourage others in the organization to follow and to prove to them that management means what they say about quality. This implies that top management must be convinced of the need for quality and must clearly communicate it to the entire organization by written policy. This policy statement, according to Ross (2005) would state what each person is expected to perform according to the requirements or how best the employees could cause the requirements to be officially changed to what the organization and the customer really need. To Unruh (2006) top management commitment means:

> - establishing, preferably with the involvement of all employees, the organization's vision to serve its customers, communicating the vision constantly to all employees and customers, leading the organization by enabling all employees to adopt the organization's vision in their day-to-day activities.

Unruh (2006) further notes that:

It is top management that enables an organization to focus on its customers. It leads the development of a statement of purpose centered on customers, communicates the vision constantly, and makes sure that the organization's practices stay aligned with the vision. Most importantly, top management is a role model for the rest of the company in its commitment to serving customers.

In organizations that have successfully implemented Total quality, the leadership climate according to Ross (2005) has been proactive rather than reactive. Senior executives are personally and visibly involved in quality. This involvement according to Asher (2006) may be in many ways – "leading an improvement project, taking on ownership of a business process, acting on a particular internal customer interface, and many others". Management commitment is an essential ingredient of a successful Total Quality implementation since it is about priority setting. By planning and monitoring quality improvements at the most senior level, a strong message is being sent down the hierarchies that it is part of the organisational goals that management has concern for. Choppin (2001) has no different view of management commitment to Total Quality. According to him, "commitment to Total Quality involves living Total Quality through a total belief in the world that Total Quality will create". Organisations that successfully implemented TQM demonstrated a strong belief in Total Quality as a way of life. It is not just because it makes sense and is morally right, but because it is seen as the only way to succeed in business –larger profit margins, more dedicated and happier employees and greater competitive advantage.

Dahlgaard (2008) presents seven points, based on Deming's renowned 14 points, that management is often required to oversee. They are:

1. Management must agree about goals, conditions and obstacles to the introduction of TQM.
2. Management must have the courage to break with tradition.
3. In building up a new 'quality organization', management must appoint a manager for quality improvements who has direct access to top management.
4. Management must, as quickly as possible, build up an organization to advice on the carrying out of continuous improvements throughout the firm.
5. Management must explain to employees why changes are necessary and that they will involve everybody in the company.
6. Management must explain that every activity and every job has its own customers and suppliers.
7. Management must ensure that every employee in the company participates actively in a team (work team, quality circle).

In many organizations where management commitment to quality management implementation has been actively demonstrated, there has been remarked evidence of management's desire to seek knowledge of quality problems and defects. This has sometimes resulted to annual quality reviews and audits. Dahlgaard (2008) notes that management have among other things sought to know through these reviews and audits: how customers have been identified (both internal and external customers), how customer requirements and expectations have been identified, how managers and employees have tried to satisfy customers and what customers think of our products and services and how the feedback was collected.

In their book, *A Passion for Excellence*, Tom & Austin (2009) opined that "the heart of Quality is not technique. It is a commitment by management to people and product – stretching over a period of decades and lived with persistence and passion – that is unknown in most organizations today". They observe that commitment means total believe, with a total understanding and vision that propels an organization to succeed. Unfortunately, what obtains in organizations where TQM was implemented with little or no success was that top management in these organizations sent mixed signals. They endorsed quality but rewarded bottom-line or production. Some insisted on cost reduction even if it meant cancelling quality-training programmes for employees. And sometimes, employees are not reminded that the focus is on customers, not the product.

This is not the spirit behind Total Quality. Quality perception views the totality of the business rather than just one aspect of it. To achieve successful implementation, there must be commitment from the top. Management commitment may be expressed in caring passionately for the people they work with, for the products and services, and for the customers. Choppin (2001) summarized his thesis when he notes that "trust, honesty and a high level of integrity should be assumed to be common throughout all levels of the organizations". This is not, however, the case with many organizations where the implementation of quality management is normally fraught with difficulties. A typical scenario in most organizations as Wilkinson (2008) observes is that senior management of such organizations treat quality management implementation with skepticism, lack of enthusiasm, marked unwillingness to commit resources, and a short-term perception.

Wilkinson (2008) outlined respondents' observation on top management commitment as major difficulties faced in organization's quality management implementation.

Apart from management commitment, the success of any total quality management implementation depends on the effective participation and commitment of all employees. Gilbert (2002) views management commitment to TQM implementation as being beyond delegation and hierarchy. It is about dismantling barriers between departments and listening to suggestions for improvement from anyone who cares to make them. While Oakland (2005) agreed that the most senior management must all demonstrate that they are serious about quality, he believes the middle management has a particularly important role to play. They "must not only grasp the principles of TQM, they must go on to explain these principles to the people for whom they are responsible, and ensure that their own commitment is communicated. Only then will TQM spread effectively throughout the organization".

Relationship between TQM and Customer Focus/Satisfaction

Customer satisfaction is the driving force that propels organization existence. In considering the extent of customer satisfaction in Total Quality practice, the US Department of Commerce in a 1993 quality award criteria examined organizations relationships with customers, and knowledge of customer requirements and of the key quality factors that drive marketplace competition. They inferred that an understanding of customer requirements derives from thoroughness and objectivity of the organization, customer types and product/service features. Other key excellence indicators for customer satisfaction, according to Ross (2005) are a resolution by management to empower frontline staff, strategic infrastructure support for frontline employees and attention to hiring, training, attitude, and morale for frontline employees. Ross is of the view that these activities will help employees relate to customers in highly professional manners and also provide services/products that will satisfy their requirements. While the researcher agrees to some extent with the propositions of Ross, frontline empowerment and other issues raised are not in themselves sufficient conditions to providing focus and satisfaction to the customer. Proactive customer service systems, proactive management of relationships with customers, and the use of all listening posts – surveys, product/service follow-ups complaints, turnover of customers and employees, should also be adopted as key excellence indicators for customer satisfaction.

Since the quality of a product is not in itself but in what the customer says it is, customer focus and orientation according to Wilkinson et al. (2008), provides a common goal for all organizational activities and members. It incorporates the quality of design and conformance to quality specification. According to Unruh (2006), "even if an organization is not focused on its customers, its competitors are. And the customers know where to find those competitors". He also believes that "customer focus is not a one-time-only program. It requires a permanent ongoing commitment of *all* organizational resources". For an organization to achieve success in any customer focus initiative, it is crucial that it has an understanding of customers.

According to Unruh (2006), customer needs and values should influence every aspect of the organization: strategy, employee staffing and performance, product and service development, sales and marketing programs, operational procedures, and information and measurement systems. Customer focus and satisfaction not only enable organizations to know what customers think about them, their products, and their competitors, but also to know about the personal lives of their customers. The focus on customer satisfaction applies to internal customers as much as it applies to external customers. Ross (2005) defines Internal Customers as "the people, the activities, and the functions within the company that are the customers of other people, activities, or functions". According to Dahlgaard (2008) "before you can satisfy external customers, however, you must first eliminate some of the obstacles to the internal customers (i.e. the employees) and create the conditions necessary for them to produce and deliver quality". What they are saying is that it will be difficult if not impossible to meet and exceed the expectations of the external customers if quality is not delivered to internal customers. Customer focus and satisfaction is related to management commitment. According to Unruh (2006) "does not start a customer focus initiative without top management commitment. Employees and customers won't take the effort seriously. It will end before it's had a chance to begin".

The Application of TQM in the Financial Services Industry

Quality revolution" according to Broacka (2002) "has ushered in a tidal wave of new ideas, techniques, processes, and procedures that have transformed the way firms have viewed and practiced management for decades" this onslaught of strategies leaves quality driven organization (and managers) at a standstill when it is time for developing a quality improvement programme that respects the firms unique demands.TQM assembles the most pertinent and proven strategies and presents them in objectives and clear manner. It enables the organization to successfully shift from the assembly- line mentality to the team based, worker empowered paradigm that highlights customers satisfaction and productivity by viewing workers as fertile sources of creativity.

Today firms are facing their toughest competition ever and are embarking on several efforts to ensure that the products and services, offered meet the highest quality standards. Towards this end progressive-driven organizations have incorporated the concepts of quality into their overall strategy through the utilization of TQM programmes. According to Donnlley (2005) the TQM programmes "establish a clear process to understand customer values and perception of quality" they further assert that firms utilization TQM "link customer satisfaction measurement with internal measures of quality to ascertain areas where improvement to process can be undertaken" the application of TQM has no boundary. As rightly observed by Akpieyi (2006)

> TQM is a customer-focused performance-enhancing tool, which can be applied to any type of organization. It balances the diverse elements of business (leadership, strategic planning, human resource development and management information system, external customers, employees, and other stakeholders and aligns them to achieve excellent business result. This revolutionary management tool secures for its practioners, phenomenal business benefits and organizational excellence

Thus, given the importance of the financial service industry to the economic development and well being of the society, the application of this concept (TQ), need no over emphasis. The finance industry over the years has been most dynamic; things are changing at phenomenal speed.

Competition in the industry today is rather unprecedented, the reason for which have been advanced by Agene (2005), Legg (2004) and Ogbaulie (2009) to include liberation, internationalization, delegation and globalization. As a panacea to tackle or face the challenges, Agene (2005) and Ogbaulie (2009) suggest the application of "survival strategies". Thus the only way for firms in the industry to remain in contention, is to continuously (innovate) improve qualitatively all its operations and processes to enhance the delivery of value to customers on a continuous basis.

Quality is affected not only by the product or service but by the way and manner in which the whole process of delivery is executed. This begins from the internal customer (employees) in the organization before the product or service is delivered to the eternal and ultimate customers. In this regard, Akpa (2000) has advanced two major dimensions to customer (value) satisfaction. "Timeliness and customer well-being: this fits the financial services firms. He further maintained that timeliness has three elements.

- Access time, which denotes the length of time it, takes the customer to get organization attention.
- Queuing time; that is those instance that clients queue up to get a service. In such an environment the customer is usually worried by the length of the queue and the integrity of first serviced principle.
- Action time-meaning the time interval between taking the customer's order and actually delivering the required services.

Customer well being on the other hand has four basic elements identified by Akpa (2000) as information, atmosphere, feelings of importance and product/service safety.

- **Information:** Information plays a vital role in enhancing customer satisfaction. Every customer needs full information about the organization and what it has to offer. The availability of such information helps the customer in reaching critical decisions about his expectations and service.
- **Atmosphere:** The product/service provider is expected to provide an atmosphere that will meet the customer's taste.
- **Feeling of importance**: The customer expects some measure of responsibility, dignity, courtesy and ego-boosting compliments while he is awaiting to be attended to.
- **Product/service safety.** The customer entrust his person, property and well being to expected integrity of the seller. Anything short of which will definitely jeopardize the trust and customer loyalty and places the product/service provider at a competitive disadvantage.

Theoretical Framework

The theories that support this study are; Deming's theory, Crosby's theory, Joseph Juran's theory and Ishikawa's theory.

Deming's Theory

Deming's theory of Total Quality Management rests upon fourteen points of management he identified, the system of profound knowledge, and the Shewart Cycle (Plan-Do-Check-Act). He is known for his ratio - Quality is equal to the result of work efforts over the total costs. If a company is to focus on costs, the problem is that costs rise while quality deteriorates. Deming's system of profound knowledge consists of the following four points:

System Appreciation - an understanding of the way that the company's processes and systems work

Variation Knowledge - an understanding of the variation occurring and the causes of the variation

Knowledge Theory - the understanding of what can be known

Psychology Knowledge - the understanding of human nature

The four points always create a synergy with Deming's fourteen principles to give quality service to stakeholders and eventually resulted to total quality management. The fourteen principles are; create constancy of purpose, adopt the new philosophy, stop dependencies on mass inspections, don't award business based upon the price, aim for continuous production and service improvement, bring in cutting-edge on the job training, implement cutting-edge methods for leadership, abolish fear from the company, deconstruct departmental barriers, get rid of quantity-based work goals, get rid of quotas and standards, support pride of craftsmanship, ensure everyone is trained and educated and make sure the top management structure supports the previous thirteen points (Legg, 2004).

Plan-Do-Check-Act (PDCA) is a cycle created for continuous improvement. In the planning phase, objectives and actions are outlined then; you do your actions and implement the process improvements. Next, you check to ensure quality against the original and finally acting requires that you determine where changes need to occur for continued improvement before returning to the plan phase (Legg, 2004).

Crosby's Theory

Philip Crosby is another person credited with starting the TQM movement. He made the point, much like Deming, that if you spend money on quality, it is money that is well spent. Crosby based on four absolutes of quality management and his own list of fourteen steps to quality improvement. Crosby's four absolutes are; we define quality as adherence to requirements, prevention is the best way to ensure quality, zero Defects (mistakes) is the performance standard for quality and quality is measured by the price of nonconformity (Ogbaulie, 2009).

The fourteen steps to continuous quality improvement, for Crosby, are; attain total commitment from management, form a quality improvement team, create metrics for each quality improvement activity, determine cost of quality and show how improvement will contribute to gains, train supervisors appropriately, encourage employees to fix defects and keep issues logs, create a zero-defects committee, ensure that employees and supervisors understand the steps to quality, demonstrate your company's commitment by holding a zero defects day, goals are set on 30, 60, or 90 day schedule, determine root causes of errors, remove them from processes, create incentives programs for employees, create a quality council and hold regular meetings and repeat from step one (Ogbaulie, 2009).

Joseph Juran's Theory

Joseph Juran is responsible for what has become known as the "Quality Trilogy." The quality trilogy is made up of quality planning, quality improvement, and quality control. If a quality improvement project is to be successful, then all quality improvement actions must be carefully planned out and controlled. Juran believed there were ten steps to quality improvement. These steps are; an awareness of the opportunities and needs for improvement must be created, improvement goals must be determined, organization is required for reaching the goals, training needs to be provided, initialize projects, monitor progress, recognize performance, report on results, track achievement of improvements and repeat (Agene, 2005).

The above theory is in line with European Foundation for Quality Management (EFQM) Model is based upon nine criteria for quality management. There are five enablers (criteria covering the basis of what a company does) and four results (criteria covering what a company achieves). The result is a model that refrains from prescribing any one methodology, but rather recognizes the diversity in Quality Management Methodologies. The nine criteria as defined by the EFQM Model are:

i. **Focus on Results** - pleasing company stakeholders with results achieved by stakeholders is a primary focus.
ii. **Focus on Customers** - it is vital that a company's quality management leads to customer satisfaction.
iii. **Constancy of Purpose and Consistent, Visionary Leadership**
iv. **Process and Facts form the Management Focus** - Management breaks down everything into systems, processes and facts for easy monitoring.
v. **Training and Involving Employees** - Employees should receive professional development opportunities and be encouraged to remain involved in the company
vi. **Continuous Learning** - everyone should be provided with opportunities for learning on the job
vii. **Developing Partnerships** - It is important to encourage partnershps that add value to the company's improvement process.
viii. **Social Responsibility of the Corporation** - The company should always act in a way where it is responsible towards the environment and society at large (Agene, 2005).

Ishikawa's Theory

Creator of the last theory, Dr. Kaoru Isikawa is often known for his namesake diagram, but he also developed a theory of how companies should handle their quality improvement projects. Ishikawa takes a look at quality from a human standpoint. He points out that there are seven basic tools for quality improvement. These tools are:

i. **Pareto Analysis** - Pareto analysis helps to identify the big problems in a process.
ii. **Cause and Effect Diagrams** -Cause and effect diagrams help to get to the root cause

of problems.

iii. **Stratification** - Stratification analyzes how the information that has been collected fits together.

iv. **Check Sheets** - Check sheets look at how often a problem occurs.

v. **Histograms** - Histograms monitor variation.

vi. **Scatter Charts** - Scatter charts demonstrate relationships between a variety of factors.

vii. **Process Control Charts** - A control chart helps to determine what variations to focus upon (Broacka, 2002).

All the theories used in the paper are relevant to total quality management, however, the views of Deming's theory is more in line with the ideology of this paper as it covered TQM in all dimensions.

Empirical Review

The empirical literature review in the course of writing this paper are; Agada (2000) in his write up title battling distress in the banking sector asserted that, the only strategy that can better survive banks is TQM this is because improvement of bank performance is anchor on quality in totality, Almaraz (2004) stated that TQM enhances efficiency and effectiveness in an organization and it facilitate change management processes therefore making it easy for organizations to adopt change and it reduces switching cost, Benson & Saraph (2001) observed that the organizational context has a direct relationship with TQM and they quickly react to the influence from each other, Christopher (2004) stated that TQM is the best strategy in the financial sector where majority of their products are service inclined which calls for overall quality control.

Conclusion

The researcher concluded that; Total Quality Management philosophy is good for organization whether small or large. There is no doubt that organizations that offer quality products and services to customer will record a resounding success, no matter how competitive the business environments may be. The dynamic nature of business environments, therefore called for improved technology and better production techniques which are synonymous with quality management. Given the sensitive place of financial service industry in general development and growth of every society, and the ever increasing level of competition in the industry coupled with the increasing sophistication in customers demand, the need for application of TQM as a panacea to cope with the evolving challenges cannot be overemphasized. In the financial services industry, the ultimate expectation of customers necessarily bothers on speed and accuracy of service delivery and integrity and confidence in the service provider. The implementation programme that would equip employees with the necessary skills and understanding of these needs in order to deliver value to the customer is therefore most ideal.

Recommendations

The following recommendations were drawn;

I. Organization starting a TQM drive should try to ensure adequate training for their workforce, most especially those that would be involved directly with the policy formulation and implementation. This is to enhance the success of the Total Quality Management programme for the Organization.

ii. Financial service industry in Nigeria would no doubt benefit, if they can gear their resources towards better quality products and customer satisfaction.

iii. Total Quality Management approach therefore, should enjoy popular support not only in the financial service industry but all other organizations.

iv. TQM should be every body's business it should not be seen as an activity that is associated with a particular group in an organization.

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Factor Analysis of Strategic Management and Performance Variables in the Banking Sector in Oyo State, Nigeria

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Abstract

This research analysed the impact of Strategic Management Variables (knowledge management, perceived environmental uncertainty, strategic agility and organizational learning) and Performance Variables in some selected selected banks in Oyo State of Nigeria. The study employed questionnaire to collect information from subjects who were bank employees of the selected banks in Oyo State. One hundred and six respondents (106) responded to the questionnaire. This study found that strategic management variables were immensely associated with bank performance. Based on the findings, it was recommended that there is a need for banks to work and improve their knowledge and learning base, endeavour to adapt to their environment and strive to be strategically agile so as to improve their performance and in the long run gain sustained competitive advantage.

Keywords: Knowledge management, organizational learning, strategic management, strategic agility

Introduction

In the present day era of knowledge-based economy, knowledge becomes a major resource of competitiveness (Drucker, 1993) and also a new criterion for wealth creation (Thurow, 1996). Knowledge Management defines a systematic, explicit and deliberated building processes required to manage knowledge, the purpose of which is to maximize an enterprise's knowledge-related effectiveness and create values (Bixler, & Stankosky, 2005). The process incorporated in KM includes collecting, organizing, clarifying, disseminating and reusing the information and knowledge throughout an organization. Consequently, there is a need for proper management of knowledge. Knowledge Management (KM) has become a crucial source of corporate competitiveness (Andrew, 2005). KM as a company's foundation, both organization- and technology-wise, is defined as "the continuous process of improving organizational performance offering correct knowledge at the right time to members who need it, to enable them take right action(s) appropriately".

The process consists of stages such as the creating, confirming, collecting, categorizing/saving, sharing/storage, using/refining and retiring of knowledge (O'Dell & Grayson, 1998) and an organization may effectively improve its performance by implementing such a process (Laurie, 1997). Alavi & Leidner (2001) believe that the process of knowledge creation comprises the creation, storage, conversion and application of knowledge. Such a continuous process enables individuals, groups or companies to share explicit/tacit knowledge on an ongoing basis. Knowledge has two types, explicit and tacit. Explicit knowledge can be articulated in formal language and transmitted among individuals; tacit knowledge involves more intangible factors and is personal knowledge embedded in individual experience (Frappaolo, 2002). Both explicit and tacit knowledge must create returns and solve today's problems within an organization.

As the knowledge-based economy grows exponentially, the knowledge assets become increasingly invaluable to organizations. Thus, use of knowledge has become crucial to the organization's survival and success in competitive global markets, and it has also become strong potential to problems solving, decision making, organizational performance enhancements and innovation. Precisely, effective use of knowledge is Knowledge Management.

Organizational learning has been considered, from a strategic perspective, as a source of heterogeneity among organizations, as well as a basis for a possible competitive advantage (Grant, 1996; Lei et al.,1999). Pilar et al. (2005) consider organizational learning to be a latent multidimensional construct including managerial commitment, systems perspective, openness and experimentation, and knowledge transfer and integration of knowledge designed to arrest or checkmate the current uncertainty in which businesses operate. In order to develop and perform efficiently, organizational learning (OL) has been regarded as one of the strategic means of achieving long-term organizational success (Senge, 1990).

Therefore, the analysis of organizational learning has become an increasingly important area recently. Various works have dealt with the analysis of this construct from differing viewpoints. Jerez-Góomez et al.(2005) mention that there are many studies that focus on this construct using a psychological approach (Cyert and March, 1963; Daft and Weick, 1984), a sociological approach (Levitt and March, 1988), or from the point of view of Organizational Theory (Senge, 1990 and Huber, 1991). Facing the current uncertainty environment, business must keep learning to maintain its competitiveness. And, organizational learning will develop well base on well structured knowledge in organizations. In other words, business could have organizational learning capabilities underlying well individual learning (Nonaka and Takeuchi, 1995).

In the experimental experience of English enterprises, Garratt (1990) observed earlier that only a learning organization that applies organizational development and learning process can satisfy consumers' capricious demands. Organization should develop personal or group learning abilities. The development of development of these learning abilities becomes germane for organizational success and survival. Without effective knowledge management, organizations cannot develop personal or group learning abilities (Garratt, 1990, Su, Huang, and Hsieh, 2004). Organizational learning enhances firm's innovative capabilities by improving the level of firms' competitiveness and performance. Organizations creative innovation is dependent on their learning (Chen and Chen, 2010).

A growing number of organizations are recognizing the impact of environmental threats and pressures on their activities and operations. Organizational theorists emphasize that organizations must adapt to their environments if they are to remain viable. One of the main issues in this process is coping with uncertainty. Organizations should attempt to mitigate the impact of uncertainty by proactively anticipating change and getting equipped to manage change (Oetinger, 2004).

Changes in the environment facing a firm can be both dramatic and sudden. As environments become more dynamic, threatening, and complex, traditional managerial orientations are proving to be deficient. The result is all too often a loss in market position, declining profits, or outright business failure (Khandwalla,1972; Cooper, 1979; Covin & Slevin, 1989; Hayes & Abernathy, 1980; Waterman, 1987). Early researchers of this proposition identified the concepts of turbulence and its opposite, placidity (Emery & Trist, 1965).

Smart and Vertinsky (1984) broadly defined turbulence as change that occurs in the factors or components of an organization's environment. One end of the change continuum is a static environmental state (no change), and the other end is a turbulent or dynamic state where all factors are in constant flux. The amount of environmental turbulence closely relates to the degree of uncertainty facing a firm. As the environment becomes increasingly turbulent, factors become less predictable and more uncertain, and the values of important variables and the variables themselves move in an unpredictable manner (Smart & Vertinsky). According to Drucker (1980) and Huber (1984), turbulence displays dramatic increases in the number of events that occur within a given period.

Strategic agility is the ability to continuously and adequately adjust and adapt in appropriate time the strategic direction in core business in relation to changing circumstances, be known by sensitivity to the environment. This may include creating new products and services or creating new business models and innovative ways to create value for the company. (Swafford et al., 2006). The performance of a company depends on its activities and activities of its competitors, customers, suppliers, partners and governments. These activities could wholly be referred to as the business environment (Turban et al, 2008). The current business environment characterized by intense technological innovation, powerful customers with diverse requirements and short product life cycle in a global economy have significantly shortened market visibility and increased uncertainty (Swafford et al., 2006).

Organizations must respond to the challenges and opportunities brought by the business pressures in order to survive or gain sustainable competitive advantages. This hyper-competitive environment requires specific dynamic strategies to gain competitive advantage and sometimes even to survive (Wiggins & Ruefli, 2005). For instance, competition has become so intense that companies have been forced to collaborate and formulate survival strategies. Customer focus, electronic commerce, intelligent data management and business networks are some of the noticeable business responses (Turban et al, 2008, Sull, 2009).

The primary objective of this research work is to factor analysis the impact of Strategic Management Variables (SMR) and Performance Variables (PV) of selected banks in Oyo State of Nigeria.

Literature Review and Theoretical Framework

Sedera and Gable (2010) describe in their paper, a cycle of knowledge management that goes through four phases: creation, transfer, retention and application. Each of these four phases is described as models of knowledge management. Creating knowledge is the first phase of the cycle of the entrepreneurial system, which belongs to planning and implementation of knowledge in the organizations. This phase is based on knowledge requirements to outline a structured model of the cycle. Knowledge transfer highlights a number of channels through which knowledge can be transferred, channels which can be formal or informal (Pan et al., 2007). The formal transfer of knowledge is established by a rigorous program, and informal knowledge transfer can take place even in the coffee break, for example. Informal transfer of knowledge also promotes effective socialization in small organizations.

Avital and Vandenbosch (2000) argue that the formal transfer of knowledge takes place especially during training programs and is focused on knowledge transfer. Accumulation/retention of knowledge shows that people accumulate knowledge from observations, experiences and actions (Sanderlands and Stablein, 1987). Gable et al. (1998) observed the importance of the organizational strategies of retention of knowledge by the success determined by the cycle of entrepreneurial system,

Application of knowledge highlights the fact that once knowledge is created, the transfer and the accumulation interact with entrepreneurship system. Markus (2001) suggests that the source of competitive advantage lies not in knowledge but the application of knowledge. Application of knowledge is essential in the cycle described in the outlined system of the knowledge management, in particular by the maintenance and achieving the success.

There are many articles in the literature discussing various types and dimensions of knowledge. In particular, the distinction between tacit knowledge and explicit knowledge is given special attention. Tacit knowledge is that which exists in the minds of individuals, while explicit knowledge are outsourced and shared with others. Reijers et al. (2009) identified the same patterns of knowledge interaction as Nonaka and Takeuchi (1995). Therefore, we can identify the transition from:

- Tacit knowledge to tacit knowledge - the process of "socialization" while sharing experience and interaction.
- Explicit knowledge to explicit knowledge - process of "combining" of existing knowledge with the innovative ones, the transition from basic knowledge to new knowledge.
- Tacit knowledge to explicit knowledge - process of "outsourcing" of knowledge that individuals assimilate them.
- Explicit knowledge to tacit knowledge - process of "internalization" of acquired knowledge (Polanyi, 1967).

Drew (1999) presents a classification of economic knowledge in which may appear the risk of deficiency of knowledge:

- What we KNOW, KNOW (sharing and access to knowledge);
- What we KNOW, NOT KNOW (finding and creating knowledge);
- What we do NOT KNOW, KNOW (tacit knowledge, concealing knowledge);
- What we do NOT KNOW, NOT KNOW (the discovery, exposure and opportunities)?

Holsapple and Singh (2001) have divided the knowledge management into five main activities and four secondary activities. The five core activities concern to acquisition, selection, generation, internalization and externalization of knowledge. The other four secondary activities are leadership, coordination control and measurement. These activities encompass the knowledge logistic model. Analysis of activities and resources necessary to lead to knowledge management operations leads to competitive advantages.

Logistic model of knowledge is described by the two specialists as follows:

- Acquisition, through which external knowledge must be transposed into the organizational environment.
- Selection, through which knowledge must be so selected to obtain the best results.
- Generation, through which the knowledge obtained is useful and can be analyzed to create new knowledge.
- Internalization, through which knowledge is transformed into internal resources.
- Externalization, through which knowledge is communicated.

Organizational knowledge creation is a process that includes new perspectives needed for the development of the culture and organizational environment of companies.

Learning can basically be seen as the process through which an individual acquires knowledge, skills, attitudes and opinions (Idowu,2013). Organizational learning occupies an important niche in modern management literature. In fact it has emerged as one of the most promising concepts in strategic management since the late 1980s (Skerlavaj & Dimovski, 2006), and has been associated with other key constructs such as innovation (Huber, 1998 ;) Nolas, 2006), strategic renewal (Crossan & Bedrow, 2003), and the external adaptability of firms (Chen, 2005; Castaneda & Rios, 2007). Several authors recognize organization learning as a foundation for sustainable competitive advantage (Epstein & Roy, 1997; Fiol & Lyles, 1985; Garratt 1987; Grieves 2000; Kiechel, 1990; Marguardt, 2002; and Senge, 1990, all cited by Retna, 2007). De Geus (1988) even contends that "the ability to learn faster than your competitors may be the only sustainable competitive advantage."

Organizational learning is basically how learning takes place in a particular organization. Castaneda and Rios (2007) elaborate by saying that organizational learning is a process that institutionalizes individual learning in order to enable an organization to adapt to environmental changes or to proactively change the environment, depending on its level of development. Organizational learning can be viewed from several perspectives. From a cognitive perspective, it is assumed that individual learning, taken together, will result to organizational learning.

From a behavioral perspective, organizational learning is considered a process that entails "application and utilization of learning" and is measured through behavioral outcomes. From the technical perspective, organizational learning is defined as "the processing and interpretation of information from inside or outside the organization." From the social perspective, learning is treated "as inseparable from the social interaction and engagement in work practice." Many of these consider organizational learning as a process that involves the transformation of information into knowledge (e.g. Argyris & Schön, 1978; Crossan, Lane, White, & Djurfeldt, 1995; Day, 1994; Dimovski, 1994; Fiol & Lyles, 1985; Huber, 1991; Lee, Courtney, & O'Keefe, 1992). Whether the information processing (i.e. information acquisition, interpretation, and storage in organizational memory) extends to behavioral and cognitive changes is where the differences surface. More recent definitions (Sanchez, 2001; Schwandt & Marquardt, 2000, as cited by Škerlavaj & Dimovski, 2007; Friedman, 2006; Rashman, Withers & Hartley, 2008; Yukl, 2009) see organizational learning as taking place on multiple levels and as being a relational phenomenon.

According to Huber (1998), "it is useful to think of organizational learning as occurring in different modes." Organizations learn through sensing as when they observe relevant events (e.g., changes in technology, morale, or competitor actions) in their external or internal environments. They also learn experientially, as when through their ongoing experiences they find ways to manufacture products more rapidly and at lower cost. Finally, organizations learn vicariously from those who already know, as when they rent or hire outside experts with specialized knowledge." Organizational learning can be defined as a dynamic process of creation, acquisition and integration of knowledge aimed at the development of resources and capabilities that allow the organizations a better performance.

According to Slattery and Olsen (1984), 'environmental complexity' refers to the number of variables likely to have an impact on the firm and is a function of the scope of the firm's operations, the more complex the organization, the more complex will be the environment; and 'environmental illiberality' refers to the degree of threat to the industry competitors from sources outside the industry, for example the economy, regulations and substitutes. The business environment will be confronted with environmental change and complexities as well as internal resource constraints and limitations. A key management task is to scan the environment for opportunities and to adjust its resources and processes to meet future challenges presented by the environment.

Robbins (1990) proposed that the environment's effect on an organization is a function of dependence and that a dynamic environment has more influence on International structure than does a static one. His contention was that complexity and environmental uncertainty are directly related; that formalization and environmental uncertainty are inversely related; that the more complex the environment the greater the decentralization; and that extreme hostility in the environment can lead to temporary centralization. Olsen (1989) pointed out that for an organization to compete in a mature and competitive environment over the long term, it must be able to match these structural variables with activities and trends occurring in the environment. He further states that the existing complexity of the environment can be expected to increase, as will variability and uncertainty; therefore, the hospitality manager must be capable of knowing and understanding the events which occur in the business and general environment.

Complexity and rate of change are two characteristics of the environment that affect environmental uncertainty (Duncan, 1972a; Tung, 1979). Child (1972) suggested that complexity was caused by the heterogeneity of relevant environmental events. Diversity and a large number of external events produce high environmental complexity. Rate of change involves the frequency of changes occurring in the external environment (Daft, Sormunen, & Parks, 1988). Duncan determined that the degree of environmental uncertainty perceived by strategic decision makers increased with the increased complexity and rate of change in environmental sectors.

Environmental complexity and dynamism have been closely linked to the information-uncertainty perspective (Lawrence & Lorsch, 1967; Thompson, 1967), whereas hostility has been tied to the resource-dependence perspective (Aldrich; 1979; Pfeffer & Salancik, 1978). These perspectives offer a better understanding of the impact of each environmental dimension on the formulation of a firm's strategy. These dimensions affect top management's perception of uncertainty, which in turn influences such strategic decision characteristics as propensity for risk taking, proactiveness, and defensiveness (Miles & Snow, 1978; Miller & Friesen, 1982). Venkatraman and Prescott (1990) predicted that a fit between environmental dimensions and strategic orientation would lead to better organizational performance.

Eisenhardt (1989) characterized highly competitive environments as those with intense price and non-price competition. Such intense rivalry is often associated with rapid and sometimes discontinuous changes in the market and in competitive and technological conditions. Competitors' actions and reactions may be highly unpredictable, and the speed of adjustment to market and technological conditions become the key to survival of participants in such environments (Eisenhardt). Among retailers, intra-type competition and inter-type competition are the most common and representative models of modern retail competition today (Berry, 1995; Miller, Reardon, & McCorkle, 1999; Mishra. 2004). Yet, for most retailers, inter-type competition is the most challenging (Berry). Increasing inter-type competition has made it harder for retailers to identify and monitor their competition. Intra-type competition is defined as "competition between two retailers of the same type, such as two drugstores" (Mason & Mayer, 1987). Inter-type competition is defined as "competition between different types of retail outlets selling the same merchandise" (Mason & Mayer).

Douglas (1999) maintained that firms must become more flexible in responding to changes in an external environment characterized by intense competition. As competition becomes stronger, the choices available for consumers increase. Kohli and Jaworski (1990) suggested that a business must become more aggressive in discovering customer wants and building superior customer value in order to satisfy consumers in the face of increased competition. An organization must monitor and respond to consumers' changing needs and preferences to insure that they select its products/services over its competitors' (Egeren & O'Connor, 1998).

Strategic agility is the ability of an organization to continuously adjust and adapt strategic direction in core business, as a function of strategic ambitions and changing circumstances, and create not just new product and services, but also new business models and innovative ways to create value Doz and Kosonen (2007) and Long (2000).

Strategic Sensitivity involves sharp opinions which are environment and situation oriented. This is promoted by a combination of a strong external orientation and internally participative strategy process, a high level of attentiveness and tension and internal dialogue which is rich, intense and open may exist(Doz & Kosonen, 2008; Overby et al., 2006). Intensive interchange with the external environment and deep reflection are prerequisites for strategic insight. These can be achieved by maximizing the channels of communication and integrity of knowledge exchange with the external environment (Overby et al., 2006).

Furthermore, an agile enterprise enforced by strategic sensitivity leads to agile partners who form an agile organization. In addition, networking for external needs have to be beyond immediate felt needs. There is also need for experimental attitude in developing strategy. Internal integration should also be analyzed from an outsider's point of view to achieve complete connectedness and cohesion (Doz & Kosonen, 2008).

Co-strategizing is the sharing of key assumptions, ideas and scenarios about future markets, technologies and competition. This has to be done with leading customers, non-customers, end-users, partner, substance experts and other key stakeholders aiding companies to improve sensitivity to new opportunities (Doz & Kosonen, 2008, Overby et al., 2006).

Moreover, several parties share and test their different insights in relation with their environments. Successful co-strategizing evolves with time and incorporates joint experimentation and resource commitment from all parties. Active and purposeful dialogue with the key stakeholders allows companies to learn from others' insights and foresights. Trust and acceptance of exchange of companies' power positions are required (Doz & Kosonen, 2008) as the market is uncertain, strategic market making and collaboration will evolve over time.

Leadership unity is the unification of the decision making body in making fast decisions after a strategic situation is encountered and the choices it opens or closes are well understood (Doz & Kosonen 2008). Agarwal et al., (2007) also emphasized the need for committed top management for an enterprise to be agile. Commitments are not deferred or postponed because of the political statements and personal insecurities of the top executives. Strategic sensitivity can only be acquired if there are agreements of top management on critical strategic redirects and commitments. Moreover, the successful implementation of the other key strategic agility dimensions significantly depends on the work of the top management.

Resource fluidity is the reconfiguration of the business systems and redeployment of the resources rapidly after consideration of the internal capabilities (Doz & Kosonen, 2008). Strategic sensitivity and collective commitments are only useful if there is resource fluidity. Resource fluidity is the ability to redeploy resources quickly towards developing strategic opportunities. Strategic agility only becomes real if there is the ability to mobilize and reallocate resources toward new strategic opportunities with maximum fluidity (Overby et al., 2006). Competitive advantage can be realized if intelligence and commitment is swift in a fast-developing strategic situation (Doz & Kosonen, 2008).

Resource fluidity is closely related to responding proposed by Sambamurthy et al. (2003) and Overby et al. (2006). In fact, resource fluidity is part of the reaction by the enterprise but is not complete as there are other activities which also contribute to reaction such as innovation. However, resource fluidity is like the oil which smoothen the operations. It has to be carefully and adequately undertaken to enable a smooth reaction to the business environment pressures. A smooth operating enterprise as a result of resource fluidity leads to an efficient and effective manufacturing firm being agile.

Sambamurthy et al. (2003) and Overby et al. (2006) emphasized the need to responding to business environment pressures after sensing the changes. Furthermore, the response has to be in time and with adequate speed and precision. The strength of the response is judged from its effectiveness and how the enterprise thrives after the response. In some cases, there is need for an element of surprise (Sambamurthy et al., 2003) especially to the competitors.

The knowledge-based theory views firms as distributed knowledge systems, which means that they are composed of knowledge embodied individuals and their social interactions. The knowledge-based theory of the firm postulate that knowledge is the only resource that provides sustainable competitive advantage, and therefore the firm's attention and the decision-making should focus primarily on knowledge and the competitive capabilities developed from it. The key contribution of the knowledge based view of the firm and KM literature is the insistence that knowledge can be managed as an organizational resource that in turn, hopefully, constitutes competitive advantage (Choo et. al., 2002). Soo et al. (2002) assert that the capacity to manage human intellect and to transform intellectual output into a service or a group of services embodied in a product is fast becoming the critical executive skill of this era.

The Resource-Based View (RBV) is a dominant theoretical framework in the strategic and entrepreneurship fields developed to explain how firms achieve and sustain competitive advantages (Barney, 1991; Barney and Mackey, 2005; Alvarez and Busenitz, 2001). The RBV theory contends that firms' resources and capabilities are the sources of their competitive advantage, hence wealth creation. Further, according to Barney (1991), firms will have competitive advantage when the resources are:

1. Valuable: having some strategic value for the firm;
2. Rare: resource is unique and difficult to obtain or find by competitors;
3. Imperfect immutability: resources cannot be imitated or copied by competitors; and
4. Non-substitutability: competitors do not have a substitute or alternative to accomplish the same results.

This theory therefore considers firms as heterogeneous entities with resources that can be classified as tangible and intangible assets. Other researchers simply classify resources to be human (knowledge and experience of the personnel), physical (plant, equipment and machineries), technological, organizational capital and financial capital. Resources are necessary and must be efficiently and effectively utilised to create capabilities that will achieve and sustain competitive advantages. Capabilities, opines Sanchez (2004) are "repeatable patterns of action in the use of assets to create, produce and/or offer products to a market". Consequently, firms need to strategically enhance their resources (which are mainly internal) and capabilities such as to create difficult-to-replicate competences by competitors in a dynamic environment.

Methodology

The subjects of this study were seventy six males and thirty females who were employees of Skye Bank, Eco Bank and Zenith Bank located in Ogbomoso, Oyo and Ibadan in Oyo State, Nigeria selected using stratified random sampling technique. The study made use of a questionnaire which was divided into six sections. Section A focused on the demographic information of the subjects covering sex, age, marital status and cadre among other things. Section B centred on knowledge Management strategy (measuring system orientation strategy(items 1-4) and human orientation strategy(items 5-8) based on prior works by Choi (2002) and Hsin-Jung (2007). The scale is an eighth item questionnaires with Likert scoring format ranging from (SA) strongly agree (5) to (SD) strongly disagree (1). The scale had a reliability Cronobach alpha value of 0.84. Section C dealt with organizational learning. Organizational learning was measured in terms of knowledge acquisition, knowledge distribution, knowledge interpretation, and organizational memory. This is a twenty five item scale using a 5-point Likert scoring format ranging from strongly disagree=1 to strongly agree =5. The first seven items dealt with knowledge acquisition, items 8 to 12 measured knowledge distribution, items 13 to 17 measured knowledge interpretation and items 18 to 25 measured organizational memory. These scales had reliability Cronobach alpha values of 0.77, 0.77, 0.82 and 0.84 respectively. Organizational learning scale is based on prior work by Lopez et al (2005). Section D centred on perceived environmental uncertainty. The scale for perceived environmental uncertainty (measuring perceived market turbulence(items 1-4) and competitive intensity(items 5-10) was adapted from the scales developed by Jaworski and Kohli (1993) and Hwang (2005). It is a ten item questionnaires with Likert scoring format ranging from (SA) strongly agree (5) to (SD) strongly disagree (1). The scale had a reliability Cronobach alpha value of 0.69. Section E looked at srategic agility measured in terms of strategic sensitivity, leadership unity and resource fluidity. The strategic agility scale is fifteen item scales adapted from a scale developed by ojha (2008) with a Likert scale scoring format ranging from strongly agree (5) to strongly disagree (1). The scale had a reliability Cronobach alpha value of 0.89. Items 1 to 6 measured strategic sensitivity, items 7 to12 measured collective commitment while items 13 to 15 measure resource fluidity respectively. Organizational performance was measured in section F. The organizational performance scale is adapted from a scale developed by khandwalla (1977) and David et. al (2002) which is an eighth item scale with a Likert scoring format ranging from very high (6) to very low (1). The scale had a reliability Cronobach alpha value of 0.87.

The instruments were revalidated and the Cronobach alpha reliability values gave the following results: knowledge management: 0.79 , organizational learning: 0.93, perceived environmental uncertainty: 0.68 , strategic agility: 0.93 and organizational performance: 0.78

The biodata information was analysed using frequency counts and simple percentage. Factor Anaysis was employed in analyzing the impact of the Strategic Management Variables (SMV) and Performance Variables (PV).

Results and Discussion

The first table displays the significance of Barlett's test of spericity and, thus the hypothesis that the inter-correlation matrix involving these eight variables is an identity matrix is rejected. Thus from the perspective of Bartlett's test, factor analysis is feasible. As Bartlett's test is almost always significant, a more discriminating index of factor analyzability is the KMO. For this data set, it is 0.855, which is very large, so the KMO also supports factor analysis for the eight items.

The next table displayed in the factor analysis is called communalities. Communalities indicate the amount of variance in each variable that is accounted for. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis. Initial communalities are estimates of the variance in each variable accounted for by all components or factors. For principal components extraction, this is always equal to 1.0 for correlation analyses. The can be justified from the column termed initial, where all values equal 1.000. Extraction communalities are estimates of the variance in each variable accounted for by the components. The communalities in this table are all high, except for promotion placement and satisfaction which are moderately high with organizational learning and strategic agility with the lowest values of 0.527 and 0.595 respectively and can still be included. This indicates that the extracted components represent the variables well.

The next table displayed the variance explained by the initial solution, extracted components, and rotated components. This first section of the table shows the Initial Eigenvalues. The Total column gives the eigenvalue, or amount of variance in the original variables accounted for by each component. The leftmost section of this table shows the variance explained by the initial solution. Three factors in the initial solution have eigenvalues greater than 1. These are employee satisfaction. Growth rate of sales and product quality. Together, they account for almost 68.16% of the variability in the original variables (organizational performance). This suggests that three variables are more associated with orgnizational performance than the others as revealed by the analysis, but there remains room for a lot of unexplained variation. The second section of this table shows the variance explained by the extracted factors before rotation. The cumulative variability explained by these three factors in the extracted solution is the same as that of the initial solution, ditto the third section.

From the component matrix table, The first component is most highly correlated except for perceived environmental uncertainty which is very low. The second component is fairly correlated while the third component is lowly correlated.

But in the rotation component matix, the first component is most highly correlated with employee's satisfaction, employee loyalty, knowledge management, strategic agility, product quality and growth rate of revenue. In the the second component financial strengh is mostly correlated most highly correlated with product and sales, while in the third perceived environmental uncertainty is mostly high.

Concluding Remarks

This research work factor analysed Strategic Management Variables (SMV) and Performance Variables (PV) of some selected banks in Oyo State. This research revealed that strategic management variables were immensely associated with bank performance. This means banks can gain sustained competitive advantage as individuals and groups in the organization learn. Banks can also achieve superior performance if they can acquire, store, disseminate and interprete effectively and efficiently new knowledge. This is in line with findings by(Idowu, 2013: Ogunsiji and Akanbi, 2013 a and b)who found out in their studies that organizational learning is positively correlated with firm performance.

Organizational learning which constitutes a complex capacity difficult to imitate and develop which is useful in all the dimensions of the company's performance and can be considered a veritable source of competitive advantage (Day, 1994; Slater, 1997). Among the benefits of organizational learning it is worth mentioning, first, that it establishes a link between the organization and the environment which allows a proactive behavior rather than a reactive one. Learning implies an improvement in response capacity through a wider understanding of the environment (Sinkula, 1994).

All the Strategic Management Variables were found to be significant. Based on the these findings, banks and other organizations should tactically improve their knowledge and learning base endeavour to adapt to their environment and strive to be strategically agile so as to improve their performance and in the long run gain sustained competitive advantage.

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Appendix 1

Table 1: KMO and Bartlett's Test

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.855
Bartlett's Test of Sphericity	Approx. Chi-Square	617.515
	Df	66
	Sig.	.000

Communalities

	Initial	Extraction
Satisfaction	1.000	.679
Growth	1.000	.675
Quality	1.000	.737
Productivity	1.000	.665
Strength	1.000	.762
Loyalty	1.000	.717
Image	1.000	.719
Goodwill	1.000	.741
Environment	1.000	.760
Knowledge	1.000	.602
Learning	1.000	.527
Agility	1.000	.595

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.274	43.949	43.949	5.274	43.949	43.949	3.435	28.627	28.627
2	1.722	14.350	58.299	1.722	14.350	58.299	3.435	28.627	57.254
3	1.184	9.863	68.162	1.184	9.863	68.162	1.309	10.908	68.162
4	.702	5.850	74.013						
5	.655	5.462	79.475						
6	.546	4.547	84.022						
7	.504	4.201	88.223						
8	.401	3.346	91.568						
9	.317	2.644	94.213						
10	.265	2.205	96.418						
11	.234	1.950	98.368						
12	.196	1.632	100.000						

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component		
	1	2	3
Loyalty	.803	-.260	
Quality	.775	-.255	-.267
Productivity	.767	.273	
Growth	.753	-.233	-.232
Image	.745	.405	
Goodwill	.686	.499	-.144
Strength	.682	.507	-.199
Agility	.650	-.357	.215
Satisfaction	.637	-.520	
Learning	.512	.301	.417
Knowledge	.502	-.503	.311
Environment	.196	.223	.820

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

Rotated Component Matrix[a]

	Component		
	1	2	3
Satisfaction	.819		
Loyalty	.741	.411	
Knowledge	.727		.262
Agility	.720	.163	.226
Quality	.706	.448	-.195
Growth	.677	.438	-.160
Strength		.867	
Goodwill	.110	.850	
Image	.227	.791	.204
Productivity	.335	.730	.139
Environment			.869
Learning	.165	.446	.549

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

Component Transformation Matrix

Component	1	2	3
1	.695	.702	.154
2	-.717	.659	.228
3	.058	-.269	.961

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Component Score Coefficient Matrix

	Component		
	1	2	3
Satisfaction	.303	-.126	-.006
Growth	.185	.064	-.197
Quality	.195	.066	-.228
Productivity	-.015	.216	.023
Strength	-.131	.330	-.075
Loyalty	.211	.023	-.065
Image	-.071	.255	.072
Goodwill	-.125	.315	-.030
Environment	-.027	-.075	.701
Knowledge	.291	-.196	.201
Learning	-.037	.089	.394
Agility	.245	-.099	.147

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Component Scores.

Appendix 2
Research Questionnaire

Dear Sir/Ma,

This questionnaire is specially designed for research purpose and as such, all information supplied will be treated with confidentiality. Please feel free to give accurate information and ensure that you answer all questions.

Akanbi, Paul A.

Section A

Instruction: Kindly indicate your responses by ticking the appropriate space.

DEMOGRAPHIC

1. Sex: Male ( ) Female ( )
2. Age: 18-25yrs ( ) 26-35yrs ( ) 36yrs-45 () 46-55yrs ( ) 56 and above ( )
3. Marital status: Single [ ] Married [ ] Divorced [ ] Separated [ ]
4. Educational background: Post graduate [ ] BSC|HND [ ] OND\NCE [ ] SSCE( ) Primary school leaving certificate [ ] Others (please specify) ------------------
5. Cadre: Management staff ( ) Senior staff ( ) Junior staff ( )
6. Department/Unit: Marketing ( ) Operations ( ) Customer Service ( ) Accounting ( ) Fund Transfer ( )

Section B:

Knowledge Management Strategy

Instructions: The following questions relate to your beliefs about the knowledge management strategy in your firm. Please show the extent to which you think the knowledge management strategy has the feature described by the statement.

Key: Strongly Agree (SA)=5, Agree(A)=4, Neither Agree Nor Disagree (N)=3, Disagree (D)=2, and Strongly Disagree (SD)=1.

S/N	ITEMS	SD	D	N	A	SA
1.	In our company, knowledge like know-how, technical skill, or problem solving methods is well codified.					
2.	In our company, knowledge can be acquired easily through formal documents and manuals.					
3.	In our company, results of projects and meetings are documented.					
4.	In our company, knowledge is shared in codified forms like manuals or documents.					
5.	In our company, knowledge can be easily acquired from experts and co-workers.					
6.	In our company, it is easy to get face-to-face advice from experts.					
7.	In our company, informal conversations and meetings are used for knowledge sharing.					
8.	In our company, knowledge is acquired by one-to-one mentoring.					

Section C:

Organizational Learning

Please indicate the extent to which the following items describe your company, with 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A) and 5 = Strongly Agree (SA). Tick the most appropriate number.

S/N	ITEMS	SD	D	N	A	SA
1	We have cooperation agreements with other companies, organizations etc.					
2	The company is in touch with professional and expert technicians.					
3	The organization encourages its employees to join formal or informal network made of people from outside the organization.					
4	The employees attend fairs and exhibitions regularly.					
5	There is a consolidated and resourceful Research and Development policy.					
6.	New ideas and approaches on work performance are experimented continuously.					
7.	Organizational systems and procedures support innovation.					
8.	All members are informed about the aims of the company.					
9.	Meetings are periodically held to inform all the employees about the latest innovation in the company.					
10.	The company has formal mechanisms to guarantee the sharing of the best practices amon g the different fields in the organization.					
11.	There are within the organization, individuals who take part in several teams or divisions and who also act as links between them.					
12.	There are individuals responsible for collecting, assembling, and distributing internally employee's suggestions.					
13.	All the members of the organization share the same aim to which they feel committed.					
14.	Employees share knowledge and experience by talking to each other.					
15.	Teamwork is a very common practice in the company.					
16	The company develops internal rotation programs so as to facilitate the shift of the employees from one department or function to another.					
17	The company offers the opportunities to learn (visits to other parts of the organization, internal training programs, etc.) so as to make individuals aware of other people or departments' duties.					
18	The company has databases to stock its experience and knowledge so as to be able to use them later on.					
19	The company has directories or e -mails filed according to the field they belong to, so as to find an expert on a concrete issue at any time.					
20	The company has up- to date databases of its clients.					
21	There is access to the organization's data basis a nd documents through some kind of network (Lotus Notes, intranet, etc.)					
22	Databases are always kept up- to date.					
23	All the employees in the organization have access to the organization's databases.					
24	Employees often consult the databases.					
25	The codification and knowledge administration system makes work easier for the employees.					

Section D:

Perceived Environmental Uncertainty

Please indicate the extent to which the following items describe your company's market, with 1 = strongly disagree, 2 = disagree, 3 = undecided, 4 = agree and 5 = strongly agree.

S/N	ITEMS	SD	D	N	A	SA
1.	Sometimes our customers are very price sensitive, but on other occasions, price is relatively unimportant to them					
2.	We are witnessing demand for our products and services from customers who never bought them before					
3.	New customers tend to have product-related needs that are different from those of our existing customers					
4.	Our customers tend to look for new products all the time					
5.	Many promotion wars occur in our industry					
6.	Anything that one competitor in our industry can offer, others can match readily					
7.	One hears of new competitive moves in our industry almost every day					
8.	The current business environment is threatening the survival of our organization					
9.	Tough price/service competition is threatening our organization					
10.	Competitors' product quality or novelty is threatening our organization					

SECTION E:

Strategic Agility

Please indicate the extent to which the following items describe your company, with 1 = Strongly Disagree (SD), 2 = Disagree(D),3 = Neutral(N), 4 = Agree(A) and 5 = Strongly Agree(SA). Tick the most appropriate option,

S/N	ITEMS	SD	D	N	A	SA
1	We have a clear sense of purpose and use it to guide our decisions in running the business					
2	We find it easy to explain our overall goals clearly and effectively to others.					
3	We have a high level of agreement about the principles that should guide our behavior in conducting our business unit's operations.					
4	We can describe the special skills, knowledge, and know-how that comprise our greatest strengths and that we rely on to maintain our competitive advantage.					
5	When allocating funds for process improvement, we are able to identify those processes that are most likely to add value to our products in the eyes of our clients.					
6.	We have a good understanding of which skills and knowledge are most critical to providing results that are important to our clients.					
7.	We are able to identify the market/client segments that place a high value on the product attributes we provide.					
8.	We know which of our business unit's core capabilities that are most important in creating value for existing or new market/client segments.					
9.	We know which competencies and processes we need to enhance or develop to better serve our targeted client segments.					
10.	We ask people on our project teams to treat mistakes as opportunities for learning and improving rather than as occasions for placing blame.					
11.	We provide easy access to information of interest to our clients and to the people we work with.					
12.	We encourage people on our project teams, including the client and his or her staff, to behave as though each of us is responsible for the final results of the total project, rather than just for the part we have been assigned.					
13.	We make sure the people we work with are familiar with our strategies and their purpose.					
14.	We are able to adapt our strategies to fit changing circumstances without losing sight of the overall purpose.					
15.	We involve the key people we work with in discussions of our strategies and solicit their thoughts on the best way to implement them.					

SECTION F:

Organizational performance

Instruction: Please tick the appropriate response out of the alternatives provided with respect to your firm performance and with respect to your competitors in the last ten years. Key: 1= very low, 6=very high

S/N	Items	Very low	Somewhat low	Low	High	Somewhat high	Very high
1	What would you say is the degree of your employee's job satisfaction in your organization?						
2	What is the growth rate of sales or revenue in your organization?						
3	How would you rate the product quality in your organization?						
4	How would you describe employee's productivity?						
5	How is the financial strength in your organization?						
6	How would you rate your employees' commitment or loyalty to your organization?						
7	What is the public perception of your organization's image?						
8	How would you rate your organization's goodwill?						

The Role of Transformational Leadership Style on the Performance of Organisations

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Abstract

This paper examined the relationship between transformational leadership and organizational performance in Nigeria. Among the findings were that transformational leadership is a common style practiced by leaders of the best performing organizations; the poorer performing companies tended to have lower survey ratings of transformational leadership and leader tenure in the organization correlated positively with ratings of transformational leadership. The paper recommends that both tenure and inspirational motivation are partners in the constant struggle for organizational performance. Stakeholders should begin to pay more attention to them if they want to improve their chances of sustained performance.

Key word: Transformational leadership style, Performance, inspirational motivation

Introduction

The difficulty in studying concepts such as leadership, organizational performance, and the interrelations between the two constructs, is that these terms are hard to define, describe, and to measure systematically. According to Burns (1978), Leadership is a difficult concept to fully appreciate and understand "Leadership is one of the most observed and least understood phenomena on earth". This statement appears to be just as true and accurate today as it was when Burns made it. Since Burns made this powerful statement, the interest in understanding leadership and its impact has intensified. Leadership has existed for centuries and has been most commonly associated with the military.

Many substantial body of leadership literature has been reviewed, there appears to be two clear distinctions made by the scholars. One body of work focuses on the internal dispositions or characteristics of the leaders while the second is concerned with the behaviors and activities of the same leaders. However, the connection between these two distinct views is not always clear or easy to understand. An understanding of the interplay between transformational leadership and organizational performance is an important factor for developing effective organizations. Finding ways to optimize the performance of people and hence, the organization has been, and continues to be, a major concern for organizational leaders. In today's service-based, knowledge economy, many companies are beginning to shift away from traditional models of management, originally developed for production-oriented firms, and now require a broader range of leadership skills and styles that are adaptive to diversity and to dramatic, often discontinuous changes in the work environment. As globalization becomes more pronounced, the changes may become even more dramatic as firms struggle to meet competition that only a few decades ago did not even exist (Burns 1978). The purpose of this paper is to examine relationship between transformational leadership with the performance of the organization

An analysis of Transformational Leadership Theory

The idea of transformational leadership started with James McGregor Burns approximately three decades ago. Burns' (1978) idea of the leader who transforms the outlook and behavior of followers has been applied in organizational settings by several authors over the last 30 years or so (Bass, 1985; Bennis & Nanus, 1985; Conger & Kanungo, 1987; House, 1977). The transformational leader is one who elevates followers' needs in line with the leaders' own goals and objectives. The transformational leader has been characterized as one who articulates a positive vision of the future that can be shared with subordinates and among peers, pays high attention to diversity, and intellectually stimulates subordinates to perform beyond what they think is possible for them (Yammarino & Bass, 1990).

Leaders who interact with their subordinates in ways that are seen by the subordinates as being intellectually challenging, inspirational, sensitively considerate and supportive, and expressing a mission that is representative of their collective views are classed as transformational. Studies have shown that such leaders are viewed in very positive terms by both subordinates and superiors and are frequently associated with very productive groups and organizations (Hater & Bass, 1988). The transformational leader raises the needs of followers to a level similar to his and promotes dramatic changes of individuals, groups, and organizations.

Transformational leaders lead change and strive to change their subordinates' orientations toward their job from one of self-interest to true commitment. Transformational leaders develop their followers (through coaching efforts and personal involvement) to the point where followers are able to take on leadership roles and perform beyond established standards or goals (Bass, 1990, 1993, 1994).

According to Bass (1985) there are four key dimensions of leadership that are employed to accomplish this transformation of subordinates, peers, and organizations. A fifth dimension was added later (Bass & Avolio, 1990) and these dimensions are:

Attributed charisma and idealized influence: This dimension, formerly called *charisma* by Bass (1985), is central to the transformational leadership process and is considered the key component of transformational leadership (Bass, 1985, 1990; Yukl, 1989). It involves gaining trust, respect, and confidence of others by taking a stand on difficult issues, showing conviction, emphasizing the importance of purpose, commitment, values, and representing the ethical consequences of decisions. Idealized Influence (Behavior) captures charismatic leadership which is behaviorally based and Attributed Charisma (Attributed) captures charismatic leadership which is non behavioral and attributed (Bass & Avolio, 1995).

Inspirational motivation: This element is related to communicating a vision with fluency and confidence in a positive manner, energizing others and increasing their optimism and enthusiasm for the tasks ahead. Some researchers have proposed that the leader's ability to define, articulate and communicate a mission is just as important as the nature of the vision (Behling & McFillen, 1996). The intention of inspirational motivation is to inspire followers by being moral and ethical and bringing values that are instilled in the vision that the leader wishes his followers to adopt as their own. Bass (1997) defined inspirational motivation as the leader's ability to articulate an appealing vision of the future, challenge followers with high standards, talk optimistically and with enthusiasm, and provide encouragement and meaning for what needs to be accomplished. Such a concept would be extremely difficult to communicate and building trust and respect would be near impossible if the leader did not act morally and ethically.

Individualized consideration: Transformational leaders deal with others as individuals and understand that each individual has different needs, abilities, and requires personal attention and to feel valued. Transformational leaders achieve this through listening attentively, recognizing and valuing each individual's contributions, developing, teaching, advising, and coaching. Bass and Avolio (1990) reported that individualized consideration was a required and fundamental quality of effective transformational leadership. Part of the importance of this element is the ability of the leader to align his goals and vision with those of the individual through effective one-to-one interactions which in turn increase the probability of achieving better organizational results (Zaleznik, 1963).

Intellectual Stimulation: Transformational leaders know that creativity, knowledge creation, and continuous improvement are the only real ways to sustainable competitive advantage. They continually challenge old assumptions and ways of doing things, foster creativity, stress the use of intelligence, and stimulate in others, new perspectives and ways of doing things. Transformational leaders encourage the expression of new ideas and reasons from their subordinates (Bass, 1997).

Measuring Transformational Leadership and Performance

Shea, 1999; Waldman & Yammarino, 1999) opines that measuring a compelling and positive vision of the future, communicating high performance expectations, role modeling, and displaying confidence in followers' ability to meet high expectations, transformational leaders have been found to positively influence followers' performance. Yukl, 1994; Bass, 1990 and Bass & Avolio, 1997 believe that Transformational leadership styles have been validated against numerous outcome variables such as the impact on followers' extra effort, organizational commitment, satisfaction, and perceived performance. They emphasized that, there are numerous articles in the literature as well as studies that have reported a relationship between transformational leadership and higher levels of follower effort, satisfaction with the job and leader, and perceived performance compared to other leadership styles.

Transformational leaders can have many direct and indirect effects on those who report to and follow them. Much of the literature on transformational leadership is rife with the effects that the leaders can have ranging from increases in self-confidence to increases in optimism and many others. Some of the more prominent and recent authors in the field of transformational leadership and their views on the effects of this type of leadership are discussed briefly below and then be presented in a table at the end of the section for ease of viewing. Perhaps one of the most prominent researchers in the last two decades was Bass who submitted that transformational leaders increase follower self-confidence and Yukl presented similar views in 1994 (Bass, 1990; Yukl, 1994). Bennis and Nanus (1985) and Boyatizis (1982) submit that transformational leaders increase their followers' ability to complete tasks (self-efficacy). Hater and Bass (1988) and other researchers such as Ross and Offerman (1997) reports that transformational leadership style actually increases the job satisfaction of subordinates.

Transformational leaders may inspire their followers, may deal individually with subordinates to meet their developmental needs, and may encourage new approaches and more effort toward problem solving (Seltzer & Bass, 1990). Transformational leaders motivate their followers to do more than the follower originally expected to do (Bass, 1985; Burns, 1978). Burns and Bass also report that followers of transformational leaders exhibit a greater willingness to put forth extra effort in addition to experiencing a high level of motivation. Tichy and Devanna (1986) suggest that transformational leaders bring about change, innovation and entrepreneurship which is similar to increases in innovative thinking and problem-solving reported by Bass and Avolio (1992) and Keller (1995). Berson (1999) who worked with Bass and Avolio on his dissertation reported that transformational leaders increase the optimism of followers and these leaders increasingly practice communicating future-oriented vision themes with their direct reports. Gasper (1992) suggests that followers report and believe that transformational leaders are perceived as more effective.

The transformational leader strives to achieve results beyond what is normal and sets higher corporate goals by inspiring a sense of importance about the team's mission, by stimulating employees to think innovatively about a problem or task in new ways, and by placing group goals over personal self-interest (Bass, 1985, 1990; Burns, 1978; Keller, 1992; Tichy & Devanna, 1986). Kelloway and Barling (2000) report that transformational leadership behaviors trickle down through the organization, raising the level of performance at all levels.

Transformational leaders also influence followers by raising their level of consciousness about the importance and value of designated goals and how the followers can help reach these outcomes (making the organization's goals, the leaders' followers' goals). As mentioned and submitted by Burns (1978) and Bass (1985), these leaders are able to get followers to transcend their own self-interest for the sake of the team or organization. According to Leli (1999), transformational leaders can do this by "… altering followers' needs levels on Maslow's need hierarchy or by expanding their portfolio of needs and wants". One of the core tenets of transformational leadership is that it transforms the individual as well the relationship between leader and follower.

There are other things that transformational leaders do to improve individual performance and positively impact organizational performance. According to Howell and Avolio (1993) these leaders place much value and emphasis on developing a vision and inspiring followers to pursue the vision; they concentrate their efforts on longer term versus short term goals; they change or align systems to accommodate their vision rather than work within existing systems; and they coach to take on more responsibility for their own development as well as the greater development of others. While many studies have investigated transformational leadership in terms of the impact on followers, followers were not the focal point of this study. Rather the focus was on leader effectiveness using objective measures of organizational performance. The next sections focus on the relationship between transformational leadership and organizational performance.

Conclusions and Recommendations

From the finding of this paper, it shows that the reasons for this relationship are not clear, but it is possible that smaller organizations would have an easier time of training and developing more managers' transformational leadership behaviors since there are fewer employees and they have more decentralized structures than their larger counterparts. In this study, the tenure of the leader was statistically significant and does play a role but it is not completely clear the magnitude it has, or can have on the performance of the organization. The impact of tenure was significant if the leader had more than 3 years of experience with the organization as leader.

This paper was to determine the relationship between transformational leadership and organizational performance measured. A deeper understanding and appreciation of this relationship shows promise to understand sustained growth in organizations to survive and excel in today's dramatically competitive, global environment. This paper shows that the relationship between some of the dimensions of transformational leadership and organizational performance is significant and positive. Given that organizations today must perform well and meet the competing expectations of a multitude of stakeholders in a transparent and ethical manner, it becomes imperative that leaders (those who lead organizations) espouse transformational behaviors consistently – organizational survival may depend on it.

The leader needs to be aware of the intensely competitive environments in which the organization operates and its impact. The leader must also listen to those who interface with the outside in various contexts, with different frequencies and at different levels than he or she does. This approach allows the leader to become aware of new trends possibly faster than if the leader relied strictly on the usual means of dealing with change.

The paper, however, show clear that good leadership can be learned in a multitude of ways, and some of the dimensions may have a more significant impact than others on the performance of the organization. Studies by Howell and Avolio (1993) have supported that there is significant impact on the relationship between transformational leadership and business performance.

Leaders might be well served and their organizations may experience increased performance if some focused time was spent learning about transformational leadership. More specifically, in training on leadership or in leadership training programs there should be more of a focus on the dimensions or constructs *intellectual stimulation* and *inspirational motivation* because they can impact organizational performance in a significant way. Development of a leadership program for leaders and followers that includes these dimensions specifically could impact performance positively and shows promise for increased organizational performance.

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An Evaluation of Allocative Efficiency of Resource use by Cassava Farmers in Wamba L.G.A of Nasarawa State

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Abstract

This study was carried out to determine the allocative efficiency of resource use by cassava farmers in Wamba LGA of Nasarawa state. This was achieved by ascertaining the socio-economic characteristics of these farmers and estimating their production function to provide coefficients for determining the allocative efficiency of resource use. Data were generated through the administration of questionnaire to 126 randomly selected farmers in the five villages purposely selected. The findings revealed that resources that account for over 80 per cent (R^2) variation in output are underutilized and this was discoveredto be at variancewith the national policy objective on cassava production. It was recommended that an efficient communication network be instituted between research institutions, government/private organizations and extension workers to convey information on recent research discoveries, best practices, farm-management skills and to ensure accessibility of credit, and agro-allied chemicals to these farmers.

Keywords: Allocative Efficiency, Resource Use, Cassava Farmersp style, Performance, inspirational motivation

Introduction

Cassava is the third most important food source in tropical countries with over 500 million people relying on it as their main source of calories and subsistence farmers in sub-saharan Africa in the majority IITA (2011). Nigeria is the largest producer of cassava in Africa and third in the world behind Brazil and Thailand.

Apart from being a major source of calories, cassava's derivatives are applicable in many types of products such as confectioneries, monosodium glutamate, drugs, amongst others. The discovery of its capacity to act as substitute for wheat has generated anxiety in the Nigerian federal government policy formulation matrix. Nigeria currently imports wheat worth N635 billion annually basically for bread production (Adesina, 2011). It is argued that including 50 per cent cassava flour in wheat flour will save the country over N315 billion and contribute in the reduction of the worsening rate of unemployment in the Nigeria. In 2002, Nigeria adopted a policy compelling flour millers to implement 10 per cent cassava flour into wheat flour and this has resulted in increased cassava production to the tone of 37 million tons as at 2010 (FAO, 2011). The present administration is poised to double this figure by making production demand driven.

But agriculture in Nigeria is dominated by the prevalence of small scale farmers who account for over 90 per cent of the total agricultural output (olayide, 1990; Ehilebo and Okon, 2009). Realizing the above policy objective will require focusing attention on these small scale farmers that are into the production of cassava. More so, to achieve growth in all sectors of the economy that will guarantee long term sustainable development will require resources to be used much more efficiently, with more attention paid to eliminating waste.

Many researchers have identified resource use efficiency to be responsible for the poor performance of the agricultural sector in Nigeria. Some critical resources which have been identified with low levels of productivity are capital, labour and land use (Akpan, 1982; Olayide and Heady, 1982). The success in achieving broad-based economic growth will depend largely on the ability to efficiently utilize the available resources. Agricultural growth act as a catalyst for broad based economic growth and development in most low-income countries and that economic growth is strongly linked to the efficient utilization of resources. This forms the cardinal interest of this study.

Nasarawa State is a highly agrarian area with a large percentage of its populace engaged in farming and other agricultural activities. Cassava is one of the major crops that are currently grown in Nasarawa State, contributing a large fraction of total agricultural production in the state. This explains why the state government has regularly undertaken steps to enhance the potentials of cassava through the implementation of various programmes. Wamba LGA being among the leading producers of cassava in the state has benefited immensely from some of these initiatives which include; microcredit scheme to rural farmers, provision of fertilizers etc. However, despite these efforts by the government, Nasarawa State is yet to take its pride of place as a leading producer of cassava, particularly when compared with Benue and Kogi State in the North Central Zone. But with agricultural production depending significantly on the degree of efficiency with which resources are utilize, there is therefore a need to assess the allocative efficiency of resource in Nasarawa State and Wamba LGA in particular. This forms the bedrock of this study.

The broad objective of the study is to analyze the Resource use efficiency of cassava farmers in the aforementioned study area. The specific objectives of the study are to:

i. Estimate the allocative efficiency of cassava farmers in Wamba L.G.A
ii. Determine the effect of resource use on the output and production cost of cassava farmers in the study area.

Methodology

The study was carried out in Wamba LGA of Nasarawa state. Nasarawa state is located in the north central geo-political zone of Nigeria. The state lies between latitude 7^{0} 45' and 9^{0} 25'N of the equator and between longitude 7^{0} and 9^{0}37'E of the Greenwich Meridian. It shares boundary with Kaduna state in the north, Plateau state in the east, Taraba and Benue state in the south, while Kogi and the Federal Capital Territory flank it in the west.

The state has a land area of 27,137.8 square kilometers with rich fertile soils from the loosed soil material of alluvial deposits in most southern local government areas to the well structure and developed oxisols and terrisols in the northern portion of the state and undeveloped soils on hills slopes and entrenched river valleys such as the Mada, Uke and Dep.

The state is characterized by a tropical sub-humid climate with two distinct seasons; the wet and the dry season. Annual rainfall figure ranges from 1100mm to about 2000mm. A single maximum temperature is achieved in March of 39^{o}c. The relative humility varies from 40% to 88% with an average of 63%.

Agriculture is the major occupation and the main crops grown are cassava, yams, rice, cocoyam, maize, beans, groundnuts, *acha,* and vegetables. Households also keep livestock such as sheep, goats, pigs, poultry, etc.

Sample selection

Sampling procedure involved a multistage sampling technique in which firstly, five villages; Gwagi, Gwata, Sisimbaki, Wayo and Konva were purposely selected from Wamba LGA due to the prevalence of cassava production in these areas. Secondly, Households were randomly selected on the basis of the community's population size using a constant sampling fraction of 1% in order to make the sampling design to be self-weighting thereby avoiding sampling bias (Eboh 2009). Based on the foregoing criterion, 126 farmers were randomly selected cutting across the five villages marked for the study

Data was collected in the 2013 cropping season. The data collected were mainly from primary sources and obtained through the use of structured questionnaires that were administered to the selected 126 cassava farmers in Wamba LGA of Nasarawa State. Data were analyzed through descriptive statistics and regression analysis.

Model Specification

A multiple regression model was specified to determine factors that influence cassava output in the study area. There are various forms of production function that could be used to analyze agricultural production generally (Heady and Dillon, 1981). However, a general form may be specified for cassava farmers in wamba LGA of Nasarawa State taking into account the nature of crop, environment and the peculiar category of the farmers. Let us say the output of cassava (q_i) of each farmer in the study area is a function of farm size (*fs)*, Labour (*Lb*), Stems (*sm*), and Capital (*k*). The implicit form of the model is given as follows:

$Q = f(X_1, X_2, X_3, X_4, e)$

Where

Q= output of cassava

X_1= farm size, X_2= Labour, X_3= stems (measured in kg), X_4= capital

e= Error term

It is expected *a priori* that the coefficients of X1, X_2, X_3, X_4,>0.

Four functional forms of the multiple regression model; linear, semi-log, Cobb-Douglas and exponential were estimated and a lead equation selected. The functional forms were expressed in the explicit form as:

$Q = b_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$ -------1(Linear)

$LnQ = \ln b_o + b_1 \ln X_1 + b_2 \ln X_2 + b_3 \ln X_3 + b_4 \ln X_4 + e$ ---2 (Cobb-Douglas)

$Q = \ln b_o + b_1 \ln X_1 + b_2 \ln X_2 + b_3 \ln X_3 + b_4 \ln X_4 + e$ -----3 (Semi-Log)

$LnQ = b_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$--------------4 (exponential)

Where;

b_o= constant

b_1-b_4=estimated regression coefficients

X_1-X_4=independent variables

The Cobb-Douglas production function was chosen as the lead equation having satisfied the econometric criteria of having the best fit, highest number of estimators that are statistically significant, significant value of F- statistic as well as expected signs of the estimated parameters.

Determination of allocative efficiency

Allocative efficiency has to do with a firm ability to use the inputs at its disposal in optimal proportions given their respective prices and the available production technology. In other words, Allocative efficiency is the farmer's ability to produce a given level of output using the cost minimizing input ratios (Benjamin 2011).

To determine the allocative efficiency of resource use, the following ratios were adopted.

$$AER = \frac{\text{MVP of a factor input}}{\text{Price of the factor}}$$

$$MVP_{Xi} = MPP_{Xi} . P_{Xi}$$

$$MPP_{Xi} = \frac{\delta Q}{\delta X_i}$$

MVP_{Xi}=Marginal Value Product of a factor

MPP_{Xi}=Marginal Physical Productivity of a factor (this is also the first order derivative of the production function. In the case of the Cobb Douglas function, the MPP are the direct elasticity of production-parametric values)

P_{Xi}=Unit price of a factor or the opportunity cost of the factor.

AER=Allocative Efficiency Ratio

Decision rule
If AER=1, resource is efficiently utilized
If AER>1, resource is under utilized
If AER<1, resource is over utilized

The use of this ratio in determining allocative efficiency enjoys rich support in literatures (Agom, Ohen, Idiong and Oji, 2009; Rahman and Lawal, 2003)

Results and Discussion

The results of the estimated relationships are presented in Appendix.

Socio-economic characteristics of respondents

From the socio-economic profile of farmers in Table 1, males constituted the majority of cassava farmers in the study area with 86.50% of total respondent as against females with 13.50%. Females were less involved because of the high labour requirements and land ownership pattern which favour the males. Most (39.68%) of the respondents were aged 41-50 years while 31.72% of them were aged between 31-40 years. The mean age of the farmers was about 43.4 years implying that the farmers were at the active stage of life to produce the needed quantities of output if given the enabling environment such as inputs support. Also, the youthful nature of most of the farmers may be an advantage to innovation, since youths are said to be less risk averse and may have better exposure to new ideas. Majority (50.00) of the farmers had 9 – 12 persons in their families with a mean family size of 9 persons. These large family sizes are advantageous in labour supply for agricultural output production.

On farm size majority (44.44%) of the farmers had farm sizes of 0.6 – 0.1 hectares, 26.19 per cent had above 1 hectare while the mean farm size was 0.79 hectares implying that most of the sampled farmers are small scale farmers. On the distribution of farmers based on their farm incomes, most (39.68%) farmers earned an annual income of N50,000 – N100,000 with only about 7% earning above N150,000 per annum. The mean annual farm income was N89, 141.97 which is less than N8, 000 per month in spite of large families which they supported. The marginal propensity to consume of these farmers far exceeds their propensity to save making the generation of financial capital almost impossible. This further perpetuate the vicious cycle of poverty that had engulfed these farmers. The educational level was low as 38.09% and 33.33% (a total of 71.42%) had either no formal education training or had only attended primary school. This has adverse effect on their resource use efficiency and income generating ability.

Estimation of production function

From Table 2, the Cobb- Douglas function revealed that about 87.7% of the total variation in output was explained by the factors inputs as indicated by the R^2 value which is the level of fit of the model. This also implies that the Cobb-Douglas function fit the data better than the other models. All explanatory variables under the Cobb- Douglas function came out with the expected positive sign. These positive coefficients imply direct relationship between inputs and output and that increase in the quantity of one of these inputs holding others constant would increase the output.

Also Table 2, revealed that cassava farming in the study area for the 2013 cropping season had output elasticities of farm size (X_1), Labour (X_2), Stems (X_3) and Capital (X_4), as 0.165, 0.103, 0.073, and 0.22. In other words, holding other variables constant, a 1 per cent increase in say farm size(X_1) will result in about a 0.165 percent increase in output. In terms of magnitude of the parameter coefficients, Capital (X_4) appeared to have the highest potentials among the factor inputs. This should be of peculiar interest to policy makers charged with the task of enhancing cassava production.

Estimation of Allocative Efficiency

To obtain the parametric measure of efficiency, a functional form of the regression model is chosen and estimated. Ideally, the functional form should be flexible and computationally straightforward. To satisfy these properties, most empirical studies use the Cobb-Douglas production function which was already adopted for this study based on econometric criteria. As earlier specified, the ratio of MVP to Factor prices produced the Allocative Efficiencies. From Table 3, and the decision rule specified by the AER, farm size, labour and stems were under utilized by cassava farmers in the study area. The study area is rural in setting with inherited pattern of land ownership. Large portions of land within these areas are arable with insufficient labour to cultivate the farm lands and this might be responsible for the under utilization of stems as most of them are left to be destroyed by bush fire.

Recommendations

In line with the findings of this research, the following recommendations are hereby made:

1. There is need for government to establish a research centre which would provide these farmers with information, conveyed in their (farmers) local dialects through the public media, on accessibility of credit, availability and use of agro-allied chemicals, and some basic farm management skills. This centre should also engage in researches into high yielding stem cuttings, and make these stem cuttings available to the farmers. This is important, considering the low marginal productivity of stem cuttings from the estimate of our model.
2. From the estimate of our production function, capital (X4) has the highest marginal productivity of about 0.22. This is an indication that Capital, if boosted would contribute more to Cassava production in the study area than then other inputs. Government should take advantage of this by granting these farmers with access to interest-free credit facilities.
3. Despite the rich supply of labour resulting from the large family sizes of the farmers in the study area, labour's contribution output is very low compared with the other inputs like Capital and Stems. This may be due to the untrained nature of these farmers. Government should therefore provide periodic training exercises under the auspices of the research centre discussed above, to these farmers. This would help to enhance the productivity labour in the study area.
4. These farmers should also be encouraged to established thrift cooperatives which would motivate them to save a significant part of their income. This would help pull them (farmers) out of their current vicious cycle of poverty.

Conclusion

Though one of the highest producers of cassava in Nasarawa state, resources are still under utilized by farmers in Wamba LGA as revealed by the analysis of individual inputs. This situation is in conflict with the policy decision of the Federal Government to not only double the current production of cassava in the country but in the long-run completely substitute wheat in bread production with cassava flour. The potency of the policy design in achieving the above feat can only be tested better in areas categorized as "cassava producers". The educational level of farmers appears to pose a challenge in the efficient utilization of resources. To this end, it was recommended that to achieve efficient allocation of resources, there is need for a virile network of communication between the research institute, government/private organization, and the extension workers. Information on accessibility of credit, availability and use of agro-allied chemicals, and some basic farm management skills should be conveyed in their (farmers) local dialects using the media.

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Appendix

Table 1. Socio-Economic Characteristics of farmers

Variable	Frequency	Percentage
Gender:		
Males	109	86.50
Females	17	13.50
Total	126	100
Age		
Less than 30	17	13.49
31 – 40	40	31.72
41 - 50	50	39.68
Above 50	19	15.10
Total	126	100
Family size (No. of persons)		
4 and below	06	4.76
5 – 8	36	28.57
9 – 12	63	50.00
Above 12	21	16.66
Total	126	100
Farm size (Hectares)		
0.1 – 0.5	37	29.37
0.6 – 1.0	56	44.44
Above 1.0	33	26.19
Total	126	100
Average annual income		
Less than N50,000	30	23.80
N50,000 – N100,000	50	39.68
N101,000 – N150,000	37	29.36
Above N150,000	09	07.14
Total	126	100
Educational Attainment		
No. formal education	48	38.09
Primary school	42	33.33
SSCE/NECO/GCE	27	21.40
Post secondary	09	7.14
Total	126	100

Source: Field Survey data 2010

Table 2. Regression estimates result

PARAMETER		**LINEAR MODEL**			**NON-LINEAR**					
					SEMI-LOG MODEL			**COBB-DOUGLAS**		
Variable	*Symbol*	*Coefficient*	*Std*	*ρ-value*	*Coefficient*	*Std*	*ρ-value*	*Coefficient*	*Std*	*ρ-value*
Intercept	β_0	917.504	89.831	0.000	3.006000	0.554000	0.00000	3.709	1.9111	
X_1	B_1	0.001737	0.000441*	0.0001	0.450513	0.02459*	0.3187	.165	.1512*	
X_2	B_2	0.294702	0.072196*	0.0001	0.285920	0.04325*	0.2114	.103	.1562*	
X_3	B_3	0.903526	4.685175	0.8472	0.042219	0.0445	0.6486	.173	.1492*	
X_4	B_4	-0.861043	1.191315	0.4702	0.027236	0.04187*	0.1503	.220	.1507*	0.0079
OTHER STATISTICS										
R-squared		0.273240			0.455082			0.877203		
Adjusted R-squared		0.265670			0.382511					
S.E. of regression		483.5810			0.303168					
Sum squared resid		1.12E+08			34.74219					
Log likelihood		-3690.658			-84.11857			-361.760		
Mean dependent var		1780.247			7.447185			7.4472		
S.D. dependent var		564.3176			0.315774			0.31577		
Akaike info criterion		15.21258			0.461354			737.520		
Schwarz criterion		15.26427			0.502667					
Durbin-Watson stat		1.557265			1.572884			1.92661		

Source: Field survey data 2010. Note:* implies statistical significance at 5 percent level

Table 3. Efficiency of resource use in cassava production

Resources	MPP(b_i)	MVP($b_i.P_i$)	MFC(#)	MVP/MFC
farm size(ha)	0.165	330	2000/ha	0.165
stems(kg)	0.173	1.73	10/kg	0.173
labour(manday)	0.103	72.1	700/manday	0.103

source: Field survey data 2010

Analysis of the Risk Types, Attitude and Reduction Strategies of Agribusiness Entrepreneurs in Abia State, Nigeria

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pp 149-156

Abstract

This study analyzed the risk types, attitude and reduction strategies of agribusiness entrepreneurs in Abia, Nigeria. A random sample of 90 entrepreneurs were selected, questionnaires and interview was used to elicit the required data. Descriptive statistics were used to analyse the data. The risk types mainly affecting the entrepreneurs were political and financial risk, the management strategies mainly adopted was cooperative marketing, diversification and savings as methods of self insurance. The entrepreneurs were found to developed better risk attitude when faced with different risk types and with the knowledge of the reduction strategies. The entrepreneurs are therefore encouraged to develop a high attitude towards risk and adopt good risk reduction strategy.

Key words: Risk, Attitude, Strategies, Agribusiness

Introduction

Risk according to Isenmila (2005) is the chance of loss. Shiro (2004) defined risk as the variability that likely to be associated with future returns from a project. Risk is a situation where the future outcomes may be assessed with some degree of confidence, probably based on the acknowledgement of the past or existing events (Ezike, 2003). Enterprises have long been considered a risky proposition. Just the potential for failure and loss discourages many entrepreneurs from continuing or starting a new business. Risk is mostly influenced by the entrepreneur's environment which may be political, social, market and so on as well as the risk attitude of the entrepreneur. The type of risk and the risk attitude of the entrepreneur which may be high, average or low affect the investment options of the entrepreneur (Orford *et al.,* 2003).

Conceptual arguments for the link between capital access, risk, investment options, and entrepreneurship have existed for decades (Schumpeter, 20011 and Faulkender *et al.,* 2011), with more recent empirical research providing mixed findings on these links. First, evidence suggests that entrepreneurs who operate in the non corporate sector face liquidity constraints. Holtz- Eakin *et al.* (1994), among others, suggest that personal wealth has a substantial effect on both the probability of becoming an entrepreneur and on the amount of capital employed in the business. Second, entrepreneurship is risky. Nto *et al.* (2011) argued that bearing risk is one of the essential characteristics of entrepreneurial investment and that this goes a long way to influence the decision to invest. The level of risk and the amount of available capital will influence the investment decision and this will in turn determine the type and size of entreprise (agribusiness) to be embarked by the entrepreneur.

From the works of Sekumade *et al.* (2013) and Nto *et al.* (2011) the risk reduction strategies adopted by agribusiness entrepreneurs to include diversification, integration, insurance, forward contracting, sequential marketing, cooperative marketing, hedging, borrowing and savings. These identified risk reduction strategies is been used tackle situation such as currency, political, production, market, financial, social and cultural risk. From the work of Brockhaus (1980) there are three levels of risk attitude—low, average or moderate, and high—could affect an individual's decision to start a business venture. Mancuso (1975) stated that individuals who are considered established entrepreneurs tend to be moderate risk takers, but he did not provide empirical support for his viewpoint, nor did he suggest what the propensity for risk taking might have been at the time the entrepreneurial decision was made. Perhaps in some instances, as the entrepreneur becomes more aware of his business environment, he realizes that the venture has been more risky than he originally perceived it. As noted earlier, no studies have considered the risk taking propensity of individuals whose business ventures failed before becoming reasonably well established. These individuals may have considered their ventures to involve moderate or low risks, or they may have recognized the highly speculative nature of their proposed ventures and even believed that there was a greater likelihood for failure than for success. As stated above, if their motivation to avoid failure was very strong, they may have preferred to fail in a high-risk environment where failure could be explained without assuming personal blame, instead of in a more moderate risk setting, where they might more likely be blamed personally for failure. Previous researchers who studied established (and, therefore, at least moderately successful) entrepreneurs may have eliminated from their studies those entrepreneurs who chose high-risk ventures and failed, as well as those who started what they considered to be low-risk ventures and failed.

According to Alpuerto *et al.,* (2010) Owing to the low economic growth, the increasing level of poverty and unemployment pertaining to developing economies like Nigeria, agribusiness has been identified as an avenue to start up entrepreneurial activities due to the agrarian nature of the Nigerian people and climate. The oil discovery and its boom of the 1970's in Nigeria which many have been referred to as a 'resource curse' (Hear, 1985), has made Nigeria dependent on its oil proceeds for survival and this has monopolized the economy leading to the underdevelopment of other sectors of the economy (Ekpo and Umoh, 2013). With the recent downturns in the economy which is due to the dwindling oil prices, theft and vandalization of pipelines with its attendant increasing unemployment rate of 23.9% in 2012 and poverty level stood at 69.10% in 2010 (World bank, 2012), there was the clamor for self employment through entrepreneurship by governments, since the wage employment opportunities are minimal or nonexistent. After several efforts to propagate the idea of self employment as the remedy to the economic hardship witnessed among economies, it was discovered that self employment cannot be achieved without the right mix of entrepreneurial know-how (Duru, 2011). The emphasis of most scholars and policy makers then shifted to entrepreneurship as a sure means of alleviating poverty, unemployment and diversification of the Nigerian economy (Onwumere *et al.*, 2012; Muhanna, 2007). Considering the agrarian nature of the Nigerian climate agribusiness entrepreneurship is considered as a viable means of promoting entrepreneurship and improving the standard of living of the populace. Many agribusiness entrepreneurs in Nigeria in the area of input, production, processing and marketing have witnessed an untimely death (Mbanasor *et al.,* 2001; Onwumere *et al.,*2011; Humphery, 2006; Nainggolan, 2008), and this have been attributed to factors such as capital constraint, high risk level, poor investment decision among other factors(Nto *et al.,* 2011; Fauklender, 2011; Mirjam, 2003).

Methodology

This work was carried out in Abia State, Nigeria. Abia state is a State created in 1991 was carved out from Imo State. The citizens are predominantly Igbo's. Abia state is located in the south eastern region of Nigeria. The state is approximately within latitudes 4°, 41^{l} and 6°, 14^{l} north of the equator and longitudes 7°, 10^{l} and 8^{l}° east of the Greenwich meridian. It has seventeen Local Government Areas that are divided along three agricultural zones namely Ohafia, Umuahia, and Aba (ABSEEDS, 2005; and Nto *et al.*, 2011). The state was selected for this study from many others because of numerous agribusiness enterprises located in the rural, suburb and urban areas. It is noted that the agribusiness entrepreneurs operate formally in the suburb and Urban centres and informally in the rural areas (Marchet *et al*.,2001 and Nto *et al.,* 2011).

The multistage sampling technique was adopted in the selection of the agribusiness entrepreneurs that was used for the study. The first stage was a fact finding visit to the Ministry of Commerce and Industry and the ministry of agriculture from where the list of all the agribusiness entrepreneurs (registered with the government) in the State was obtained. The second stage involved the process of dividing the agribusiness entrepreneurs in the estimate into the agribusiness subsystems of input, production, processing, marketing and support subsystems. The third stage involved a purposive sampling technique to select 10 agribusiness entrepreneurs from the support subsystem which were few in the list and 20 agribusiness entrepreneurs in each of the subsystems. The fourth stage was a preliminary visit to some of the agribusiness entrepreneurs by the researchers. The reasons for the visit were to validate the list of agribusiness entrepreneurs and ensure that the entrepreneurs are existing and to ensure that the three agricultural zones are evenly represented. Thirty (30) entrepreneurs were chosen from each of the Agricultural zones from the list making up a total sample size of ninety (90). Data for this study were generated through cross sectional method using questionnaires administered on the entrepreneur or management team of each of the agribusiness enterprises. The survey instruments were responded to by the entrepreneur or their representatives in the enterprise who were in positions to provide the necessary data. Three risk professionals from the Chartered Institute of Loan and Risk Management, Nigeria (CILRM) were selected as enumerators to elicit the data relating to risk, each for an agricultural zone was used. In order to achieve the objectives of this study descriptive statistics were used.

Results and Discussion

Risk Types, Attitudes and Reduction Strategies

The risk type, the risk attitudes as well as the risk reduction strategies of the agribusiness entrepreneurs was examined. A comparison between the risk attributes, risk type and strategies was also carried out to analyze their relationship.

The Risk Types Experienced by the Agribusiness Entrepreneurs

The identified risk by the agribusiness entrepreneurs are political, financial, price, currency and market risk.

Table 1: Distribution of the agribusiness entrepreneurs according to the most type of risk experienced

Risk type	Frequency	Percent
Political	28	31.1
Financial	30	33.3
Price	11	12.2
Currency	11	12.2
Market	10	11.1
Total	90	100

Source: survey data, 2013.

From Table 1, which presents the distribution of the agribusiness entrepreneurs to the identified risk, 33.3 percent of the entrepreneur identified that they mostly experience financial risk. Financial risk is the probability that the agribusiness entrepreneur using debt financing will lose when the cash flows are inadequate to meet it financial obligations (Investopadia, 2013).

It was found that 31.1 percent of the agribusiness entrepreneurs were mostly affected by political risk. Political risk of an agribusiness entrepreneur is the risk of a strategic, financial or personnel loss due to non market factor such as microeconomic and social policies (Ian, 2007). It can simply be seen as the probability that the agribusiness entrepreneur investment returns could suffer loss as a result of political (macroeconomics) changes or instability in the country state.

It was found the 12.2 percent of the agribusiness entrepreneur are mostly affected by price risk and currently risk respectively price risk is the probability that the value of the agribusiness entrepreneur investment will decline in the future. The agribusiness entrepreneurs also view price risk as the probability that the price of their raw material or finished goods will fall with time (Okoh *et al.,* 2011).

The currency risk is the probability that the investment value of the agribusiness entrepreneur will be affected by changes in exchange rate; this mostly affect the agribusiness entrepreneurs that source their raw material/good or have direct/indirect linkages to the international market(Oladele *et al., 2011;*Briggs, 2009 and Iyayi *et al.,*2012).

The market risk was found to mostly affect 11.1 percent of the agribusiness entrepreneurs. Market risk is the probability that the agribusiness entrepreneur will experience losses to due to factor that effect the overall performance of the market these may include changes in the number of competitors, suppliers, consumers etc. market risk is also called systematic risk (Investopadia, 2013).

The risk attitude of the agribusiness entrepreneurs

The risk attitude of the agribusiness entrepreneurs was broadly categorized into low average and high (Marco *et al.* 2003).

Table 2: Distribution of the agribusiness entrepreneurs according to their risk attitudes

Risk attitudes	Frequency	Percent
low risk	26	28.9
average risk	22	24.4
high risk	42	46.7
Total	90	100

Source: survey data, 2013.

From Table 2, which presents the distribution of the agribusiness entrepreneurs according to their risk attitude? It was found 46.7 percent of the agribusiness entrepreneurs had a high risk attitude and this was in line with the findings of Marco *et al*. (2008). While it was found that 28.9 percent and 24.4 percent of the agribusiness entrepreneurs had low and average risk attitude respectively.

The risk reduction strategies of the agribusiness entrepreneurs

The identified risk reduction strategies used by the agribusiness entrepreneurs include diversification, integration and insurance, forward contracting sequential marketing, cooperative marketing, foreign exchange hedging, borrowing and savings.

Table 3: Distribution of the agribusiness entrepreneurs according to the most used risk reduction strategy

Risk strategy		Frequency	Percent
Valid	Diversification	10	11.1
	Integration	9	10
	Insurance	7	7.8
	forward contracting	8	8.9
	sequential marketing	8	8.9
	cooperative marketing	24	26.7
	foreign exchange hedging	7	7.8
	Borrowing	7	7.8
	Saving and others	10	11
	Total	90	100

Source: survey data, 2013.

From Table 3, which presents the distribution of the agribusiness entrepreneurs according to the risk reduction strategies, it was found that 26.7 percent of the agribusiness entrepreneurs mostly use cooperative marketing risk reduction strategies. Cooperative marketing is the risk reduction strategy in which the agribusiness entrepreneurs from cooperative societies to market their products as well as buy raw material in a cost effective price. Cooperative marketing help others to market their produce profitably than possible through trade and used as a means of controlling market risk.

It was found that 11.1 percent of the agribusiness entrepreneurs mostly used diversification and savings risk reduction strategies. Diversification is the risk reduction strategy involving the investment in different areas to have wider opportunity of attracting revenue simultaneously (Umebali, 2001). The agribusiness entrepreneur may decide to invest in one of the available agribusiness investment options.

This result clearly indicates that the entrepreneurs adopt cooperative marketing and diversification is sources of insurance against risk by the agribusiness entrepreneurs. The entrepreneurs pool their resources together in the cooperative to take advantage of production and marketing synergy.

The relationship between the risk attitudes and the risk types of the agribusiness entrepreneurs

The agribusiness entrepreneurs risk attitudes was compared with the risk types in order to ascertain the relationship between the risk types and risk attitudes.

Table 4: Cross tabulation of the risk attitude and risk types of the agribusiness entrepreneurs

		Risk attitudes			
		Low risk	Average risk	High risk	Total
Risktype	Political	(8.9)8	(10.0)9	(12.2)11	(31.1)28
	Financial	(7.8)7	(5.6)5	(20.0)18	(33.3)30
	Price	(4.4)4	(3.3)3	(4.4)4	(12.2)11
	Currency	(6.7)6	(1.1)1	(4.4)4	(12.2)11
	Market	(1.1)1	(4.4)4	(5.6)5	(11.1)10
	Total	(28.9)26	(24.4)22	(46.7)42	(100)90
symmetric measure	Pearson's R	0.025			

Source: survey data, 2013.

Note: values in parenthesis are percentages

From Table 4, which presents a cross tabulation of the risk attitudes and risk types. It was found that 12.2 percent of the agribusiness mostly affected by political risk have high risk attitude, 10.0 percent of those affected by political risk have average risk attitude while 8.9 percent of the agribusiness entrepreneurs affected mostly by political risk have low risk attitude. The agribusiness entrepreneurs mostly affected financial risk mostly affected financial risk mostly have high risk attitude (20.0 percent). It was found that 5.6 percent of such entrepreneurs have average risk attribute while 7.8 percent of such entrepreneurs have low risk attitude.

The agribusiness entrepreneurs mostly affected by price risk are 4.4 percent low and high risk attitude with 3.3 percent having an average risk attitude. The agribusiness entrepreneurs mostly affected by currency risk mostly have low risk attitude (6.7 percent) with 4.4 percent and 1.1 percent having high and average risk attitudes respectively. The agribusiness entrepreneurs mostly affected by the market/systematic risk attribute (5.6 percent) with 4.4 percent and 1.1 percent having average and low risk attitudes respectively. The symmetric measures indicate that there is not significant relationship between the type of risk and the risk attitudes of agribusiness entrepreneur.

The relationship between agribusiness entrepreneurs risk attitude and risk reduction strategies

The agribusiness entrepreneurs risk attributes was compared with the risk reduction strategies to ascertain if the risk attitude of the entrepreneur affects the risk reduction strategies of the agribusiness entrepreneur.

Table 5: Cross tabulation of risk strategy and risk attitude of the agribusiness entrepreneurs

		Risk attitudes			
		Low risk	**Average risk**	**High risk**	**Total**
Riskstrategy	Diversification	(5.56)5	(0.0)0	(5.56)5	(11.11)10
	Integration	(2.22)2	(2.22)2	(5.56)5	(10.00)9
	Insurance	(4.44)4	(1.11)1	(2.22)2	(7.8)7
	forward contracting	(2.22)2	(1.11)1	(5.56)5	(8.99)8
	sequential marketing	(1.11)1	(1.11)1	(6.67)6	(8.90)8
	cooperative marketing	(11.11)10	(12.22)11	(3.33)3	(26.7)24
	foreign exchange hedging	(0.00)0	(2.22)2	(5.56)5	(7.8)7
	Borrowing	(0.00)0	(1.11)1	(6.67)6	(7.8)7
	Saving	(2.22)2	(3.33)3	(5.56)5	(5.56)5
	Total	(28.9)26	(24,2) 22	(46.7)42	(100)90
symmetric measure	Pearson's R	0.108			

Source: survey data, 2013.
Note: values in parenthesis are percentages.

From Table 5, which presents the cross tabulation of the risk attitudes and risk reduction strategies used by the agribusiness entrepreneurs. Diversification risk reducing strategy was adopted by 5.56 percent of entrepreneur with low and high risk attitude respectively, while cooperative marking was used by 11.11 percent and 12.22 percent of the entrepreneurs with low and moderate risk attitude.

Conclusion

The major risk type faced by the agribusiness entrepreneurs were political risk and financial, majority of the entrepreneurs were observed to have a high risk attitude representing 46.7 percent of the entrepreneurs while the entrepreneurs adopt any of the risk reduction strategies include diversification, integration, insurance, forward contracting, sequential marketing, cooperative marketing, foreign exchange hedging, borrowing, savings and other strategies. A positive relationship existing between the risk attitude of the entrepreneur and the risk types, clearly indicates that as the entrepreneurs and exposed to diverse risk types, the entrepreneurs develops a positive attitude to match the impact of such risks types. The positive relationship existing between the risk attitude of the entrepreneurs and the reduction strategies clearly indicates that as the entrepreneurs have knowledge and access to the risk reduction strategies they develop a better and improved attitude towards risks.

Recommendations

Based on the findings of the study the following recommendations are proffered.

1. The agribusiness entrepreneurs are faced with mostly political and financial risk. The government and policy makers are encouraged to develop and implement policies that ensure political and financial stability of the agribusiness entrepreneurs.
2. The entrepreneurs should understand their attitude towards risk, as well as identify the types of risk attributed to their nature of agribusiness and consult risk experts on the risk reduction and management strategies that will suit the peculiar type of risk facing the agribusiness entrepreneurs.
3. Since the agribusiness entrepreneurs had mostly a high attitude towards risk, there should intensified efforts to encourage the entrepreneurs to employ the services of risk experts in order to manage their risk properly.
4. The use of insurance by the agribusiness entrepreneurs was observed to be low. Insurance companies should educate the entrepreneurs on their policies, so that the entrepreneurs can buy such policies to minimize the effect of risk. The insurance policies for the agribusiness entrepreneurs should be formulated in such a way to incorporate the fondly adopted risk reduction strategies of diversification and cooperative marketing to make such policies attractive to the entrepreneurs.

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Effects of Service Quality on Customer Satisfaction in the Banking Industry

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Abstract

This study investigated the effects of service quality on customer satisfaction and bank profitability. Two research questions and hypotheses were formulated for this study. Judgemental sampling technique was used. Data was collected from a sample size of 30 respondents using questionnaires. It was discovered from the study that, service quality as perceived by customers was good. It was also discovered that, employees of the bank understood customers well and that there was a good relationship existing between bank staff and customers of first bank. First bank also operates convenient working hours. It was recommended that, more staff be recruited; staff should also go on training. ATM machine be serviced and properly maintained.

Keywords: Service quality, customer satisfaction, profitability

Introduction

There are economic benefits to improving service quality in the Nigerian banking industry. The bank industry has a conservative style due to the traditional management methods used in the past and legal restrictions. Because the level of quality of business activity is high and price competition is easily limited, non-price competition can reach porters so called differentiation competitive superiority; furthermore with non-price competition, service quality is invariably raised and new goods and services introduced (Akan, 1995).

Most recent researches have begun to voice out suspicions as to whether or not several of the concepts underlying quality control's operationalization to improve customer satisfaction and company quality ultimately produce their intended goals. On the road to improving quality, numerous setbacks can be encountered, causing several companies in the banking industry to discard quality improvements.

Aldlaigan and Buttle (2002) submitted that the scope of banking in any country include, activities like, deposit of money, foreign exchange, security, trust, withdrawal of money, loans and so on. In this study, emphasis is on banking business activities management which measures the profitability and growth situations of service quality of banking management.

In meeting its major goals of effective serve delivery banks must, therefore, identify the needs and wants of their customers in order to effectively and efficiently satisfy them. In the process marketing things are often used to guide the whole process. Kotler (2002) observed that "after twenty years, marketing theory could become a powerful movement proving that not much marketing has been practiced". Customers' wants efficient and quality services especially in the following areas, overdrafts, loans, documentations, money deposits, withdrawals, trade financing, investments and so on. The central bank of Nigeria which is the apex of the banking industry has made policies that will enable banks after quality services to her numerous customers. An enabling environment has been created to achieve quality banking in Nigeria but it appears the desired objective of quality banking services has not been achieved. There still problems and so many challenges to be summated. Customers still complain of poor services, lack of courtesy by bank staff, in some cases long queues in the banking hall, inadequate seats in the waiting rooms resulting to most customers standing up while they wait to be attended to. The big question now is this, how has service quality affected the customer satisfaction and profitability of banks in Nigeria? Are banks aware that customer satisfaction and banking achievements aware very important? Are they aware that, service quality can retain customers and in turn improve on the profitability of banks? It is in attempt to answer these pertinent questions that the study undertook an investigation into the effect of services quality on customer satisfaction and bank profitability in Nigeria.

Literature Review

Conceptual Framework

According to the new western Dictionary of the English Language, service is the act of performing any of the business function auxiliary to production or distribution.

Quality of Service

The quality of Service (QoS) according to Blanchard Galloway (1994,) refers to several related aspects of telephony and computer networks that allow the transport of traffic with special requirements. In particular, much technology has been developed to allow computer networks to become as useful as telephone networks for audio conversations, as well as supporting new applications with even stricter service demands (Angur, *et al,* 1999).

Athanassopoulos (1997), opined that quality of service comprises requirements on all the aspects of a connection, such as service response time, loss, signal-to-noise ratio, cross-talk, echo, interrupts, frequency response, loudness levels, and so on. A subset of telephony QoS is Grade of Service (GoS) requirements, which comprises aspects of a connection relating to capacity and coverage of a network, for example guaranteed maximum blocking probability and outage probability.

In the field of computer networking and other packet-switched telecommunication networks, the traffic engineering term refers to resource reservation control mechanisms rather than the achieved service quality. Quality of service is the ability to provide different priority to different applications, users, or data flows, or to guarantee a certain level of performance to a data flow. For example, a required bit rate, delay, jitter, packet dropping probability and/or bit error rate may be guaranteed. Quality of service guarantees are important if the network capacity is insufficient, especially for real-time streaming multimedia applications such as voice over IP, online games and IP-TV, since these often require fixed bit rate and are delay sensitive, and in networks where the capacity is a limited resource, for example in cellular data communication.

A network or protocol that supports QoS may agree on a traffic contract with the application software and reserve capacity in the network nodes, for example during a session establishment phase. During the session it may monitor the achieved level of performance, for example the data rate and delay, and dynamically control scheduling priorities in the network nodes. It may release the reserved capacity during a tear down phase.

A best-effort network or service does not support quality of service. An alternative to complex QoS control mechanisms is to provide high quality communication over a best-effort network by over-provisioning the capacity so that it is sufficient for the expected peak traffic load. The resulting absence of network congestion eliminates the need for QoS mechanisms.

QOS is sometimes used as a quality measure, with many alternative definitions, rather than referring to the ability to reserve resources. Quality of service sometimes refers to the level of quality of service, i.e. the guaranteed service quality. High QoS is often confused with a high level of performance or achieved service quality, for example high bit rate, low latency and low bit error probability (Avkiran, 1994).

An alternative and disputable definition of QoS, used especially in application layer services such as telephony and streaming video, is requirements on a metric that reflects or predicts the subjectively experienced quality. In this context, QoS is the acceptable cumulative effect on subscriber satisfaction of all imperfections affecting the service. Other terms with similar meaning are the quality of experience (QoE) subjective business concept, the required "user perceived performance", the required "degree of satisfaction of the user" or the targeted "number of happy customers" (Babakus et-al, 2003).

History

Conventional Internet routers and LAN switches operate on a best effort basis. This equipment according to Brown et-al (1993) is less expensive, less complex and faster and thus more popular than competing more complex technologies that provided QoS mechanisms. There were four "Type of service" bits and three "Precedence" bits provided in each IP packet header, but they were not generally respected. These bits were later re-defined as Differentiated services code points (DSCP) and are sometimes honored in peered links on the modern Internet (Carman,1996).

With the advent of IPTV and IP telephony, QoS mechanisms are increasingly available to the end user. A number of attempts for layer 2 technologies that add QoS tags to the data have gained popularity during the years, but then lost attention. Examples are frame relay and asynchronous transfer mode (ATM).

Qualities of Traffic

In packet-switched networks, quality of service is affected by various factors, which can be divided into "human" and "technical" factors. Human factors include: stability of service, availability of service, delays, user information. Bitner (1990) submitted that technical factors include: reliability, scalability, effectiveness, maintainability, grade of service, etc.

Methodology

The research design for this study was the survey type. Judgmental sampling method was used in collecting data from a sample size of 30 respondents. Data were presented in tables and analyzed using simple percentages. Mean scores on four point likert scales were used in analyzing the data generated. The correlation analysis was used to test the hypotheses formulated for this study.

Hypotheses

The following research hypotheses were formulated and tested.

I. There is no significant relationship between quality improvements and bank profitability.
ii. There is no significant relationship between customer satisfaction and profitability.

Analysis of Results

The data is organized around each research question. An analysis of the data is made.

Demographic Information about Respondents. The following information is considered vital about the respondents.

Table 1: Sex of Respondents

Sex	N	%
Male	15	50
Female	15	50
Total	30	100

Source: Field Survey, 2013

Data in Table 1 revealed that male and female each made50%of the respondents.

Table 2: Age bracket of Respondents

Age	N	%
18-25yrs	5	16.7
26-36yrs	20	66.6
37-46yrs	5	16.7
Above 46yrs	-	-
Total	30	100

Source: Field Survey, 2013

Data in Table 2 show that most of the respondents (i.e. 66.6%) are in the age bracket of 26-36 years.

Table 3: Marital Status of Respondents

Marital Status	N	%
Married	15	50
Single	15	50
Divorced	-	-
Total	30	100

Source: Field Survey, 2013

The marital status of respondents in Table 3 shows that, the married and single each constitutes 50% of the respondents.

Table 4: Qualification of Respondents

Qualification	N	%
No formal education	-	-
Primary education	-	-
JSSCE	-	-
SSCE	-	-
NCE/Diploma	15	50
Degree/Masters	15	50
Total	30	100

Source: Field Survey, 2013

In terms of educational qualification, Table 4 shows that, 15 respondents representing 50% possessed NCE/Diploma while another 50% possessed Degree/Maters degree.

Two research questions were addressed in this study. The results are presented below:

In order to address this research question, mean perception of all on the exterior of the bank, interior of the bank, appearances of employees, the ATM of the bank, the number of staff of the bank, the computerized system of the bank. This is presented in the table 5 below.

S/No	Items constructed	Mean perception	Rank order	Remark
1	Exterior of the bank is appealing	3.5	3rd	S
2	Interior of the bank is attractive	4.0	1st	S
3	Employees of the bank are neat	3.8	2nd	S
4.	The interior of the bank is spacious	4.0	1st	S
5.	There is adequate number of ATM	3.1	4th	S
6	Computerize system of the bank	1.0	6th	NS
7	Is there is adequate number of staff in the bank	1.8	5th	NS

N = 30overall mean = 3.02.
Source: Field Survey, 2013

Data in Table 5 show that item 6 received the lowest mean rating ($\bar{x}$ =1.0) while item 7 received a mean rating of ($\bar{x}$= 1.8) indicating that, the computerized system of the bank do not work properly and that the number staff of the bank are not adequate. The result of the study show that, the exterior and interior of the bank is attractive, ($\bar{x}$= 3.5, 4.0), the staff of the bank are neat, the interior of the bank is specious ($\bar{x}$= 3.8 and $\bar{x}$ = 4.0 respectively). The study also show that there is adequate number of ATMs in the bank ($\bar{x}$=3.0).

Table 6: Mean perception of respondents on the quality of service rendered to customers.

S/No	List of items	Mean perception	Rank order	Remark
16	The bank does not make customers stand in queue for long hours	3.1	3rd	S
17	Employee of this bank always help customers	3.0	4th	S
18	Employees of this bank provide individualized attention to customers	3.0	4th	S
19	Employees of this bank are willing to solve customers' problems.	3.2	2nd	S
20	Employees of this bank provide error free service to customers	3.2	2nd	S
21	This bank has convenient working hours	3.7	1st	S

N = 30overall mean = 3.2
Source: Field Survey, 2013

Data in Table 6 contain six items. The table shows an overall mean score of 3.2. These mean score indicate that all the items constructed have a significant mean score. It implies that, bank staff do attend to customers promptly ($\bar{x}$=3.1), customers are always helped by the staff of the bank ($\bar{x}$=3.0). It also means, employees of the bank provide individualize attention to customers ($\bar{x}$3.0). Item 19 received a mean score of 3.2 and is considered significant and ranked 2nd. Meaning that employees of FirstBank are always willing to solve customers' problem. Items 20 and 21 received a mean score of 3.2 and 3.7 respectively. On a four point likert scale of this magnitude, a mean score of 2.0 and above is considered significant. It therefore implies that bank staffs provide error free services to customers and the bank also has convenient working hours for customers. Item 21 is ranked 1st and is also considered significant.)

Table 7: Additional findings on Quality of Service Offered to Customers of First Bank Plc.

S/No	List of items	Mean perception	Rank order	Remark
22	Employees of this bank provide equal treatment to customers	3.2	2nd	S
23	Employees of this bank know customers needs	3.0	3rd	S
24	Employees of this bank meet customers request quickly	3.0	3rd	S
25	The internet banking services of this bank are widespread	3.8	1st	S

N = 30, S = significant overall mean = 3.2.
Source: Field Survey, 2013

Data in Table 7, show that item 22 received a mean score of 3.2 and was ranked 2nd and considered significant it means employees of first bank treat customers equally. Item 23 is an employees of the bank knowing the needs of customers. It received a mean score of 3.0, it was ranked 3rd and considered significant. Item 24 and 25 received mean score of 3.0 and 3.8 respectively. The conclusion is that, employees of first bank meet customers request quickly and the internet services of first bank are widespread. All the items have an overall mean score of 3.2.

Testing of Hypotheses

The hypotheses tested here.

Hypothesis One:

There is no significant relationship between service quality and bank profitability. To test this hypothesis, the regression analysis was used. The model summary is presented in the table below.

Table 8: Model Summary

Mode	R	R-square	Adjusted R-square	Std. Error of the Estimate
1	.816	.666	.625	1.64027

Predictors: (constant). Atm

Table 9: ANOVA

Model	Sum of squares	Df	Mean square	F	Sig.
1 Regression	42.976	1	42.96	15.973	.004
Residual	21.524	8	2.690		
Total	64.900	9			

Predictors (Constants), atm

Dependent variable: service quality.

From the table above, r = 0.816, r^2 = .666. This implies that the regression is significant. This hypothesis is tested at 6.05 level of significance. P = value calculated is 0.000 which is < 0.05, indicating that the relationship is significant. The null hypothesis is rejected and conclusion is made that a significant relationship exists between service quality and bank profitability.

Hypothesis Two:

There is no significant relationship between customer satisfaction and profitability.

To test this hypothesis, the correlation analysis was used.

The computation table is presented below:

Table 11: Correlations

		Customer needs	Relationship	Queue length	Working has
Number of staff	Sig. (2-tailed)	10	10	10	10
Computerized	Pearson correlation Sig. (2-tailed) N	 10	 10	 10	 10
Customer needs	Pearson correlation Sig. (2-tialed) N	1.00 0.000 10	1 10	.612 .060 10	.802 .005 10
Queue length	Pearson correlation Sig. (2-tailed) N	.612 0.60 10	.612 .060 10	1 10	.764 .010 10
Working hours	Pearson correlation Sig. (2-tailed) N	.802 .005 10	.802 .005 10	.764 .010 10	1 10

From the table above, customer needs has a perfect correlation, relationship also has a perfect correlation 1.00, and queue length has 0.612 while working hours has 0.802. Statistical evidence has allowed us to reject the null hypothesis and accept the alternative hypothesis. It implies that, there is a significant relationship between customer satisfaction and profitability.

Discussion of Results

This study was conducted to assess the effect of service quality on profitability of banks. The variables of sex, qualification, age, marital status, were discussed.

The results presented in Table 1 – 4 revealed that 66.6% of the respondents were in the age bracket of 26-36, where as 15 respondents and 15 respondents representing 5% each had NCE/Diploma and degree/ masters degrees respectively.

Item 1 was in the exterior of the bank, it had a mean score of 3.5, while item 2, 3, 4, 5, 6 and 7 had mean scores of (X = 4.0, 3.8, 4.0, 3.1, 1.0 and 1.8 respectively. All the items were considered significant except item 7 which was on the number of staff of first bank.

Table 6 revealed on overall mean score of X = 3.03. this indicate that bank staff respond to problem of customers promptly, they are polite to customers, the staff are highly experienced, the staff understand customers and there is a warm relationship existing between employees of first bank and the customers.

Finding from Table 7 show that customers do not stay in queue for long hours, staff help customers, error free service are provided to customers and banking hours are convenient for customers. The overall mean score is 3.2. On the basis of equal treatment to customers it was discovered that first bank staff treat customers equally as evident in the mean score (X = 3.2). Bank staff also knew their customer needs (X =3.2). The staff also respond to customers quickly (X = 3.0) it was discovered that the services of first bank are widespread. This item received a mean score of X = 3.8 it was ranked 1st and considered significant.

Research questions were generated to sharpen the focus of the investigation. The research questions reflected the following

I. The banc exterior,
ii. The banc interior
iii. ATM machines
iv. Number of staff
v. Knowledge an customers
vi. Customers services
vii. General infrastructure.

The major findings of the study are as follows

I. The male and female responders were equal (50% respectively).
ii. A greater proportion of responders possessed NCE/Diploma Certificates.
iii. Majority of customers perceived service quality to be good as can be seen from their mean ratings.
iv. The result showed (X = 2.8 to 3.1) bank staff respond to customers promptly.
v. Employees of the bank understand customers.
vi. There is a warm relationship between employees of the bank and customers.

vii. Customers are not made to stand on queue for long.
viii. Employees of the bank are willing to solve customers problems
ix. The bank operates convenient working hours.

Conclusion

The study investigated the effects of service quality on profitability of banks. One major conclusion of this study was that customers of first bank are to a large extent satisfied with the services provided by first bank of Nigeria Plc. The computerize system of the bank in some cases do not work properly. The bank also needs to employ more hands for speedy delivery of services to customers.

Recommendations

As the basis of the findings of this study, the following recommendations are made.

i. More staff should be recruited in first bank if desired quality of services is to be achieved.
ii. More computers should be purchased to enhance the quality of services rendered to customers.
iii. Staff to go as training from time to time in order to improve on the quality of services rendered to customers.
iv. First bank of Nigeria Plc should open up more branches to help decongest the few existing ones.
v. Maintenance work on ATM machines should be carried out regularly. This will help solve the problem of "temporary out of service".

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Effect of Price Differential and Packaging on the Sales Revenue of Beverage Product in Abia State, Nigeria

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Abstract

This study examined the effect of price differential and packaging on the sales revenue of beverage products retailing in Aba and Umuahia, Abia State. The specific objectives were to analyze the socio economic characteristics of the beverage retailers, investigate the price differences among the indentified beverages, examine the relationship between price and packaging as well as to examine the effect of price and packaging on the sale revenue of the retailers. A random sample of 100 beverage retailers were selected from Umuahia and Aba, and questionnaire were distributed in order to elicit the data. The tools used in this study include descriptive statistics, correlation analysis and multiple regression analysis. Result of the analysis shows that there exist a huge price differential in the price of chocolate and milk beverages in Umuahia and Aba, price and package quality were observed to have a significant positive relationship while price and package quality were significant factor affecting the sales revenue of beverage retailers. It was therefore recommended that entrepreneurs and retailers should go into beverage retail business because of the huge price differences and sale revenue from the business.

Introduction

Pricing is the process of determining what a company will receive in exchange for its products. The factors considered mostly in Pricing are manufacturing cost, market place, competition, market condition, and quality of product. Pricing is also a key variable in micro-economic price allocation theory. Pricing is a fundamental aspect of financial modeling and is one of the four Ps of marketing mix.

The other three aspects are product, promotion, and place. Price is the only revenue generating element amongst the four Ps, the rest being cost centers

Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quality break, promotion or sales campaign, specific vendor quote price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. Automated systems require more setup and maintenance but may prevent pricing errors. The needs of consumer can be converted into demand only if the consumer has the willingness and capacity to buy the product. Thus pricing is very important in marketing. (Meyer, 2000)

Packaging is a very important marketing strategy to glamorize product in order to attract the consumer's attention. Sometimes packaging is so important that it cost more than the product itself in order to lure the consumers to buy it.

Packaging should definitely be included in the 4 major Ps of marketing (product, place, promotion and price) (Soroka, 2002). Diana, (2005) believe that most consumers judge a product by its packaging before buying. So it is logical to say attractive packaging is crucial in order to get the first time buyers to buy your products. Without attractive packaging, who would buy it in order to try it? Your first step to enter the market is crushed if the packaging is ugly (Soroka, 2002). The basic function of packaging is to "preserve product integrity" by protecting the actual food product against potential damage from "climatic, bacteriological and transit hazards" (Stewart, 1995).

Abia Sate has two major towns of Aba and Umuahia with the household's consumption of beverages on the increase because of its necessity as the basic need of man. These households usually purchase these products from numerous retail outlets in their neighborhood with quantity purchase dependent on the price, package and quality. As the retail environment becomes saturated with competitors vying for consumer's attention, packaging has to work harder than ever if the product is to be noticed through the congestion of competitive products.

It has to be emphasized that, it is important for products to have all the qualities of good package so that all things being equal, the prospective buyer would be attracted and there would be a corresponding increase in sales for the manufacturers. Thus, for product to bought, it must be attractive in terms of colour, shape and symbols reflecting the price differences for such a product. In other words, the product package must conform to price of the product in order to attract the value and the utility for the product. The use of packaging as a marketing and sales promotional tool has been very well developed in the advanced countries such as Nigeria lagging far behind. In Nigeria, many products tend to be poorly labeled in terms of concept and appeal including colour, typography, photography, illustration and layout. As a persuasive tool, packaging plays an important role in the overall marketing approach; supporting marketing initiatives and promoting product brand values by making the product stand out on the supermarket shelf and attract consumers. Poorly packaged products attract are not competitive and attract poor price with poor sales. Households and consumers in Abia State depend on limited income to meet up with her numerous needs, thud the consumer goes for the best as they are price sensitive an d are attracted by the package of the product. It on this premises that this research paper wishes to examine the effect of price differential and packaging on sales revenue of beverage products in Abia State.

The problems which this study will address are how much to charge for a product or service? How much sales is been realized? What are the price differences? Do we use profit maximization pricing? Does price and packaging have any effect on the sales revenue of the products? The broad objectives of this study are to examine the effect of price differential and packaging on the sales revenue of beverage products retailer in Abia State.

The specific objectives of this study include: to

i. describe the socio economic characteristics of the beverage retailers
ii. investigate the price differences among the identified beverages
iii. examine the relationship between prices and packaging
iv. examine the effect of price and packaging on the sales revenue of the beverage products.

Methodology

Study Area

This work was carried out in Abia State, Nigeria. Abia State is a State created in 1991 was carved out from Imo State. The citizens are predominantly Igbo's. Abia State is located in the south eastern region of Nigeria. The state is approximately within latitudes 4^0 4^1 and 6^0, 14^1 north of the equator and longitude 7^0, 10^1 and 8^{10} east of the Greenwich meridian. It has seventeen Local Government Areas that are divided along three agricultural zones namely Ohafia, Umuahia, and Aba . This state share common boundaries to the north with Ebonyi State, to the south and south west with Rivers State and the east and south east with Crossriver and Akwa Ibom States respectively; to the west is Imo State and to North West Anambra State. Abia State has 17 Local Government Areas namely Aba North, Aba South, Arochukwu, Bende, Ikwuano, Isiala-Ngwa North, Isiala-Ngwa South, Isiukwuato, Obingwa, Umuahia North, Umuahia South and Umu-nnochi.

The state is selected for this study from many others because of numerous beverage retail outlets in the state especially in the major towns of Aba and Umuahia. This study covered the Ubani Umuahia market and Ahiaohuru market of Aba. According to the data collected from the market association of the Ubani Umuahia market there are 150 beverage retail shops in the market while the market association of Ahiaohuru puts the number of beverage retail outlet at 200 bringing the population of beverage retail outlet to 350. A random sample of 100 beverage retail outlet will be selected for the study. 50 retail outlets was selected randomly from each of the markets to make up a sample size of 100.The data for this study was collected from the retail outlets using a well structured questionnaire. A random sampling technique was adopted in the selection of sample.

Data Analysis

To achieve the objectives of this study and test the hypothesis of this study descriptive statistics, correlation analysis and multiple regression analysis was adopted.

The model for the correlation analysis is stated thus:

$$R = \frac{\sum (x_1-8)(Y_1-p)}{\sum (x_1-8)^2 (Y_1-p)^2}$$

Where
R= correlation coefficient
Y= price
X_1= package quality

For the multiple regression analysis the model is implicitly stated as

$Y = f(x_1, x_2)$

The explicit form of the model is stated as

$Y= b_0+b_1+x_1+b_2x_2 +ei$

Where
Y= sale revenues
X_1= price of the beverage package
X_2= quality of product package
B_1= the parameter
E_1= the error term

Results and Discussion

Socio Economic Characteristics of the Respondents

Gender of the Respondents

The distribution of the influence of gender on the purchase of foreign apparels is shown in **Table 1.** the table showed that 30 percent of the beverage retails were males while 70 percent of them were females. This showed that female dominant in the area beverage retail. This revealed that female constitutes the majority of those who retail beverages.

Table 1: Distribution of Respondents According to Sex

Sex	Frequency	Percentage
Male	30	30
Female	70	70
Total	**100**	**100**

Source: Field Survey Data, 2014

Age of the Respondents

The distribution of the beverage retailers is shown in **Table 2.** The table showed that majority of the respondents (45%) was within the age range of 31 and 40 years. This is an indication that the respondents in the study area were mostly middle aged within the achieve productive work force. This indicates that as individual advanced in age the less such an individual have motivation to embark on beverage retail business. These age groups have much influence in the purchase decision making process.

Table 2: Distribution of Respondent According to Age

Age (Years)	**Frequency**	**Percentage**
21-30	38	38
31-40	45	45
41-50	12	12
51-60	2	2
61 and above	3	3
Total	**100**	**100**

Source: Field Survey Data, 2014

Marital Status of Respondents

The distribution of the influence of marital status of the beverage retail outlets is shown in **Table 4.3.** The table showed that 30% of the respondents were single, while 61% of the respondents were married. This implies that, the married were more likely to be in the beverage retail business compared to the unmarried.

Table 4.3: Distribution of Respondents According To marital Status

Marital status	**Frequency**	**Percentage**
Single	39	39
Married	61	61
Total	**100**	**100**

Source: Field Survey Data, 2014

Retail outlet size of Respondents

The beverage retail outlets size is shown in **Table 4.** This table showed that 10% of the beverage retail outlets hand size of between 10 and 15 persons 58% others had between 6 and 10 persons. However, 32% of the beverage retail outlets of 1 and 5 members. This result indicates that most of the retail outlets have a retail outlet size of 6-10. This result shows that the beverage.

Table 4: Retail size Distribution

Retail size (No of persons)	**Frequency**	**Percentage**
1-5	32	32
6-10	58	58
10-15	10	10
Total	**100**	**100**

Source: Field Survey Data, 2013

Educational Level

The distribution of the respondents according to educational level is shown in **Table 5.** The table revealed that 24% of the respondents had primary school education; presumably, the Possession of literacy is an advantage for going into beverage retail.

Table 5: Distribution of Respondents by Educational

Educational Level	Frequency	Percentage
Primary	24	24
Secondary	52	52
Tertiary	5	5
Masters	9	9
Doctorate	10	10
Total	**100**	**100.00**

Source: Field Survey Data, 2014

Sales Revenue of the Beverage Retail Outlets

The sales revenue of the beverage outlets is shown in **Table 6.** The table showed that 17% of the beverage outlets realize the sales revenue between ~~N~~ 11,000 and ~~N~~ 200,000,000 while the remaining 83% of the respondents realize from N201,000 and above. This indicates a moderate realization of sales revenues by the respondents.

Table 6: Distribution of Respondents According to sales Revenue

Sales Level (₦)	Frequency	Percentage
11,000-200,000	17	17
201,000-400,000	8	8
401,000-600,000	4	4
601,000-800,000	12	12
801,000-1,000,000	6	6.3
1,001,000-1200,000	2	2
1,201,000-1,400,000	30	30
1,401,000-1,600,000	17	17
601,000-800,000	12	12
1,801,000-2,000,00	1	1
2,001,000-2,200,00	0	0
2,201,000-2,400,000	8	8
2,401,000-2,600,000	4	4
2,601,000-2,800,000	2	2
2,801,000-above	2	2
Total	**100**	**100**

Source: Field Survey Data, 2014

The types of beverages Retailed by the Outlets

The distribution of respondents according to the types of beverage retailed is shown in Table 4.7. The table showed that 60% of the beverage retail outlet deals with chocolate beverages while 16% and 22% of the beverage retail outlet sell milk and soft drink beverages respectively.

Table 7: Distribution of Respondents According to type of beverage

Type of Beverage	Frequency	Percentage
Chocolate	60	60
Milk	16	16
Soft drink	22	22
Alcohol	2	2.0
Total	**100**	**100**

Source: Field Survey Data, 2014

The price differences among the identified beverages

To examine the price differences of the retail product for the beverage retail outlets in Umuahia and Aba, each brand of beverage was examine and the price differences identified.

The price differential of chocolate beverages

There is clear cut price differences among the different brands of chocolate beverages, the difference among the brands of chocolate beverages. We observed that the ovaltine chocolate beverages had the highest price, followed by milo and bournvita while other brands of chocolate beverage identified had the same price.

There were price differences of the brand of chocolate identified by retailers in Umuahia and the commercial town of Aba. The brands attracted higher prices in Umuahia when compared to Aba, this is as result of higher commercial activities in Aba with the increased level of competition in the area that forces the price of the product down. Aba is also major distribution centre for these products while Umuahia is a consumption town with low level of commercial activities.

Table 8: The price differential chocolate beverages

	Price (N)		
Brand of chocolate beverage	**Umuahia**	**Aba**	**Price differential**
A tin of milo (500g)	800	700	100
A tin bournvita (500g)	750	650	100
A tin of ovaltine (500g)	850	800	50
Others (500g)	550	500	50

Source: Field Survey Data, 2014

The price differential of milk beverages

There is also a clear cut price differences among the different brands of milk beverages, the difference among the brands of milk beverages. We observed that the peak milk beverage hand the highest price, followed by loya and cowbell while other brands of milk beverage identified had the same price.

There were price differences of the brand of milk beverage identified by retailers in Umuahia and commercial town of Aba. The brands attracted higher prices in Umuahia when compared to Aba, this is as a result of higher commercial activities in Aba with the increased level competition in the area that forces the price of the product down. Aba is also major of distribution centre for this product while Umuahia is a consumption town with low of commercial activities.

Table 9: The price differential of milk

	Price (N)		
Brand of milk beverage	**Umuahia**	**Aba**	**Price differential**
A tin of peak (500g)	900	850	500
A tin cowbell (500g)	700	600	100
A tin of loya (500g)	700	650	50
Others (500g)	600	500	100

Source: Field Survey Data, 2014.

The price differential of soft drink beverages

There is marginal price differences among the different brands of soft drink beverages, the difference among the brands of soft drink beverages. We observed that there were no price differences for coke and fanta brands of soft drink.

There were price differences in the brand of soft drink beverage identified retailers in Umuahia and the commercial town of Aba. The brands attracted higher prices in Umuahia when compared to Aba; this is as a result of higher commercial activities in Aba with the increased level of competition in the area that forces the price of the product down. Aba is also major distribution centre for this product while Umuahia is a consumption town with low level of commercial activities.

Table 9: The differential of soft drink beverages

	Price (N)		
Brand of soft drink beverage	**Umuahia**	**Aba**	**Price differential**
A bottle of coke	60	60	0
A bottle of pepsi	60	50	10
A bottle of fanta	60	60	0
Others	60	50	10

Source: Field Survey Data, 2014.

The price differential of alcoholic beverages

There are price differences among the different brands of alcoholic beverages, the difference among the brands of alcoholic beverages. We observed that the hieneken alcoholic beverage hand the highest price.

There were price difference of the brand alcoholic beverage identified by retailers in Umuahia and the commercial town of Aba. The brands attracted higher prices in Umuahia when compared to Aba, this is as a result of higher commercial activities in Aba with the increased level of competition in the area that forces the price of the product down. Aba is also major distribution centre for this product while Umuahia is a consumption town with low level of commercial activities.

Table 10: The price differential alcoholic beverages

	Price (N)		
Brand of soft drink beverage	**Umuahia**	**Aba**	**Price differential**
A bottle of gulder	200	200	0
A bottle of Heineken	300	250	50
A bottle of harp	200	180	20
A bootle of Guinness	200	200	0
A bottle of star	200	200	0

Source: Field Survey Data, 2014.

The relationship between price and packaging of beverage products

The Pearson product moment correlation was used to analyze the nature of relationship between the beverage retailers rating of the product packaging and the price of the product. The result of the correlation coefficients of 0.77 shows that there is a strong positive relationship between prices and packaging of beverage product in Abia.

Table 11: The price differential of soft drink beverages

	Package quality	**Price**
Packaging	1	
Price	0 .712278	1

Source: Field Survey Data, 2014.

The effect of price and packaging on the sales revenue of the beverage products

To examine the effect of price and packaging on the sales revenue of the beverage products, multiple regression analysis (ordinary, least, square) was used to estimate the effect.

Table 12: The effect of price and packaging on the sales revenue of the beverage products

	Coefficients	*Standard Error*	*State*
Intercept	1.09E-11	1.57E-12	6.954492***
Package quality	4.97E-14	4.93E-15	10.08117***
Price	-200	3.18E-13	-6.28E+15***
F-statists	5.337***		
R square	0.657		
Adj square	0.601		

Source: Field Survey Data, 2014.

The F statistics value of 5.337 indicates that the model is statistically significant at 1 percent, suggesting that the model is statistically fit.

The R square value of 0.657 indicates that 65.7 percent of the total variation in the dependent variable (sales revenue) was accounted for by the two independent variables included in the model.

The package quality of the product was statistically significant at 1 percent and positively affecting the sales revenue of the beverage retail outlet. This implies that the improved quality of the product package attracts more sales and increases the sales revenue of the from the beverage product.

The price of the product was statistically significant at 1 percent and negatively affecting the sales revenue of the beverage retail outlet. This result implies that the increase in the price of the product results to the decrease in the sales revenue from the product. This follow the economic law of demand, which states that the increase in the price of the product results to the decreases in the demand for the product, leading to the increased demand for other alternative product. Beverage brands have numerous alternatives that the increase in the demand for a product will result to the decrease in the demand result to a decrease in the sales revenue.

Conclusion

This study examines the effect of price differential and packaging on the sale revenue of beverage product retailers in Abia State. The specific objectives of the study were to describe the socio economic characteristics of the beverage retailers, investigate the difference among the identified beverage, and examine the relationship between price and packaging as well as to examine the effect of price and packaging on the sales revenue of the beverage products. The findings of the study reveals that 30% of the retailers were females, 61% were married while all the retailers had formal education.

Majority of the retailers representing 30% generate a sales revenue of N 1,201,00-N 1,400,000 monthly from distribution of the type of beverage retailed, 60% of the retailers deal on chocolate beverages, 22% deal on soft drink beverages while 2% deal on alcoholic beverages.

There was high price differential in the prices of chocolate and milk beverages in Umuahia and Aba, the differential range from N 50 –N 100, the price differential of soft drink beverages was very low at N 10 while that of alcoholic beverage ranged from N 20- N 50. There was strong positive relationship between price and product quality while price and product quality had a positive significant effect on the sales revenues of the retailers.

The study reveals that there exist huge price differential in the price of milk and chocolate beverage in the study town of Aba and Umuahia, while the price differential of soft drink and alcoholic beverage were low.

The positive relationship between price and packing quality implies that the increase in the quality of the product package will attract more prices. The price and quality of the product were observed to have significant effect on the sale revenue of the retail outlets.

Based on the findings of this study, the following are recommended:

1. Retailers should site their business at strategic locations that will aid the growth of their business.
2. The retailers should ensure that the sell product with package quality in order to attract good price and sales.
3. Entrepreneurs and business men are encouraged delve into beverage retail business because of the level of sale revenue accruable from it.
4. The retailers and entrepreneur can take advantage of the differentiated product packaging of the beverage retail industry and choose a unique product and location to take advantage of the price differentials.

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The Effects of Mobile Phone Withdrawal, Gender and Academic level on Students' Attitude Management.

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Abstract

This study focused on the affective domain as it examined the effect mobile phone withdrawal, gender and academic level on Students' attitude. .It was a quasi-experiment with 2x2x2 non-randomized pre-test post-test control group design. Subjects in experimental and control groups were 100 and 400 level Mass Communication students of Ajayi Crowther University in Oyo, Oyo State, Nigeria. Students' Mobile Phone Dependency and Attitude Questionnaire ($r=0.72$) was administered as pre and post-test measures. Data generated were analysed with frequency count, percentage, t-test and Analysis of Covariance. Findings show that treatment (mobile phone withdrawal) had significant main effect ($F= 5.599$; $p<0.05$) on students' attitude to mobile phone. Gender also had significant main effect ($F= 8.027$; $p< 0.05$) on students' attitude and also; academic level had significant main effect ($F= 10.369$; $p< 0.05$) on students' attitude to mobile phone. While withdrawal of mobile phone, gender and academic level as single factors affect students' attitude to mobile phone, there is no interaction effects of all these variables on students' attitude. The result shows a change in students' attitude to mobile phone from 10% (negative) at the pre-test to 40.3% (negative) at the post-test due to phone withdrawal. It means that students' academic level, students' gender and phone withdrawal (a measure dependency) are potent factors when considering variation in students' level of attitude to mobile phones.

Key word: Media dependency, attitude, mobile phone, phone withdrawal, gender, academic level

Introduction

Mobile or cell phone is a technology that has been adopted globally. Since its introduction in Nigeria in 2001, it has become a powerful tool for communication across the length and breadth of the country among old and young people. While old people have used mobile phone for voice communication, young people have accepted SMS as a major way of socialising and maintaining relationships (Taiwo, 2010). Generally, mobile phone as a form of the new media has become embedded in our daily lives. As noted by Yoonwhan (2009), this is because 'we are living in an ever-changing new media environment in which people and media interact and influence each other in various and profound ways'. This relationship can be explained using the Media System Dependency Theory.

As individuals in our society seem to show symptoms of growing dependency on the new media for survival, mobile phone has become a device that both young and old people can no longer do without. Cell phone fits into the modern mobile lifestyle, thus placing individuals in a perpetual contact with their network of contacts. (Katz and Aakhus, 2002).

Research evidences have shown that mobile phone is a relational maintenance device for the vast segment of global population (Elliot and Urry, 2010; Baron and Campbell, 2010; Ling, 2010; Alabi, 2014 and Bolin and Westlund, 2009). People rely on mobile phones to plan, share, include and validate (Ling, 2004). According to Baron (2008), although relational communication constitutes the core of cell phone's appeal, it has also grown to become a source of tension. Many young adults now feel strongly dependent on their cell phones and are already entrapped in it. A study of Mexican youths shows that 38% of the studied youths could not spend a day without their mobile phones (Mariscal and Bonina, 2008). Also a study of Indian mobile phone users shows that 42% of the respondents could not do without mobile phone in a day, while 60% claimed they had never left their home without it (Rao and Desai, 2008). A study of 200 undergraduate of the university of Maryland in which participants were on media-free (abstinence) for 24 hours shows the following findings: (i) the way students consume media is related to 'material concerns'- that is the stuff they have (iphone, Deriods, ipod etc.) (ii) the portability of the media stuff has changed students' relationships, not just news and information, but to family and friends, (iii) the feelings of not being connected to the world was among the sources of anxiety among undergraduates. In Nigeria, a recent experimental study by Alabi, (2014) shows a statistically significant difference in undergraduates' level of mobile phone dependency before and after mobile phones were withdrawnfor 10 hours.

From the foregoing, it is clear that cell phone dependency among undergraduates have engaged the attention of researchers. In an experimental study, it was found that cell phone withdrawal, gender and students' academic level have significant main effect on their level of dependency on mobile phone. Other studies have reported similar findings (Mariscal and Bonina, 2008; Rao and Desai, 2008). However, investigators have not examined the effects of phone withdrawal, gender and students' academic level on their attitude to mobile phones. This is the vacuum in literature that this study is designed to fill.

Attitude is a complex psychological construct that is of great importance to every aspect of human life. It is an internal state that influences the personal action of an individual (Gagne, 1979). It is a summary construct that represents an individual's overall feeling toward or evaluation of an object. Attitude comprises three components- cognitive, affective and behavioural components. Cognitive component is concerned with predispositions relating situation to attitudinal objects. Affective component has to do with feelings and emotions that accompany encounter while, behavioural component centres on individual's predisposition or readiness for action (Alao, 1990). It is believed thatundergraduates possess certain level of dependency on and attitude to mobile phone (positive or negative), but, will there be any change in their attitude and in what direction if their mobile phones were withdrawn from them for some hour?.

Media system dependency theory: an overview

The media system dependency theory (MSDT) emerged in 1976 from an article written by Ball-Rokeach and Defleur. In the article, they tried to explain why media could have varying cognitive, affective and psychomotive effect on different people. According to Daniel Riffe, Stephen Lacy and Miron Varouhakis (2008), the explanation eventually evolved into complex theory dealing with the relationship between media and individuals at the micro level and media and social institutions at macro level. The major aim of MSDT is to explain why mass communication sometimes has powerful and direct effect and at other times have indirect and rather weak effect (Defleur and Ball-Rokeach, 1989).

At the macro level, the theory explicates the interdependence among audience, media and society. It attributes media power to the dependency relations created between audiences, media and society. It highlights the relationships developed with the mass media that in turn predict exposure. The basic assumption of the theory is that the more dependent an individual is on a medium for having his or her needs fulfilled, the more important the medium is to the individual. Although individuals depend on media information to meet certain needs and achieve certain goals but individuals do not depend on all media equally. According to MSDT, two factors account for the degree of media dependence among individuals. First, an individual becomes more dependent on media that meet a number of his or her needs than the media that that provide just a few. Another factor is the social stability. It is believed that when social change and conflict are high, beliefs, practices and established institution are challenged. This will in turn force individuals to re-evaluate and make new choices. 'At such a time, individuals' reliance on the media for information will increase and at another more stable time, individuals' dependency on media will decrease' (www.tcw.utwate.nl/theorieoverzkht/). The theory posits that individuals' needs are not strictly personal but constantly shapen by the culture or by various social conditions. That is, individuals' needs, motives and uses of media are contingent on outside factors that may be truly outside the control of such individuals. Also, availability of alternatives that individuals have for meeting his or her needs, and for gratification also predict the level of dependency. When more alternatives are available, the less dependent the individuals will be on any single medium.

The problem

Recent studies have confirmed the reality of media dependency among university undergraduates. A more recent study shows that withdrawal of mobile phone and students' academic level had significant main effects on their level of mobile phone dependency, but it is not clear if such treatment as well as other variables like gender and academic level can affect students' attitude to mobile phones. This study therefore sought to establish the effects of mobile phone withdrawal, gender and academic level on undergraduates' attitude to mobile phone, using Mass Communication students of Ajayi Crowther University, Oyo, in Oyo State Nigeria as the subjects of investigation.

Research Questions:

Ho_1: How frequent do university undergraduates use their mobile phones?

Ho_2: What is the level of students' attitude to mobile phone before and after treatment?

Ho_3: Will there be any significant main effect of Treatment (phone withdrawal), Gender and Academic level on students' attitude to mobile phone?

Ho_4: Will there be any significant interaction effect of Treatment, Gender and Academic level on undergraduates' attitude to mobile phone?

Method

The study is a quasi-experiment making use of 2x2x2 non-randomized pre-test-post- test control group design. The two groups involved in the experiment include the treatment (experimental group) and the control group. Two sets of students, (100 levels and 400 levels) in the Department of Communication and Media Studies, Ajayi Crowther University in Oyo constituted the subjects of investigation. 100 level students and 400 level students were selected for ease of comparison, one at the entry point and the other at the exit point of their programme in the university. Intact class approach was adopted. In each of the academic levels, 30 students who volunteered to participate in the experiment by way of surrendering their mobile phones for 10 hours (8a.m – 6p.m) formed the experimental group while 30 students who did not surrender their mobile phones formed the control group. In all, 120 students were involved, 60 students in each of the academic levels. Students in the experimental groups were denied access to their mobile phones while those in the control group were allowed to make use of their mobile phones in their normal usual ways. Before the commencement of the treatment, Students' Mobile Phone Dependency and Attitude Questionnaire (SMPDAQ) were administered as a pre-test. After the treatment, the questionnaire was also administered as a post-test on all the participants. SMPDAQ was developed by the researcher, pilot tested and validated. Using Cronbach alpha reliability test, the instrument yielded reliability co-efficient of 0.72, thus indicating the reliability and internal consistency of the instrument. Data generated were analysed with frequency count, percentage, t-test and Analysis of Covariance (ANCOVA).

The questionnaire is divided into three sections, A, B, and C. Part A consists of items which require the students to provide their demographic data. Part B consists of items in dichotomous response mode of 'Yes' or 'No'. The 'C' part of the instrument contains 18 items on attitude structured in the Likert Scale format of 'Strongly Agree' 'Agree' 'Disagree' and 'Strongly Disagree'. All dichotomous responses were scored 1 for 'Yes' and 2 for 'No'. For responses in Likert Scale format, all positive items were scored as follows: Strongly agree =4, Agree=3, Disagree=2 and strongly disagree=1, while reverse was the case for all negative items. The scores of each of the respondents on attitudinal scale were added. The highest possible score was 72 while the lowest score was 18.The scores of the respondents were taken to be proportionate to their levels of attitude to mobile phone. The scores were ranked. The respondents whose score fell within the upper quartile were regarded as 'positive attitude'; the respondents whose scores fell within the lower quartiles were regarded as 'negative attitude' while those respondents whose scores fell within the middle were regarded as 'medium or moderate attitude'.

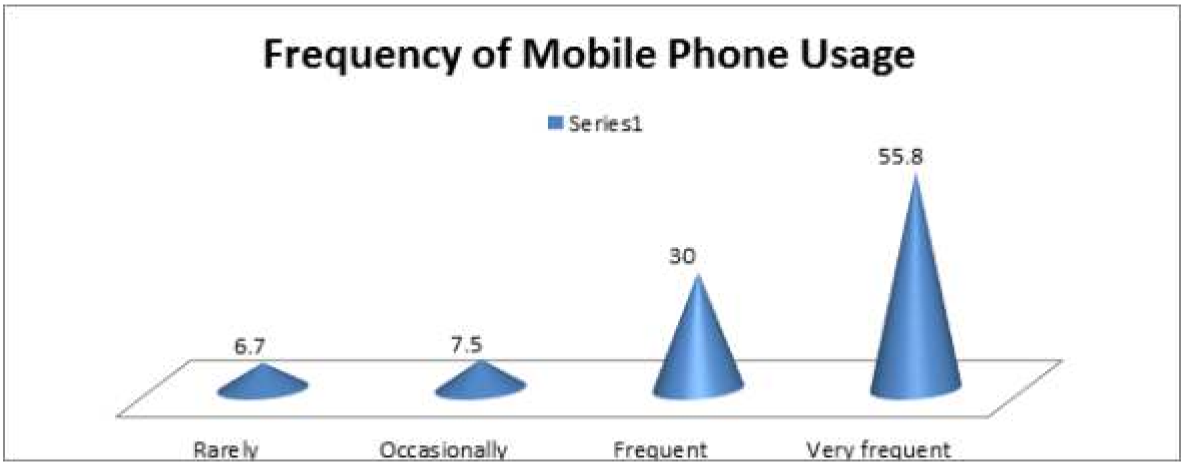
Results

Ho_1: How frequent do the students use their mobile phones?

Table 1: Frequency of mobile phone usage among University Undergraduate

Frequency of mobile phone Usage	Freq.	Percentage
Rarely	8	6.7%
Occasionally	9	7.5%
Frequent	36	30.0%
Very frequent	67	55.8%
Total	**120**	**100.0%**

The results in Table 1 shows that majority of the students (55.8%) make use of their mobile phones 'very frequently'. An appreciable number of the respondents (30.0%) also use their mobile phones 'frequently, this results is reflected in figure 1 below.



Ho_2: What is the level of students' attitude to mobile phone before and after treatment?

Table 2: Level of students' attitude to mobile phone before and after treatment

Level of Attitude	Before		After	
	Freq.	%	Freq.	%
NEGATIVE	12	10.0	49	40.8
MEDIUM	94	78.3	60	50.0
POSITIVE	14	11.7	11	9.2
TOTAL	120	100.0	120	100.0

Table 2 reveals that majority of the students (78.3%) have 'medium' attitude to mobile phone before the treatment while at the same time only 10% possess 'negative attitude'. This pattern however changed slightly after treatment. Post treatment recorded significant increase in the percentage of students who possess 'negative' attitude from 10% to 40%. Also there is observed reduction in the percentage of students who possess positive attitude from 11.7% to 9.2% after treatment, while those who possess 'medium' attitude at pre-treatment decline from 78.3% to 50% after the treatment. Figure 2 captures this graphically.

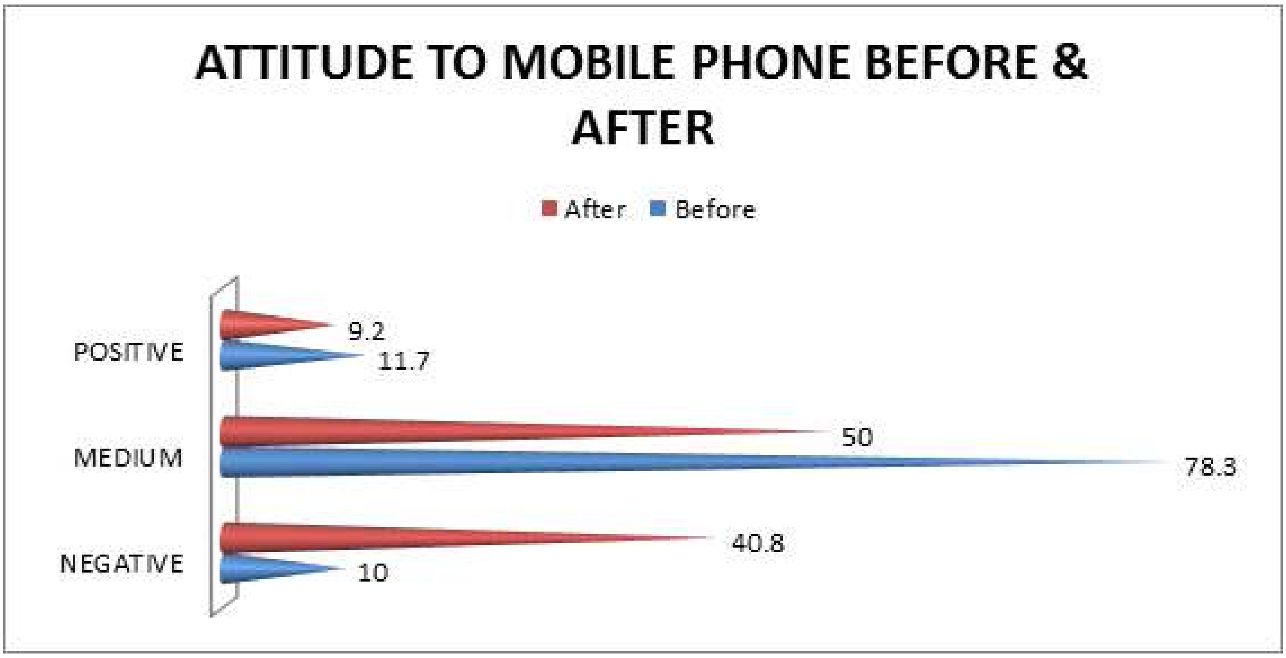


Fig. 2: Bar chartshowinglevel of students' attitude to mobile phone before and after treatment.

Ho_4: Will there be any significant main effect of Treatment (phone withdrawal), Gender and Academic level on students' attitude to mobile phone?

Table 4: Effects of treatment, gender and academic level on students'attitude to mobile phone.

Tests of Between-Subjects Effects

Dependent Variable:Attitude to mobile phone(Posttest)

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	572.421[a]	8	71.553	3.474	.001
Intercept	2217.053	1	2217.053	107.628	.000
Attitude pre-test	55.441	1	55.441	2.691	.104
Treatment	115.340	1	115.340	5.599	.020
Gender	165.346	1	165.346	8.027	.005
Academic level	213.591	1	213.591	10.369	.002
Treatment * Gender	6.353	1	6.353	.308	.580
Treatment *Academic level	6.076	1	6.076	.295	.588
Gender * Academic level	30.745	1	30.745	1.493	.224
Treatment * Gender *Academic level	25.743	1	25.743	1.250	.266
Error	2286.504	111	20.599		
Total	259269.000	120			
Corrected Total	2858.925	119			

a. R Squared = .200 (Adjusted R Squared = .143)

The results presented in Table 4 shows that treatment (mobile phone withdrawal) had significant main effect ($F=5.599$; $p<0.05$) on students' attitude to mobile phone. Gender also had significant main effect ($F=8.027$; $p< 0.05$) on students' attitude and also; academic level had significant main effect ($F= 10.369$; $p< 0.05$) on students' attitude to mobile phone. The findings show that while withdrawal of mobile phone (Treatment) gender and academic level as single factors affect students' attitude to mobile phone, there is no interaction effects of all these variables on students' attitude. The meaning is that in considering students' attitude to mobile phone, withdrawal of mobile phone, gender of students and their academic levels are important factors because they individually affect students' attitude to mobile phones. In essence, in controlling mobile phone dependency among students and their attitude to mobile phones, the three factors can be considered.

Ho$_5$: Will there be any significant interaction effect of Treatment, Gender and Academic level on mobile phone dependence among university undergraduates?

The results in table 4 shows no two-way (Treatment and gender, $F= 6.353$; $p>0.05$; Treatment and academic level, $F=6.076$; $p>0.05$; Gender and academic level, $F=.30.745$; $p>0.05$) nor three way interaction ($F=25.743$; $p>0.05$). This means that the variables do not combine to affect students' attitude to mobile phone.

Discussion of findings

The findings of this study show that 55% of the subjects of investigation use mobile phone very frequently and 30% use it frequently. The finding is not accidental as it confirms the general assumption that young adults use mobile phone more frequently than adults. It also corroborates the submission of Taiwo (2010) that young people constitute the highest user of mobile phone in Nigeria and the finding of Baron (2008) that young people use mobile phone regularly for socialising and for relational communication. The result shows a change in students' attitude to mobile phone from 10% (negative) at the pre-test to 40.3% (negative) at the post-test due to phone withdrawal. It means that students' academic level, students' gender and phone withdrawal (a measure dependency) are potent factors when considering variation in students' level of attitude to mobile phones.

Conclusion and Recommendations

The findings of this study have further confirmed, with empirical basis, the earlier observation of scholars concerning the growing dependency on mobile phone by young adults. Although mobile phone was adopted in Nigeria lately, it is worthy of note that Nigerian users, particularly, the young adults have joined the league of dependent users. The actual picture of their level of dependency was uncovered by the intervention (withdrawal of phones) introduced in this study which also shows a significant effect on their attitude to mobile phone. Unlike the usual descriptive survey which will only reflect the subjective opinion of the subjects on the level of dependency and attitude, the measure of the subjects' level of dependency after their phones had been withdrawn for ten hours created a realistic picture. With these findings, no longer should Nigeria lag behind in finding global solution to the problem of over-dependence on mobile phone, in extension, over-dependence or addiction to other media, particularly, the interactive media. Although, as rightly observed by Yoonwhan (2009), we are living in an ever changing new media environment in which people and media interact and influence each other in various and profound ways, but such interaction should be controlled to avoid total entrapment and attendant negative consequences which are clearly detrimental to our social health.

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Effect of Sales promotion on the Performance of Small and Medium Enterprises (SMEs) in Nigeria

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Abstract

This study investigated the effect of Sales promotion practices on the performance of Small and Medium Enterprises (SMEs) in Makurdi Metropolis of Benue state, Nigeria. A cross-sectional survey design was put in place for the study. The unit of analysis was organizations while the owner/managers of SMEs were the respondents. Systematic, simple random and snowbell sampling techniques were employed to collect the needed data for the study. A sample size of 401 SMEs covering all sectors that operate in the study area was drawn from a population of 1101 SMEs. Descriptive and Inferential statistics were used to empirically and statistically analyze the data collected for the study with the aid of Statistical Package for Social Science (SPSS) version 20. Regression analysis was used to test the hypotheses. The findings of the study revealed that Sales Promotion has a significant positive effect on SMEs performance; hence, an increase in any Sales Promotion practice will lead 57.9%. Increase in SMEs performance. It therefore recommended (among other)s that SMEs managers and operators should always employ appropriate Sales promotion practices for their firms. They should also regularly and effectively evaluate the practices employed to ensure they are positively impacting on their firm's performance.

Keywords: Sales promotion, small and medium enterprises (smes), performance

Introduction

As competition has become the order of the day in the business world, Firms that want to cope with the development are employing different kinds of marketing practices to tackle the problem head on. In all situations, businesses need to promote their customers to the target audience. Promotion is considered as an important factor in the marketing activities of small businesses. Among other things, it is the direct way an organization tries to reach its publics. In a dynamic market like ours, most of the marketing efforts are concentrated on affecting the consumers and buyers (Shira, 2003). When a new product is introduced to the market, marketing comes into play and encourages the consumer to buy the new product by using promotional means (Ooi, Lin, The & Chong, 2012). Beside, modern marketing calls for more than developing a good product, pricing it attractively and making it accessible. Companies must equally communicate creatively both with potential and present customers. Every company is inevitably cast into the role of communicator and promoter. For most companies, the question is not whether to communicate, but rather what to say, to whom and how often (Kotler, 2013). But the communication gets harder and harder as more companies clamor to grab the customers' increasingly divided attention (Kurtz, 2010). To reach the target markets, build consumer awareness, inform or persuade customers as well as reach a larger number of potential customers, companies rely on advertising as a suitable tool of communication.

For Small and Medium Enterprises (SMEs), Sales promotion has emerged as one of the best strategies in that regard. Sales promotion is an initiative undertaken by organizations to promote increase in sales, usage or trial of a product or services. It is an important component of an organizations overall marketing strategy and it acts as a competitive weapon by providing an extra incentive for the target audience to purchase or support one brand over another. It is particularly effective in spurring product trial and unplanned purchases. Aderemi, (2003) believes that sales promotion can be effective tool in a highly competitive market, especially when the objective is to convince retailers to carry a new product or influence consumers to select it over those of competitors. More so, sales promotion tends to work better when it is applied to impulse items whose features can be judged at the point of purchase, rather than more complex, expensive items that might require hands on demonstration. To Kotler, Kevin, Abraham and Mithileshwar, (2013), sales promotion include communication activities that provide extra value or incentives to ultimate consumers, wholesalers, retailers or other organizational customers and also stimulates sales and product trial. It is against the above background that this paper is conceived to study the effect of sales promotion on SMEs performance in Makurdi Metropolis of Benue state.

The contributions of SMEs in economic development of both developed and developing nations have always been acknowledged (Aliyu&Mahmood 2014 and Junde, 2014). But as Ediri (2014) opines, SMEs can only maintain such a position when a good number of strategies including the formulation and application of appropriate entrepreneurial marketing practices are put in place at the right time and in the right proportion to exert positive effect on performance.

Naelati and SobrotulImti, (2014) argues that sales promotion practices affect performance, however, attempts by researchers to confirm the above submission has always resulted in mixed, conflicting, inconsistent and inconclusive findings. It is therefore pertinent to determine the extent Sales promotion impact on the performance of SMEs in Makurdi metropolis and evaluate the nature of the relationship that exists between them.

Most studies on the relationship between Sales promotion marketing practices and small business performance have always focused on large firms in developed markets and economies (Sarwoko, Surachman, &Hadiwidjojo (2013) as well as in the Middle East and North Africa (Dutta 2006). Though few of them are conducted in Nigeria (Mba and Emerti, 2014), none is conducted in the study area. Besides, similar studies may not have the same framework.

Even though some researches may have been conducted on the effect of Sales promotion actices on the performance of SMEs (Mba and Emerti, 2014), most of these studies were done many years ago. With changes in environment, globalization, technology business and even EM practices, there is need to conduct a similar research that keeps trends with development that reflect the reality of the present time. This study therefore, seeks to ascertain the actual effect of Sales promotion marketing practices on the performance of SMEs in Makurdi metropolis of Benue state in Nigeria.

Literature Review

Conceptual Clarification

Promotion

Promotion refers to raising customer awareness of a product or brand, generating sales, and creating brand loyalty (Flew, 2008). It is one of the four basic elements of the market mix, which includes the four P's: price, product, promotion, and place (Kurtz, 2010). Promotion is also defined as one of five pieces in the promotional mix or promotional plan which include personal selling, advertising, sales, direct marketing, and publicity (Rajagopal , 2007). A promotional mix specifies how much attention to pay to each of the five factors, and how much money to budget for each. From the foregoing, it is clear that promotion is a strategy use by firms to spread information about their products or services to customers, stakeholders and the broader public. Kurtz, (2010) identified three basic objectives of promotion. These are: i) to present information to consumers and others, ii) To increase demand and iii) To differentiate a product. The purpose of a promotion and thus its promotional plan can have a wide range, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a corporate image. The goal of promotion therefore is to reach the most people possible in a time efficient and a cost efficient manner.

Sales promotion

Sales Promotion is defined by kotler (2006), as a key ingredient in marketing campaigns and consists of a diverse collection of incentive tools, mostly short term designed to stimulate quicker or greater purchase particular products or services by consumers. Sales promotions programmes are those activities other than stimulate consumer purchase. In a similar submission, Achumba (2002) defined sales promotion as those marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstration etc.

Sales promotion has been defined as a direct inducement that offers an extra value or incentive for the product to the sales force, distributors or the ultimate consumer with the primary objective of creating an immediate sale (Berenson, 2004). Sales promotion is one of the ways used by firms to communicate with intended target market. Sales promotion is unique in that it offers an extra incentive for action (Adrian, 2004). Sales promotion refers to those promotion activities other than advertising, publicity and personal selling that stimulate interest, trial or purchase by final customers or others in the channel (Bagavathi, 2007)

Promotional activities in an enterprise are the main path that the manager has to take, whether in the initial steps of his/her business or in its growth, in order to introduce their product/service to the market and convince the stakeholders of the value of their business ideas (Flew, 2008; Mulhern, 2009). According to Mulhern (2009), SMEs managers should be able to introduce their services to the customers. In fact, the target audience should be able to understand the offered value by the entrepreneur and consciously choose the product or service in accordance with their needs. So this may not be possible, unless the SME operator skillfully introduces his or her products to the public.

For Sales promotion and indeed, other Promotional techniques to be effective and positively impact on business performance, they must be chosen in terms of the position of the target audience, and since buying is the outcome of a long decision-making process done by the consumers, the establisher of a marketing communication should be aware of the current position of his/her target audience and where he/she aims to get them (Flew, 2008).

Small and Medium-sized Enterprises

Small and Medium-sized Enterprises (SMEs) are a wide variety and heterogeneous group of enterprises that constitute a very important business segment that provides national socioeconomic development both for developed and developing markets and economies. They embody diverse kinds of sophistication, skills, capital, growth orientation and are found in both formal and informal sectors (Eniola, 2015). They operate a major role in national economies and are considered as machine for economic growth and a powerful engine of wealth creation all over the world. Economically, the presence of SMEs stimulates markets in many ways including the creation of new enterprises, new commercial activities and new economic sectors which have a positive multiplier effect on the economy. They generate jobs for others; increase research and development; produce goods and services for society; introduce new technologies and improve or lower cost outputs; and they earn foreign exchange through export expansion or the substitution of imports. Their presence is crucial not only for improving the number of employment opportunities for the poor but also the variety and quality. These classes of enterprises are found in a wide variety of industries and operate in very different markets (rural, urban, local, national, and international) and social environments (Ediri, 2014) and are drivers of economic growth as they contribute greatly to economic development of both developed and developing nations in diverse ways including reducing unemployment (among many others) even though they areusually characterized by lack of adequate resources, owner/manager operation, flexibility and low-tech involvement (Shehu, 2014).

The important roles SMEs play in the economy of every nations has continued to be crucial in diversifying the sources of national income, in improving the competitiveness and economic development and in contributing to the flexibility and resilience of the economies (Harrigan, Ramsey & Ibbotson 2011). Such roles include: entrepreneurship, innovation, productivity, competition, job creation, diversification, earning, and growth in many economies of the world (Gilmore, Galbraith & Mulvenna 2013). It has even been argued (Itodo, 2015) that SMEs make up the largest business sector in every world economy and contribute to the development of the society through the redistribution of political power arising from the ownership of small and medium scale businesses by more people in a country.

In Nigeria, Small and Medium-scale Enterprises (SMEs) which came into the mainstream of the country's economic activities in the 60's owing to its obvious vital contributions plays a very important role in the process of industrialization and sustainable economic growth (Ocheni, 2015). Like in the developed countries, SMEs in the country have enabled entrepreneurship activities through which employments are constantly generated and poverty is reduced and sustainable livelihood achieved (Ogunmokun, Li & Ling-yee, 2014). These classes of enterprises make up about 97% of businesses in Nigeria and provide on average 50% of Nigeria's employment and its industrial output (Ocheni, 2015). Government and development experts have therefore realized the fact that SMEs possess the needed catalyst to turn the economy around for good (Vikas, Kamakura, Wagner &Govind, (2014).

It is however, unfortunate that SMEs performance have fallen short of expectations in Nigeria (Osotimehin, Jegede & Akinlabi, 2012) as the country is still characterised with alarming unemployment rate of 19.7% (National Bureau of Statistics, 2010) and high level of poverty as more than half of the population still live below the poverty line (Ediri, 2014). This shows that despite their contributions to economic development of many nations, Small and Medium- Scale Enterprises in Nigeria are still not very effective in their performance. Most SMEs in the country die shortly after their establishment and the few that survive follow suit soon after the ageing or physical incapacitation or death of their owners (Ediri, 2014). However, for SMEs to effectively and continuously carry out their roles as enumerated above they must continually perform effectively, they must embrace appropriate benchmarking practices.

Performance

Performance, considered to be a subset of the broader concept of organizational success is a fundamental feature for survival and sustainability as performance factors like appropriate entrepreneurial marketing practices have been found to spur business expansion, sales growth, customer satisfaction and return on investment in all classes of SMEs (Itodo, 2015). Prior research efforts (Eniola & Entebang, 2015) suggest that sound Sales promotion practices are an important contributor to performance in business. To this end, Jegede, (2014) indicates that sound Sales promotion practices have a significant impact on performance variables as they interact with different components to facilitate performance. It is therefore clear that there is a strong correlation between sound Sales promotion practices and SMEs performance.

Effect of Sales Promotion on SMEs Performance

Promotion is considered as one of the important elements in the marketing activities. In fact, promotion is a communication link between a business and its customers (Ward, 2009). Particularly, promotion is one of the early communicative activities which are directed towards the target audience so as to influence their attitudes and behaviors (Bagavathi, 2007). Thus, the uniqueness of promotion's role in business performance is because of its influence on the behavior of the target audience (Kurtz, 2010).A good number of writers and researchers have empirically investigated the place, role and the impact of promotion in marketing with some studying its effects on business performance.

Kolabi, Hossein and Farsi, (2012) empirically studied "An Identification and Verification of Entrepreneurial Promotion Mix via Innovative Approach in Iranian Entrepreneurial Enterprises". In order to achieve this purpose, this study used the qualitative-quantitative approach. In the first stage, data were collected using the content analysis techniques and exploratory and semi-structured interviews and putting open questions to 11 entrepreneurs and active senior marketing managers in the food industry of Iran and thus, the entrepreneurial marketing mix elements were obtained. In the second stage, data was collected using the quantitative approach through distributing questionnaires to 77 major entrepreneurial firms in the food industry. Findings of this field of study also indicate that the entrepreneurial promotion mix is rooted in marketing communications.

In another study, DelVecchio, Devon and Freling, (2006) studied the effect of sales promotion on post-promotion brand preference: A meta-analysis. The study identified other promotional techniques including sales promotion: short-time depreciation of the product's value in order to motivate the customers to purchase the product or service. The inability of the research studies to arrive at a common finding has prompted the need for this preennt investigation.

Ibojo&Ogunsiji, (2011) highlighted the effect that sales promotions have on the organizational performance to include:

I. Encouraging purchase of large size unit. Sales promotion consists of diverse collection of incentive tools, mostly short term designed to stimulate quicker or greater purchase of products or service by consumer e.g. the use of premiums, product warranties etc. stimulate consumer purchase in larger quantities. (Rotimosho, 2003)

ii. Generating trials among non-users. A trial among non-users of a product is generated through invitation of prospective purchasers to try the product without cost or little cost with the hope that they will buy the product.

iii. Persuading retailers to carry new items and higher level of inventory. Sales promotion encourages retailers to give shelf space to new products. Manufacturers provide retailers with financial incentives to stock new products.

iv. Encouraging off season buying. Sales promotion has also encouraged off season buying especially during the festive periods, people tend to buy more of a particular product because of the added value, compared to normal season.

v. Building brand loyalty. Sales promotion helps to build brand loyalty by giving the seller the opportunity to attract a loyal and profitable set of customers which provides sellers some protections from competition and greater control in planning their marketing mix..(Shira, 2003)

Conclusively, sales promotion has been seen to focus on customer relationship management, free gifts, free sample, price discount, etc. If an organization effectively implements sales promotion techniques, it will not only encourage large purchase but it will also increase the sales performance of an organization, invariably leading to the achievement of the stated objectives.

Research Methodology

Research Hypotheses

Ho; Sales Promotion has no effect on the performance of SMEs in Makurdi metropolis

This study made use of Cross- sectional design and employed the survey method in obtaining the needed data. Given that the study focused on the Effect of market segmentation on the performance of SMEs, the survey method is considered more appropriate to realize the goal of the research exercise. The population of this study consisted of the entire SMEs in Makurdi metropolis in Benue State of Nigeria, which numbers about 1,102, (the State Ministry of Commerce and Industries (2014), National Association of Small Scale Industries (NASSI, 2014), Researchers snowbell sampling, 2014), offering various products/services to the general public. Systematic sampling technique was adopted to select 285 respondents using Kriecie and Morgan (1970) However, as a deliberate effort to minimize errors in sampling, effectively take care of the non-response rate issue as well as ensure high sample size, the sample size was doubled or multiplied by two (Aliyu, 2014). Therefore, 570 samples (that is 285 x 2) were the determining factor for the total number of questionnaires that were finally administered. This is in line with Alrech and Settle's (1995) submission that lower sample size havethe tendency to attract higher errors. The author argues further that higher samples are more prone to accurate results. Data needed for this study was collected from the primary sources which Valos and Bednall, (2010) defined as data gathered and assembled for a research project at hand. The instrument used to collect primary data for this research is the questionnaire. Moody, (2012)defines questionnaire as any written instrument that produces respondents with a series of questions or statements to which they are to react either by writing out their answers or selecting from amongst existing answers.

Quantitative research approach (systematic investigation of scientific or mathematical properties and their relationships) was adopted for this research study as recommended by Sekaran, Robert and Brain, (2001). Similar previous studies that employed quantitative research method include: Kheng, June and Mahmood (2013), Shehu (2014) Aliyu and Rosli, (2014) and Yahya, (2014).

Descriptive Statistics, a statistical tool that is used to describe and summarize information and raw data about basic patterns in the population and sample was used in the research study along side with Inferential Statistics. To assess the effects of Market on the performance of SMEs, standard multiple regression analysis using SPSS version 20.0 was used. Regression analysis is considered a more appropriate technique for this type of analysis because of its ability to predict the "effects of more than one independent variable on one dependent variable using principles of correlation and regression" (Kerlinger, 1979).

Results and discussion

Test of hypothesis

H_{o1} Sales promotion has no effect on the performance of SMEs in Makurdi metropolis.

Table 1: Effect of Sales promotion on SMEs performance

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	12.911	4.083		.738	.465
Sales Prom	.583	.116	.579	1.019	.031

a. Dependent Variable: Performance

Source: SPSS 20.0 Output for this study, (2015) Going by our model specification,

PRF = 12.911 + 579CPT
$S(b_i)$: [0.116]
P-value: {0.031}

From the regression equation above we have,

$B_1 = 0.579$

Standard deviation of $b_3 = 0.116$

$H_{0:} b_4 = 0$

$H_{0:} b_4 = 0$

½ b_4 equals 0.2895

Using the standard error test, $S(b_4) < 1/2b_4$ above, 0.116 < 0.2895. Based on the above findings, we have no option than to reject the null hypothesis since the estimate b_3 is statistically significant at the 5% level of significance. We therefore accept the alternative hypotheses that there is a positive relationship between marketing promotion and SMEs performance in Makurdi metropolis which also implies that Market Promotion (MKP) has a significant effect on Performance of SMEs.

The finding of this study is in line with many other similar studies including those of Ibojo and Ogunsiji, (2013), Kolabi, Hossein and Farsi, (2012) Ahuja, Michels, Walker and Weissbuch, (2007), DelVecchio, Devon, David and Freling, (2006) Shira, (2003), Rotimosho (2003). The findings of these studies conclude that marketing promotion has positive effect on business performance. The findings of this study are however contrary to Chen, (2014) who investigated promotional activities of local wine marketers in vandeikya local government of Benue state and submit that marketing promotion has a negative effect on business performance. Hence, this might be connected with lack of effective promotion, government interference, economic condition, and influence of technology, political factors and other regulatory measures.

Conclusion

The research investigated the effect of Sales promotion (any initiative undertaken by an organization to promote an increase in sales) on the performance of SMEs in Makurdi metropolis. Findings from the study have empirically and statistically proved that sales promotion have significant effect on performance of these classes of enterprises. This research study therefore has no option than to conclude that effective implementation of sales promotion tools lead to increase in sales volume and invariably higher profit, sustain the life of a failing product sufficiently to enable it recover from its declineand may result in increased organizations sales volume and profitability in terms of purchase of larger size unit of products by consumers which will in turn lead to higher sales and performance.

Recommendations

Arising from the findings of this study, the following recommendations are made:

SMEs operators/managers should always employ appropriate sales promotion practices to enhance their performance.

Promotional activities are more effective at particular seasons of the year. SMEs should always identify such seasons and develop sales promotional practices that will advantage of such peak seasons and also stimulate consumer's awareness and patronage to ensure increased sales and hence, performance of their firms.

SMEs managers should regularly and properly train and develop their staff especially in the art of sales promotion so that such staff will be better placed to developing more appropriate and timely promotional strategies that will be effective to ensure their firm's objectives.

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Optimization of Product Mix Using Linear Programming Approach

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Abstract

In this study, a number of structural properties of product mix as well as linear programming model are studied analytically. To ensure optimality in the utilization of resources, a company was understudied thus illustrating the procedure of finding the optimal allocation of scarce resources as well as the optimum products to produce that will maximize profit. The optimal dual solution was also provided indicating which resource is abundant (that is, it is not critical in determining the optimum and hence, the worth per unit or dual price is zero).

Keywords: Dual solutions, linear programming, maximize profit, optimization and product mix.

Introduction

From the marketing standpoint, the socio-economic justification for the existence of any business organization is the satisfaction of customers' needs and wants. The organizational survival over-time depends on its ability to create loyal customers because its products match the needs of the buyers. Thus, the organization meets its basic responsibility to the society through its product offerings. For a firm to compete effectively in the dynamic and competitive business environment and achieve set goals in terms of profitability, high sales volume, and large market share, it must continuously develop products and product lines to satisfy the constantly changing desires and needs of customers (Grundiche, 2004). These organizational adjustments in response to new customer preferences even make it necessary to modify existing products, introduce new ones or eliminate products that are unsuccessful and maintain or introduce products that are determined or needed by the customers. Product mix is a broad field of marketing mix dealing with product line, product range, product design and innovation. Optimizing of product mix is very critical to organizational performance because the product is the cornerstone of the firm's marketing mix: every other element rests on the product. Product is not used to mean only tangible things, but includes services (the intangibles) as well as things that can be touched and seen and tasted. This explains why Kotler (1994) sees it as a bundle of physical, service, and symbolic particulars expected to yield satisfaction or benefits to the buyer. Since the purpose of product mix involves identification of the type and quantity of product to produce in order to make the most profit (Coman & Ronen, 2000), reducing cost, alongside providing satisfaction for customers and to face competitive threat, their incomes, lifestyles, level of education, sophistication and technology are dynamic and not static. Therefore, their marketing policies have been dynamic, not static, and the products offered to the market have come constantly under review and frequent changes. Market analysis has shown that many breweries in Nigeria have introduced many innovations in their product mix strategy (Etuk, 2003).

Industries all over the world including Nigeria are continuously faced with shortages of production inputs which result in low capacity utilization and consequently low outputs. But an economy can only grow if management decisions at the firm level result in boosted output through either cost minimization or output maximization culminating in increased production in the real sector. Thus firm managers are always seeking for the right decisions so as to meet their objectives which mainly revolve on how best to increase profit (Benedict & Amakom, 2012).

The growth in industries puts pressure on management in finding the optimal planning, organizing, leading and controlling levels of production in the various productive industries of the economy. This results in challenges to management ability to analyze business environments and resolve issues of product mix problems emanating from within the organization and industry. One decision area for the management of any firm is in determining the product mix of the firm. A product mix (also called product assortment), according to Kotler (1993) is the set of all product lines and items that a particular seller or producer offers for sale to buyers. Like most other developing countries of the world, Nigeria is faced with the general nature of scarcity of factors of production. As a result of the increasing cost of production, high customers' expectations and the general nature of the scarcity of factors of production, the management of industries can hardly do without trying to optimize its limited resources to ensure its stakeholders are satisfied.

Researchers such as Sargeaunt (1985), Kurtz (1992), Lucey (2000) and Taha (2008) posit that the use of scientific methods, particularly linear programming, in the allocation of scarce resources is of vital importance to the manufacturing industries to boost output. Maximizing the enterprise profit and fully utilizing the limited production resources is a key optimization problem in the strategic planning of enterprises. Furthermore, another major difficulty is how to optimize the enterprise's production throughput within the determined product types (Wang, Sun, Si, & Yang, 2008). Aggregating the above two optimization concerns results in the product mix optimization problem which involves identification of the type and quantity of product to produce in order to make the most profit

(Coman & Ronen, 2000). In the competitive market, enterprises try to meet the market demand as much as possible. Küttner (2004) stated that to solve the product mix problem and decide on the production volume for each product, the demand's forecast and the value of utilized resources should be considered. Lea and Fredendall (2002) demonstrated that the choice of product mix influences on the enterprise performance measures such as profit, work-in-progress (WIP), customer service, and manageability of the shop. The product mix problem will be solved using the Linear Program Solver (LiPS) which is an optimization package intended for solving linear, integer and goal programming problems.

Linear programming method is a mathematical device developed by the mathematician, George Dantzig, in 1947 for planning the diversified activities of the U.S. Air Force connected with the problem of supplies to the Force. Afterwards, Dantzig (1947) suggested this approach for solving business and industrial problems. He also developed a powerful mathematical tool known as "simplex method" to solve linear programming problems (Dantzig, 1993).

In an allocation problem, when there are a number of activities to be performed, alternative ways of doing them, and limited resources or facilities for performing each activity in the most effective way, the management is faced with the problem of how best to combine these activities and resources in an optimal manner so that the overall efficiency is maximized. According to Charles, et al (1963), this is known as optimization problem, and can be approached using mathematical programming. They further refer to linear programming as a uni-objective constrained optimization technique. This is because, according to them, it seeks a single objective of either minimizing or maximizing unknown variables in a model. In line with this, Gupta and Hira (2009) argue that linear programming deals with linear optimization of a function of variables known as objective function subject to set of linear equations and or inequalities known as constraints. The objective function may be profit, cost, production capacity or any other measure of effectiveness which is to be obtained in the best possible or optimal manner. The constraints may be imposed by different resources such as market demand, production process and equipment storage capacity, raw material available, and so on. They further posit that programming implies planning and by linearity is meant a mathematical expression in which the expressions among the variables are linear.

Dowing (1992) advocates that the Lagrangian method should be used for any optimization subject to a single inequality constraint, the graphic approach for optimization subject to only two inequality constraints, and the linear programming model for optimization subject to many inequality constraints. Supporting this view, Dwivedi (2008) posits that linear programming is of great use in making business decision because it helps linear programming in measuring complex economic relations and thereby, provides an optimum solution to the problem of resource allocation. According to him, linear programming technique thus, bridges the gap between abstract economic theories and managerial decision-making. Furthermore, he stressed that any linear programming equation should have three specifications, namely: objective function specification, constraint equation specification, and non-negativity requirement. Corroborating this view, several authors (Henderson & Quandt, 2003; Koutsoyiannis, 1979) have given the general specification of the linear programming model.

Basic Concepts of Product Mix

Several authors have at different times defined the concept of product mix and some of these authors will be sighted in this paper. Kotler (1993), a marketing guru, described product mix as the set of all product lines and items that a particular seller offers for sale to buyers. Also Jeff Madura (2007) defined product mix as the assortments of products offered by a firm. Chandra Bose (2010) saw product mix as the collection of products dealt with by a business firm. It is the composite of products offered for sale by a firm or a business. It was defined as the combination of products manufactured or traded by the same business house to reinforce their presence in the market, increase market share, and increase turnover for more profitability (www.citisales.com). In all, there is a common stance that product mix involves all combination of product offered for sale by a company.

The product mix differs from product item and product line. A product item is a specific product. According to Kotler (1993) product item is a distinct unit that is distinguishable by size, price, appearance or some other feature or attributes. On the other hand, a product line is a collective term. It refers to a group of products intended for essentially similar uses and possessing reasonable similar physical features. Thus product mix is a comprehensive term which covers the entire product item and product lines that the firm offers for sale. John William (2013) says product line is a group of product associated by either by function, by consumer group, by distribution channel or by price range.

The Dimension of Product Mix

The four dimensions to a company's product mix include width, length, depth and consistency.

- ***Width:*** The width of a company's product mix pertains to the number of product lines that a company sells. For example, if a company has two product lines, its product mix width is two. Small and upstart businesses will usually not have a wide product mix. It is more practical to start with some basic products and build market share. Later on, a company's technology may allow the company to diversify into other industries and build the width of the product mix.
- ***Length:*** Product mix length pertains to the number of total products or items in a company's product mix, according to Philip Kotler's textbook "Marketing Management: Analysis, Planning, Implementation and Control." For example, ABC Company may have two product lines, and five brands within each product line. Thus, ABC's product mix length would be 10. Companies that have multiple product lines will sometimes keep track of their average length per product line. In the above case, the average length of an ABC Company's product line is five.
- ***Depth:*** Depth of a product mix pertains to the total number of variations for each product. Variations can include size, flavor and any other distinguishing characteristic. For example, if a company sells three sizes and two flavors of toothpaste, that particular brand of toothpaste has a depth of six. Just like length, companies sometimes report the average depth of their product lines; or the depth of a specific product line.
- ***Consistency:*** Product mix consistency pertains to how closely related product lines are to one another--in terms of use, production and distribution. A company's product mix may be consistent in distribution but vastly different in use. For example, a small company may sell its health bars and health magazine in retail stores. However, one product is edible and the other is not. The production consistency of these products would vary as well.

Factors Determining the Product Mix

In a manufacturing firm, the concept of change in product mix remains unavoidable so long as profit motives exist. However, the exact number of products to be manufactured or marketed by a firm cannot be exactly determined due to influence by a number of factors (Chandra Bose, 2010). These factors can be grouped into two categories: the non-controllable factors such as increase or decrease in population, changes in the level of income of buyers and Changes in consumer behavior, and the controllable factors like ***c***ost consideration, complementary/demand factor, advertising and distribution costs, use of waste, company objectives.

Benefits of Product Mix

Product mix is beneficial to a firm for accomplishing:

a. ***Sales Growth:*** A firm can attain sales growth either by increasing its shares of the existing market or by finding new markets. Since market conditions are flexible, a firm with ambitious sales target will be more likely to take a chance on adding new and promising products to its mix.

b. ***Sales Stability:*** A good product mix enables a firm to balance its total sales so that a slump in one product may be counteracted by another fast selling product. This helps to ensure stability in overall sales.

c. ***Profits:*** The success of a firm is mainly measured by its profit which is largely determined by the components of product mix. Usually, some items are more profitable than the others. However, low profit items also perform a valuable role in helping to sell the profitable items. Hence a good product mix also ensures stable profits.

Charles et al (2011) stated some benefits accruing to a firm having product mix and these include:

a. Advertising economies: product mix provides economies of scale in advertising. Several products can be advertised under the umbrella of the line;
b. Standardized components thus reducing manufacturing and inventory cost;
c. Efficient sales and distribution; and
d. Equivalent quality.

Product Mix Strategies

Chandra (2010) postulated the following product mix strategies:

1. ***Product Modification:*** this is the deliberate alteration in the physical attributes of a product or its packaging or its functions. It refers to improvement of existing products by bringing about change either in the quality, size, form or design so that it may look almost a new product. Even a slightly changed product either in colour, design, or in quality is a completely new product. The object of product modification is either to stimulate new sales or to attract new users. Product modification can however be done in any of these three major ways: quality, functional and aesthetics modifications. (William & Ferrell, 2012).
2. ***Product Elimination:*** there are some products which cannot be improved or modified to suit the market. Here, the profitable alternative would be to withdraw the unprofitable product from the market. The process of withdrawal is technically called product elimination. According to Richard Hise and Thomas, the following are the warning signals that a product is weak and in trouble: declining absolute volume of sales; decreasing market share; future market potential not favourable; variable cost exceeds the revenue; Return on Investment below the minimum acceptable level; variable cost as a percentage of sales consistently increasing; consistent need to lower the price to maintain sales; and consistent need to increase the promotional budget to maintain sales.
3. ***Product Line Concentration*****:** also known as concentration of product mix is a fat and long product line that is thinned out to reduce the unprofitable products.
4. ***Product Line Expansion:*** also called diversification. A firm may utilize the marketing opportunities by expanding its product mix breadth-wise and depth-wise.
5. ***Product Positioning:*** Although the ultimate goal of producing a product is selling, its position in the market place is determined by comparing it with the competitive products. Thus every firm should find out beforehand whether its product will have a potential market or not. Product positioning according to Gaurav (in product mix strategy) can be done in relation to the target market; competitors' product; product class; and price and quality.

Application of Linear Programming

There are diverse opinions on the applicability of the linear programming technique to different management decision-making processes. These opinions developed over a long period of time following continuous improvement on the application of the technique in solving practical business problems. Wagner (2007) stresses that operations research adopts the view that managers can follow a fairly systematic process for solving problems. Therefore, it is possible to use a scientific approach to managerial decision-making. In his words, operations research technique is a scientific approach to problem-solving for executive management. Other areas of usage include: airlines, agriculture, oil refining, education, energy planning, pollution control, transportation planning and schedule production planning, research and development, health care system and so on.

Sargeaunt (1965) groups what he calls, the principal types of application of linear programming models under three headings, namely: blending and mix determination problems, planning and scheduling problems and distribution cost problems. He also notes other types of applications: for instance to plant location decisions, to personnel allocation problems, and to the analysis of a multi-plant production system to determine whether or not certain plants should be shut down as a result of high cost of production.

Composition of Linear Programming

Turban and Meredith (1991) agreeing with Dwivedi (2008), states that linear programming is one of the best known tools to management science. Management science methods are composed of three components; the decision (controlled) variables, the environment (uncontrolled) parameters and results (dependent) variables. The linear programming model, according to them, is composed of the same components but they assume different names; the decision variables which we seek to determine, the objective function which we aim to optimize and the constraints we need to satisfy.

Assumptions of Linear Programming

The following four basic assumptions are necessary for all linear programming models (Verma, 2010):

1. ***Certainty*:** In all LP models, it is assumed that all model parameters such as availability of resources, profit (or cost) contribution of a unit of decision variable and consumption of resources by a unit of a decision variable must be known and constant.
2. ***Divisibility (or continuity):*** The solution values of decision variables and resources are assumed to have either whole number (integers) or mixed numbers (integers or fractional).
3. ***Additivity*:** The value of the objective function for the given values of decision variables and the total sum of resources used, must be equal to the sum of contribution (profit or cost) earned from each decision variable and the sum of the resources used by each decision variables respectively
4. ***Linearity*:** All relationships in the LP model (i.e. in both objective function and constraints) must be linear. In other words, for any decision variable, the amount of particular resource say.

Methodology

This study employed the interview question response format of the survey research design in eliciting necessary information from the interviewee/respondents. The interviewees were asked on questions that bother on the number of products purchased weekly; the quantity of the various products purchased weekly, the rate of consumption of the various products each week, the cost price of the products and the selling price of the product. Also, the nutritional information/facts showing the quantity mix of the products such as energy/calories, protein, and carbohydrate were available from the records of the company. A total of four products were understudied as this was the only four products the company purchased from the manufacturers (Guinness Nigeria Plc.). These four products are Guinness Stout (medium), Harp, Smirnoff Ice and Snap.

Table 1 shows the products as well as their respective nutritional information, Table 2 indicates the quantity of products held for sale weekly, Table 3 shows the resources available for produce, while Table 4 describes the cost price, selling price and profit per crate of drinks.

Based on the data analyzed in this work, the number of decision variables is four. The four decision variables X_1, X_2, X_3, and X_4 in the objective function represents the four types of product retailed by the company with X_1 represents Guinness Stout (medium), X_2 represents Harp, X_3 represents Smirnoff Ice, and X_4 represents Snap. The respective profit contribution per crate for each product are X_1 for N 710.00, X_2 for N 450.00, X_3 for N1,300.00 and X_4 for N 1,300.00.

Also, since the products are described in terms of the three nutritional facts, there are three linear constraints for the Linear Programming model. The whole analysis was performed using the Linear Programming Software (LiPS). The data collected were analyzed to determine the best sales product that would yield maximum profit to the company. All the information provided in Tables 1 through Table 4 was used to form the linear programming model of the maximization type for the data.

Model specification: ***The Linear Programming Model***

The generalized form of the model is given as:

Results

This paper tackled the optimization of product mix problems in organizations. To ensure optimality in the utilization of resources given the numerical example above, the company should order approximately 34 crates (369/11) of Stout weekly and 44 crates of snap thus maximizing profit. This will enable the company to reduce cost in the purchase of harp and Smirnoff drinks by N174 (1910/11) and N581 (6385/11) respectively. The optimal dual solution shows that the dual price (worth per unit) of raw material (row 2) is approximately N226 (2480/11) and that of raw material (row 3) is N43 (475/11). For resource 1, the dual price which is zero indicates that the associated resource is abundant (i.e. it is not critical in determining the optimum and hence, the worth per unit or dual price is zero).

Discussion and Conclusion

This study examined the optimization of product mix in organizations using linear programming software (LiPs). This study provided us with an optimal solution of the products the company manager should focus more on purchasing rather than purchasing others that further increases the company cost. It also highlighted prices worth per unit of raw material including the first resource which is not critical in determining the optimum solution. Managers should however take cognizance of the available product mix strategies which is also vital in decision making.

With this approach, a proactive manager should be able to satisfy his actual and potential customers' needs. Also, this can become a competitive tool thus giving the company a core advantage over his competitors. Managers who are not well sophisticated with the use and applicability of this tool will be lagging behind. Using the traditional or crude method of optimization is much more cumbersome and time consuming. Thus it recommended that managers be familiarized with the importance and use of the linear programming software (LiPs). For Turban (1993), there is the problem of risks and uncertainties regarding the behaviour of customers, resources and commodity prices such that the management finds it difficult to choose the best decision among the alternative decision possibilities. He therefore recommends that managers must become more sophisticated, they must learn how to use new tools and techniques that are being developed in their field. These newly developed tools employ quantitative approach. This study was not without limitation. Firstly, only recent records of the company was available as the company have not been careful with record keeping, thus the data gotten were cross-sectional not being able to make inferences about observed relationships. For ease of access to information, a company was conveniently sampled out for the study.

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Appendix

Table 1: Types and quantity of nutritional contents used

Products	Nutritional Information		
	Protein	Energy	Carbohydrate
Stout (medium)	3g	2g	6g
Harp	4g	2g	4g
Smirnoff Ice	8g	7g	7g
Snap	6g	5g	4g
Total	**21g**	**16g**	**21g**

Table 2: Quantities of the four products sold per week

Products	Quantity held for sale per week (in crates)
Stout (medium)	4
Harp	10
Smirnoff Ice	2
Snap	2
Total	**18**

Table 3: The resources available per crate and the unit selling price per bottle

Products	Cost per crate (₦)	Selling price per crate (₦)	Profit (₦)
Stout (medium)	3, 250.00	3, 960.00	710
Harp	1, 950.00	2, 400.00	450
Smirnoff Ice	3, 500.00	4, 800.00	1, 300.00
Snap	3, 500.00	4, 800.00	1, 300.00

Table 4: The cost price, selling price and profit per crate of drinks

Nutritional Information	(Total quantity of products X Total quantity of Nutritional Information)	Available Resources
Protein	18*21	378g
Energy	18*16	288g
Carbohydrate	18*21	378g

ÄÄÄÄÄ?? = 710??1 + 450??2 + 1300??3 + 1300??4

The Modeling:

Max Z = 710X1 + 450X2 + 1300X3 + 1300X4

subject to: 6X1+'X'1,X2,X3,X4, ≥ 01 ≤ 378 + 6X4 ≤ 378

$2X1 + 2X2 + 7X3 + 5Z4 \leq 288$

$6X1 + 4X2 + 7X3 + 4X4 \leq 378$

$1,X2,X3,X4, \geq 0$

In order to represent the above linear programming model in a canonical form, three slack variables were introduced into the model. This changed the inequalities signs in the constraint aspect of the model to equality signs. Hence, the above linear programming model becomes

Maximize the objective function (profits):

$Z = 710X1 + 450X2 + 1300X3 + 1300X4 + 0.S1 + 0.S2 + 0.S3$

subject to (nutritional fact constraints):

$3X1 + 4X2 + 8X3 + 6X4 + S1 = 378$

$2X1 + 2X2 + 7X3 + 5X4 + S2 = 288$

$6X1 + 4X2 + 7X3 + 4X4 + S3 = 378$

$X1, X2, X3, X4, S1, S2, S3, \geq 0$

The initial tableau of the above linear programming model is

(Tableau I)

Basis	X1	X2	X3	X4	s5	s6	s7	RHS
s5	3	4	8	6	1	0	0	378
s6	2	2	7	5	0	1	0	288
s7	6	4	7	4	0	0	1	378
Obj.	710	450	1300	1300	0	0	0	0

Variable to be made basic -> X3
Ratios: RHS/Column X3 -> {47.25 288/7 54}
Variable out of the basic set -> s6

(Tableau II)

Basis	X1	X2	X3	X4	s5	s6	s7	RHS
s5	5/7	12/7	0	2/7	1	-8/7	0	342/7
X3	2/7	2/7	1	5/7	0	1/7	0	288/7
s7	4	2	0	-1	0	-1	1	90
Obj.	2370/7	550/7	0	2600/7	0	-1300/7	0	53485.7

Variable to be made basic -> X4
Ratios: RHS/Column X4 -> {171 57.6}
Variable out of the basic set -> X3

(Tableau III)

Basis	X1	X2	X3	X4	s5	s6	s7	RHS
s5	0.6	1.6	-0.4	0	1	-1.2	0	32.4
X4	0.4	0.4	1.4	1	0	0.2	0	57.6
s7	4.4	2.4	1.4	0	0	-0.8	1	147.6
Obj.	190	-70	-520	0	0	-260	0	74880

Variable to be made basic -> X1
Ratios: RHS/Column X1 -> {54 144 369/11}
Variable out of the basic set -> s7

(Tableau IV)

Basis	X1	X2	X3	X4	s5	s6	s7	RHS
s5	0	14/11	-13/22	0	1	-12/11	-3/22	135/11
X4	0	2/11	14/11	1	0	3/11	-1/11	486/11
X1	1	6/11	7/22	0	0	-2/11	5/22	369/11
Obj.	0	-1910/11	-6385/11	0	0	-2480/11	-475/11	81253.6

>> Optimal solution FOUND
>> Maximum = 81253.6

*** RESULTS - VARIABLES ***

Variable	Value	Obj. Cost	Reduced Cost
X1	369/11	710	0
X2	0	450	1910/11
X3	0	1300	6385/11
X4	486/11	1300	0

*** RESULTS - CONSTRAINTS ***

Constraint	Value	RHS	Dual Price
Row1	4023/11	378	0
Row2	288	288	2480/11
Row3	378	378	475/11

Reforming Government Funding Practice of Nigerian Universities to Reward Innovations and Evidence

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pp 202-208

Abstract

The demand for university education in Nigeria in the recent decades has posed new challenges to the government particularly as it relates to financing hence the need to reform the university funding system. The paper has investigated how funding universities on the basis of research, innovation and evidence can lead to an increase in the quality of Nigerian universities. The paper is a contextual analysis where conclusions were drawn based on a review of literature. University Funding Practices by Different Governments in Different Countries namely India, Egypt and Ghana were reviewed. Also reviewed was how Government Rewards Innovation and Evidence in Several Countries. University Funding System in Nigeria was analysed and the paper concludes that the current sharing formula adopted by the National Universities Commission (NUC) is capable of encouraging laziness on the part of university who may simply admit many students with the aim of having more share whenever funds are shared on the basis of student population without emphasis on innovation. Where fund are shared on the basis of innovation and evidence universities will be more pragmatic for people to see and increase their funding. It is recommended that government financing of universities should be based on the quantity and quality of university research that solves the economic challenges in the world in general and the society where it operates in particular.

Key Words: Funding, Innovation, Evidence, Universities, Research, Reward

Introduction

University education has experience an astronomical growth in the last two decades all over the world. An increasing recognition of its economic and social value no doubt is the reason behind this surge in growth in university education and the increased propensity to invest in universities by the government, corporations and households (Varghese, 2013). Research evidence also indicates that academic knowledge has been the single most important engine of growth and the driving force of economic performance whether by the country, corporation or an individual's life (OECD, 2000). Countries for instance with an expanded system and robust financing (investment) in research and development (R&D) activities have higher potential to grow faster in the today's globalised knowledge driven economy. More specifically, a broad-based higher education provides the necessary foundation for a productive, prosperous and resident country (Group of Eight, 2013).

The alarming growth in the demand for university education in the recent decades have posed new challenges to the government particularly as it relate to financing hence the need to reform the university funding system. In the past government financing was based more on the carrying capacity of universities rather than on innovation and evidences. Such financing system was good in the past because university education was a small sector catering to the elites; it was highly subsidized and funded by the state in most countries in the world. As the growth became rapid, the debate on financing universities became very lively. At one end it was argued that university education is a public good and should be financed entirely by the government, at the other it was it was argued that education brings a huge dividend in the individual's private life as such should be treated as a commodity to be traded in the market just as any other product (Tilak, 2011).

With doubt or not as to whether higher is a public good, one thing is certain that there are externalities associated with university education. That is, the benefit to the government or society exceeds the sum of individual's dividend for university education. For this reason several reforms were carried out in several countries to device a better funding system and governance of universities, such a reform is crucial in Nigeria as well given the pace of growth in demand for university education without the corresponding increase in university research evidence in the country. This kind of system can trigger competition for fund and the quality and ability of the Nigerian universities to proffer solution to the economic and social problems.

The main purpose of this paper is to see how funding universities on the bases of research innovation and evidence can lead to an increase in the quality of Nigerian universities. The rest of the paper is organized and presented around the following related themes:

- ✓ university funding practices by different government in different countries
- ✓ review of how government rewards innovation and evidence in several countries
- ✓ university funding system in Nigeria
- ✓ Conclusion and Recommendations

University Funding Practices by Different Government in Different Countries

In almost all countries of the world, university education is facing a funding problem. Most countries have put in place some specific funding mechanisms to ensure that her universities in spite of dwindling financing still operates in a most effective and efficient manner. Most countries of the world with a vibrant university system tend to finance their universities through university – business (individuals) collaboration. These collaborations result in to innovation by the business and increased funding by the universities. Statistics from England for example reveals that university education cost £9715 per annum per each student. This cost cannot be handle by government alone hence a need for funding alternatives (Varghese, 2013).

India

India's higher education system is one of world's largest, enrolling nearly 22 million students in more than 46,000 institutions. Majority of Indian universities and almost all research institutions are public. The central government usually provided one-quarter of funding, with the rest coming from states. The disbursement of funds, coordination, formulation and maintenance of standards of universities in India is done by the University Grants Commission (UGC) (Xu, Ben, & Deng, 2014). The system's rapid and recent expansion has increased concerns about declining quality. Reinforcing these concerns are poor infrastructure, underprepared faculty, unwieldy institutional governance, and other obstacles to innovation and improvement. Funding has been a continuing challenge, with public investment unable to keep up with expanding enrolment numbers and an inefficient process for allocating funds across the system. With the deterioration in the financial support provided by the government in recent years alternative funding were explored. Peer-reviewed research grants have been introduced in India in response to the 12th Five-Year Plan's call to strengthen the nation's research capacity. This can also be used to create a vibrant environment for research innovation and teaching strategy development (Lindsay, Miller, Dossani, & Clifford, 2013).

Ghana

In Africa one of the best education systems is the Ghanaian system. The Ghanaian universities are highly dependent on government funding, with the government accounting for 90% of the university fund. Just as many other countries of the world the Ghanaian government has stated its inability to act as a sole financier of tertiary education. It has however, responded with relatively successful diversification strategy. To supplement the central government, development partners in conjunction with government, have committed substantial resources to Ghana's tertiary education since 1986. From 1997 approximately US$400 million has been loan or granted to education. On the national level, there is Ghana Education Trust Fund (GET Fund), established in 2000 raising the already existing Value Added Tax by 2.5%, for the purpose of supplementing government budgetary allocation. The government also mandate students to make a partly contribution toward their education thereby abolishing the free university education for Ghanaians propagated by President Kwame Nkrumah. These incomes are used for development of universities programs (Altbach, Reisberg, & Rumbley, 2009; Taylor, 2006).

Egypt

Egypt is the oldest education system in the world. It is largely composed of public universities and small scale public non-university institutions. Education in public schools used to be wholly free. However, the state's share of higher education finance for universities was reduced to 85% in 1994 leaving the universities to generate the remaining 15% through various revenue diversification strategies (Richards, 1992). The imposition of fees as alternative fund for universities in Egypt began with academic programs, which are perceived to be of high quality; subsequently fees were then introduced for all programs. Further the universities have adopted the private partnership of funding Education, Audiovisual and Culture Executive Agency [EACEA], (2012).

Review of How Government Rewards Innovation and Evidence in Several Countries

For quite a long time universities have been found to be hotbeds of innovation. Jonathan Cole's recent history of the preeminent research universities in the US, for instance, calls these institutions “creative machines” that have been responsible for diverse innovations such as the bar code, congestion pricing, and the cervical Pap smear (Pricewaterhouse Coopers, 2010). Since the Lambart Review (2003) more was understood of universities as integral part of the skills and innovation supply chain to business, government and the society at large. Realising the innovative role played by the universities has propelled fiscal investment in innovation in most developed countries. Some of such investments are indirect investments to educate and train scientists and researchers, build world-class institutions and facilities, facilitate interactions with global communities to generate fresh ideas and new perspectives, and build structures to commercialize innovations.

Fiscal support for research and development (R&D) is critical for any government hoping to encourage the formation and success of local companies that focus on creating new technologies. Typically, support is provided to universities through grants, loans, or contracts, or through investment in infrastructure. The infrastructure investment can take a physical form such as university buildings, labs, logistics, and transportation, or in intangible form such as university graduates.

In Europe and America a huge change in both the quantum and the quality of business–university collaboration has been witnessed in the past few decades. This change has not only been stimulated by government funding initiatives but also by a growing realisation, within businesses of the central role of universities in providing high-level skills, a world-class research base and a culture of inquiry and innovation.

Various past studies have agreed that government should finance basic research while individuals and companies should finance applied research. Funding universities on the basis of innovation and evidence will increase competition among universities and consequently improvement in quality. Like businesses, universities thrive on competition; competition has been a driver of performance and efficiency (Uyarra, 2008).

According to Uyarra (2008) citing (National Committee of Enquiry into Higher Education, 1997) the rapid expansion of Higher Education, pressing funding constraints, and an alleged change of paradigm makes funding attention to be directed to universities that are nurturing innovation, as well as their wider contribution to cultural and community development. In this context, Etzkowitz *et al.* (2000) note how public funding for university research has become "dependent on the perception of whether it will make a direct contribution to the economy".

Since the 1990s several government policy initiatives have sought to promote business–university interaction. The establishment of the Department for Innovation, Universities and Skills (DIUS), and subsequently the Department for Business, Innovation and Skills (BIS), has proved to be a key governance change in the field of business–university interaction. In terms of direct funding, universities now receive a single funding stream of Higher Education Innovation Funding (HEIF). This funding supports a wide range of business–university interaction and rewards success in generating business income. Within this framework, universities define priorities according to their own missions and localities, and this has yielded benefits in areas such as the contribution of science and technology to business competitiveness, improving graduate enterprise and employability, and addressing specific business skills requirements.

Evidence abound that university research has explain the significant portion of product or process innovations. For instance, Manfield (1991) found that about 10% of the new products and processes commercialised during 1975-85 could not have been developed without academic research. Beise and Stahl (1999) in a large survey of German firms observe a similar proportion of product or process innovation sprouting from universities between 1993 and 1995. Universities innovation results often times into high returns of up to 30% per annum (Cookburn & Henderson, 2001)

The extent to which universities can effectively influence innovation is dependent on institutional and governance mechanisms of innovation support system (Hassink, 2002; Kitagawa, 2004). In higher innovative regions such as U.K, US and other European regions, a Regional Development Agency serve as a key mechanism for promoting university – industry links. This entails that funding universities on the basis of innovation and physical evidence will drive more quality in the Nigerian universities.

University Funding System in Nigeria

The history of university education in Nigeria started with establishment of the University College Ibadan in 1948 following the Elliot Commission recommendation of 1945. Subsequently, the University of Nigeria was established in 1960 and the Ahmadu Bello University Zaria, Obafemi Awolowo University Ile-Ife and University of Lagos in 1962. In 1970, the newly created Midwestern region opted for a university known as University of Benin. The six universities established during this period 1960-1970 are still referred to as first generation universities. In 1975 the government established seven universities and also took over the four regional universities. They were Universities of Calabar, Ilorin, Jos, Sokoto, Maiduguri, Port Harcourt and Ado Bayero University, Kano — all known as second generation universities. During the 1980s, the FGN converted its military training school (the NDA) to a University. The third generation universities were established between 1980 and early 1990. These were the Federal Universities of Technology in Abeokuta, Akure, Bauchi, Makurdi, Owerri, Minna and Yola. While state universities were found in Imo, Ondo, Lagos, Akwa-Ibom, Oyo and Cross-River states (Anyambele, 2004). The fourth generation universities are those established between 1991 and the present date. They include more state universities, Nigerian open universities and private universities. According to NUC (2011), there are 36 federal, 37 state and 50 private universities currently operating in Nigeria.

Since then the degree student enrollment increased from 104 in 1948; 1,395 in 1960; 40,000 in 1976;172,000 in 1988; 448,000 in year 2000; to over 850,000 today. The challenge has been to find the necessary resources to support such massive university education. The inability to realise funding expectations has raised concern about quality of university education in Nigeria.

The Funding System - Legal Framework

Constitutionally, the National Assembly, on recommendation by the executive arm, makes appropriation to all sectors including education; The National Universities Commission is empowered by Federal Law (LFN 2004, CAP N81, Sections 4(1)f and 4(8) to receive block grants from the Federal Government and to disburse same to Federal universities. Erstwhile Block Grant funding system is used. Federal Government made Block grants to NUC for the universities. The block grants were differentiated into capital and recurrent. Currently, funding is made to individual universities through legislative appropriation by the NASS, upon recommendation of the NUC and consideration by Federal Ministry of Education(FME),Federal Ministry of Finance(FMF) and National Planning Commission in a medium-term, three-year, needs-based budget planning process.

Sources of Funding Universities in Nigeria

Sources of financing university education in Nigeria as highlighted by Emunemu & Isulu (2008) and Okojie (n.d) are as follows:

i. **Government Subvention and Grants -** this source of funding constitute a substantial proportion of finance in Nigeria and many other countries of the world. Grants could be capital or recurrent in nature.

ii. **Donations and Endowment Funds:** Another source of financing university education is through donations and establishment of endowment funds. The donations are made by corporate organizations especially Multi-National Companies (MNCs), communities and individuals who are eager to contribute to the up-liftment of university education in their states or nation.

iii. **Tertiary Education Trust (TET) Fund:** The Tertiary Education Trust Fund (formerly known as Education Trust Fund) was established through the Education Tax Decree Number 7 of 1993 which compelled companies operating in Nigeria, which have up to 100 employees on their pay roll to contribute 2% of their earnings in a year to the Education Trust Fund (ETF) for the funding of education.

iv. Deductions from Local Governments' allocation accruing from Federation Account of some states.

v. External Linkages- Many Nigerian universities have developed creative fund generation strategies. Among other strategies, Nnamdi Azikiwe University (NAU) introduced a levy following consultations with Parents Teachers Association (PTA) and approval by the Board and was able to move all its operations to its main campus and generated 40% of its recurrent needs in 2006/2007. Other funding are through linkages from Philanthropist/Donor agencies, and Collaborative research and development.

vi. **Loans -** Educational institutions can take loans from financial institutions to execute their programmes (Ajayi & Ayodele, 2002). However, because of non- profit motive of public schools they find it difficult taking advantage of loans from commercial banks and other lending agencies given the very high interest charges on loans given by commercial banks.

vii. **Internally generated revenue (IGR):** Universities can generate revenue internally through the following avenues:
- ❖ Investments
- ❖ Charges on services
- ❖ Rent of facilities

- ❖ Endowments

viii. **Small and Medium Scale enterprises:** Through small and medium scale enterprises universities can raise revenue, some of such enterprises include the following:
- ❖ Built up shops for rent
- ❖ Cybercafés
- ❖ Fee-for-service parking lots
- ❖ Laundrettes
- ❖ Transportation services
- ❖ Renting of halls in idle time
- ❖ Ventures may create avenue for student-work programmes

ix. **Manufacturing/Processing:** Universities can also raise revenue through embarking on manufacturing or processing businesses such as:
- ❖ Fabricating tools from idle time of training foundries
- ❖ Food processing;
- ❖ Develop useable products from research results

Conclusion and Recommendations

In most countries such as United States of America, the strategies for financing universities with minimal reliance on government financial support has long been identified (Millet, 1952). Even in Africa, South Africa realised long before now that government can longer cope with the funding of universities and resorted to strategies of raising income from sources outside the government, thereby reducing the cost of education on public funds (Gourley, 1995).

One of the strategies practice in other countries include cost sharing between university, government, student, the parent and other philanthropists (Shaashie, Achua, & Saawuan, 2012). The other donors however are more interested in the deal if there is evidence that university education results to innovation, efficiency and effectiveness.

The current sharing formula adopted by the NUC is capable of encouraging laziness on the part of university who may simply admit many students with the aim of having more share whenever funds are shared on the basis of student population without emphasis on innovation. Where fund are shared on the basis of innovation and evidence universities will be more pragmatic for people to see and increase their funding.

Marketing of university is essential in the public to attract funding, grants and donors. Universities can market themselves through innovation and evidence. Put differently the passion a fund provider to a university is the difference that the university will make with the fund.

University-productive sector linkage should be heightened to improve the quality of funding from non-governmental sources as well as make her graduates relevant to the industry.

Finally it is recommended that universities should bring about innovation for people to see in this generation because posterity will judge us by whatever we do today, whether we paid our dues or we short changed our children and see if funding does not follows. To encourage this we recommend that government financing of universities should be based on the quantity and quality of university research that solves the economic challenges in the world in general and the society where it operates in particular.

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Assessment of level of Independence of Audit Committees of Companies listed on the Nigerian Stock Exchange.

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Abstract

Debates have been ongoing in US since the establishment of the Sarbanes-Oxley Act, 2002 whether it is necessary for the audit committee to be fully independent as required by the Act. The objective of this exploratory study is to extend the debate to Nigeria by examining the legal provisions in respect of audit committee of listed companies to determine its level of independence and its adequacy or otherwise. The results indicate that audit committees of companies in Nigeria have no optimal level of independence as the non-executive directors constitute only 50% of the committee members. Furthermore, there is no provision in the Nigerian legislation for inclusion of independent non-executive directors on the audit committees. The paper recommends that the provisions in the company and Allied Matters Act 1990 (as amended) particularly section 359(4) be amended to ensure that only independent non-executive directors constitute the members of the audit committee. The Securities and Exchange Commission is also called upon to review its rules to insist that audit committees be composed entirely of independent non-executive directors.

Key Words: Audit committee independence, independent director, non-executive director, level of independence

Introduction

Lack of credible financial reports of companies weakens investors' confidence and so following accounting irregularities faced in companies such as Cadbury Nig. Ltd., Enron, WorldCom, etc much attention had been on all organs that are involved in the financial reporting process, including the audit committee, on how to improve corporate governance. Audit committee independence is known to be associated with improved corporate governance (Abbott & Parker, 2000). The level of independence of the audit committee of publicly listed companies has been a controversial issue. Level of independence is the extent to which the public perceives that the committee can carry out its functions without bias so that there would be reliance on the financial reports of companies. It is measured by the degree of representation of independent minded directors on the committee. Those who argue in favour of "full independence" of audit committee believe that it is when the committee comprises of members who are all independent that it can discharge its oversight functions more effectively (e.g. Carcello and Nealz, 2000; Abott, et.al, 2003, Bronson, Carcello, et.al 2009). They posit that full independence of the committee improves financial reporting quality. On the other hand, studies such as Klein, (2002); Bedard, Chtorou and Courtean (2004) argue that full independence of the committee does not necessarily enhance its performance but if the majority of the members are independent, then it does. The question of determining optimal level of independence of the audit committee therefore remains unresolved.

Functions and Composition of Audit Committees

The audit committee is the body responsible for monitoring the fairness of the company's financial reports by reviewing the reports of external auditors and monitoring management as part of its oversight functions. The committee is fully independent if all the members are independent non-executive directors. Independent directors are those directors who have no material relationship with the management or shareholders of the company apart from the remuneration for which they receive as directors (Sarbanes-Oxley Act, 2002; SEC 2011). The manner in which the committee is composed affects its effectiveness.

The composition of the audit committee varies from country to country. For instance in UK, the committee is expected to have a minimum of three non-executive directors. In US the Sarbanes – Oxley Act 2002, requires that all members of the committee must be independent non-executive directors. In Nigeria, the Companies and Allied Matters Act (CAMA) 1990 (as amended) requires each public company to maintain an audit committee that is composed of six (6) members; three (3) non-executive directors and three (3) shareholders [S.359(4)]. The Nigerian Securities and Exchange Commission, the body regulating all companies in Nigeria, also requires each company to have at least one independent director on the board (SEC, 2011).

The motivation of this study stems from the fact that debates have been ongoing since the passage of the Sarbanes–Oxley, Act, 2002 in US as to whether it is necessary for the audit committee to be fully independent as mandatorily required by the Act before it can be effective in discharging its duties. This study therefore intends to contribute to this debate by extending it to Nigeria by examining the legal provisions in respect of audit committees in Nigeria to determine its level of independence.

The establishment of audit committee is a statutory requirement for all Nigerian listed companies stipulated in CAMA, 1990 (as amended). S. 359(3) states that every listed company is required to establish an audit committee and the external auditor will make a report thereto. The audit committee shall be composed of equal number of directors and representatives of shareholders subject to a maximum of six members and the committee shall examine the auditor's report and make recommendation thereon to annual general meeting as it may think fit (S.359(4)).

S.359 (6) states the objective and functions of the audit committee as follows:

a. Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.
b. Review of scope and planning of audit requirements.
c. Review the findings on management

matters in conjunction with the external auditor and departmental responses thereon.

d. Keep under review the effectiveness of the company's system of accounting and internal control.

e. Make recommendations to the board in regard to the appointment, removal and remuneration of the external auditors of the company and

f. Authorize the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.

In addition to these statutory functions, SEC (2011) Code of Corporate Governance gives the committee additional responsibilities. These include:

i. Overseeing management's process for the identification of significant fraud risks across the company and ensure that adequate prevention, detection and reporting mechanisms are in place.

ii. At least on annual basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including any issues or recommendations for improvement, raised by the most recent internal control review of the company.

iii. Discuss policies and strategies with respect to risk assessment and management.

iv. Review and ensure that adequate whistle-blowing procedures are in place and that a summary of issues reported are highlighted to the chairman.

v. Review the independence of the external auditors and ensure that where non-audit services are provided by the external auditors, there is no conflict of interest.

vi. Preserve auditor independence, by setting clear hiring policies for employees or former employees of independent auditors.

vii. Consider any related party transactions that may arise within the company group.

In order to effectively discharge its duties, the committee members must possess some attributes such as high level of independence, financial and accounting knowledge (Bashiruddin, 2011). Following the collapse of Enron in USA and subsequent demise of its Accounting firm (Arthur Andersen), the Sarbanes – Oxley Act of 2002 made reforms on corporate governance and particularly on directors and audit committee members. It is a requirement of the Act that "majority of board members must be independent directors" while audit committee members must "all be independent directors" (Lander, 2004).

Audit Committee Independence and Financial Reporting Quality

Previous scholars examined the relationship between audit committee independence and financial reporting quality from the level of independence in relation to the oversight functions of the committee. For instance, Abbott et al (2003) examine relationship between audit committee independence and audit quality in 462 non-regulated US firms and find that audit committee independence is positively associated with audit quality. They defined audit committee independence as an audit committee that comprises entirely of outside independent directors. Bedard et al (2004) also examine the effect of audit committee independence on earnings management. Using a sample of 300 US firms in 1996 and with aid of logistic regression analysis, the results show aggressive earnings management is negatively associated with fully independent audit committee. Also, Bashiruddin (2011) examines the relationship between audit committee independence and audit quality in 674 firm year observations of unregulated firms listed on FTSE 350 for the period 2005-2008 in US. He finds that audit committee independence is positively associated with audit quality and defines audit committee independence as the committee where all the members are non-executive directors. Furthermore, Bronson et al (2009) examine 208 firms in US to determine if it is necessary for audit committee to be fully independent as compulsorily required by Sarbanes-Oxley Act. The results showed that only when the audit committee is completely independent that the investors can realize the full benefits of the committee. These studies therefore generally argue that only when audit committee is fully independent that it becomes effective in the discharge of its oversight functions. They assert that at the stage of full independence, the committee is able to monitor the management to avoid opportunistic behaviour, review the external auditor's work and therefore improves the quality of financial reports.

On the other hand, several other studies such as Chen, Moroney and Houghton (2005); Bradbury, Mak & Tan, (2006), Habbash (2010); Zaman, Hudaib & Haniffa (2011) are of the view that it is not necessary to have all the members of the committee to be independent directors but if the majority are independent the committee can discharge its functions effectively. Consequently, Chen et al (2005) investigate the relationship between audit committee composition and audit quality by examining 510 top firms listed on the Australian Stock Exchange in 2000. Using logit regression analysis technique, they find that firms whose audit committees have high percentage of non-executive directors are of higher audit quality as they are more likely to select industry specialist auditors. Also Bradbury et al (2006) examine the relationship between board characteristics and accounting quality on a sample or 139 firms from Singapore and 113 firms from Malaysia. The results indicate that audit committee independence is positively associated with discretionary accruals. Furthermore, Habbash (2010) examines the effectiveness of corporate governance and external audit in constraining earnings management in UK firms. His sample of 350 non-financial companies is drawn from the London Stock Exchange and covered a period of 2003-2006. Using multiple regression analysis, the results indicate that audit committee independence is negatively associated with earnings management. It infers that audit committee independence is associated with reducing discretionary accruals. Zaman, et al (2011) also examines the relationship between audit committee independence and audit quality. Their sample from the FTSE 350 consists of 135 UK non-financial companies for the period 2001-2004. The results indicate that effective audit committee (high independent members) is positively associated with audit quality.

The difference in the results of these studies is occasioned by definitional problems resulting from country settings. While studies from US (e.g. Abbott et al 2003) define independent directors as independent non-executive directors, the UK based studies (e.g. Habbash, 2011; Bashiruddin, 2011) define independent directors as non-executive directors. The US studies emphasize on full independence while the UK and other developing countries believe that if majority of audit committee members are non-executive directors then it is sufficient for the committee to perform. What then the level of independence of the audit committees of Nigerian companies is as provided in the legislation? Are the provisions of CAMA 1990 (as amended) adequate?

Level of Independence of Audit Committees of Companies Listed in Nigeria

The legal provisions in respect of audit committee is that each listed company should have a statutory audit committee comprising three (3) non-executive directors and three (3) shareholders, [S. 359(4), CAMA 1990].

By this provision the non-executive directors make up 50% of the audit committee while the shareholders constitute the other 50%. Thus, the level of independence is 50% which is contrary to findings of previous studies (e.g Bradbury et al, 2006; Habbash, 2011; Zamen et al, 2011 & Bashiruddin, 2011) who posit that the audit committee is only effective if the majority of its members are non-executive directors. The level of independence is also inconsistent with the results of Abbott et al (2003) and Bronson et al, (2009) that document that it is only when all the members of the audit committee are independent non-executive directors that the committee can discharge its duties well. In either way, whether audit committee independence is defined as majority members being non-executive directors or all members (100%) being independent non-executive directors, the provisions of the Act does not give audit committee of Nigerian companies a high level of independence.

Furthermore, the provisions seem to even weaken the committee's independence for two reasons. Firstly, the non-executive directors are most likely shareholders which could make the committee to be bias towards directors/shareholders interests. Secondly, the shareholders that constitute the other 50% are also likely to favour the interest of shareholders. In other words, the committee is unlikely to act with objectivity which is the hallmark of independence. There is also no provision for independent directors in the Act. Such provision would enable the shareholders to appoint those directors purely on merit and such directors will have no other material relationship with the company and be able to act objectively.

Conclusions and Recommendations

The audit committee has the onerous task of monitoring the management to prevent opportunistic behaviours and to review the work of external auditors and so needs a high level of independence to act without bias. From the provisions made in CAMA, 1990 (as amended) the audit committee has only 50% of non-executive directors as members. It can be concluded that this level of independence is inadequate for the committee to discharge its functions well. This conforms with Ame (2013) that found that audit committee of Nigerian money deposit banks are not effective resulting in some banks establishing bank board audit committee in addition to the statutory audit committee. The audit committee needs to be strengthened by further legislative provisions. Section 359(4) of CAMA should therefore be amended to ensure that audit committee is made solely of independent non-executive directors. Independent director be defined as a director who is neither a shareholder nor a former employee of an external auditor of the company and such a director should be appointed based purely on merit. Furthermore, SEC provisions should also insist that audit committees be composed solely of independent non-executive directors.

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Risk-related Disclosures by Non-financial Companies: Nigerian Practices and Discloser Characteristics

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Abstract

This paper examines the characteristics as well as the risk disclosure practices among non-financial companies listed on the Nigerian Stock Exchange. For this purpose, a content analysis of 127 audited annual reports from the year 2010 of the sampled companies was made. Multivariate analysis was used in analyzing the data. The findings show that managers at the time of reporting information about risk, adopt strategies of "impression management" consistent with the attribution theory and also that almost all of the information disclosed was generic, qualitative and backward-looking thus, expressing information gap between the risk reporting practices and the usefulness of this kind of information. Concerning the discloser characteristics, the multivariate analysis shows that scale effect, leverage and earnings power are some important explanatory variables for risk-related disclosures in corporate annual reports. Since there are relatively few studies conducted in this area in developing economies, the paper extends the frontiers of knowledge on the subject matter to developing economies generally and Nigeria in particular.

Keywords: Annual reports, Agency theory, Risk, Disclosure practices, Non-financial companies, Nigeria,

Introduction

Risk disclosure and risk management practices have attracted increased attention following the major accounting scandals, corporate collapses of the early 2000's and the global financial crisis of 2008-9 (Kirkpatrick, 2009). Information on risk can help to determine the risk profile of a company, the accuracy of security price forecasts, the estimation of market value and the probability of corporate failure (Lang & Lundholm, 1996; Healy & Palepu, 2001; Beretta & Bozzolan, 2004). Despite the perceived importance of risk information to investors in making equity and debt investment decisions, empirical studies on the practice and characteristics of risk disclosing firms continue to find a reporting gap or information problem (Rajab & Handler-Schachler, 2009; Oliveira & Rodrigues, 2011; Achua & Onoja, 2013). This paper continues the exploration using data from sub-Saharan Africa country, Nigeria. It is believed that examining a variety of disclosure types provides a better understanding of the disclosures practices and the environment.

Nigeria is a particular focus of this study for three reasons. First, Nigeria is a low-regulation environment endowed with huge mineral resources. Second, the Nigerian government has initiated several far-reaching reforms in the financial sector in a bid to becoming one of the 20 world-leading economies by the year, 2020. These measures include among others, privatization of state corporations and repositioning of the Nigerian Stock Exchange (NSE) to mobilize domestic savings and attract foreign capital investment. Third, the NSE is becoming an important capital market in Africa. It is ranked second in Africa and third best globally as it closed the 2013 year with 35.45 percent gain (Business Eye, 2013). These reasons could motivate investors to diversify their investment portfolios into the market. As a result, investors may be interested in the information disclosure practices of listed companies in Nigeria.

However, empirical evidence on the relationship between firm characteristics and risk disclosure in annual reports of listed companies in the country is still limited. The first objective of this study is to identify the firm characteristics that appear to facilitate risk disclosure by management. The second objective is to describe the risk disclosure practices, distinguishing those information items with attributes deemed to be less relevant to investors' decision making from those deemed more relevant. This objective further establishes the uniqueness of the paper from prior studies in Nigeria (Achua & Onoja, 2013; Musa, 2013; Onoja, 2014). In this light, we examine on one hand, the influence of scale effect, earnings power and leverage on level of risk disclosure while controlling for corporate governance mechanisms of auditor type and proportion of independent directors on the board. On the other hand, we investigate the risk disclosure practices in terms of quantitative (monetary) vs. qualitative (non-monetary) risk information, forward-looking (future) vs. backward-looking (past) information as well as bad news vs. good news.

The results of this study would be of great importance in enhancing our understanding of corporate financial reporting in Nigeria. It would be useful to regulators, preparers of annual reports and investors. Regulators may use the findings to suggest areas where efforts to improve the disclosure regulatory regime in the country should be directed. Preparers should be in a position to match the extent of information in their annual reports with other companies in order to be successful in competing for funds. Existing and potential local and foreign investors may use the findings in understanding disclosure practices of listed companies in Nigeria. Such understanding would enable them diversify their investment portfolios into the Nigerian market. The paper also provides additional evidence to enhance the comparative analysis of voluntary disclosure practices in developed and developing countries.

Concept of risk and risk categories

There is a general perception that people tend to concentrate on the downside of risk. Risk is seen as an idiom for a hazard, a threat or harm. Abraham & Cox (2007) found through content analysis on key words that companies saw risk predominantly as a variation, uncertainty or opportunity. However, this only gives insight in the meaning of risk but it does not provide a clear definition. The term risk is viewed as an "uncertainty as to the amount of benefits" which "include both potential for gain or exposure to loss" (ICAEW, 1977, p.5). Risk disclosure means informing the reader about "any opportunity or prospect, or of any hazard, danger, harm, threat or exposure that has impacted upon the company or may impact upon the company in the future or of the management of any such opportunity, prospect, hazard, harm, threat or exposure" (Linsley & Shrives, 2006, p.389). In this paper, the definition of risk contains all aspects of risk: good risk, bad risk and uncertainty.

Business is full of risks, from wider economic and market changes to strategic decisions to minor operational frauds. There are a number of ways of categorizing risk. This paper identifies financial risk, business risk, operational risk, legal and regulatory risk and environmental risk. Sources of financial risk include interest rate, foreign exchange, liquidity, credit, credit rating, pension plan, commodity price and equity price. Subcategory of business risks include demand, selling price, product cost competition, restructuring, product life cycles, unpredictable economic cycles, strategic risk, risk of losing market share, substitution as well as reputational risks. Operational risk include failings of systems, people and internal processes, human errors, human resource issues, internal control weaknesses, information infrastructure and technology, fraud and information access and availability risks. Legal and regulatory risk consist of lawsuits and litigations, change in tax laws, legislation and government policies. And subcategories of environmental risk include health and safety issues, environmental activists, environmental incidents, laws and regulations and use of environmentally sensitive products. It is legitimate to say that a central task of running business is to manage risks hence, risk management policies.

Theoretical framework

In the Nigerian corporate landscape, listed companies are required to comply with the provisions of Companies and Allied Matters Act (CAMA) 1990, Investment and Securities Act (ISA) 1999, the listing requirements of the Nigerian Stock Exchange (NSE), and the Securities and Exchange Commission (SEC) Rules and the Governance Corporate Code, 2008. However, risk disclosure by these companies is voluntary and not driven by rules that can influence either the content of the disclosure or the way in which the information is presented. What motivates managers to disclose risk information in absence of statutory and regulatory incentives therefore, becomes insightful within the context of theoretical framework. This section reviews a number of theories developed to explain corporate disclosure practices.

Agency theory presumes conflict of interests between shareholders and managers, leading to information asymmetry. The theory explains how the information asymmetry can be reduced by the implementation of risk management systems and incentives to managers, in order to monitor their attitudes towards risk and to assure the disclosure of information beyond the strictly necessary about risk factors and their risk management activities (Jensen & Meckling, 1976).

Signaling theory explains managers' attitude to voluntarily disclosure more information to the market, than that required by regulations, to signal their behavior of best practice, as tactic to promote transparency with the intention of attracting more investment (Spencer, 1973; Ross, 1977; Morris, 1987). Consequently, the companies belonging to the same industry will be interested in disclosing at least the same level of information, because they do not want to be unevaluated by the market, expressing mimetic isomorphism behavior (DiMaggio & Powell, 1983).

Legitimacy theory explains that this mimetic isomorphism behavior is a way of reducing transaction costs associated with the information asymmetry, in order to generate conformity with institutional and society pressures (Shocker & Sethi, 1974; Deephouse, 1996) and gain legitimacy towards society by showing that the entity's action are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions.

Stakeholder theory complements the signaling theory by answering the question of "to whom may the signal be sent?" The theory explains the influence of stakeholders in the firm decisions and consequently, the role of management in order to achieve the exact level of stakeholder demand, because if the level of stakeholder power increases so the importance of meeting stakeholders demand (Freeman, 1984).

If risk management activities are viewed as an effective management activity for dealing with stakeholders, a positive relationship between power, management performance and risk management disclosures is expected (Ullman, 1985).

Political cost theory presumes that managers make accounting choices in their own self-interest and to avoid adverse potential political actions (Watts & Zimmerman, 1986). Politically visible companies increase their disclosures, in order to manipulate their image and distract other's attention (Deegan & Gordon, 1996). If there is room for managerial discretion in choosing reporting features as disclosure format or precision, managers can report on risk in different ways depending on their perceptions of potential reactions of the users of that information, in order to fulfill their investment or disinvestment policies.

Attribution theory explains that managers try to "attribute bad things to factors beyond the directors' control and good things attributed to their personal achievements in controlling risks". (Linsley & Shrives, 2006). Thus, any risk disclosure is followed by a risk management disclosure in order to demonstrate to the stakeholders their ability to manage the external factors faced by the company.

Empirical Review

A number of studies have focused attention on the disclosure practices in the risk and risk management field, using in almost all the cases the content analysis methodology. These studies concern different kinds of companies, namely: financial companies (Frolov, 2006; Linsley et al., 2006); non-financial companies (Carton et al., 2003; Beretta & Bozzolan, 2004; Klaus, 2005; Lajili & Zeghal, 2005; Mohobbot, 2005; Linsley and Shrives, 2006; Kajuter, 2006; Papa, 2007; Abraham & Cox, 2007; Rajab & Handler-Schachler, 2009; Elzahar & Hussainey, 2012; Deumes & Knechel, 2008; Vandamaele et al., 2009; Li and Qian-Qian, 2010; Golshan & Abdul-Rasid, 2012; Hassan, 2009; Oliveira & Rodriguez, 2011; Kravet & Muslu, 2011; Dobler et al., 2011; Achua & Onoja, 2013; Onoja, 2014) and both financial and non-financial companies (Korosec & Horvat, 2005; Lajili, 2007; Musa, 2013). This distinction is important because there are substantial differences in risk factors between financial and non-financial companies.

The disclosure of risk factor and its management can be made either on a mandatory or on a voluntary basis. Few studies examine mandatory disclosures (Kajuter, 2006; Combes-Thuelin et al., 2006) as against voluntary risk disclosures studies (Carton et al., 2003; Beretta & Bozzolan, 2004; Klaus, 2005; Lajili & Zeghal, 2005; Mohobbot, 2005; Linsley & Shrives, 2006; Papa, 2007; Abraham & Cox, 2007; Rajab & Handler-Schachler, 2009; Elzahar & Hussainey, 2012; Deumes & Knechel, 2008; Vandamaele et al., 2009; Li & Qian-Qian, 2010; Golshan & Abdul-Rasid, 2012; Hassan, 2009; Oliveira & Rodriguez, 2011; Kravet & Muslu, 2011; Dobler et al., 2011; Achua & Onoja, 2013; Onoja, 2014).

Hypotheses development

We develop our hypotheses based on empirical evidence and theoretical thrusts. The existence of agency problem will conduct managers to willingly inform the stakeholders not only about the companies risk profile but also the level of risk management activities implemented to manage the risk factors (Linsmeier *et al.,* 2002). This behavior is expected because the managers need to demonstrate to the shareholders that they are able to, manage the risks faced by the company and are capable of safeguarding the best interest of the shareholders. Accordingly, agency theory presumes that the managers will disclose at least, the same level of risk and risk management information. Therefore, the paper proposes a development of hypotheses that isolate risk disclosures from the risk management disclosures for proper analysis and interpretations of the disclosure practices.

Stakeholders cannot observe risk management activity thus, any quantitative and forward looking information will be more useful than qualitative and backward looking information in order to access appropriately the future cash flow, reduce their uncertainties, and improve transparency as well as market efficiency. Some studies show that it is common to find qualitative risk related information than quantitative risk related information (Beretta & Bozzolan, 2004; Lajili & Zeghal, 2005; Linsley & Shrives, 2006). Therefore, we hypothesize that:

Ho_1: The number of non-monetary risk disclosures is significantly greater than the number of monetary risk disclosures

Ha$_1$: The number of non-monetary risk management disclosures is significantly greater than the number of monetary risk management disclosures

Forward-looking information is more decision-relevant than backward-looking information. Therefore, stakeholders expect that risk-related information would be forward-looking. However, some studies had shown the reluctance in providing forward-looking information (Beretta & Bozolan 2004; Beatties et al., 2004). The forward-looking risk information is sensitive because once released to outside, it is probable that managers will be required to justify their "premonitions". They will be exposed to potential claims. Thus, managers will probably disclose more backward-looking information than forward-looking information and so, we hypothesize that:

Ho$_2$: The number of past risk disclosure is significantly greater than the number of future risk disclosures

Ha$_2$: The number of past risk management disclosures is significantly greater than the number of future risk management disclosures

Regarding to outlook orientation, companies disclose bad news as well as good news in order to gain credibility in their annual reports (Deegan & Gordon, 1996). If companies disclose only good news, the stakeholders would be suspicious of the management disclosure policies leading to reputational costs and/or litigation threats (Skinner, 1994). To mitigate these costs, management disclosure practices include both good and bad news. Some studies which investigated risk reporting practices reveal that the disclosure of good news are higher than the disclosure of bad news and that managers attribute good news to themselves and bad news to the environment (Bettman & Weitz, 1983; Clapham & Schwek, 1991; Clatworthy & Jones, 2003). In these studies, the authors included other items of outlook orientation called neutral news. Therefore, our third hypothesis is thus:

Ho$_3$: The number of good, bad and neutral risk disclosures is significantly different from one another

Ha$_3$: The number of good, bad and neutral risk management disclosure is significantly different from one another

Larger companies are more likely to have larger groups of stakeholders and consequently attract more media attention which could increase vulnerability to political costs and threatened legitimacy (Klaus, 2005). Also, the proportion of outside capital tends to be higher for larger companies and agency theory suggests agency costs increase with the amount of outside capital (Jensen & Meckling, 1976). Thus larger firms may have greater incentives to disclose more information in order to reduce agency costs, hence reduce information asymmetries between managers and shareholders. Thus, regarding the characteristics of risk disclosing firm, we hypothesize that:

Ho$_1$: The extent of risk disclosure by non-financial companies is significantly influenced by scale effect (size).

Perspective of signaling theory, companies with high earnings are motivated to reveal high quality signal, in order to drive their stocks' price high (Onoja, 2014). The aspects bring forth expectation on those companies with high performance to disclosure more voluntarily. On the contrary, those with worse performance may hide or delay their risk disclosures, for fear of pressures from lenders, suppliers and competitors. Empirical evidence of Klaus, (2005) and Vandamaele et al., (2009) showed significant profitability-risk disclosure relations. Thus, to examine whether earnings drive risk disclosure of Nigerian firms, we hypothesize that:

Ho$_4$: The extent of risk disclosure by non-financial companies is significantly influenced by earnings power.

Companies with higher leverage are associated with an increased bankruptcy risk as well as increased likelihood of the breach of debt covenants (Dechow et al., 1996; Bukjaki & McConomy, 2002). Clarkson et al. (1996) find that more information from the borrower reduces uncertainty in the risk estimates of the lender and ultimately lowers the cost of debts. Therefore, highly leveraged firms can be expected to disclose more information to reduce agency costs and reassure lenders that their interests are protected. Concerning leverage, we hypothesize that:

Ho_5: The extent of risk disclosure by non-financial companies is significantly influenced by leverage.

The paper further considers the strength of corporate governance mechanisms and identifies audit quality and board composition as control variables. First, high quality auditors, conventionally identified as the big four (Big 4) audit firms are believed to be more careful about ensuring transparency and error-freeness of firms' annual reports. Secondly, board composition can be expected to have an impact on the disclosure policy. Annual report is approved by the board of directors. Thus, independent directors in the board can improve corporate governance and safeguard middle and small investors' interest, and lead to more risk disclosure.

Sample selection and research methods

Sample selection

A total of 153 non-financial companies were listed on the Nigerian Stock Exchange (NSE) on 1 January, 2010 (NSE fact book, 2010). We adopt purposive sampling based on data availability and use a sample of 127 companies, representing 83 percent of the population.

Research methods

Content analysis was used to determine the themes of risk disclosure. In content analysis, different counting measures can be used which include 'word', 'sentence', 'page', and 'number of lines'. In this study, 'sentence' was used as it is more likely to provide data which are complete, reliable and meaningful (Milne & Alder, 1999). In the implementation of this approach, we determine the following: the research question (e.g. measuring risk disclosure); the codable document (e.g., annual report); the coding unit (e.g., sentence); disclosure categories (e.g., financial risk, operational risk, business risk, environmental risk); and the coding mode (e.g., manual).

Decision rules were as follows: first, sentences are to be coded as risk disclosure if they inform the reader about any opportunity, prospect, danger, harm, hazard, exposure or threat. The management of any such risk has to be coded as a risk disclosure as well. Second, risk disclosures have to be mentioned explicitly not implied and third, repeated risk disclosure should be recorded as a risk disclosure each time it is discussed. This implies that the same risk disclosure can be coded more than once, because each time it is mentioned it draws the attention of the reader. Linsley & Shrives, (2006) stated that subjectivity in coding is unavoidable "as the definition of risk is open to interpretation". Therefore, the decision rules aimed at improving consistency in coding.

Model specification

We use multiple linear regressions to test the characteristic of risk disclosing companies and the model used is below:

$$RD = \beta_0 + \beta_1 SIZE - \beta_2 ROA + \beta_3 LEV + \beta_4 AQ + \beta_5 IND + \varepsilon$$

There into: RD is dependent variable. SIZE, PROF and LEV are independent variables. AQ and IND are control variables. ε is residual error (see Table 1).

Table 1: Operational description of variables and sign prediction

Variable	Definition	Sign prediction
RD	Total number of sentences dedicated to varying risk issues	/
SIZE	Scale: natural logarithm of turnover (sales)	+
ROA	Earnings power: Return on assets: net profit divide total assets	-
LEV	Asset-liability ratio: total liabilities divide total assets	+
AQ	Dummy variable: take 1, when a company is audited by Big 4 auditors; otherwise, take 0	+
IND	Proportion of independent director to board size	+

Empirical evidence

Descriptive analysis

A total of 2837 risk-related disclosures were identified within the 127 audited annual reports. Table 3 shows that the mean disclosure rate per annual report is 22 sentences while the minimum and maximum number of disclosure is 3 and 26 sentences respectively. Of the 2837 disclosures, 1398 concerns risk factors while 1439 relates to risk management disclosures. The risk categories more disclosed were business risks, operational and financial, which constitute 71% of the total risk disclosures made.

Within the risk-related disclosures, 2658 and 2165 disclosures are dedicated to backward-looking and non-monetary as against 179 and 672 forward-looking and monetary disclosures respectively. The disclosure of risk factors have attributes "non-monetary/bad news/past" while risk management disclosures assume attributes "non-monetary/good news/past". In spite of knowing that forward-looking and quantified information facilitate decision making process by investors, this study shows results to the contrary.

Table 3 also shows that companies report on risk management activities to explain how they manage risk factors thus, ignoring "neutral news" attributes that describe generally the existence of risk management systems. The bad news attributes assume 1208 disclosures of risk factors against 54 disclosures of "good news" attributes. However, within the risk management disclosures, 1206 of them are "good news" and only 21 disclosures are "bad news". Here, it is common to find disclosures describing external risk factors attributed to circumstances beyond the management control followed by a description of a risk management activity to manage that risk. This suggests that the risk-related reporting practices followed by Nigerian non-financial companies could be explained on the basis of attribution theory. Regarding the firm characteristics, Table 3 further shows that the size of Nigerian non- financial firms during 2010 financial year had a mean value of 22.61, meaning that the turnover of the firms on average is N28.38 billion (antilog). Average profitability (ROA) amounted to 11% and financial leverage 57% indicating above average sums of debts in the balance sheets of the companies.

Concerning the patterning and sections of annual report used to report on risks, Table 4 shows that the management reports, the corporate governance reports and the notes to the accounts sections of the individual and consolidated annual reports are more often used to report on risks.

Table 2.

Section of annual reports	Number of disclosures	Percentage
Chairman's letter	938	33.06
Directors' report	682	24.04
Corporate governance reports	571	20.13
Notes to the accounts	327	11.53
Balance sheets	209	7.37
Statutory auditor's reports	110	3.87
Total	2837	100

Source: Annual reports, 2010

Test of Hypotheses

We test hypotheses using student t-statistics and 5% significance level for a 2-tailed test. For critical t=±1.96, we accept (or reject) the null hypothesis if critical value is greater (or less) than calculated value. The outcome of the hypotheses testing is contained within Table 3. The regression output produced a coefficient of determination (R^2) of 75% implying that only 25% of the variation in the level of risk disclosure is explained by factors not captured in our model. The F-statistics (31.49) signifies that the overall equation is significant at 00% (below 5%). The diagnostic tests of VIF and TOL statistics indicate absence of multicolinearity among the predictive variables and so confirm the model fit. The coefficient on SIZE is statistically significant and positive. This confirms that bigger companies prefer to increase information disclosure to decrease agency cost and supports earlier findings of Beretta & Bozzolan, (2004) in Italy, Mohobbot, (2005) in Japan, Linsley & Shrives, (2006), Elzahar & Hussainey, (2012) in the UK, Li & Qian-Qian, (2010) in China & Achua & Onoja, (2013) in Nigeria. The investigation of profitability reveals that Return on Assets (ROA) is not helpful to risk disclosures. This is contrary to signaling theory but confirms Vandamaele et al., (2009). The negatively significant profitability-risk relation suggests either that management of firms with relatively low profitability may experience increased pressure to examine and disclose risk factors affecting firm performance or that well performing firms avoid cost of increased disclosures. The negative and insignificant result found for leverage is suggestive of manager's unwillingness to disclose debts covenant to the market.

The paired sample T-test confirms the existence of a significant difference between the non-monetary and monetary risk disclosure since sig < p-value=0.05. There exist statistical evidence that the number of past risk disclosures are significantly greater than the future disclosures. The One-way ANOVA for testing the outlook orientation shows that disclosure of good, bad and neutral news are significantly different from one another. The results show that the risk and risk management disclosures are generally qualitative and backward-looking, confirming the political costs theory, economic theory of cheap talk model and the prior literature of (Beattie et al., 2004; Linsley & Shrives 2006; Oliveira & Rodrigues, 2011).

Table 3: Descriptive statistics

	N	%	Minimum	Maximum	Mean	Std. Deviation
Total of disclosures	2837		3	26	22.37	2.82
Past	2658	93.69	2	24	22.31	2.81
Future	179	6.31	0	4	1.41	0.81
Non-monetary	2165	73.31	1	21	22.30	1.64
Monetary	672	23.69	1	9	4.54	1.57
Bad news	1213	42.76	1	14	9.55	2.79
Good news	1279	45.08	0	17	10.07	2.93
Neutral news	345	12.16	0	6	2.72	1.21
Risk disclosures	1398		1	19	11.00	2.93
Past	1261	90.20	1	18	9.93	3.07
Future	137	9.80	0	2	1.07	0.84
Non-monetary	821	58.73	0	13	5.29	1.36
Monetary	577	41.27	0	8	4.54	1.57
Bad news	1208	86.41	1	18	9.51	2.78
Good news	54	3.86	0	3	0.43	0.68
Neutral news	136	9.73	0	3	1.07	0.85
Risk management disclosures	1439		0	20	11.33	2.84
Past	1382	96.04	0	14	10.88	2.78
Future	57	3.96	0	3	0.45	0.70
Non-monetary	1331	92.49	0	14	10.47	3.03
Monetary	108	7.51	0	2	0.85	0.94
Bad news	21	1.46	0	1	0.17	0.34
Good news	1206	83.81	0	17	9.49	3.22
Neutral news	212	14.73	0	4	1.64	1.00
Firm characteristics						
Scale effect	127		16.45	26.66	22.61	1.99
Earnings power	127		-.20	.50	.11	.12
Leverage	127		.08	1.42	.57	.24
Independent directors	127		.38	.90	.67	.13
Audit quality	127		.00	1.00	.64	.48
Risk categories						
Business risk	127	26.65	2	12	6.53	1.83
Operational risk	127	24.43	1	9	4.48	1.65
Financial risk	127	20.75	1	10	4.91	1.73
Legal & regulatory risk	127	13.54	0	8	3.11	1.59
Environmental risk	127	14.63	0	6	3.33	1.35

Source: Descriptive analysis output

Conclusion

The paper examines the risk disclosure practices and the characteristics of risk disclosing non-financial companies in Nigeria. The descriptive analysis and hypothesis results show that the risk and risk management disclosures are generally qualitative and backward-looking confirming the political costs theory and the economic theory of cheap talk models as well as empirical evidence of (Beattie et al., 2004; Linsley & Shrives 2006; Oliveira & Rodrigues, 2011). Managers also adopt strategies of "impression management" which is consistent with the attribution theory, blaming bad news on the environment while attributing "good news" to management policies. Therefore, the risk disclosure in annual reports of these firms is deficient in depth and precision indicating a gap between risk reporting practices and the usefulness of risk information to investors. The findings of this paper are relevant for future risk regulation particularly, towards the development of a comprehensive risk approach considering all risk factors faced by the companies

Table 4. Parametric (T-test), One-way ANOVA and Regression tests of variables

Paired sample T-test	Mean	t	Sig (2 tailed)			
RD N:M	-1.92	-8.54	.000			
P:F	8.84	31.66	.000			
RMD N:M	9.62	32.82	.000			
P:F	-10.43	-40.14	.000			
One-way ANOVA			Levene's Test			
test	Mean	Group	Statistic	Sig	F	Sig
	0.43	a				
RD GN	9.51	b	7.63	.003	1.56	.007
BN	1.07	c				
NN						
	9.49	a				
RMD GN	1.67	b	4.23	.000	1.09	.003
BN	0.17	c				
NN						
Regression analysis	Coef.	Std. E.	t-stat	Sig	VIF	TOL Stat
Const	17.71	4.27	4.14	0.00		
SIZE	0.20	0.16	15.19	0.00	1.12	0.39
ROA	-4.78	3.07	-1.55	0.01	1.08	0.88
LEV	-0.46	1.37	-0.34	0.31	1.07	0.78
IND	0.65	2.43	0.26	0.43	1.03	0.96
AQ	0.78	0.70	1.11	0.27	1.13	0.92

Source: T-test, ANOVA and Regression output

$$RD = 17.71 + 0.203SIZE - 4.781ROA - 0.463LEV + 0.648IND + 0.775\,AQ$$
$$(4.143) \quad (15.194) \quad (-1.558) \quad (-0.338) \quad (0.267) \quad (1.107)$$

$R^2 = 0.753$, $R^{-2} = 0.746$, DW Stat: 1.486, F-Stat: 31.488

t – values are in parenthesis

There is considerable scope for further research into risk disclosure. In this paper, our analysis was restricted to disclosure available on the annual reports only, previous evidence (e.g. Skinner, 1994) suggests that companies communicate with stakeholders through other channels such as interim reports, preliminary announcements and the internet. Further research could examine these other forms of information disclosure. Also, this study covers one-year and data used may not reflect typical economic and financial conditions. Further study could examine the extent and determinants of risk disclosure of Nigerian firms over a period of years. Finally, in view of the potential role of risk disclosure in reducing information asymmetries and thereby increasing investor's confidence, it would be valuable to conduct further research to establish the impact of risk disclosure on cost of equity capital, reflecting improvements in investor sentiment.

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The Effect of Corporate Restructuring on the Performance of Nigerian Banks: A Study of Some Selected Banks

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Abstract

This paper empirically analyzed the effect of corporate restructuring on the performance of Nigerian banks with six (6) selected banks as a case study. In examining the effect of corporate restructuring through consolidation which has been described as a revolution in the banking industry in Nigeria, a period of eight (8) years spanning from 2001-2008 was considered. This period was chosen for the purpose of comparing the performance of Nigerian banks before consolidation (2001-2004) and after consolidation (2005-2008). Data from the six (6) sampled banks listed on the Nigerian Stock Exchange (NSE) was analyzed. To measure the effects of corporate restructuring on bank performance; we computed the means of the two (2) populations using the standard t test to ascertain whether a statistically significant change occurred after consolidation and applied the Wilcoxon signed rank tests in order to enhance the results. We noticed that the adoption of the consolidation programme has not improved the overall performance of Nigerian banks significantly and has not realized the goal of stability and sustainable development. The study concludes that the adoption of consolidation as a major tool of restructuring the banking industry in Nigeria may not necessarily be a sufficient tool for financial stability for sustainable development. The study therefore, recommends adequate and comprehensive planning through strengthening the balance sheet for those who seek to merge or be acquired and those in pursuit of expansion. For corporate restructuring to achieve its objective of ensuring price stability and rapid economic development, restructuring in the financial market should be market driven to allow for the expected efficiency. This is very important because any financial reform that is induced by government and not market driven is bound to witness some failure at least at the onset.

Introduction

The Nigerian banking industry has been characterized over the years by liquidity surfeit and the arduous tasks of mopping it up (Soludo, 2007). Other features included regimes of highly volatile inter-bank interest rates and high money market interest rates, lopsided credit by the banking sector, and 'crowding out' of the private sector by public sector borrowing, a situation that was tantamount to the collapse of the entire system (ibid). This agrees with the assertion by Chizea (2005) that the causes of this situation included unhealthy competition arising from rapid expansion of banks and non-bank financial institutions, reduction in deposit base, large stock of non-performing assets, and volatility of interest rates, especially in the interbank market, insider abuse and unprofessional conduct. With the rapid expansion of banks things appeared very normal to the innocent and unsuspecting bank customer. There were altogether eighty-nine (89) banks in Nigeria in 2004 with a total of three thousand three hundred and sixty seven branches across the country (Central Bank of Nigeria, 2004). However, not all of these banks seemed to be real as most of them were characterized by liquidity and corporate governance problems (Nwanma, 2007). This notwithstanding, they were still opening shops and conducting banking business, some of them were in fact dead- technically speaking, and their continued existence posed a great threat to the entire banking system (ibid). This crisis indeed triggered the need for the banking sector reform and restructuring as an option to strategically reposition the banks for completive advantage becomes inevitable.

Different views on the appropriate pace of corporate restructuring could be attributed partly to insufficient information on the macroeconomic consequences of corporate restructuring. With large uncertainty about the end result, policy makers can easily become hesitant or reluctant to push hard for reforms, and public support can easily wane (Kim, 2004). This, in fact, underscores the importance of knowledge about the macro effects of corporate restructuring. Corporations undertake restructuring as a means of coping with the prevailing economic realities facing them. During the current economic turbulence facing corporations which if not given serious attention, may result to going concern problems, executives search for strategies that will enable the organization to survive and grow.

Chizea (2005) observes that the banking industry in Nigeria had not witnessed what could be truly characterized as a revolution, till the unfolding of the reform agenda issued by the CBN on July 6, 2004. The core of this revolution was the decision to restructure the sector by making it more viable and competitive as the first step towards meeting the economic development of Nigeria and its integration into the global economy. The strategy adopted was the recapitalization from the extant banks' minimum requirement of N2 billion to N25 billion within 18 months deadline commencing from July 2004 to December 31, 2005. This sudden development in the financial sector propelled banks operators in making frenetic and frenzied search for equity funds, each pushing hard to meet or surpass the new minimum requirement, if they must continue to operate in the industry (Okeke, 2005).

These arguments raise a fundamental question of whether or not the Nigerian government's use of restructuring in the banking sector for the purpose of repositioning the industry through consolidation for greater performance was the most appropriate policy initiative. This problem is further confounded by the unstable nature of the Nigerian political environment that is characterized by frequent change of policies as a result of changes in administration and champions of government parastatals and industries.

"It is not clear as to whether or not corporate restructuring has any effect on the performance of banks in Nigeria". This study therefore seeks to:

a. To examine the effect of corporate restructuring on the profitability of Nigerian banks.
b. To examine the effect of corporate restructuring on the operating efficiency of the Nigerian banks.
c. To examine the effect of corporate restructuring on the liquidity position of Nigerian banks.

The Concept of Corporate Restructuring

The concept of corporate restructuring has been viewed by a number of authors and scholars. Iskander *et al.* (1999), for instance view corporate restructuring as a process that involves restructuring the assets and liabilities of corporations, including their debt-to-equity structures, in line with their cash flow needs to promote efficiency, restore growth and minimize the cost of tax payment to business firms.

Champlin and Olson (1994) consider corporate restructuring as the process of restructuring which includes mergers, acquisitions, consolidation, divestitures, plant closures, downsizing and extensive reorganization of the workplace. To Xu and Xia (2007), corporate restructuring, especially mergers and acquisitions, is the transaction of enterprise assets or the property right, as not merely one of the ways that an enterprise expands, but a major factor contributing to the evolution of enterprise strategy.

The International Labour Organization (2001) defines corporate restructuring as the adjustment or conversion of production and services to cope with non-transitory, primarily qualitative changes in capital, goods and labour markets. It refers, in other words, to the adaptation of an economic unit to its environment. While change is more or less a continuous activity, there may be periods of both intensified and pervasive transformation of industrial activities and this is in fact the sense, which the term 'restructuring' has assumed over the past decade (Havlik, 2005).

This study adopts the view of Iskander *et al.* (1999) on corporate restructuring which is principally aimed at restoring growth and promoting efficiency of the organization. Suffice it to say that corporate restructuring is a structural change that is aimed at repositioning the corporation for greater productivity, growth, efficiency and profitability. This process is continuous and often adopted as a strategy for combating current economic turbulence facing corporations (Meuse et al., 2004).

Empirical Framework

From empirical stand point, Kim (2004) examines the macro effects of corporate restructuring in Japan. In examining the effects of corporate restructuring KiM (ibid) used world scope financial data of Japanese firms for the period 2000-2002. World scope originally provides data for 3,918 Japanese firms, but the number of firms that have the information amounts to 1,555 (representing around 20 percent of total corporate liabilities in the economy. The study sets out to evaluate both potential benefits and costs of corporate restructuring and applied it to Japan. Based on Cobb-Douglas production functions together with financial statement data of the 1,555 Japanese firms and industry-specific labor income per share parameters, it calculated total factor productivity of individual firms and derived the distribution of productivity across those firms. It showed that well-designed restructuring in Japan could provide a medium-term output gain that substantially outweighs the short-run.

Puput (2009) evaluates the impact of restructuring policies on the banking sectors of Indonesia, Thailand and Korea by examining the wealth effects arising from the announcement of restructuring policies. The study focus on five types of measures typically used by governments to restore overall public confidence, namely, liquidity support to banks, guarantees of bank liabilities, bank closures, provision of public funds for recapitalization of financial and corporate sectors, and finally the creation of centralized asset management companies. In order to obtain a sharper insight into how banks were affected by the crisis, a financial ratio analysis of the banking sector in each country comparing performance before and after implementation of restructuring policies was carried out. The result shows that shareholders of East Asian banks experienced significant losses during the announcements of the restructuring policies between June 1997 and September 1998.

Claessens *et. al*. (2001) examines the various tradeoffs regarding public policies towards systemic financial and corporate sector restructuring from eight crisis countries of Finland, Indonesia, South Korea, Malaysia, Mexico, Philippines, Sweden and Thailand. They reviewed company specific data from World scope of 687 firms. The aim of the study was to investigate the quantitative importance of some specific government policies: liquidity support to financial institutions, the guaranteeing of the liabilities of financial system during the early phase of the crisis, and the establishment of a public asset management company during the restructuring phase.

In estimating the impact of restructuring policies on the performance of the corporate sector distinction was made between the depth of the crisis, the recovery after the crisis and the sustainability of the recovery. As a measure for the depth of the crisis, the difference in a corporation's operating income defined as earnings before interest and taxes with depreciation added, as a ratio of sales i.e., EBITD-to-sales, between the pre-crisis and during –crisis period was carried out. Similarly, the measure for the degree of recovery of corporate performance was the difference in EBITDA-to-sales between the post-crisis and during –crisis period. The measure for the sustainability of the recovery was the difference in EBITDA-to-sales between the post-crisis and pre-crisis periods. It finds that a particular package of these measures can facilitate quicker recovery by the corporate sector from a crisis and assist in the sustainability of the recovery but it come with some fiscal costs. The study recommends that the final effect of government efforts at restructuring will need to take into account the political and economy factors behind the causes of the crisis and its resolution.

The foregoing review suggests that there is a growing body of research on corporate restructuring and performance. These studies provide evidence that corporate restructuring generally works but it is often accompanied by some fiscal costs like lose of employment in the short run. These studies also reveal that a country's political and economic factors strongly affect both the way in which corporate restructuring is designed and carried out, and the outcome that one can expect from the process. This is anchored on the fact that the causes of the crisis and its resolution varies from country to country.

Methodology

Research Hypothesis

In order to achieve the purpose this study, three hypotheses have been formulated for testing:

H_{o1}: Corporate restructuring has no any significant effect on the profitability of Nigerian banks

H_{o2}: Corporate restructuring has no any significant effect on the operating efficiency of Nigerian banks

Ho_3: Corporate restructuring has no any significant effect on the liquidity position of Nigerian banks.

The population of this study consists of all the twenty three (23) commercial banks that operated in Nigeria from January, 2001 to December, 2008. The study used secondary data as source of data collection. In doing this, the study made use of annual reports of sampled banks as contained in Nigerian Stock Exchange FACT Book, relevant journal articles, data on economic indices obtained from the official publications of government like gazette, company reports, company internet websites and newspapers.

In order to measure the effects of corporate restructuring on the performance of Nigerian banks, the study relied on three broad indicators of performance, including profitability, liquidity and operating efficiency/capital investment. We used the same ratios as in Megginson and Randenborgh (1994) and Cosset (1998). To measure the effects of corporate restructuring on bank performance, the study first calculate performance measures for every bank for the years before and after consolidation. The mean of each measure is computed for each bank over the pr-consolidation (years 1 to 4) and post-consolidation (years 1 to 4) periods.

The study then tests whether or not a statistically significant change occurred after consolidation. To achieve this, the study apply two tests, the standard T test for differences in the mean of two populations as well as the Wilcoxon signed rank tests, which is a parameter free test and especially well suited for cases with small sample sizes. For the test for differences in the mean of two populations, we identify the period prior to consolidation as one population and that after consolidation as the second one. While the assumptions underlying the Wilcoxon test are always satisfied, the proper application of the test for differences in the mean of two populations requires the assumption of normal distribution.

The level of significance (α) for this study is 5% confidence interval. For a two tailed test; the critical value is $t \pm 0.05/2 = \pm 1.96$. Based on this, the decision rule for testing the hypotheses is to accept (or reject) the null hypothesis if the critical value is greater (or less) than calculated value (Agburu, 2001 and Gujarati and Sengeetha, 2007). The local currency data were used in all the analyses, and whenever possible we compute ratios using nominal data in both the numerator and denominator. The study expresses all nominal figures in thousands of naira. It uses the consumer price index (CPI) to adjust the values of all nominal quantities.

Presentation of Results and Analysis

In carrying out the analysis of the data in order to establish whether or not there exist any relationship between corporate restructuring and the performance of Nigerian banks, the Statistical Package for Social Sciences (SPSS) has been used to run the standard T test for differences in the mean of pre-consolidation and post-consolidation periods and the Wilcoxon rank test so as to enhance the accuracy of the results

Effects of Corporate Restructuring on Profitability

Table 1.1 Profitability Indicators-Reports on the Results of Hypothesis 1 for First Bank of Nigeria Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Profitability				**T**	**df**	**Sig.(2-Tailed)**
Return on Assets	0.02501597	0.026482374	-0.001466404	-0.311	3	0.766
Return on Equity	0.317824765	0.201192744	0.116632021	2.075	3	0.083

Source: Computed by the Research, 2011

From table 1.1, two ratios have been considered in measuring the effect of corporate restructuring on profitability at First Bank plc. The outcome of our T-test shows that while corporate restructuring has significant effect on profitability when measured in terms of return on equity; it has no any significant effect on profitability when measured in terms of return on assets. It is clear from the results above that the anticipated benefits of business growth and profitability as a result of corporate restructuring has not been fully harnessed at First Bank plc.

Table 1.2 Profitability Indicators-Reports on the Results of Hypothesis I for United Bank for Africa Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Profitability				**T**	**df**	**Sig.(2-Tailed)**
Return on Assets	0.126755795	0.019117385	0.107638409	-1.541	3	0.174
Return on Equity	0.184794612	0.209147375	-0.024352763	-0.618	3	0.559

Source: Computed by the Researcher, 2011

From table 1.2, there is improvement in profitability after consolidation when profit is measured in terms of return on assets and return on equity. Though there is improvement in profitability; the result is not significant. It is very clear from the results of our T-test above that corporate restructuring has no any significant effect on profitability at UBA plc during the period under review. This result is in line with the result of the study conducted by Puput (2009) on the impact of corporate restructuring on shareholders of East Asian banks where it was concluded that shareholders experienced significant losses during the announcements of the restructuring policies.

Table 1.3: Profitability Indicators-Reports on the Results of Hypothesis I for Zenith Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Profitability				**T**	**df**	**Sig.(2-Tailed)**
Return on Assets	0.03604912	0.021950902	0.014098218	3.823	3	0.009
Return on Equity	0.352432656	0.149104905	0.203327751	11.133	3	0

Source: Computed by the Researcher, 2011

From table 1.3, there is significant improvement in profitability when profitability is measured in terms of both return on assets and return on equity. This is evident in the results of our T-test in the table above on Zenith Bank Plc. It is clear from the outcome of the result that corporate restructuring has significant effect on the profitability of Zenith Bank for the period under review.

Table 1.4: Profitability Indicators-Reports on the Results of Hypothesis I for Guaranty Trust Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Profitability				**T**	**df**	**Sig.(2-Tailed)**
Return on Assets	0.036324186	0.028699116	0.00762507	4.674	3	0.003
Return on Equity	0.321979649	0.187417212	0.134562437	3.499	3	0.013

Source: Computed by the Researcher, 2011

From table 1.4, there is significant improvement in profitability when measured in terms of both return on assets and return on equity. This is evident in the results of our T-test in the table above on GTB plc. It is clear from the outcome of the result that corporate restructuring has significant effect on the profitability of GTB plc for the period under review.

Table 1.5: Profitability Indicators-Reports on the Results of Hypothesis I for Diamond Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Profitability				**T**	**df**	**Sig.(2-Tailed)**
Return on Assets	0.019527793	0.020030782	-0.000502989	-0.066	3	0.949
Return on Equity	0.018527793	0.021030782	-0.001502989	-0.058	3	0.939

Source: Computed by the Researcher, 2011

From table 1.5; though there is improvement in profitability after consolidation the result is not significant. This is evident in the outcome of the results of the T-test above. It is clear that corporate restructuring has no significant effect on the profitability of Diamond Bank plc during the period under review. This result agrees with the study carried out by Puput (2009) that shareholders of East Asian banks experienced significant losses during the announcements of the restructuring policies between June 1997 and September 1998.

Table 1.6: Profitability Indicators-Reports on the Results of Hypothesis I for First City Monument Bank (FCMB) Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Profitability				**T**	**df**	**Sig.(2-Tailed)**
Return on Assets	0.0183228	0.023445653	-0.005122853	-0.544	3	0.606
Return on Equity	0.149598229	0.127376845	0.022221384	0.268	3	0.798

Source: Computed by the Researcher, 2011

From table 1.6, there is improvement in profitability when profitability is measured in terms of return on assets but the outcome of the result of our T-test is not significant. The outcome of our t-test is also not significant when profitability is measured in terms of return on equity. It is clear from the above table that corporate restructuring has no any significant effect on profitability on FCMB plc for the period under study.

Effects of Corporate Restructuring on Operating Efficiency

Table 1.7: Operating Efficiency-Reports on the Results of Hypothesis II for First Bank Plc

Name of Sample d Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Capital Exp				**T**	**df**	**Sig.(2-Tailed)**
CE/TA	0.027808104	0.026252139	0.001555965	0.473	3	0.653

Source: Computed by the Researcher, 2011

The result in table 1.7 shows that corporate restructuring has no any significant effect on the operating efficiency of First Bank plc during the period under review as evident in the outcome of our computation of T-test results. This result disagrees with the assertion by Nwanma (2007) that the emerging competitive environment in the banking industry has compelled the operators to be creative and entrepreneurial in their approach to banking.

Table 1.8: Operating Efficiency-Reports on the Results of Hypothesis II for UBA Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Capital Exp				**T**	**df**	**Sig.(2-Tailed)**
CE/TA	0.027092431	0.035816185	-0.008723754	-2.081	3	0.083

Source: Computed by the Researcher, 2011

The results on operating efficiency for UBA shows significant improvement in capital expenditure geared towards diversification and expansion in network. The outcome of the T-test result agrees with the assertion by Nwanma (2007) that the emerging competitive environment in the banking industry has compelled the operators to be creative and entrepreneurial in their approach to banking. Perhaps more than any other thing, this is the greatest factor that will drive performance of the banks in the post-consolidation era (Nwanma, 2007).

Table 1.9: Operating Efficiency-Reports on the Results of Hypothesis II for Zenith Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Capital Exp				**T**	**df**	**Sig.(2-Tailed)**
CE/TA	0.043433823	0.037704736	0.005729087	1.174	3	0.285

Source: Computed by the Researcher, 2011

The outcome of our T-test in table 1.9 shows that corporate restructuring at Zenith Bank plc has no any significant effect on the operating efficiency of the bank during the period under review. This result is in sharp contrast to the assertion by Nwanma (2007) that competition has made the banks to be creative and have become good marketers, churning out various products aimed at attracting and retaining corporate and individual customers. For a bank to attain this height; it must invest in information technology, branch expansion and offer efficient services.

Table 1.10: Operating Efficiency-Reports on the Results of Hypothesis II for Guaranty Trust Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Capital Exp				**T**	**df**	**Sig.(2-Tailed)**
CE/TA	0.032954664	0.041972585	-0.009017921	-5.543	3	0.001

Source: Computed by the Researcher, 2011

The results on the operating efficiency at Guaranty Trust Bank plc in table 1.10 shows significant improvement in capital expenditure geared towards diversification and expansion network. In order words, corporate restructuring has significant effect on the operating efficiency of Guaranty Trust Bank plc as evident in the outcome of the results of our T-test during the period under review. This result agrees with the assertion by Nwanma (2007) that the branch network of the banks has been expanding at a very rapid pace. In this result, consolidation has helped the bank redefine its strategy.

Table 1.1: Operating Efficiency-Reports on the Results of Hypothesis II for Diamond Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Capital Exp				**T**	**df**	**Sig.(2-Tailed)**
CE/TA	0.049918162	0.039099512	0.010818651	1.596	3	0.162

Source: Computed by the Researcher, 2011

From table 1.11 there is a decline in capital expenditure at Diamond Bank plc with its attendant effects on diversification and expansion network after consolidation. The results of our T-test show that corporate restructuring has no any significant effect on the operating efficiency of the bank during the period under review. This result is in sharp contrast to the assertion by Nwanma (2007) that competition has made the banks to be creative and have become good marketers, churning out various products aimed at attracting and retaining corporate and individual customers. It suffices to say that for any bank to achieve this; it must offer products and services that satisfy the yarning of its customers.

Table 1.12 Operating Efficiency-Reports on the Results of Hypothesis II for First City Monument Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Capital Exp				**T**	**df**	**Sig.(2-Tailed)**
CE/TA	0.075242907	0.046535854	0.028707053	2.136	3	0.077

Source: Computed by the researcher, 2011

The outcome of our computation of T-test in table 1.12 at First City Monument Bank plc shows that corporate restructuring has significant effect on the operating efficiency of the bank during the period under review. The result shows the extent to which the bank is poised for creating products and services that would assist in attracting and retaining both corporate and individual customers

Effects of Corporate Restructuring on Liquidity

Table 1.13: Liquidity-Reports on the Results of Hypothesis III for First Bank Plc

Name of Sampled Bank	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test For Equality of Means		
Liquidity				**T**	**df**	**Sig.(2-Tailed)**
CMS/TA	0.793734271	0.84394283	-0.050208559	-0.050208559	3	0.543

Source: Computed by the Researcher, 2011

Table 1.13 shows increase in the mean of liquidity at First Bank Plc after consolidation. Though there is improvement in the liquidity ratio of First Bank plc; it is not significant as shown by the outcome of our T-test results above. In order words, corporate restructuring has no any significant effect on the liquidity position of First Bank plc during the period under review.

Table 1.14: Liquidity-Reports on the Results of Hypothesis III for United Bank for Africa Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Liquidity				**T**	**df**	**Sig.(2-Tailed)**
CMS/TA	0.916054853	0.899911971	0.016142882	-0.623	3	0.556

Source: Computed by the Researcher, 2011

From table 1.14 there is a decrease in the mean of liquidity at United Bank for Africa plc after consolidation. The outcome of our T-test result shows that corporate restructuring has no any significant effect on the liquidity position of the bank.

Table 1.15: Liquidity-Reports on the Results of Hypothesis III for Zenith Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Cha nge Due To Consol	+ Test for Equality of Means		
Liquidity				**T**	**df**	**Sig.(2-Tailed)**
CMS/TA	0.780982982	0.848250918	-0.067267936	-0.328	3	0.754

Source: Computed by the Researcher, 2011

Table 1.15 shows an increase in the mean of liquidity at Zenith Bank plc. Though there is improvement in liquidity ratio of the bank after consolidation; the result is not significant as shown in the outcome of our T-test results. It suffices to say that corporate restructuring has no any significant effect on the liquidity position of Zenith bank plc but it has clearly revealed the bank's ability and its commitment to settling short term liabilities.

Table 1.16: Liquidity-Reports on the Results of Hypothesis III for Guaranty Trust Bank Plc

Name of Sampled Bank & Ratios	Mean Val ue Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Liquidity				**T**	**df**	**Sig.(2-Tailed)**
CMS/TA	0.748190125	0.831972511	-0.083782385	-1.82	3	0.119

Source: Computed by the Researcher, 2011

Table 1.16 shows increase in the liquidity position of Guaranty Trust Bank plc. The outcome of our computation shows some improvements in the liquidity ratio of the bank after consolidation but the change is not significant as shown in the results of our T-test above. In order words, corporate restructuring has no any significant effect on the liquidity position of the bank.

Table 1.17: Liquidity-Reports on the Results of Hypothesis III for Diamond Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Liquidity				**T**	**df**	**Sig.(2-Tailed)**
CMS/TA	0.836819781	0.817682866	0.019136914	1.134	3	0.3

Source: Computed by the Researcher, 2011

From table 1.17, there is a decrease in the mean of liquidity of Diamond Bank plc after consolidation. The results of our computation of the T-standard test for differences in the mean of two populations shows that corporate restructuring has no any significant effect on the liquidity position of the bank during the period under review. It is clear from our results that corporate restructuring has not improved the liquidity position of Diamond bank plc.

Table 1.18: Liquidity-Reports on the Results of Hypothesis III for First City Monument Bank Plc

Name of Sampled Bank & Ratios	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	+ Test for Equality of Means		
Liquidity				**T**	**df**	**Sig.(2-Tailed)**
CMS/TA	0.897591674	0.802478668	0.095113005	-1.11	3	0.309

Source: Computed by the Researcher, 2011

From table 1.18; there is a decrease in the mean of liquidity of First City Monument Bank plc. The outcome of our T-test results shows that corporate restructuring has no any significant effect on the liquidity position of the bank. It is indisputable from the results above that corporate restructuring has not improved the liquidity position of First City Monument Bank plc.

1.19: Summary of the Results Obtained Using T-Test and Wilcoxon Signed Rank Tests

Name of Sampled Banks	Mean Value Before Consol	Mean Value After Consol	Mean Change Due To Consol	Test for Equality of Means of Each Bank		
				T-test	Z-Score	Sig(2-Tailed)
FBN	0.90796	0.75393	0.154035	1.401	1.461	0.144
UBA	0.86695	1.01408	-1.147134	-1.536	-1.826	0.68
Zenith	1.0207	0.70876	0.311942	1.69	1.826	0.68
GTB	0.78698	0.75809	0.028887	0.147	0	1
Diamond	0.68491	0.43166	0.253253	1.775	1.461	1.44
FCMB	0.74314	0.69736	0.045786	1.385	-0.73	0.465

Source: Computed by the Researcher, 2011

Discussion of Results

The table above presents the summary of the results of the application of the statistical technique (t-standard test for differences in the mean of two populations) and the Wilcoxon signed rank test. The outcome of the results for both the T-test and the Z-score for all the six sampled banks shows that corporate restructuring has no any significant effect on profitability, operating efficiency and liquidity position of the banks during the period under review (2001-2008).

A critical review of the results for individual banks studied using the three different variables and the results obtained reveals the following:

I. **Profitability:** Corporate restructuring has significant effect on profitability at Zenith Bank plc and Guaranty Trust Bank plc when measured in terms of both return on assets and return on equity. For First Bank Plc; the effect is only significant when profitability is measured in terms of return on equity. The results for these banks agrees with the assertion by Nwanma (2007) that profitability in the industry is soaring, as seen in reports presented by some banks. The reverse is however, the case for United Bank plc, Diamond Bank plc and First City Monument Bank plc as shown in the outcome of our T-test results. For these banks; corporate restructuring has no any significant effect on profitability as posited by Nwanma (2007).

ii. **Operating Efficiency:** Corporate restructuring has significant effect on operating efficiency at United Bank for Africa plc, Guaranty Trust Bank and First City Monument Bank plc. These results underscore the extent to which the banks are poised to attracting and retaining both corporate and individual customers and further enhancing diversification and expansion network. For First Bank plc, Zenith Bank plc and Diamond Bank plc; the result of our T-test shows that corporate restructuring has no any significant effect on their operating efficiency.

iii. **Liquidity:** Corporate restructuring has no any significant effect on any of the six sampled banks studied during the period under review. The outcome of these results confirms the assertion by Soludo (2004) that to stay afloat, many of the Nigerian banks were engaged in 'distress borrowing' –where they had to borrow from the short-term money market at high interest rates, just to meet short term obligations due, so they could not close shop. Though there has been some improvements in the liquidity ratios of First Bank plc, Zenith Bank plc and Guaranty Trust Bank plc; these improvements are not significant.

From the empirical studies reviewed; the success of any restructuring process is a function of the peculiarity of the political and economic factors of a particular country. The results of our study during the period under review point to the fact that the adoption of consolidation as a major tool of restructuring the banking industry in

Nigeria may not necessarily be a sufficient tool for financial stability for sustainable development and this confirms to Megginson (2005) and Somoye (2006) postulations. While the major objective of the restructuring policy is to ensure price stability and facilitate rapid economic development (Soludo, 2004), these objectives have remained unattained in Nigeria as a result of some observed deficiencies in the system and these include:

I. **Technological Drive:** In the area of technological drive for instance; a bank is desirous of enhancing its operations but constrained by its inability to easily access the needed technology may be driven into merging with another bank which has the technology advantage over it.
ii. **Poor Rating of a number of banks:** Though the banking system in Nigeria is; on the average rated satisfactory, a detailed analysis of the condition of individual banks as at December 2004 shows that no bank was rated very sound only 62 were adjudged sound/satisfactory, 14 rated marginal and 11 were classified as unsound (CBN, 2004).
iii. **Low Capital Base:** The average capital base of Nigerian banks is US$10milion, which is very low compared to that of banks in other developing countries like Malaysia where the capital base of the smallest bank is US$526milion. Similarly the aggregate capitalization of the Nigerian banking system at 311milion naira (US$2.4milion) is grossly low in relation to the size of the Nigerian economy and in relation to the capital base of $688bilion for a single bank in France, and $541bilion for a bank in Germany (CBN 2005:17).
iv. **Stock Exchange Quotation:** Business combination could be motivated by the desire for Stock Exchange listing. In this case, a bank unable to meet the requirements of Stock Exchange, but desirous of public quotation may integrate with another bank in order to realize its goal.

In addition to the above inadequacies, the Nigeria banking system suffers from weak corporate governance, evidence in inaccurate and non-compliance with regulatory requirements, declining ethics and gross insider abuse resulting in huge non-performing insider related credits. The system also suffers from over-dependence on public sector deposits and foreign exchange trading and neglect of small and medium scale private savers (Soludo, 2007).

Summary of Findings

The study looks at the effect of corporate restructuring on the performance of Nigerian banks with a case study of some selected banks. In examining the effects of corporate restructuring via consolidation which has been described as a 'revolution' (Chizea, 2005) in the banking industry in Nigeria, a period of eight years spanning from 2001 to 2008 has been considered. This period has been chosen for the basis of comparing the performance of Nigerian banks before consolidation (2001-2004) and after consolidation (2005-2008).The study examined the effects of restructuring on the financial performance of Nigerian banks while using profitability, impact on operating efficiency /capital investment and liquidity. This became very imperative because prior to the announcement of recapitalization from extant banks' minimum requirement from N2billion to N25billion, Nigerian banks were engaged in 'distress-borrowing' at high interest rates from the short-term money in order to meet short term obligations due (Soludo, 2004).

The study sampled only six (6) banks due to the availability of the required data with the major source of data being secondary. The six banks studied are First Bank of Nigeria Plc, United Bank for Africa Plc, Zenith Bank Plc, Guaranty Trust Bank Plc, Diamond Bank Plc and First City Monument Bank Plc .The study adopted the t-test for significance of change between two equal assumed means to analyze the data derived from the financial statements of the sampled banks and applied the Wilcoxon signed ranked test in order to enhance the accuracy of the results. The design is limited by virtue of the fact that the data is secondary and thus historical; and the uncertainty over whether all the relevant factors were captured among the factors used for the study. These notwithstanding; everything attempt has been made to provide vivid interpretation and analyses while taking into consideration the limitations in chapter three.

The major findings is that profitability, operating efficiency and liquidity do not influence corporate restructuring via consolidation, a change which has been described as a revolution in the banking industry in Nigeria during the period under review.

Conclusion

The major objective of the restructuring policy is to ensure price stability and facilitate rapid economic development (Soludo, 2004) but regrettably, these objectives have remained largely un-attained in Nigeria as a result of some observed deficiencies like low capital base, declining ethics and gross insider abuse. It is clear from our study that the success of any restructuring process is a function of peculiarity of the political and economic factors of a particular country. Corporate restructuring is a structural change that is aimed at repositioning the corporation for greater productivity, growth, efficiency and profitability. Though the restructuring process is on-going; the result of our analyses shows that the adoption of the consolidation policy in the Nigerian industry a few years ago has not really realized this goal. It is indisputable that the restructuring process has enhanced competition in the Nigerian banking industry. The banking sector is becoming competitive and market forces are creating an atmosphere where many banks simply cannot afford to have weak balance sheet.

The result of our study shows that the impact of corporate restructuring on the performance of Nigerian banks has not been significant in all the variables studied. The study concludes that the adoption of consolidation as a major tool of restructuring the banking industry in Nigeria so far may not necessarily be a sufficient tool for financial stability for sustainable development and this confirms to Megginson (2005) and Somoye (2006) postulations. Poor corporate governance is still prevalent in the Nigeria banking industry and this has continued to manifest in several board room squabbles and poor loan portfolio that are non-performing. The major findings are that profitability, operating efficiency and liquidity are not influenced by corporate restructuring via consolidation, a change which has been described as a revolution in the Nigerian banking Nigeria.

Recommendations

Based on the findings/conclusions of the study, the following recommendations are hereby made:

- The major objectives of ensuring price stability and rapid economic developments have so far remained un-attained in Nigeria because market forces have not been allowed to determine the appropriate form of restructuring. We therefore recommend that corporate restructuring in the financial market should be market driven to allow for efficiency. This is very important because any financial reform that is induced by government and market driven is bound to witness some failure at least at the onset.
- The adoption of corporate restructuring for repositioning the Nigerian banking industry for greater productivity, efficiency and profitability has not been realized as a result of wrong planning. For this goal to be achieved; there should be proper and adequate planning to allow the banks ample time to examine and classify their assets before embarking on any form of restructuring/consolidation.
- In order to remain competitive in the Nigerian banking industry; the banks must churn out products and services that satisfy the yarning of their customers. There should be total certification of the balance sheets of the banks especially where unsound banks merge with sound banks and those in pursuit of expansion.
- In order to stem the tide of board room squabbles and poor loan portfolio that are non-performing; there should be total overhaul of the corporate governance code in the Nigerian banking sector. This is very important because good corporate governance creates competitive and responsible companies and helps them harness capital flows (Bohn, 2005).

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IFRS Adoption in Nigeria: Lessons from other Jurisdictions

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Abstract

The adoption of International Financial Reporting Standards (IFRS) in Nigeria has created a new dawn of financial reporting in Nigeria. This paper examines empirical evidence and reviews country case studies in other jurisdictions that have adopted IFRS and draws lessons from them. The paper employs descriptive analysis to review five developing countries namely Jamaica, Kenya, South Africa, Turkey and Pakistan. The findings showed that Nigeria is on the right track by adopting these standards. However, the country has to learn from other jurisdictions and overcome many institutional, enforcement and technical challenges in order to fully reap the benefits that accrue from IFRS adoption.

Key words: IFRS, Adoption, Developing countries

Introduction

The growing internationalization of economic trade and the globalization of both businesses and financial markets have made financial information prepared according to a national standard not to satisfy the needs of the users whose decisions are more international in scope (Zeghal & Mhedhbi, 2006). Investors look out increasingly to other countries to broaden their investment opportunities and diversify risk, which calls for worldwide comparable financial statements in order to facilitate the free flow of capital across national borders (Kantudi, 2009). In order to fill this gap, two (2) model standards evolved; US Generally Accepted Accounting Principles (GAAP) as developed by the Financial Accounting Standards Board (FASB) and International Financial Reporting Standards (IFRS) as devised by the International Accounting Standards Board (IASB). On the backdrop of getting a single set of international accounting standards, IFRS has gained prominence and acceptance as evidenced by over 115 countries which now require IFRS and a host of others that are in the process of adopting or converging with it.

Nigeria has not isolated herself from being a part of this convergence. The Federal Executive Council has approved Jan 2012 as the effective date for adoption of IFRS in Nigeria (Deloitte, 2010). These standards are to replace the Statements of Accounting Standards (SAS) which is the local standard issued by the Nigerian Accounting Standards Board (NASB), the agency shouldered with the responsibility of issuing local standards. (The NASB has been scrapped and has been replaced with the Financial Reporting Council, (Ehikoya, 2011)).

In line with this development, this paper examines empirical evidence and reviews country case studies on the problems encountered by other countries that have adopted IFRS and uses this to serve as a lesson for a developing country like Nigeria. This way, Nigeria can know the possible benefits that accrue from IFRS adoption and the resultant challenges as evident in other countries.

The remainder of this paper is organized as follows; the next section reviews relevant literature and empirical evidences, the third section describes the methodology employed, the fourth section reviews findings based on country case studies, the final section concludes and highlights the lessons learnt.

Rationale for IFRS

Over the years, the business community has admitted that accounting is “the language of business” and financial information is a form of language (Belkaoui, 2004;Hamid, 2009). Undoubtedly, to ensure its usefulness, financial information should not only be intelligible, but also be comparable so that investment and credit decisions can more readily be taken (Bhattacharjee & Islam,2009).Over the past few decades, the accounting profession has been facing the pressures of globalization and continuously seeking the way to present financial situations using unique accounting procedures which can be understood by the entire business community. As a result, the need for internationally comparable financial statements and therefore, internationally comparable accounting standards has never been greater (FASB, 2002). The Comparison, as the basic form of economical judgment can be realized only if the accounting system is unique for all the companies involved in the analysis hence the need for harmonization. In some ways, purely domestic information may even be a handicap for businesses as well as investors (Zeghal & Mhedhbi, 2006). Although several initiatives have been put forward, harmonization of accounting standards and practices on an international scale has been the fundamental change in recent years. This initiative's goal is to have a coherent set of accounting standards and practices that provide national and international decision makers with a relatively homogenous information product that is comparable and reliable. Harmonization will benefit investors, financial analyst, multinational corporations and indeed the accounting profession as a whole (Nobes & Parker, 2008).To arrive at this objective, the International Accounting Standard Board (IASB) has prepared and published International Financial Reporting Standards(IFRS) which has become a reference for the entire world.

Overview of IFRS Adoption

IFRS are principles based standards issued by the international accounting standard Board (IASB), an independent organization based in

London, UK (Bhattacharjee & Islam, 2009). Before the inception of the IASB, international standards were issued by the International Accounting Standards Committee (IASC), a body established in 1973 through an agreement made by professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom with Ireland and the United States of America (Ball, 2006). Up to 2000, the IASC rules were known as International Accounting Standards (IAS). In 1997, IASC formed a strategy working party to make recommendations regarding the future structure and operation of IASC. The new standard setting body was named the IASB and since April 2001, it has been performing the rule making function (Deloitte, 2010).

A notable feature of the world economy since the Second World War has been the globalization of economic activity (Nobes & Parker, 2008). This meant the spreading of goods, services and people around the world. Conscious of this reality as well as the need to adopt accountancy to the new global environment and to the new requirement of decision makers, accounting regulating authorities have sought out solution that allow for improvement and advancement of financial accounting (Zeghal & Mhedhbi, 2006). One of IASB's main goals is to develop a single set of accounting standards that, if followed, requires companies to report high quality, transparent and comparable information in financial statements (Paglietti, 2009). The standards developed by the IASB, which is IFRS, currently is enjoying a wide acceptance as it has been adopted in over 115 countries (A full list, provided by Deloitte and Touche LLP (2010) is attached in the Appendix). In 2005 all listed companies in the European Union member countries were required to report consolidated financial statements complying with IFRS (Paglietti, 2009). The International Organization of Securities Commissions (IOSCO) has recommended that its members permit foreign issuers to use IFRS for cross-border securities offerings and listings (Ball, 2006). In 2002, the FASB and IASB formalized a commitment to achieving a convergence between IFRS and United States Generally Accepted Accounting Principles (Bothwell, 2008). Subsequently in 2007, the US securities started accepting financial statements of foreign registrants that comply with IFRS. Many countries are replacing their national standards with IFRS for some or all domestic companies while others have adopted a policy of reviewing IFRS and then adopting them either verbatim or with minor modifications (Ball, 2006).

Empirical Evidence

Existing literature identifies several empirical studies pertaining to IFRS adoption. Some of these studies investigated voluntary adoption (Zeghal & Mhedhbi, 2006; Ramanna & Sletten, 2009; Hope, Jin & Kary,2006); Another group examines the effect of mandatory adoption (Paglietti, 2009; Biddle, Callahan, Hong & Knowles,2011;Morais & Curto, 2008), others look into the prospects and Challenges of IFRS in developing countries (Bhattacharjee & Islam, 2009; Tyrrall, Woodward & Rakhimbekova, 2007; Irvine & Lucas,2006).

While investigating voluntary adoption, Zeghal and Mhedhbi (2006) finds that developing countries with the highest literacy rates have capital markets and those that have an Anglo-American culture are most likely to adopt international standards. Hope, Jin and Kang (2006) attributed voluntary adoption to countries with weak investor protection mechanisms which are consistent with the findings of Ramanna and Sletten (2009) that concludes that more powerful countries are less likely to adopt IFRS. Ramanna and Sletten (2009) attributed this to the fact that powerful countries will be less willing to surrender their standard-setting authority to an international body. This is buttressed by Bothwell (2009) who posits that IFRS adoption in the US is highly unlikely to have any major measurable macro-economic impacts either positive or negative.

Most studies on mandatory adoption focus primarily on the relevance of accounting information after adoption of IFRS. This is apparent in the work of Paglietti (2009) who investigated mandatory adoption in Italy. He reports that there is an overall increase in the value relevance of accounting information after IFRS adoption. His results suggest that IFRS adoption induces systematic differences in the value relevance of accounting information in the post-adoption period compared to the pre-adopting one. Paglietti however added that accounting quality is also a function of a country's complex institutional setting. This is in line with the report of Biddle, Callahan, Hong and Knowles (2011), they conclude that the use of IFRS is associated with increased firm level capital investment efficiency due to the effects of enhanced disclosures and enhanced comparability of accounting information. Their study was for a sample of 10,340 firms that cut across 26 countries which mandated IFRS adoptions during the period from 2001-2008. These views were however in contrast with the findings of Morais and Curto (2008) and Hans, lee and walker (2007). Morais and Curto examined accounting quality after IFRS adoption in Portugal. They compared earnings quality and value relevance of accounting information using periods of pre and post-adoption. Their findings revealed an improvement in earnings quality but they also find that the value relevance of accounting information decreases with the adoption of IFRS. Hans, lee and Walker (2007) buttressed this fact by asserting that IFRS has resulted in winners and losers. Their findings suggest that some firms gain while others lose from complex mandatory changes such as IFRS. They also find that firms with similar characteristics to German voluntary adopters have greater benefits from mandatory IFRS adoption.

Studies in developing countries give attention to it's applicability in developing countries. Aras and Crowther (2008:6) posits that "setting standards is an exercise in the exertion of power and the hierarchical control operating through the IASB in the setting of accounting standards exhibits a situation which can be used to control less powerful nations". They argue that countries that are involved in setting IFRS stands to benefit through the reduction of cost of capital due to the inflow of capital into their capital market to the detriment of developing countries. Singh and Newsberry (2008) opined that the controversies surrounding the application of IFRS in developing countries seem likely to continue. The observed that those seeking IFRS for developing countries may need to device an acceptable solution and obtain inside access to the standards setting process to achieve this aim. Tyrall, Woodward and Rakhimbekova (2007) attributed international funding rather than improved accounting system as the main advantage of IFRS adoption in Kazakhstan. They added that reduction in the set-up cost for accounting standards may be illusory. Irvine and Lucas (2006) investigated the rationale and impact of IFRS adoption in the United Arab Emirates (UAE). Their findings show that IFRS could attract foreign direct investment but pointed out UAE will face some challenges in the development of a legal and regulatory structure to overcome a culture of secrecy and fraud prevalent in emerging economies with a non-democratic history.

Methodology

The method of analysis adopted in this paper is the descriptive analysis. The paper thus relies heavily on the use of secondary data derived from textbooks, journal articles, the internet, diagnostic study reports and research papers. The case studies contained in the findings are reports from the United Nations Conference on Trade and Development (UNCTAD). These reports were prepared as a follow-up to the request of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). The report was carried out on eight (8) countries which include Brazil, Germany, South Africa, Turkey, India, Jamaica, Kenya, and Pakistan. The findings section shall review five (5) out of these eight (8) countries selecting two from Africa, one from the North and Central America, one from Europe, and one from Asia consequently the countries to be reviewed include Kenya, South Africa, Jamaica, Turkey and Pakistan which are all developing countries like Nigeria.

Findings from other Jurisdictions

This section contains findings drawn from other jurisdictions as highlighted in the previous section. The findings are drawn from Jamaica, Kenya, South Africa, Turkey, and Pakistan.

JAMAICA

Jamaica adopted international reporting standards and international standards on auditing with effect from 1 July 2002. All listed and private companies were therefore required to apply IFRS in the preparation of their financial statements.

While reporting under IFRS, it was important for Jamaica to build capacity to sustain an improved financial reporting framework bolstered by an efficient and responsive legal and regulatory infrastructure. Some key elements that were identified as critical underpinnings for the sustainability of this framework includes professional education and training, sound corporate disclosure, allocation of resources' and efficient monitoring and compliance. As a result of this, some specific areas were undertaken as part of the process to ensure successful and sustainable effectiveness of the new reporting framework. This includes:

I. Building expertise and professional capacity within the accountancy profession and this was achieved through increased level of training, improved access by laws and accounting principles and through improved collaboration and cooperation with regulations.
ii. Strengthening the institute's oversight capabilities and this was done by establishing expert committees on each major sectorial interest.
iii. Strengthening the legal framework; in order to achieve this, efforts were made to encourage the establishment of a regional monitoring unit to promote individual and firm wide compliance with the standards
iv. Collaboration with trade associations and regulators to promote good governance practices. To do this, the Institute of Chartered Accountants of Jamaica (ICAJ) entered into a technical cooperation agreement with inter-American Development bank for funding assistance. The broad areas of agreement included the dissemination of information on IFRS, training and outreach, building enforcement and compliance and training programme. (v) Development of a country action plan, setting out a logistic framework of targeted activities to be completed within a specified period.

KENYA

Kenya was one of the first countries to adopt the use of IFRS in 1999. Accordingly, all companies were required to prepare financial statements based on international accounting standards (IAS) for periods beginning 1st January 1999, while the audits of all financial statements for period ending 31 December 1999 were to be carried out according to International Standards of Auditing (ISA). Prior to this date, the Institute of Certified Public Accountants of Kenya (ICPAK) had issued Kenyan accounting and auditing standards that were largely modified from the IAS and ISAs to suit the Kenyan environment. The ICPAK council took into account the scarce resources available at ICPAK and felt it would be more useful to utilize these resources to interpret IAS and provide user support. Prior to adopting international accounting and auditing standards, ICPAK undertook extensive consultations with ICPAK members, preparers, the bank and various regulators particularly those in charge of the stock exchange. Various technical seminars were also held to prepare for full-fledged adoption of international standards.

Kenya has also noted various benefits since the adoption of the standards. It has led to enhanced comparability and provision of better financial information that facilities analysis and decision making by various users. The stock market has also witnessed increased activity and there has also been cross border investments.

In a bid to establish and encourage the use of IFRS, ICPAK established the financial reporting award in 2002. The award involves the evaluation of financial statements which have been voluntarily submitted by companies, to gauge their compliance with the requirements Of IFRS. This award helps ICPAK to understand the areas of weaknesses in financial reporting and to design mechanisms to address these weaknesses. The reasons for non-compliance included growing complexity of IFRS, the use of fair value model which introduced complications as it was difficult to obtain reliable market information, there were conflicts between the reporting requirements, of IFRS 4 and those of the insurance Act. To tackle these challenges, ICPAK prepared specimen financial statements demonstrating the application of IFRS 4 to the sector.

In 2004, ICPAK embarked on quality review programme, the intension being to review audits firms' compliance with auditing standards. The result showed significant deficiencies in the application of auditing standards by the audit firms, there was also a general lack of evidence to demonstrate understanding and application of quality control and little documentation of quality control policies and procedures. The ICPAK has since then launched various full-fledged audit reviews in order to continue to gauge the level of compliance with auditing standards.

South Africa

The South African Institute of Chartered Accountants (SAICA), the Johannesburg Stock Exchange (JSE) and the Accounting Practices Board (APB) of South Africa recognized the need to be a part of the global economy with respect to financial reporting. Local accounting standards have been harmonized with international accounting standards since 1993, though South African versions of the international standards were issued as South African Statements of GAAP, after a due process.

As at October 2000, JSE required listed companies to prepare their annual financial statements in accordance with the national law applicable to listed companies and to apply either South African statements of GAAP or International Accounting Standards. Further revised listing requirements called for listed companies to comply with IFRS for financial periods commencing on or after 1 January 2005. The APB then took a decision to issue the text of IFRS in South Africa without amendments in February 2004.

In 2006, Ernst and Young conducted a survey to assess the implications and impact of the IFRS transition both for first-time adopters and previous adopters. The survey highlighted the challenges South African companies faced with the adoption of IFRS, which included more complexity than anticipated, high cost in some cases, poor understanding of the reasoning behind the transition and potential confusion about company performance information. One of the most significant findings of the survey concerned the impact on the recording and maintenance of financial information. Concerns were expressed mostly in the following areas; maintenance of information relating to property plant and equipment, financial instrument valuation and recording including risk management disclosures and processes around doubtful debt provisions and accounting for employee and management/executive compensation. South Africa retained it's local technical committee in order to achieve the involvement of the local accounting community in the process of standard setting by the IASB. For the committee to play it's role in education the committee is to consider the correct treatment of accounting issues for which there is currently insufficient guidance in IFRS including instances where diversity in practice is detected where appropriate, a local standard is issued by the APB to interpret specific accounting aspects, transactions or other issues that occur in the countries context where such transactions or issues are not clearly addressed in IFRS. One of the problems of South Africa is that lack of legal enforcement of financial reporting standards have created opportunity for different interpretation and applications in practice, sometimes even for accounting manipulations, South African regulators are however committed to carrying rigorous monitoring and enforcement.

Turkey

As a developing country with an emerging capital market, Turkey closely follows developments in international financial reporting and auditing.

Over the years, the Turkish accounting system has undergone considerable change. Financial accounting and reporting started as record-keeping for tax purposes Although Turkey could still be classified as a code- law country, since the 1960s; there is a trend towards Anglo-Saxon-style reporting. This movement accelerated after the establishment of Istanbul Stock Exchange. The growth of global trade and investment also accelerated the change in accounting and auditing standards. As a result, Turkey accepted to adopt IFRS by translating team into Turkish. Similarly, international standards on auditing have also been translated and put into effect.

The adoption of IFRS based-standards turned out to be a three step process where the first step was the early adoption of IFRS between 2003 and 2005 by companies whose shares were publicly traded. The second step was the compulsory adoption of IFRS starting in 2005 again by traded companies.

The third step was the mandatory adoption by all publicly owned companies upon the enactment of the draft commercial code.

Training and education on IFRS are mostly provided by universities and academic organizations. Universities have already incorporated IFRS courses in their graduate and undergraduate curriculum as elective courses. In some universities, the principles of accounting course are covered using IFRS.

One of the academic organizations, the accounting academician's collaboration foundation, organizes international and national seminars and workshops open to practitioners and academics on various issues of IFRS/Turkish accounting standards. Similarly, the Turkish expert accountants association holds seminars on IFRS in general and on some specific standards.

Turkey faces two (2) main obstacles. The fist one relates to endowing the Turkish accounting standards board with enforcement authority and the second one to the training of the accountants and staff of the local auditing firms.

Pakistan

Pakistan is among the few countries to have started following the International Accounting Standards (IAS) regime early. The Institute of Chartered Accountants of Pakistan (ICAP) council has been adopting IAS since the 1970s and thanks to their efforts, notifications of 18 IAS revised were issued by the Securities and Exchange Commission of Pakistan (SECP) back in 1986. In some situations, technical releases were formulated where IFRS do not deal with a certain issue specific to the local environment or where additional guidance is required. These are formulated mainly in line with the principles laid out in IFRS.

Pakistan has made significant progress in closing the gap between local requirements for corporate financial reporting and international standards by not only adopting IFRS, but also establishing mechanisms to ensure their enforcement.

To address the needs of Small and Medium Scale Enterprises (SMES) the ICAP developed two (2) SMES standards; an accounting and financial reporting standard for medium sized entities and accounting and financial reporting for small sized entities.

Some of the impediments to implementing IFRS in Pakistan include: some local laws are inconsistent with IFRS (ICAP has been working with the regulators to remove such inconsistencies), some of the IFRS are complex and as such prepares require more time in implementing such standards, there is also the problem of shortage of facilities for training and continuing education on IFRS and finally, it takes considerable time to persuade the regulators to adopt IFRS.

In order to tackle this problem, the ICAP, at the request of regulators holds separate seminars, workshops and IFRS and ISAS for their teams i.e. the federal Board of internal revenue, SECP, the state bank and others. This has helped in bridging the perceived gap and has helped develop better understanding of standards by regulators, leading to smooth implementation and handling of IFRS related issues. The ICAP closely monitors changes in IFRS and ISAs and conducts seminars whenever a new IFRS or ISA is issued. There are also on-going awareness programmes covering almost all topics which have been organized by ICAP to improve the degree of compliance with IFRS requirements. Other efforts put in place include member's information and education series, disclosure checklist, training workshops for small and medium practices, capacity building measures, capacity building at ICAP, etc.

Conclusions and Lessons to be Learnt

From the empirical works and the country case studies reviewed, it is clear that Nigeria has indeed made the right choice by choosing to adopt IFRS as many developing countries both in Africa and beyond are using these standards. This notwithstanding, the country has to learn and overcome many institutional, enforcement and technical challenges in order to fully benefit from the introduction of IFRS. Some of the specific lessons to be learned include:

- Effective implementation of IFRS in Nigeria requires careful planning and extensive public education, the allocation of resources, a legal and regulatory support system. Unless stakeholders are involved to support the change and included in development plans, they will be reluctant to support the change. The Jamaican study shows a country that prepared and planned adequately before adopting the international standards.
- Adequate resources must be put in place both at the entity level and at the country level to support the sustainable

implementation of IFRS. This is to help the entities not to be overwhelmed at the high cost of transition as this was indicated in the case of South Africa.

- Many of the standards include complex and detailed disclosure issues applicable to large companies. However since majority of companies in Nigeria are small or medium-size enterprises, it could adopt the Pakistan method by developing another set of standards to suit medium and small enterprises.
- Extensive training and education on IFRS are needed at all levels in Nigeria. Special efforts should be made to train the trainers and to incorporate IFRS courses both in graduate and undergraduate programmes. This is the case with Turkey as in some of their universities, principle of accounting are covered using IFRS.
- Efforts should be put in place to reward compliance and sanctions for non-compliance of IFRS in Nigeria. The case of Kenya describes an annual award programme whereby the Institute of Certified Public Accountants of Kenya selects and recognizes the entities that ranked highest in compliance with IFRS. Such an award encourages improved implementation of the IFRS, at the same time, it provide valuable information on areas of difficulty
- International and regional development bank can provide assistance in overcoming the implementation challenges that arises from implementing IFRS in Nigeria. The Jamaican case study shows that the Inter-American Development Bank provided financial support for the ICAJ, which took the form of Technical cooperation to disseminate information on IFRS training and outreach.

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An Appraisal of the Difficulties in Accessing Micro-Finance and Commercial Bank Loans by SSEs in Anambra State, Nigeria

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Abstract

This study confirms that access to micro credit by SSE_S has not really improved as expected, despite the introduction of micro finance policy, regulatory and supervisory framework by the central bank of Nigeria. Based on the number of SSE_S studied, micro finance institutions, which are expected to be at the forefront of administering micro credit schemes, have not lived up to expectation.
The findings have also shown that in spite of micro credit policy stipulating lending guidelines for conventional banks that are participating in micro credit lending (schemes), the issue of collateral has jeopardized accessibility of funds by SSE_S.

Keywords: Micro Finance Institutions, Commercial Banks, Central Bank of Nigeria, Micro Finance Policy.

Introduction

According to Central bank of Nigeria (2005), Micro finance is described as providing financial services to the poor, who are traditionally not served or not adequately served by the conventional financial institutions.

Okafor (2006), there are two approaches to the definition of micro-finance. Size of finance approach and scale of operations of the beneficiaries approach. Under the first approach, micro financing refers to financing involving small amount of funds which could, of course, be provided by small scale financiers as well as other credit providers. Under the alternate approach, on the other hand, emphasis is placed on the scale of operations of the beneficiaries. In that connection, micro finance would refer to financing and financial services delivery to small scale business operators.

The reality of the situation has been that the well-to-do possess the means to approach the banks and other financial intuitions for their support in project funding. Studies earlier conducted by the World Bank (1993) and Yaron (1994), indicates that the very poor hardly have access to even the funds provided by the traditional micro credit institutions. Micro finance institutions (MFIs) are intuitions that specialize in the provision of financial services to low income earners as well as small-scale enterprisers (SSES). Countries like Indonesia and Bangladesh, where financial products that match the needs of low income people are provided, uses innovative collective monitoring to strengthen repayment performance and charge interest rate that merely cover operational costs (Aderibigbe, 2001).

Conceptual Clarification

The rationale for helping those enterprises could be summed up neatly in the often heard saying "small is beautiful". A small scale enterprise is defined as a business with a small number of employees. The legal definition of "small" often arises by country and industry, but is generally under 100 employees in the United States while under 50 employees in the European Union (Wikipedia, 2001).

In Nigeria, attempts to define small-scale enterprises (SSES) recognized criteria such as employment base and asset base classifications. These two criteria help to distinguish between small scale enterprises and medium scale enterprises, in Nigeria and other developing economies.

Table 2.1: Asset base (Excluding Real estate classification

Organization	SSES	Medium Enterprises
Central bank of Nigeria	≥N1m	≥150 million
International financial corporation	≥ 82.5m	≥ 0
National Economic Reconstructions	≥ N10m	≥ 0

Source: International finance corporation (IFC) publication (2001)

Table 2.2: Employment based classification

Organization	SSES Bendimark/max	Medium Enterprises
Accenture	≥50	≥500
Central bank of Nigeria	≥ 50m	≥ 100
International finance corporation	10-50	50-100

Source: International Finance Corporation (IFC) publication (2001)

As can be seen, table 2.2 above gives a summary of definitions of both SSEs and other enterprises based on employment and SSEs and other enterprises based on employment and asset based criteria, as provided by different organizations or agencies. The international Finance corporation (2001), defines small scale enterprises as a business that employs 10 – 50 workers with an asset – base of not less than 82.5 million. IFC (2001) also defines medium scale enterprise as a business that employs not less than 50 people and with an asset base of not less than N1 million.

Small businesses are common in many

countries depending on the economic system in operation. Typical examples include convenience stores, other small shops such as hairdresser tradesmen, solicitors, tays lawyers, accountants, restaurant quest houses, small sake manufacturers etc.

Activities to promote small Business Development in Nigeria activities to promote the development of small-scale industries started as far as early 60s, with the establishment of industrial Development centre (IDC) at Owerri in 1962, by the former Eastern Nigerian Ministry of Trade and industry. The IDC, with the help of United States Agency for international Development (U. S. A. I. D) technical experts, assisted several small scale industrialists in the former Eastern Region of Nigeria. Other International aids at this early stage of development include Netherlands technical team and international labour organization experts.

Obi (2003), a major step towards the development of small scale enterprises was taken early in 1981, in a paper presented at 1986. Edet (2006) of centre for management development (C. M. D.) states that fund for small scale industries throughout the federation was administered through N. B. C. I. Obi (2003), reveals further that N. B. C. I. approved (between January and December 31, 1983) a sum of N542 million and allocated N46.6 million to small scale industries throughout the federation.

Edet (2006), reasserts that N. B. C. I. also collected N2.9 million in principal repayment and interest under the Federal Government soft loan scheme. John (2004), other major steps towards the development of small scale industries can be seen from various international bodies. The following bodies have provided technical assistance in various forms:

I. United Nations Industrial Development Proramme (UNDP)
ii. United Nations Development programme (UNDP)
iii. International Labour Organization (ILO)
iv. The British council
    a. The Dutch Government
    b. The Chinese Government
    c. Japan International cooperation Agency (J. I. C. A.) and the Italian Government.

Approaches to small Business problems

Aremu (2006), there are catalogues of small business problems in such areas as infrastructures, Finance, Management, Marketing, and accounting system, to mention but a few. But the most critical problem for small business development in Nigeria is issue of coordination.

Alice (2002), suggests that the NBCI can also be tremendous help for small scale industries in the area of investment and various types of funding. The centre for industrial Research and development can assist small scale industries in the area of assembling research and information for its development. Moha (2000), observes that the current state of industrialized nations their success in mobilizing the private sector for growth and concluded that unless Nigerians employ policies that would make funds available for poverty eradication through micro finance policies, development would continue elude the Nation.

Okafor (2006), small scale enterprises in Nigeria are characterized by small scale operations, simple management structures, simple production, technology and fast growth potentials. They generate a very high rate of employment per unit of investment capital and achieve high value added production arising from intensive use of local factor inputs.

Consequently, any policy measure which facilitates the development of micro finance will lead to the growth and improved performance of SSEs, which in turn serves as the necessary catalyst for sustainable national economic growth and development.

According to World Bank (2003), these informal and private sector arrangements vary in degree of security of savings, insurance and pension deposits. Although private micro finance specialists often offer good levels of security, cases of fraud and misappropriation of funds are by no means unknown accessibility of very poor or particular by disadvantaged people. Access may depend on references from reputable family members. In some cases arrangement only exist between people of the same ethnic group. Costs are highly variable in mutual arrangements. Interest rate on loans may be very high in order to earn money for savers. Private arrangement ranges from interest free arraignment to high interest rate depending on the nature of the relationship between borrower and lender.

Micro Finance Activities

CBN (2005), Micro-finance is described as providing financial services to the poor, who are traditionally not served or not adequately served by the conventional financial institutions. Akinboyo (2007) argue that micro finance is the provision of very small loans (micro credit) to the poor, to help them engage in new productive business activities. Micro credit programmes extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families (Srinivas, 1997). Definitions differ, of course, from country to country. Some of the defining criteria used include: (i) size (ii) Target users (iii) utilization. Micro credit is the extension of small loans to entrepreneurs or the poor, to qualify for traditional bank loans (Srinivas, 1997). The implication of micro credit is in its name "Micro" a number of issues comes to mind when micro is considered.

The small size of the loans, small size of savings, and smaller frequency of loans, shorter repayment period and amounts, the micro/local level activities, the community based immediacy of micro credit etc. (Srinivas, 1997).

Methodology

The research is designed to evaluate access to credit by small scale enterprises (SSEs). The research covered the extent to which the conventional micro finance institutions have granted micro credit to (SSEs) in three major towns in Anambra state. The questionnaires and interview methods were used in sourcing data from the respondents. 30 small scale enterprises were randomly selected out 930 SSEs that operate in the three major towns of Anambra State. Three hundred (300) questionnaires were distributed and two hundred and sixty four (264) were retrieved. The interview was carried out after the distribution and collection of questionnaires. Basically, the owners and manager in the three selected commercial towns were drawn for interview, because they were presumed to have informed opinion about the operations of their respective SSEs. The use of interview helped the researcher to source more information on issues that the questionnaires could not adequately cover. A pilot study involving a sample of 50 respondents was drawn from the members of the population who are not part of the study sample. An interval of fourteen (14 days was given between the pilots and the actual study). The reason behind this is to ensure that the instrument is consistent and capable of generating needed information. The Yaro Yamene's sample size determination formula was employed to select the sample or representative of the above population. The computation is shown thus.

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

where n = sample size

N = population size

e = percentage of error term (5%)

By applying the formula, the computation below emerged

$$n = \frac{300}{1 + 10.05}$$

$$n = \frac{300}{1.0025} = 300$$

A sample size of 300 respondents was adopted as the sample of study. The data collected for this research study were first analysed using content analysis and statistical technique. Content analysis exposed the available information on descriptive, comparative and analytical tools. The **t-distribution** statistical model was employed in testing hypothesis.

Hypothesis Testing Model

Ho_1: There is no significant difference between aggregate level of micro credit accessed by SSEs from conventional banks and level accessed from micro finance intuitions.

The statistical model is expressed as follows,

$$T = \frac{\bar{x} - \bar{x}_2}{\sqrt{S_p^2\left(\frac{1}{n1} + \frac{1}{n_2}\right)}}$$

$$\text{Where } S_p^2 = \frac{(n_1 - 1)S_1^2 + (n_2 - 1)S_2^2}{n_1 + n_2 - 2}$$

Degree of freedom is $(n_1 + n_2 - 2)$

Level of significance – 0.05 or 5%

NB; in a two tailed test, the null hypothesis, Ho is rejected if competed.

T – value, $t \geq \infty/2$
For $n_1 + n_2$ degrees of freedom
Decision rule: reject Ho if $t \geq t\ \infty/2$
Otherwise accepted Ho

Where $\frac{s_p^2}{x_1}$ = pooled variance of MFs and conventional Banks

X_1 = sample mean in population one.

S_1 = sample variance in population one
S^2_2 Sample variance in population two
n_1 = sample size for population one
$\bar{x}_2$ = Sample mean for population two
N_2 = sample size for population two
∞ = level of significance (0.05) or 5%
$t\infty/2$ = critical values.

Data Presentation and Analysis

Table 1: problems Encountered by SSEs in Accessing Credit

Problems	Frequency	Percentage
Strict/Stringent conditions	120	45
Official delays/bureaucratic bottlenecks	144	55
Total	264	100%

Source: Field Survey, 2014

Table 1 above reveals that a total number of 120 respondents representing for 45% encountered strict/stringent conditions in accessing loans/credit, while 144 representing (55%) encountered official delays/bureaucratic bottlenecks as the only problems faced in accessing credit from micro finance institutions.

Table 2: Conditions SSEs must fulfill before accessing Credit from Micro Finance Institutions (MFIs)

Problems	Frequency	Percentage
Provision of guarantors/surety	v	v
Maintaining Minimum Deposit	v	v
Outrageous interest rate	v	v
Profit potential of business which loan is to be secured on	v	v
All of the above	264	100
Total	**264**	**100%**

Source: Field Survey, 2014

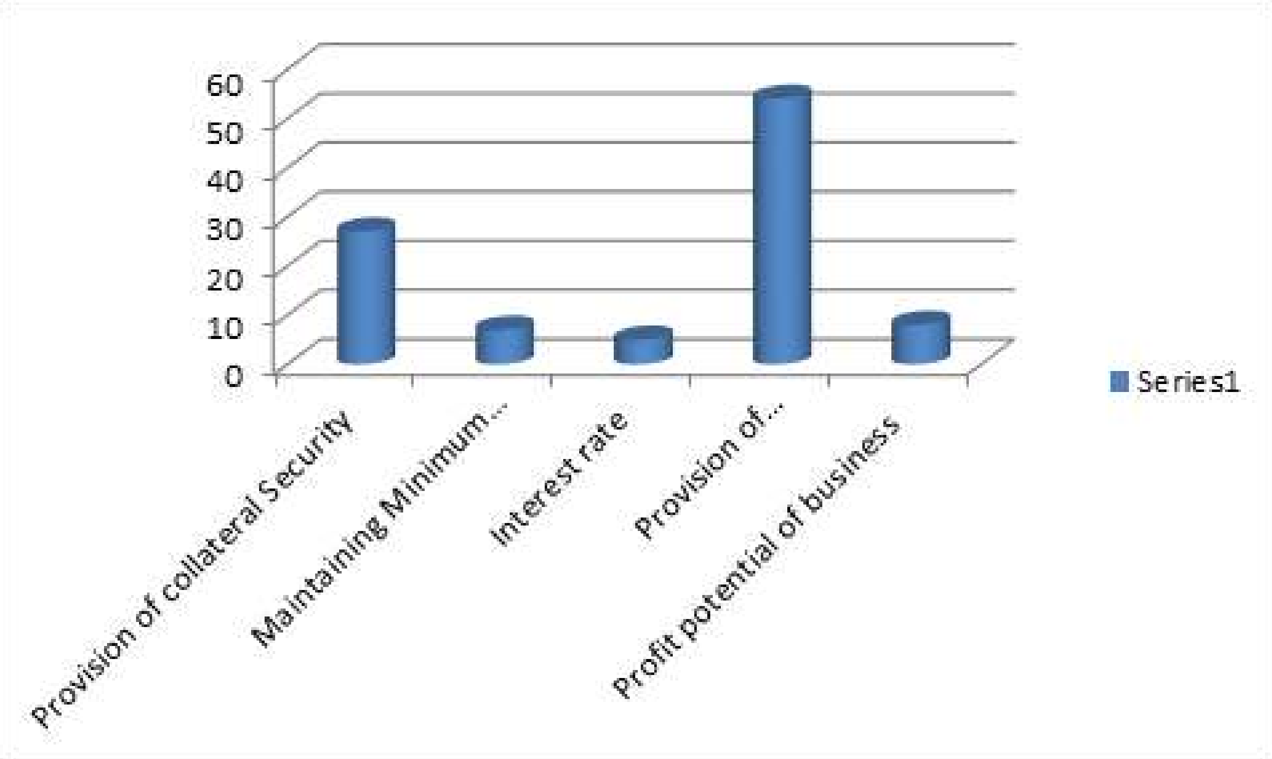
The above table shows that 264 SSEs that sourced fund from MFIs were asked to meet all of the above stringent conditions such as collateral security, guarantors/surety, maintain minimum deposit, high interest and profit potential of business before they can access the credit. The reason why MFIs gave the above stringent conditions to SSEs before they can access fund is to secure the loan

Table 3: Conditions SSEs must meet in before accessing fund from Conventional banks

Options	Frequency	Percentage
Provision of guarantors/surety	70	27
Maintaining Minimum Deposit	18	7
Interest rate	14	5
Provision of surety/guarantors	142	54
Profit potential of business	20	8
Total	**264**	**100%**

Source: Field Survey, 2014

Fig 1: Bar Chart indicating the Degree of Condition SSEs must meet before accessing micro credit from Micro Finance Institutions



Source: Field Survey, 2014

The table above indicate that 70 respondents representing (27%) of the total respondent said that provision of collateral security is one of the conditions the SSEs must meet before accessing funds from the conventional banks while 18 respondents accounting for 7% said that minimum deposit balance must be maintained with conventional banks before accessing micro credit, whereas 14 respondents representing 5% of the respondents said that interest rate is also one of the conditions SSEs must meet before accessing fund from conventional banks, 142 respondents accounting for 54% of the respondents agreed that provision of guarantors/surety is one of the conditions SSEs must meet before accessing fund from conventional banks 20 respondents representing 8% agreed that profit potential of business is one of the conditions SSEs must meet before accessing fund from conventional banks.

Table 4: Factors/Conditions Posing Problems to SSEs in Securing Loan from Micro Finance Institutions (MFIs)

S/n	Options	Strongly Agreed	Agreed	Undecided	Disagreed	Strongly Disagreed	Total No. of Respondents	Total Score ΣXIFI	Mean Respond ents	Remark
		5	4	3	2	1				
A	Minimum deposit	40	60	23	10	20	153	555	3.62	Agreed
B	Guarantor/surest	53	70	10	10	10	153	559	3.67	Agreed
C	Interest rate	68	40	20	10	15	153	561	3.66	Agreed
D	Good per formance of business	50	30	40	10	23	153	415	2.71	Disagreed

Source: Field Survey, 2014

From the table above, minimum deposit has mean response score of 3.62 and accepted as the factor militating against SSEs in securing credit from MFIs. 3.67 is the mean score of provision of guarantors/surety and it is agreed as the one of the factors hindering access to credit by SSEs from MFIs. Also exorbitant interest rate, 'which has a mean response score of 3.66, hinders access to credit by SSEs.

Table 5: Factors/problems that Hinder SSEs from accessing credit from conventional banks

S/n	Options	Strongly Agreed	Agreed	Undecided	Disagreed	Strongly Disagreed	Total No. of Respondents	Total Score ΣXIFI	Mean Respondents $\frac{SXIFI}{n}$	Remark
		5	4	3	2	1				
A	Inability to provide collateral	4	20	5	70	3	102	320	3.14	Agree
B	Inability to provide guarantor	30	10	2	2	50	102	208	2.04	Agreed
C	Lack of expertise to run business	20	5	2	20	55	102	315	3.08	Agreed
D	Poor profit potential of the business	40	10	50	8	4	102	382	2.76	Disagreed
E	Nature of business loan is sought	60	5	30	5	2	102	286	2.80	Disagreed

Source: Field Survey, 2008

For the purpose of gaining more insight about the problems that hinders SSEs from securing credit from conventional banks, those respondents ,who claimed to have secured loan from conventional banks were asked to rate the problems in their order of importance. Five stringent measures were presented to them on a five-point Likert scale to state the extent to which they agreed or disagreed with those problems.

Table 6: Denial access to Micro Credit from SSEs

Response	Frequency	Percentage
Yes	130	49
No	134	51
Total	**264**	**100%**

Source: Field Survey, 2014

Table 6 reveals that 130 (49%) respondents out of 264 have been denied access to micro finance or loan, given the catalogue of problems earlier listed. These problems include inability to provide collateral security, inability to provide a worthy guarantor, inability to present a feasible business plan, lack of expertise to run the business and nature of the business for which loan is ought. 134 respondents accounting for 51% answered in the negative

Test of Hypothesis

Ho: There is no significant difference between aggregate level of micro credit accessed by SSE from conventional banks and level accessed from MFIs.

In testing this hypothesis, the mean difference of t-distribution statistical model was applied. The t-test of significance between means of conventional banks and micro finance institutions was tested and the statistical packages for social sciences (SPSS) were equally used. Below are the results of the test.

Paired Samples Correlations

	N	Correlation	Sig
Pair 1 ration bank loans to SSEs Loans & ratio of MFIs loans to SSEs loans	10	811	004

Paired Samples Test

	Paired Differences					T	df	Sig (2-tailed)
Pair 1 Ratio of bank loans to SSEs loans – ratio of MFIs loans to SSEs loans	Mean	Std. Dev.	Std. Error Mean	95% confidence Interval of the difference				
				Lower	Upper			
Pair 1 ration bank loans to SSEs Loans & ratio of MFIs loans to SSEs loans	-56700	4.39041	1.38837	-8.81071	-252929	-4.084	9	.003

T = -4.0854
Df = 9
Sig = 2.003
T a/2 = 2.262

Since t ta/2 we reject the Ho which states that "there is no significant difference between the aggregate level of micro credit". Since the significance level of the test is .003, it shows that the result is significant. Therefore, we can safely conclude that there was a significant difference between the aggregate levels of micro credit accessed from conventional banks and MFIs. This is further supported by a correlation value of .811 (signifying about 81% relationship).

Findings and Discussion of Results

Based on the data analysis, it was observed that:

The major problems encountered SSEs in accessing credit from conventional banks include provision of collateral security, outrageous interest rate and sometimes, maintenance of minimum deposit or balance with the banks.

The study's first takes was to determine the difference in the aggregate level of micro credit accessed by SSEs from conventional banks and micro-Finance institutions. The data in the hypothesis table above shows that there is significant difference between the aggregate level of micro credit accessed from conventional banks and level accessed from MFIS. This finding, perhaps, lends credence to assertions made by Umoh (2000), and Berhanu (2001). Umoh (2000) reasserts that accessibility to micro credit has always been a bane to the growth and development of small scale enterprises. Umoh (2000) also argues that while conventional banks have failed to adequately cater for the financial needs of the small-scale enterprises, micro-finance institutions have come to bridge the gap.

The implication of this finding is that there is a huge gap in the provision of financial services to a large proportion of the active but poor and low-income groups. The existing formal MFIs serve less than one million, out of the over 40 million people that need their services. Also, they accounts for about 0.2 percent of GDP and less than one percent of the total credit to the economy (CBN, 2005). The effect of not appropriately addressing this situation would further exacerbate poverty and slow down national growth and development.

Conclusion

The ratio of MFIs that granted SSEs credit as against conventional banks is not high enough to warrant the conclusion that MFIs are yet to implement the necessary institutional and legal framework guiding micro finance. The findings have also shown that in spite of micro finance policy stipulating lending guidelines for conventional banks that are participating in micro credit lending (Schemes), the issue of collateral has jeopardized accessibility of funds by SSEs

Recommendations

The study recommends that:

1. Outright removal of collateral should be emphasized by micro finance policy regulations.
2. Collateral should be substituted with credibility and trust on loan applicants as a basic requirement for appraising loan applications of SSEs.
3. Therefore if MFIs and conventional banks insist on collateral, it might discourage a lot of applicants from accessing credit. One

way to boost the industrial base of this nation is by encouraging the small-scale business to thrive by discouraging the use of collateral as a basis for loan qualification.

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Emperical Analysis of the Determinants of Banks Profitability in Nigeria

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Abstract

This study is concerned with finding the significant determinant(s) of banks' profitability in Nigeria using a linear multiple regression model on panel data obtained from the annual reports and accounts of ten most capitalized banks in 2010 for a period of 4 years from 2006 to 2009. The study used ROE & ROA as proxies for profitability and Capital Adequacy (CA), while Bank Size (BS), Bank Liquidity (BL), Asset Quality (AQ) and Management Efficiency (ME) were used as proxies for profitability determinants. The findings show that CA, BS, BL and AQ do not significantly affect the profitability of Nigerian banks, except for management efficiency (ME). The study therefore recommends that emphasis should be placed on how to improve management efficiency rather than on size, asset quality, liquidity and capital.

Keywords: Bank, Determinants, Profitability, Management Efficiency, Nigeria.

Introduction

Banks appear to be the main contributory factor to the economic development of any country as they are standing in the centre of the economy due to their continuous role as financial intermediaries (Nurgul, 2011; Elumilade, 2010; Adeyemi, 2008; Osaloni, 2005; Altunbas &Ibanez, 2004). This they can do, if they generate necessary income to cover the operational cost incurred in due course. That is to say, for sustainable intermediate function, banks need to be profitable. Apart from the intermediation function, the bank's profitability is also of great importance to investors because it determines the reward for their investment which in turn, encourages additional investment and brings about economic growth and stability because a sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system of an economy (Ongore & Kusa, 2013; Abdulrasheed, Yahaya & Aliu 2011).

The need for banks to remain profitable made the Central Bank of Nigeria (CBN) to continually seek permanent measures that would enhance the profitability and stability of banks operating in Nigeria such as financial sector liberalization reform between 1987 and 1991 (Aburime, 2007) and the recapitalization policy in 2004 (Soludo, 2004). However these measures were unsuccessful in eliminating bank distress and failures (Ola, 2012; Elumilade, 2010). Currently, a set of banking sector reforms has also been introduced to ensure a strong and reliable banking sector. It suffices to say, if historical antecedents of Nigerian financial sector reforms are anything to go by then, the current reforms may also not help to improve bank profitability and stability in Nigeria. Consequently, the critical empirical question remains what are the firm specific factors that determine profitability in Nigerian banks? It is against this background that this study intends to empirically, identify the determinants of bank profitability in Nigeria which is the essential prerequisite of a competitive banking institution and the cheapest source of funds.

Theoretical Framework

Performance links an organization's goals and objectives with organization's decisions (Abdulkadir, 2007). It is important to note that before we can declare that an activity has improved, it must have been measured so that the extent of improvement can be determined. An improved bank performance will aid in their significant role in the economic growth through intermediation whereas, poor performance can lead to ruins, failures and crises. Banking crisis could entail financial crisis which in turn brings the economic meltdown as happened in USA in 2007. Thus, to avoid the crisis, due attention should be given to determinants of bank performance.

Organized study of bank performance started in the late 1980's (Olweny & Shipho, 2011) with the application of market power (MP) and efficiency structure (ES) theories (Ongore & Kusa, 2013; Sarita, Zandi & Alireza, 2012 and Paolo, 2011). The MP theory states that increased external market forces result into profit. The hypotheses suggest that only firms with large market share and well differentiated portfolio (product) can win their competitors and earn monopolistic profit. On the other hand, the ES theory suggests that enhanced managerial and scale efficiency leads to concentration and then to higher profitability. According to Ongore & Kusa, 2013, balanced portfolio theory also added additional dimension into the study of bank performance. It states that the portfolio composition of the bank, its profit and the return to the shareholders is the result of the decisions made by the management. Thus, efficient management leads to higher returns.

From the above theories, we can infer that bank performance is influenced by both internal and external factors. These internal factors are viewed to include; bank size, capital management efficiency, liquidity efficiency, age of the firm and working capital ratio (Abdulraheem, Yahaya & Aliu, 2011; Deger & Adem, 2011; Anthony & Aaron, 2010; Kakani, Saha & Reddy, 2003). The external factors include interest rate, economic growth and inflation (Ongore & Kusa, 2013; Deger & Adem, 2011).

Determinants of Bank Profitability

Studies have proven that the factors that determine banks profitability can either be internal and/or external factors (Ongore & Kusa, 2013; Davydenko, 2011; Naceur, 2003). For the purpose of this study, the internal factors will be considered. These internal factors include: Bank size, capital adequacy, asset quality, liquidity, age of bank and managerial efficiency.

Size

Size is expected to be an important determinant of firm performance. Size can have a positive effect on firm performance, since larger firms can leverage their size to obtain better deals in financial as well as product or other factor markets (Deger & Adem, 2011; Kakani, Saha & Reddy, 2003). While other scholars like Aburime, (2007) argued that size has a negative effect on the firm performance as firm size grows; it becomes more difficult for it to sustain impressive financial performance. We therefore include 'firm size' as an independent variable in the study.

Capital adequacy

The ratio of equity to total assets is considered as one of the basic ratios for capital strength (Ongore & Kusa, 2013; Deger & Adem, 2011). Capital is the amount of own fund available to support the bank's business and act as a buffer in case of adverse situation (Athanaoglon *et al.,* 2005). It is expected that the higher the capital adequacy (CA), the lower the need for external funding and the higher the profitability of the bank. Hassan and Bashir (2003), assert that a well-capitalized bank face lower costs of going bankrupt which reduces the risks and then, affect the profitability positively.

Asset quality

According to Deger and Adem (2011) and Ongore and Kusa (2013), one of the two ratios is majorly used as proxies for asset quality: Loan to total assets and non-performing loans to total loans. These ratios measure the income source of banks and they are expected to affect profitability positively while non-performing loan to total loans measures the quality of asset and reflects changes in the health of banks loan portfolio that affect profitability negatively. Khrawish (2011) is of the opinion that the lower the ratio the better the bank performance and the lower the risk.

Liquidity

Liquidity of a firm refers to its ability to fulfill its obligations, mainly of depositors (Ongore & Kusa, 2013). Adequate level of liquidity is positively related with bank profitability. The most common financial ratios used to reflect the liquidity position of a firm according to Dang (2011) are customer deposit to total asset and total loan to customer deposits. Most studies that use these ratios in the developed economies found no relationship between profitability and liquidity level of banks (Ongore & Kusa, 2013).

Management efficiency

The ability of management to raise profits is a prerequisite for achieving profitability and stability of the bank (Aburime, 2007). The capability of the management to deploy its resources efficiently, maximize income and reduce operating costs can be measured by financial ratios. These ratios include, operating profit to income ratio, and expense to asset ratio (Ongore & Kusa, 2013; Aburime, 2007). The higher the operating profit to income ratio the better for the firm while the lower the expense to total asset ratio the more profitable the bank. Thus, management quality in this regard, is how well the management is able to determine the level of operating expense that will in turn not reduce profitability.

Review of Empirical Studies

Kakani, Saha and Reddy (2003), conducted a study on the determinants of firm performance in the Indian context. The study used financial statement and capital market data of 566 large Indian firms over a period of eight years. The study made use of regression analysis. They found that size, management efficiency and leverage of the firm were important factors affecting its financial performance.

Deger and Adem (2011) is also of the view that size significantly impacts on bank profitability when they studied the determinants of commercial banks profitability in Turkey over a period of nine years.

Imad et al. (2011) studied the determinant of the profitability of Jordanian banks for a period of 10 years using two measures of bank's profitability: ROA and ROE. The findings revealed that the variation in the Jordan bank profitability tend to be associated with capital adequacy, asset quality and management efficiency. Their finding that the size of bank is not a good determinant of bank profitability is not consistent with the findings of Deger and Adem (2011) and Kakani, Saha and Reddy (2003).

Ongore and Kusa (2013) also conducted a similar study on bank's financial performance determinants in Kenya. The study used linear multiple regression model and Generalized Least Square (GLS) on panel data to estimate the parameters. The findings reveal that capital adequacy, asset quality and management quality significantly affect the performance of banks in Kenya. Unlike the findings of Kakani, Saha and Reddy (2003), Ongore and Kusa (2013) liquidity does not determine firm performance.

Sarita, Zandi and Shahabi (2012) studied the determinants of performance in Indonesian banks using a pooled cross-sectional time series and dynamic panel models. The study found that, there is a negative relationship between capital adequacy and performance. Therefore concludes that banks profitability is not determined by capital adequacy. This is not consistent with the study of Ongore and Kusa (2013) and Imad et al. (2011).

From the foregoing, reviewed studies seems to be from other economics having divergent views about the significant determinants of banks profitability. In spite of the different findings and conclusion reached, we see that most of the studies find management efficiency and asset quality as the major determinants of banks profitability. It is therefore pertinent that sample from Nigerian economy be studied to give an understanding on what determines banks profitability from the Nigerian perspective since conclusions from the other economics cannot apparently be adopted or inferred as same in Nigeria.

Methodology

This study uses ex-post factor design. Secondary data were obtained from published accounts of Nigerian banks listed on the Nigerian stock exchange as at 31st December, 2010.

The study sampled ten (10) banks out of the twenty-one (21) listed banks in 2010. These banks include: Access bank plc, Diamond bank Plc, Eco Transnational bank Plc, FCMB Plc, First bank Plc, Guarantee trust bank Plc, IBTC Plc, Skye bank Plc, United bank for Africa Plc and Zenith bank Plc. The criterion for the choice of these 10 banks is based on the report of the Nigerian stock exchange as contained in NSE fact book (2011) as to the most capitalized banks in 2010. The study covers a period of 4 years from 2006 – 2009. It is assumed that the banks would have stabilized after the 2005 recapitalization policy and also leaving out the period of the new crisis in banks that led to remerging and acquisition of some banks.

The collected data were analyzed with the aid of SPSS version 16. Linear multiple regression is used as the technique for the panel data analysis. The study also made use of 95% confidence level.

Hypotheses

$Ho_{1:}$ The size of the bank does not significantly influence banks profitability.

$Ho_{2:}$ liquidity does not significantly affect banks profitability.

$Ho_{3:}$ Capital adequacy does not significantly impact on banks profitability.

$Ho_{4:}$ The quality of assets does not significantly impact on banks profitability.

$Ho_{5:}$ Management efficiency does not significantly determine banks profitability.

Model Specification

The dependent profitability indices for the study is (ROA) and (ROE) and the determinants which are the independent variables are capital adequacy (CA), bank size (BS), bank liquidity (BL), asset quality (AQ) and management efficiency (ME).

$$ROA = b_0 + b_1CA + b_2BS + b_3BL + b_4AQ + b_5ME + e \ldots (3.1)$$

$$ROE = b_0 + b_1CA + b_2BS + b_3BL + b_4AQ + b_5ME + e \ldots (3.2)$$

Where:

b_{0-n}	=	Coefficient
CA	=	Capital adequacy
BS	=	Bank size
BL	=	Bank liquidity
AQ	=	Asset quality
ME	=	Management Efficiency
ROA	=	Return on asset
ROE	=	Return on equity

Table 1: Variable Definition

VARIABLES	DEFINITIONS
CA	Ratio of Shareholders fund to total asset (SH/TA)
BS	Log of total asset
BL	Ratio of cash to total deposit (CASH/DEPOSIT)
AQ	Ratio of loan to total asset (LOAN/TOTAL ASSET)
ME	Ratio of profit before tax to gross earnings (PBT/GE)
ROA	Ratio of profit before tax to total asset (PBT/TA)
ROE	Ratio of profit before tax to shareholders fund (PBT/SH)

Result Presentation and Analysis

This section is concerned with the presentation, analysis and interpretation of results.

Validity Test

The existence of strong correlation between the independent variables was tested using variance inflationary factor (VIF). We found that there is absence of the problem of multi collinearity among the independent variables (CA, BS, BL, AQ and ME). Durbin Watson is 2.2 for ROA and 1.9 for ROE respectively. This shows the absence of auto correlation. There is therefore strong model fitness (see table 4.3 and 4.4).

Table 4.1: Regression Results on ROE

Model	Unstandardized Coefficients		Standardized Coefficients	T	P. value	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	25.217	5.173		4.875	.000		
CA	-1.148	.118	-.830	-9.691	.000	.854	1.171
BS	-.422	.644	-.054	-.656	.516	.913	1.096
BL	-.027	.082	-.028	-.333	.741	.903	1.108
AQ	.008	.079	.008	.096	.924	.891	1.122
ME	.550	.068	.682	8.060	.000	.877	1.141

Source: Researcher computation from SPSS 16.0

The result as contained in Table 1 shows that: one unit change in CA will reduce ROE by 114.8%. One unit change in BS and BL will reduce ROE by 42.2% and 2.7% respectively. All these reductions are not significant at 5% level of significance. A one unit increase in AQ will increase ROE insignificantly by 0.8%. An increase in ME will significantly increase ROE by 55%.

Table 2: Regression Results on ROA

Model	Unstandardized Coefficients		Standardized Coefficients	T	P. Value	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.601	.488		1.231	.227		
CA	.000	.011	.002	.020	.984	.854	1.171
BS	-.025	.061	-.031	-.418	.679	.913	1.096
BL	.003	.008	.029	.390	.699	.903	1.108
AQ	.002	.007	.019	.253	.802	.891	1.122
ME	.077	.006	.906	11.894	.000	.877	1.141

Source: Researcher computation from SPSS 16.0

Table 2 also presents result that indicates an insignificant indifference result if there is no increase in CA. That is, a one unit of CA increase will not affect ROA. Whereas a unit increase in BS will insignificantly reduce ROA by 2.5%. An increase in BL and AQ by a unit will increase profitability by 0.3% and 0.2%. These increases are not statistically significant at 5%. Like the results on ROE, an increase in ME will increase ROA significantly by 7.7%.

Model Summary

Table 3: Model Summary on ROE

Model	R	R Square	Adjusted R Square	Change Statistics			Durbin-Watson
				R Square Change	F Change	Sig. F Change	
1	.891[a]	.793	.762	.793	25.306	.000	1.889

a. Predictors: (Constant), ME, AQ, BS, BL, CA

The strength of the relationship between the independent (CA, BS, BL, AQ and ME) and the dependent variable (ROE) is 89.1%, showing a strong relationship. The independent variables determine 79.3% of the changes in ROE living only 20.7% to be determined by factors outside the study.

Table 4: Model Summary on ROA

Model	R	R Square	Adjusted R Square	Change Statistics			Durbin-Watson
				R Square Change	F Change	Sig. F Change	
1	.912[a]	.832	.807	.832	32.752	.000	2.200

a. Predictors: (Constant), ME, AQ, BS, BL, CA

Table 4 shows a 91.2% relationship between ROA and CA, BS, BL, AQ and ME, These independent variables account for the variations in ROA of Nigerian banks to the tune of 83.2%, leaving only 16.8% to be explained by other factors outside the study. Thus, these variables when put together affect profitability significantly.

Discussion of Findings

The negative relationship between bank size, capital adequacy, liquidity and asset quality could mean that higher total assets, increased capital and liquidity may not necessarily lead to higher profits. This could be attributed to diseconomies of scale suffered by banks due to uncontrollable increase in these variables. This can be explained by the results on Management efficiency. Here, the results reveal that the more efficient the management, the more the profitability of the banks. We then conclude that, Nigerian bank profitability is not determined by Capital Adequacy, Bank Size, Bank Liquidity and Asset Quality but is determined by Management Efficiency. These findings are consistent with that of Sarita, Zandi and Shahabi (2012) in terms of CA, Imad, et al. (2011) on ME and Size and Ongore and Kusa (2013) in terms of BL and ME but differs from the findings of Deger and Adem (2011) on AQ and Size; Ongore and Kusa (2013) in relation to CA and AQ and Kakani, Saha and Reddy (2013) in terms of Size.

Conclusion and Recommendation

The profitability of Nigerian banks has remained a major concern of the Nigerian government over the years and it's continuously seeking permanent measures to putting them in a strong and stable state. This study therefore tries to find out what determines banks profitability in Nigeria so as to draw attention to what should be on the focus.

The study used data extracted from the audited reports and accounts of the sampled banks for a period of 4 years (2006 – 2009). The findings indicates that Nigerian banks profitability is not determined by capital adequacy, banks size, bank liquidity and asset quality rather, it is significantly determined by management efficiency. Consequently, we recommend that rather than concentrating on an uncontrollable increase in size and capital with an aim to improve the banks performance and stabilize the economy, policy makers and bank stakeholders should lay more emphasis on how to improve management efficiency; as this will result in higher profitability and in turn make the banks become more liquid, strong and stable.

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Measuring the Strength of the Bank of Industry (BOI) in the Provision of Financial Succor to SMES in Nigeria

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Abstract

Since a decade of its inception in 2001, studies are yet to sufficiently verify the positioning of the Bank of Industry (BOI) via asset size, equity, and operating surplus in relation to its available credits to SMEs. The present study is a careful contribution to filling this gap. Specifically, the study sought to evaluate the possible impact of BOI's total assets, shareholders equity and profitability on loans to SMEs in Nigeria. It utilized ex-post facto research design. Secondary data for analysis spanned a ten-year period (2002 – 2011). Generated data were first analyzed descriptively using statistical tables, charts, and graphs to determine the behavioral patterns of the variables overtime. Additional evaluation was performed using SPSS regression inferential statistic to draw conclusion on the stated hypotheses. The study found significant positive effect of BOI's total assets on loans to SMEs. But no significant positive result emerged for shareholders equity and profitability. Apparently, one obvious conclusion of the study is that at the moment, the BOI is not fully strong to deliver adequately the mandate of credit mobilization for industrialization of Nigeria. Going by asset base, the bank is significantly stable; but by equity positioning and profitability, it is yet to balance effectively. Among others, the capital base and equity position of BOI can however be enhanced through capital market option of going public. By issuing reasonable quantity of shares for public subscription, the bank can mobilize adequate resources necessary for its loan obligations to businesses for industrialization.

Keywords: Bank of Industry, Asset base, shareholders equity, Profitability

Introduction

Robust economic growth via effective industrialization in any nation cannot be achieved without putting in place well designed finance mechanism to empower the people and increase their access to factors of production. The latent capacity of the poor for entrepreneurship would be significantly stimulated through the provision of financial resources to enable them engage in economic activities and be more self-reliant, increase employment opportunities and create wealth (Akingunola, 1995; Iweala, 2005; Iganiga, 2008; and Akingunola, 2011). Small and Medium Scale Enterprises (SMEs) constitute the driving force of such industrial growth and development. This is basically due to their great potential in ensuring diversification and expansion of industrial production, a tenet to the attainment of the basic objectives of development.

Unarguably, Nigeria and other developing nations which are featured by low income earners value SMEs for several reasons. Perceived in static terms, the main argument is that SMEs on the average achieve high level of productivity especially of capital and other factors taken together while also generating relatively large amount of socio-economic development. In dynamic terms, SMEs are viewed as being populated by firms most of which have considerable growth potential. SMEs in developing countries achieve productivity increases to a great extent simply by borrowing from the shelf of technologies available in the world (Christopoulos and Tsionas, 2004). There is therefore no denying the fact that the sector is a desideratum in ensuring the attainment of the millennium development goals (MDGs) of the federal government of Nigeria which are anchored mainly on poverty reduction, employment generation, wealth creation and value orientation.

Meanwhile, the development of SMEs have stem debate and growing interest among researchers, policy makers and entrepreneurs who have recognized the immense contribution of the subsector to economic growth. In Nigeria precisely, studies have shown that poor economic and financial conditions as well as inadequate infrastructure are the bane of their growth and effective performance (Abereijo and Fayomi, 2005; Okpara and Pamela, 2007; Ihua, 2009). The implication of these foregoing is that access to finance at relatively cheap cost is one of the most crucial problems hindering SMEs to have significant contribution to national output in Nigeria.

Over the years, government at federal, state and even local level through budgetary allocations, policies and pronouncements have signified interest on the crucial role of the SMEs sub-sector. There have also been fiscal incentives, grants, bilateral and multilateral agencies' support and aids as well as specialized industrial based schemes and institutions all geared towards making the SMEs sub-sector vibrant. Some of the notable specialized industrial based institutions include the establishment of the Nigerian Industrial Development Bank Limited (NIDB) in 1964; Nigerian Agricultural and Cooperative Bank Limited (NACB), in 1973; Nigerian Bank for Commerce and Industry (NBCI) in 1973; Nigerian Agricultural Insurance Corporation (NAIC) in 1988; National Economic Reconstruction Fund (NERFUND) in 1989; Peoples Bank of Nigeria (PBN) in 1989; Community Banks (Now Microfinance Banks) in the 1990s; Family Economic Advancement Programme (FEAP) in 1997; and the National Poverty Eradication Programme (NAPEP) in 2003 respectively (FEAP Act, 1997; Iganiga, 2008 and BOI, 2012).

Barely a decade and two years ago, Nigerian government again embarked on another major reform to streamline the operations of these aforementioned specialized institutions in line with the developmental goals for which they were established. These followed the dismal performance recorded by most of them in stimulating the growth of SMEs in Nigeria. Accordingly, NACB, PBN and FEAP were merged to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) now called the Bank of Agriculture. Similarly, NBCI was merged with NIDB to form the "Bank of Industry (BOI)" which following a special resolution commenced operation on 5th October 2001 with authorized share capital of $400 million (BOI, 2005).

Precisely, the Bank of Industry (BOI) Limited emerged with one cardinal commitment to rapidly develop the country's SMEs in line with the federal Government's industrial policy focus within the framework of the National Economic Empowerment Development Strategy (NEEDS). Explicitly, the bank's strategic thrust according to Oputu (2008) is structured industrial transformation of the nation which is tripartite. The first is the stimulation of economic activities throughout the country and mobilization of local resources towards progressive and sustainable growth and development of the economy. Second is the stimulation of local entrepreneurship as well as revamping of indigenous economic activities where comparative advantages can be harnessed. The third is employment generation with preference for enterprises with potential to generate foreign exchange. Meanwhile, the nature of the funding of the SMEs subsector by BOI is designed to be in the form of loans, debentures and equity.

Apparently however, empirical evidence on the strength of the BOI towards the discharge of the mandate of its establishment is inadequate at the moment. Studies are yet to sufficiently verify the positioning of the bank with respect to asset size, equity position, and operating surplus in relation to its available credits to SMEs. This means the existence of a research lacuna in this direction. This study is therefore a careful contribution to filling the gap. Specifically, the study sought to determine the possible impact of BOI's total assets on loans to SMEs; examine the possible impact of BOI's shareholders equity on loans to SMEs, and; evaluate the possible impact of BOI's profitability on loans to SMEs in Nigeria overtime.

Conceptual Clarifications

Origin of the Bank of Industry Limited (BOI): The Bank of Industry (BOI) limited emerged in 2001 from the reconstruction of the erstwhile Nigeria Industrial Development Bank (NIDB) and the Nigeria Bank for Commerce and Industry (NBCI). NIDB was established in 1964 under the guidance of the World Bank. The bank's 75% of initial equity was held by IFC, while the federal government held 25% (Oputu, 2008). NIDB was established to help in boosting industrialization in Nigeria at the eve of Independence. The Nigerian Bank for Commerce and Industry (NBCI) was established for the provision of financial services, such as equity investment and granting of loans and guarantees to indigenous enterprises in commercial and manufacturing activities. NBCI was owned 60% by the federal government and 40% by the Central Bank of Nigeria (BOI, 2012). NBCI did not take deposit from the general public in any form. Funding was traditionally relied on government subventions, concessional loans from multilateral financial institutions and inter-bank borrowing. The Bank's clientele base increased by 212% within ten years from 259 clients in 1984 to 809 clients in 1994.

NBCI served corporate organizations and small-scale manufacturers and not individuals. The 212% growth in NBCI clientele also represented the growth in the number of loans granted during 1985 to 1994. Also, the number of outstanding loans increased from 208% to 798 during the same period. However, since 1995, there became a sharp drop in the population served by NBCI. This was perhaps a result of competition from the new generation commercial banks, dwindling funding resources and recession that hit the nation's small-scale manufacturers which constituted NBCI's clientele base in the 1990s. Furthermore, the establishment of the National Economic Reconstruction Fund (NERFUND) for providing finance to medium and small scale manufacturing enterprises appeared to have duplicated the functions of NBCI in recent years and made NBCI had less impact among existing small manufacturers or new entrants into the manufacturing sector. Following the dismal performance of NBCI in late 1990s, NBCI was merged with NIDB to form the new "Bank of Industry" (BOI) in 2000 with a recapitalization of N50 billion. The new Bank of Industry officially began operation in 2001(Iganiga, 2008).

BOI's Structure, Pattern of Operation and Major Clientele: Currently, the ownership of the BOI is composed of three major groups namely: Ministry of Finance Incorporated (MOFI), 58.86%; Central Bank of Nigeria (CBN), 41.12%; & Equity held by 43 private shareholders 00.02% respectively (Oputu, 2008). According to Okoye (Undated), the pattern of the funding of the microfinance sector by BOI has been in the form of loans, debentures and equity. With interest rates ranging from 10 to 20 percent per annum payable monthly, BOI loans tenors range from three to seven years with 6 months moratorium (BOI, Undated). However, its loan disbursement at the early days of its operation showed an undeniable discrimination against small businesses. For instance, out of a total of N1.72 billion given out as loans from 2001–31 March, 2004, only about N0.46 billion went to smaller enterprises while an astonishing N1.26 billion went to big enterprises. This goes to show a great level of unwillingness on the part of microfinance administrators to finance small businesses, which for the most part touches on the poverty level in the country.

Meanwhile, the vision of BOI is to be the leading self-sustaining Development Finance Institution, operating under sound management and banking principles that would promote the emergence and development of a virile competitive industrial sector in Nigeria. Consistently, the mission of the bank is to transform Nigeria's industrial sector and integrate it into the global economy by providing financial and business support services to existing and new industries to attain modern capabilities to produce goods that are competitive in both domestic and external markets. BOI core mandate is to provide financial assistance for the establishment of large, medium and small projects; as well as expansion, diversification and modernization of existing enterprises; and rehabilitation of ailing industries (BOI, 2012). Towards achieving these objectives, the bank has committed itself to some reasonable efforts so far. The current management has made a point of devoting 85% of the Bank's resources to SMEs. In fact, it can be argued that 100% of the Bank's resources are devoted to SMEs because the balance of 15% which is reserved for large enterprises finds its way to small enterprise as well because the Bank insists that large enterprises that get it must have linkages with small or medium enterprises (Oputu, 2008). BOI is under the supervision of Central Bank of Nigeria and the Federal Ministry of Commerce and Industry.

The BOI has certain core activities of which it seeks to pursue. The activities include project identification and selection, resource mobilization, equity financing, industrial policy formulation, business development support, encouragement of effective resource utilization via formation of coherent Public-Private-Partnership (PPP), advocacy towards improving the effectiveness and efficiency of the local entrepreneurs through: Reduction of initial set-up costs, taxation, timing and cost of obtaining consent to mortgage as well as obtaining C of O and, improving their enabling business environment (BOI, 2012; Udo, 2013).

In line with the mission of the bank anchored on the transformation of Nigeria's industrial sector and integrating it into the global economy via provision of financial and business support services, BOI is by law permitted to assist the following: (1) Small, medium and large enterprises, excluding cottage industries, (2) New or existing companies, seeking expansion, modernization or diversification, (3) Credit worthy promoters who will be required to prove their commitment to the project by contributing at least 25% of the project cost excluding land, (4) Borrowers whose management capability, financial situation, character and reputation are incontrovertible, (5) Clients with demonstrable ability to meet loan repayments, and (6) Borrowers with no record of unpaid loans to erstwhile development finance institutions and other banks.

Concept of Small and Medium Scale Enterprises (SMES): The legal definition of "small" varies from country to country and by industry. In the United States, the Small Business Administration establishes small business size standards on an industry-by-industry basis, but generally specifies a small business as having fewer than 500 employees for manufacturing businesses and less than $7 million in annual receipts for most non manufacturing businesses. The definition can vary by circumstance. For example, a small business having fewer than 25 fulltime equivalent employees with average annual wages below $50,000 qualifies for a tax credit under the healthcare reform bill Patient Protection and Affordable Care Act (NIM, 2012).

The European Union generally defines a small business as one that has fewer than 50 employees. However, in Australia a small business is defined by the Fair Work Act (2009) as one with fewer than 15 employees. By comparison, a medium sized business or mid-sized business has fewer than 500 employees in the US, and fewer than 200 in Australia. The

Committee for Economic Development (CED) of the USA states that a small business will, have at least two of the four listed characteristics viz: managers are also owners; owners supplied capital; area of operation only local; small size within the industry.

Generally as deduced from the foregoing, the major criteria used throughout the world to describe small scale business include: Number of employees, sales value, value of assets and net profits, annual sales (turnover) financial strength, relative size, initial capital outlay, comparability with its past standards, Independent ownership, and, type of industry. These criteria are followed in Nigeria by the National Council of industries. Accordingly, small scale enterprises are defined by the council as follows:

> *"Cottage industry with costs excluding land not more than Nl million; Small Scale industry with costs excluding land but including working capital not more than N10 million, and; Medium scale industry with total costs excluding land but including working capital above N40 million".*

Rationales for Funding SMES by the BOI in Nigeria: Several factors are imperative on while the bank of industry was established to fund small and medium scale enterprises in Nigeria. They include among others the following:-

Lack of Entrepreneurial/Human Capital: Most SMEs in Nigeria are still at the evolutionary stage with low IT and other skills that constrain their zeal for innovation, process improvement, etc. There is wide gap of Technoprenuers and very slow rate of graduation from the micro to small and ultimately to the medium.

Infrastructural Inadequacies: At the moment, a typical entrepreneur individually caters for all his needs in terms of power, water, security and sometimes even roads. This is in addition to the various legal fees and other charges imposed on him. These avoidable costs of doing business are serious disincentives to entrepreneurship and major contributor to Nigeria's very low commercial competitiveness in the international arena.

Institutional Complexities: There is also glaring none complementarity of efforts amongst the agencies/institutions charged with the responsibilities of assisting in the development and promotion of the SMEs in the country. This has made it extremely difficult to measure the effectiveness of the various policy initiatives vis-à-vis the level of resources committed. The recently conceived National Policy on the SMEs is a step in the right direction if properly and coherently implemented.

Theoretical Framework

Traditional theories on bank lending behavior such as disaster myopia (Guttentag and Herring, 1986), herd behavior (Rajan, 1994), institutional memory hypothesis (Berger and Udell, 2004), information asymmetry theory cum credit rationing theory etc have existed over the years. The rationales of these earlier theories were to highlight the role of banks in the procyclical variations in credit market conditions. Traditional monetary theory however largely ignored the role of bank asset base and equity. As Van-den-Heuvel (2002) observed, "bank-centered accounts of how monetary policy affects the real economy usually focus on the role of reserves and reserve requirements in determining the volume of demand deposits and, in the case of the bank lending channel, bank loans". Traditionally, most economists have regarded the fact that banks hold capital as at best a macroeconomic irrelevance and at worst a pedagogical inconvenience (Modigliani and Miller, 1958; Friedman, 1991). This stands in stark contrast to the importance attached to capital adequacy in the regulation of banks, especially since the adoption of the Basle Accord in 1988, which established risk-based capital requirements in the Group of Ten countries. Research on this and other episodes has found that low bank capital is associated with sluggish lending (Sharpe, 1995). Despite this evidence, the role of bank capital and capital requirements in the monetary transmission mechanism has received much less attention especially in the past.

In recent time, it has been proved that there are at least two theoretically distinct ways in which the level of bank capital can change the impact of monetary shocks on bank lending: through the traditional bank lending channel, and through a more direct mechanism that can be described as a "bank capital channel" (Van-den-Heuvel 2001; Lown and Morgan, 2002; Van-den-Heuvel 2002). Both channels derive from a failure of the Modigliani-Miller theorem for banks. In a Modigliani-Miller world of perfect capital markets, a bank's lending decisions are independent of its financial structure. As the bank will always be able to find investors willing to finance any profitable lending opportunities, the level of bank capital is irrelevant to lending, and thus to the monetary transmission mechanism. For each of the two channels, this logic fails for a specific reason, although the nature of the failure is somewhat different in each case. Although the two are by no means mutually exclusive, it is easier to highlight their separate positions. According to the bank lending channel thesis, monetary policy has a direct effect on the supply of bank loans, and thus on the real economy, because banks finance loans in part with liabilities that carry reserve requirements. By lowering bank reserves, contractionary monetary policy reduces the extent to which banks can accept reservable deposits, if reserve requirements are binding. The decrease in reservable liabilities will in turn lead to a commensurate reduction in bank lending especially if the bank cannot easily switch to alternative forms of finance or liquidate assets other than loans.

On the other hand, the bank capital channel thesis is of the view that monetary policy affects bank lending in part through its impact on bank equity capital. In his study, Van-den-Heuvel (2001) presented a dynamic bank asset and liability management model that formalizes the bank capital channel and analyzes its consequences for monetary policy. The model incorporates the risk-based capital requirements of the Basle Accord and an imperfect market for bank equity. These two conditions imply a failure of the Modigliani-Miller logic for the bank, that is; the bank's lending will depend on its financial structure as well as on lending opportunities and market interest rates. When equity is sufficiently low due to loan losses or some other adverse shock, the bank will reduce lending because of the capital requirement and the cost of issuing new equity. Even when the capital requirement is not currently binding, the model shows that a low-capital bank may optimally forgo profitable lending opportunities now in order to lower the risk of future capital inadequacy.

Review of Related Empirical Literature

Meanwhile, there exist some empirical arguments attempting to either justify or nullify the above theoretical positions. Alfredo et.al, (2012) examined the consequences of imposing higher capital requirements on banks (as under Basel III) and the long-term effects on bank lending rates and the demand for bank credit. Their analysis combined econometric estimations of the determinants of equity capital ratios and lending rates with simulations of market equilibrium results for loan interest rates and the demand for bank credit, based on a parameterized model of the Spanish banking industry. The study found that the gap between the target and the actual capital ratio is reduced by around 40% every year, mainly with retained earnings. They also discovered that raising the equity capital ratio by one percentage point increases bank lending rates by 4.2 basis points. Meanwhile, their simulation exercise showed that the estimated increase in the cost of funds for banks associated with a one percentage point increase in the equity capital ratio led to a fall of 0.8% in the total demand for bank credit. These results suggest that the social costs of higher equity capital requirements for banks are expected to be greater in a transition period, when banks are adjusting to new standards, than in a steady state of the new industry equilibrium, when all banks comply with new ratio.

Jose and Rochelle (2010) evaluated the effect of bank capital on lending. The study used panel-regression techniques in line with Bernanke and Lown (1991) as well as Hancock and Wilcox (1993, 1994) to study the lending pattern of large bank holding companies (BHCs) in the United States over the period 1992, Q1 to 2009, Q3. The study first found small effects of capital on lending. But when a variant of Lown and Morgan's (2006) VAR model was applied to consider the effect of capital ratios on lending, the study found modest effects of bank capital ratio changes on lending. The above results however are in marked contrast to estimates obtained using simple empirical relations between aggregate commercial-bank assets and leverage growth, which have recently been very influential in shaping forecasters' and policymakers' views regarding the effects of bank capital on loan growth.

Recent studies have documented that banks give more credit to companies in which they hold an equity stake. However, due to reverse causality and omitted variable bias, this correlation cannot be interpreted causally. Bastian and Daniel (2013) overcame this issue by using the German capital gains tax reform in 2000 as a natural experiment. (This reform abolished the tax on capital gains, allowing banks to sell their equity stakes in industrial companies). Similar to previous studies, the authors found that banks give more credit to companies in which they hold an equity stake before the tax reform. However, after the tax reform, banks sell their holdings and subsequently increase lending to these borrowers even more. This finding suggests that the positive cross-sectional correlation is misleading and that equity and debt financing by banks are substitutes rather than complements.

Furthermore, the 2007-2010 financial crisis highlighted the central role of financial intermediaries' stability in buttressing a smooth transmission of credit to borrowers. While results from the years prior to the crisis often cast doubts on the strength of the bank lending channel, recent evidence shows that bank-specific characteristics can have a large impact on the provision of credit. For instance, Leonardo and David (2011) showed that new factors, such as changes in banks' business models and market funding patterns, had modified the monetary transmission mechanism in Europe and in the US prior to the crisis, and demonstrated the existence of structural changes during the period of financial crisis. Banks with weaker core capital positions, greater dependence on market funding and on non-interest sources of income restricted the loan supply more strongly during the crisis period. These findings support the Basel III focus on banks' core capital and on funding liquidity risks.

Again, studies have also argued that the period shortly after the global financial crisis was marked by a successful disinflation program sustained through inflation targeting and fiscal discipline in Turkey. Burcu and Deniz (2010) verified this position by studying the impact of monetary and fiscal policies on credit growth during this period. Using quarterly bank-level data covering 2002-08, their study found evidence that liquidity-constrained banks have sharper decline in lending during contractionary monetary policies and that crowding-out effect disappears more for banks with a retail-banking focus when fiscal policies are prudent. Nonetheless, their results are statistically weak; suggesting that bank lending channel is not strong enough in Turkey and government finances has limited direct impact on credit.

Methodology

Empirical Design and Data: The study utilized *ex-post facto* research design. Secondary data for analysis spanned a ten-year period (2002 – 2011) and comprised BOI's loans and advances to SMEs, the bank's asset base, shareholders values and profitability (*see appendix 1*). Generated data for the study were first analyzed descriptively using statistical tables, charts, and graphs. The essence was to determine the behavioral patterns of the variables over the period of study. Subsequently, additional appraisal was done using SPSS regression inferential statistic to determine the preparedness of the bank of Industry via it financing activities towards provision of financial vitality to SMEs in Nigeria.

Research Hypotheses: Three major hypotheses were formulated in the null form to guide the study as follows:

H_{01}: There is no significant impact of the bank's total assets on its loans to SMEs over the period under study

H_{02}: There is no significant impact of equity of the bank's shareholders on its loans to SMEs over the period under study

H_{03}: There is no significant impact of the bank's profit after tax on its loans to SMEs over the period under study

Analytical Econometrics and Justifications: Oftentimes, the analytical framework and testing procedures implemented to measure the effect of firm's activities on their performance determine the conclusions thereof. Adopting the inferential multiple linear regression tool, the model of the study is of the form:

$$SMEsLoans_t = \beta_0 + \beta_1 \, BOIsTLassets_t + \beta_2 \, BOIsShHldrsFund_t + \beta_3 \, BOIsPAT_t \ldots\ldots + \varepsilon_t$$

Where:

$SMEsLoans_t$ = BOI loans and advances to SMEs Overtime

$BOIsTLassets_t$ = BOI's Total Assets over the Period Covered

$BOIsShHldrsFund_t$ = BOI's Shareholders funds over the Period.

$BOIsPAT_t$ = BOI's Profit/Loss after tax overtime

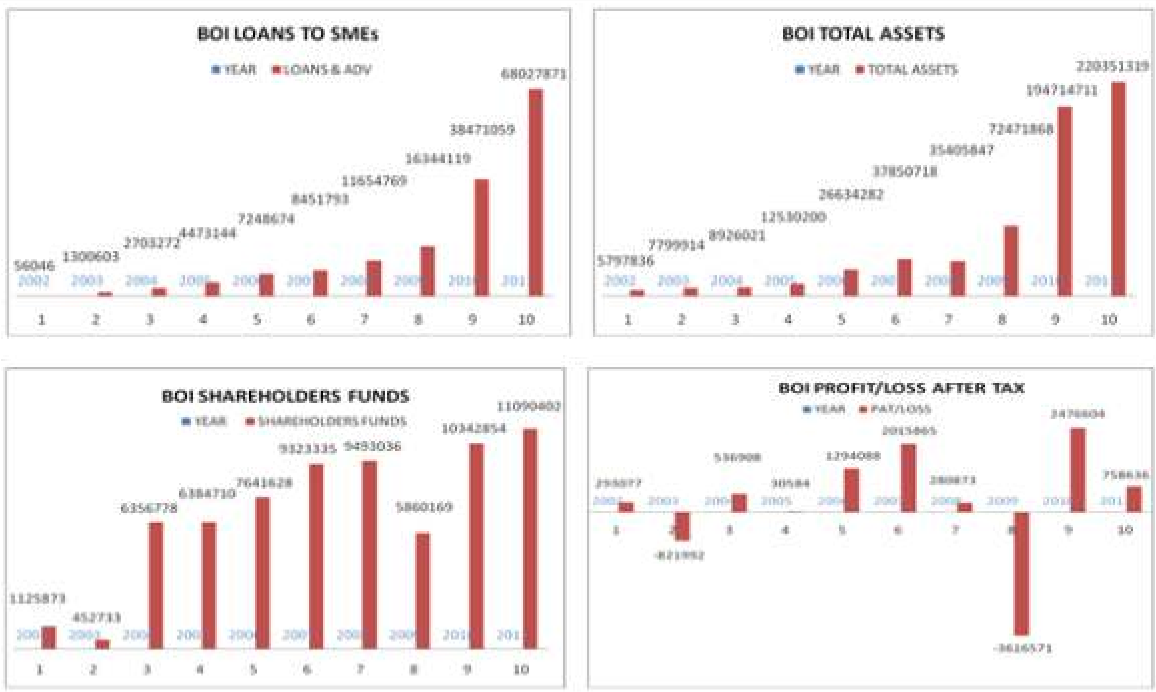
β_0 = Constant of the Regression
β_1, = Coefficient of the Explanatory Variable
ε = Random Error Term

Meanwhile, the above research model draws theoretical strength from the Cobb Douglass production function. The model proceeds from the assumption that bank performance measured in terms of asset base, shareholders values, and profitability can be explained by changes in the bank's loan provision to SMEs over a given timeframe. The model however is consistent with earlier models used in similar studies including Garber (2010), Eleje (2013), and Obilor (2013) respectively.

Results and Discussions

Descriptive Results and Interpretation: Figure 1 reveals histograms of changes in the loans and advances to SMEs, total assets, shareholders' funds, and BOI's profitability over the research period. The first histogram shows a gentle but persist upward movement in the amount of loans given to SMEs by the BOI. The upward trend in the loans is in agreement with existing records of the bank. For instance, the bank's annual report (BOI, 2005:13) documents that the total number of loan applications increased by 53.3% to 1, 096 from 714 in 2004. The value of the loans applied for rose more steeply by 87.5% from N141.2 billion in 2004 to N264.8 billion in 2005. A breakdown of the applications revealed that (514) 46.9% were from large enterprises, while SMEs accounted for 582 applications or 53.1%.

Figure 1: *Graph of Activities of the Bank of Industry (BOI) 2002-2011*



One major performance indicator of the Bank of Industry is its total assets. The second histogram pictured the movement of the total assets of the bank as gradually undulating but in an upward position over the period of study. The histogram shows that the bank's total asset fell by (64.59%) from ₦37850718 in 2007 to ₦35405847 in 2008 respectively. The trend sooner and sharply reversed and continued upwardly throughout the remaining period. On the third histogram representing the changes in the equity position of shareholders of the bank over the period of investigation; the spot picture shows two major occasions of drops in equity stake precisely, 2003 and 2009 respectively. The 2009 decrease apparently is the trickledown effect of the drop in the bank's total assets in 2008. Meanwhile, the shareholders' funds sooner and sharply reversed and continued upwardly throughout the remaining period. A cursory view at the fourth histogram shows a non-steady state of profitability of the bank over the timeframe. The spot picture reveals high rate of fluctuation in profit and even occasional losses precisely in two periods of 2003 and 2009.

The outcome of the descriptive statistics is mixed. The result of the loans and advances to SMEs is encouraging. But those of total assets, shareholders equity, and profitability are partly disappointing. The gradual and undulating movement of the bank's total assets, the occasional drops in equity position and the non-steady state of profitability of the bank are ominous sign of weakness. Although the bank of industry in line with its legal mandate is non-profit oriented, they are expected to make minimal profit in order to balance expenditure by charging minimal interests on funds provided to their clients (BOI, 2012).

Inferential Statistics and Interpretation: Table (1) and (2) are summary statistics of the results emanating from the computer based inferential regression statistics for hypotheses one to three *(See appendix 2):*

Table (1) : Coefficients (@ 95% Confidence Interval for B)

Hypo	Independent Variables	Beta	t-stats	t-sig.
H_{01}	Total Assets	0.251	6.918	0.000
H_{02}	Shareholders' Equity	0.495	0.572	0.588
H_{03}	Profitability	-0.906	-0.617	0.560
	Constant of Regressors	-2840469.39	-0.560	0.596

Dependent Variable: BOI's Loans and Advances to SMEs
Source: Computed from SPSS Output in appendix 2

Results arising from the coefficient table (1) above made striking revelations for the three hypotheses. For hypothesis one, the coefficient of the bank's total assets is 0.251. The value is positive and significant (0.000) at 95% confidence level. This implies that for every 1% increase in the bank's total assets over the period of study holding other variables constant, its ability to grant loans to SMEs in Nigeria appreciated by approximately 0.25% indicating that the bank's total assets improved lending ability of the bank to SMEs over the period. Further, the coefficient of the bank's shareholders' equity is 0.495. The value is also positive but not significant (0.588) at 95% confidence level. The meaning is that for every 1% increase in the equity of shareholders of the bank over the period of study holding other variables constant, its ability to grant loans to SMEs in Nigeria appreciated by approximately 0.49% indicating that the equity stake of shareholders of the bank improved lending ability of the bank to SMEs in Nigeria over the period. However, judging from the magnitude of such positive increase, it was not significant. Conversely, coefficient of the bank's profitability is -0.906. The value is negative but not significant (0.560) at 95% confidence level. This means that for every 1% increase in the bank's profit after tax holding other variables constant, its ability to grant loans to SMEs in Nigeria depreciated by approximately 0.90% indicating that the bank's profitability weakened lending ability of the bank to SMEs in Nigeria over the period of study. Although, judging from the magnitude of such decrease, it was not significant.

Table 2: Relationship and Variance Statistics

Hypo	Independent Variables	Pearson	R	R^2	Adj. R^2	F	F-Sig
H_{01}	Total Assets	0.966					
H_{02}	Shareholders' Equity	0.653	0.968	0.938	0.906	30.027	0.001
H_{03}	Profitability	0.204					
Dependent Variable: BOI's Loans and Advances to SMEs							

Source: Computed from SPSS Output in appendix 2

The above submissions were further confirmed using other relevant statistics summarized in table 2. The Analysis of Variance (ANOVA) tested for the acceptability of our model from statistical significant viewpoint by looking at the goodness of fit from the F-statistic. Accordingly, the significant value of the F-statistic in table 2 is 0.001 for the three hypotheses. The value, 0.001 is less than 0.05, an indication that the model for the study did good job in explaining the variations in the dependent variable. Verifying for the nature of the relationship between the variables, the Pearson correlation coefficient showed a strong positive relationship (0.966) between the bank's total assets and its loans to SMEs. It showed a semi strong positive relationship (0.653) between the equity of the bank's shareholders and its loans to SMEs; but a weak positive relationship (0.204) between the bank's profitability and its loans to SMEs respectively. The multiple correlation coefficient (R) defines the correlation between the predicted and the observed values of the dependent variable. The values for R range from 0 to 1. The larger value for R suggests strong relationship between the predicted and the observed values of the dependent variable. From the above table 2, the R value for the three hypotheses is 0.968. This indicates that there is a strong relationship between the predicted and the observed values of the dependent variable. The R^2 statistics is 0.938. This implies that 93.8% of the variations in the dependent variable is explained by the independent variables in the regression model. The remaining 6.2% is due to other factors not accounted for in the model. The adjusted R^2 is 0.906% implying that after correcting for errors, 90.6% of the variations in the dependent variable is still explained by the independent variables in the regression model.

Summary of Findings and Implications

The crux of this paper is to verify the strength of the bank of industry in providing financial assistance to small and medium scale enterprises in Nigeria, To achieve this, the paper sought to determine the possible impact of BOI's total assets on loans to SMEs; examine the possible impact of BOI's shareholders equity on loans to SMEs, and; evaluate the possible impact of BOI's profitability on loans to SMEs in Nigeria overtime. Emerging from the discussions of results are three major findings that:

- There is significant positive effect of bank of industry's total assets on its loans to SMEs over the timeframe.
- There is no significant positive effect of equity of bank of industry's shareholders' equity on its loans to SMEs over the timeframe; and,
- There is no significant positive effect of bank of industry's profit after tax on its loans to SMEs over the period of study.

The foregoing findings emanated from results of the three formulated hypotheses. Existing hypothesis decision rule is to reject the null hypothesis and accept the alternate hypothesis when the computed t-value is greater than the tabulated t-value or decide otherwise when the computed t-value is less than the tabulated t-value. The tabulated t-value for the three hypotheses from the statistical table at 95% confidence interval is 1.8120. For hypothesis one, the tabulated t-value is less than the computed t-value of 6.918 in table 1. Accordingly, the null hypothesis was rejected based on the decision rule as stated resulting in the first finding. But the null of hypothesis two and three were not rejected as observed in the second and third findings. This is because the tabulated t-value is greater than their computed t-values of 0.572 and -0.617 respectively.

The findings above have certain implications to policy makers. First, measuring the strength of the bank of industry from the lens of its total assets creates an impressive performance hence, the positive and significant effect on loans to SMEs as evidenced. Apparently, it means that in terms of asset base, the bank is strong enough to provide financial succor to SMEs in Nigeria. On the contrary, the second and the third findings unraveled symptoms of weakness of the bank in meeting the mandate of credit mobilization for industrialization. The shareholders equity in the second finding is not adequate enough to support SMEs significantly. Equity capital constitutes the stake of business owners and to the BOI, this form of capital is very important if they must do business. This is because the law establishing it does not permit it to accept deposits like other commercial bankers from the public. Similarly, the bank is not making sufficient profit and has even recorded major losses in less than a decade of its operation. This unarguably cast doubt on the bank's longrun growth and sustainability of its roles to SMEs in Nigeria.

Conclusions and Recommendations

One obvious conclusion of this study is that at the moment, the BOI is not fully strong to deliver adequately the mandate of credit mobilization for industrialization of Nigeria. In terms of asset base, the bank is significantly stable; but going by equity position and profitability, it is yet to balance effectively. Hence, deducing from the implications and conclusions of this study are the following recommendations for fast-tracking and optimizing the value-added impact of BOI in Nigeria:

- Quality total assets admittedly could be relevant to effective performance, growth and sustainability of banks; however, it is not the only major factor. Profitability and liquidity remains the solid base of business which cannot be compromised. BOI while discharging the mandate of its establishment should also pursue profit objective. To this end, the bank should invest in profitable ventures which are not at variance with its primary responsibility.
- Secondly, loan recovery strategy should also be improved upon since doubtful and bad debt could have significant effect on profitability. Besides, BOI can consider increasing interest charges on loans especially to high net-worth and profitable businesses.
- Finally, the capital base and equity position of BOI can be enhanced through capital market option of going public. By issuing reasonable quantity of shares to the public for subscription, the bank will be able to mobilized adequate resources necessary for its loan obligations to businesses for industrialization.

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Appendix 1

BOI'S Loans and Advance to SMES and the Bank's Performance Indicators 2002-2011

Year	BOI's Loans To SMEs (₦ Billion)	Total Assets (₦ Billion)	Shareholders' Funds (₦ Billion)	Profit/Loss After Tax (₦ Billion)
2002	56046.00	5797836.00	1125873.00	293077.00
2003	1300603.00	7799914.00	452733.00	-821992.00
2004	2703272.00	8926021.00	6356778.00	536908.00
2005	4473144.00	12530200.00	6384710.00	30584.00
2006	7248674.00	26634282.00	7641628.00	1294088.00
2007	8451793.00	37850718.00	9323335.00	2015865.00
2008	11654769.00	35405847.00	9493036.00	280873.00
2009	16344119.00	72471868.00	5860169.00	-3616571.00
2010	38471059.00	194714711.00	10342854.00	2476604.00
2011	68027871.00	220351319.00	11090402.00	758636.00

Source: Annual Reports of Bank of Industry for the periods 2002-2011

Appendix 11: Regression Output for the Three Hypotheses

Descriptive Statistics

	Mean	Std. Deviation	N
SMEsLoans	1.5873E7	2.14585E7	10
BOIsTLassets	6.2248E7	7.93718E7	10
BOIsShHldrsFund	6.8072E6	3.63658E6	10
BOIsPAT	324807.2000	1.68660E6	10

Correlations

		SMEsLoans	BOIsTLassets	BOIsShHldrs Fund	BOIsPAT
Pearson Correlation	SMEsLoans	1.000	.966	.653	.204
	BOIsTLassets	.966	1.000	.648	.254
	BOIsShHldrsFund	.653	.648	1.000	.464
	BOIsPAT	.204	.254	.464	1.000
Sig. (1-tailed)	SMEsLoans	.	.000	.020	.286
	BOIsTLassets	.000	.	.021	.239
	BOIsShHldrsFund	.020	.021	.	.088
	BOIsPAT	.286	.239	.088	.
N	SMEsLoans	10	10	10	10
	BOIsTLassets	10	10	10	10
	BOIsShHldrsFund	10	10	10	10
	BOIsPAT	10	10	10	10

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	.968[a]	.938	.906	6.56757E6	.938	30.027	3	6	.001	2.031

a. Predictors: (Constant), BOIsPAT, BOIsTLassets, BOIsShHldrsFund

b. Dependent Variable: SMEsLoans

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.885E15	3	1.295E15	30.027	.001[a]
	Residual	2.588E14	6	4.313E13		
	Total	4.144E15	9			

a. Predictors: (Constant), BOIsPAT, BOIsTLassets, BOIsShHldrsFund

b. Dependent Variable: SMEsLoans

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-2840469.39	5073551.46		-.560	.596	-1.526E7	9574063.814
	BOIsTLassets	.251	.036	.929	6.918	.000	.162	.340
	BOIsShHldrsF	.495	.866	.084	.572	.588	-1.623	2.613
	BOIsPAT	-.906	1.469	-.071	-.617	.560	-4.501	2.689

a. Dependent Variable: SMEsLoans

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-1.0922E6	5.7321E7	1.5873E7	2.07777E7	10
Residual	-1.04827E7	1.07069E7	.00000	5.36240E6	10
Std. Predicted Value	-.817	1.995	.000	1.000	10
Std. Residual	-1.596	1.630	.000	.816	10

a. Dependent Variable: SMEsLoans

Sound Accounting System as a Catholicon for Efficient Management of Finances of Third Tier of Government in Nigeria

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Abstract

Undoubtedly financial management is a very critical and important function that fuels the engine of public administration. Among other activities, financial management involves accounting for the receipts and disbursement of funds once budget has been enacted. In spite of the institutional framework for Local Government financial management, problems still abound in the management of Local Government finances. This paper examines how sound accounting system could aid efficient management of Local Government finances. The methodology used for the study is the eclectic desk research approach. The paper recommends appointment of qualified accounting personnel in addition to training and re-training of staff for effectiveness and efficiency in Local Government financial management system among other recommendations.

Key Words: Accounting System, Catholicon, Financial Control, Public Financial Management, Financial Memoranda.

Introduction

Finance is a prerequisite that enables any organization, whether private or public, to maintain itself and meet its commitments to individuals and groups that consume its output. The output may be a tangible product like a pair of shoes, or a service like dry cleaning or transportation (Abu-Abdissamad, 1991 cited in Wapmuk, 1995).

Finance is so crucial to the extent that the following thought provoking adage aptly catches its indispensability: "Money is the blood and soul of men and whosoever has none wanders dead among the living". In spite of the sweeping outlook of that statement, there is a little grain of validity in it, thus, without revenue Local Government will wander " dead among the living" (Anyafo, 1996). Financial management, on the other hand, involves budgeting anticipated revenues and costs; accounting for the receipt and disbursement of funds once the budget has been enacted, purchasing goods and services, investing idle funds, issuing short and long term debt to buy equipments and construct facilities; controlling risks from accidents, fire, theft and liability suits; and, after the fiscal year ends, auditing financial transactions for legal companies and adherence to accepted accounting principles (Cole, 1989 cited in Wapmuk, 1995).

Financial management is a very critical function that fuels the engine of public administration. It is as old as Government itself. It is the only function that touches all employees in an organization. It consists of three main areas of concern, namely:

i. Determining fiscal policies; this is the process in which community or political leaders identify the general programme and authorize appropriations to get them implemented.
ii. Ensuring accountability, so that public funds are spent honestly and wisely for the purpose duly authorized by the public at large.
iii. Providing the required organizational structures and controls to effectively carry out the fiscal duties and responsibilities. In short, it is the process by which a government unit obtains money and the methods employed to effectively control how this money is expended in accomplishing public end (McKinney, 1979 cited in Wapmuk, 1995).

The major components of the process of public financial management are taxation, budgeting, accounting, treasury management, purchasing and auditing. The two most pervasive financial activities are budgeting and accounting. A sound financial management system requires that:

i. Tax levies and other charges are collected as economically as possible.
ii. Money is spent in such a way that it meets the demands of competing claimants and yet maximizes the public interest.
iii. Programmes are executed in an efficient and cost effective manner.
iv. Safeguards are provided to assure that community resources are lawfully used to accomplish public ends (McKinney, 1979 cited in Wapmuk, 1995).

Accounting System

The management of contemporary local government involves a complex interplay of factors which accounting is central. Accounting information is pervasive in an organization. It has, therefore, come to be realized that accounting knowledge is something, which must be shared in any organization not only by the accountant, but by all the managers and executives. Accounting information is used by managers for planning, controlling subordinates, supervision and decision-making (Nwoko, 1997). The purpose of this section, therefore, is to discuss the accounting system in terms of its definitions, characteristics and functions.

Several definitions have been advanced for the accounting system. For instance, the Online Business Dictionary defines accounting system as "organized set of manual and computerized accounting methods, procedures and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data for management decisions. However, the definition by Copeland and Dascher (1979) cited in Nwoko (1997) seems most apt for analytical purposes. They define the accounting system as "a formal system for identifying, measuring and communicating accounting information about a particular entity to a particular group". For greater understanding, this definition will be subjected to further analysis in what is termed characteristic of the accounting system.

Characteristics of the accounting system

Formality

The definition above clearly shows that the accounting system is a formal system, as opposed to an informal one. This means that it is governed by rules, procedures, techniques and methods. It is an impersonal system and should function regardless of who is operating it.

An information system

Accounting system deals with only accounting information as opposed to none accounting information. Accounting information must be quantitative information in nature. However, not all quantitative information qualifies as accounting information. To inform management that there are fifty tables in a company, or that twenty workers are absent during last Thursday's work is to supply quantitative information but not of the accounting type. The accounting system, therefore, is a financial or monetary information system. The accounting system can only identify, measure and report on the information, which are, at least in part, of a financial character. To report to management that so many tables valued at so much naira have been damaged by fire will be to provide accounting information.

An internal system

The accounting system is internal to the organization. It is equipped only to inform about a particular organization and not the other. Thus, the accounting system of the organization can not inform about another organization, except insofar as its operations will affect the later. To this end, the accounting system is unique and internal.

The above argument may seem to be a contradiction in terms when the Local Government System is viewed. The issue is that, the financial management in the Local Government is conducted under rules and regulations which are harmonized. Nevertheless, staff initiative towards handling of accounting issues is entertained.

The functions of accounting system

The accounting system performs three major functions namely:

i. Identification of accounting information: The accounting system posses an inbuilt capability to sift through all information that passes through the organization in search of which one qualifies as accounting information. In a good accounting system, the identification and trapping of accounting information is a routine and automatic affair, not requiring any prodding.

ii. Measurement of accounting information: The accounting system must evaluate the accounting information so identified to underscore its import and relevance. It is not, for instance, sufficient to identify that profit has been made. It is necessary to determine (i.e. measure) the amount or size of the profit, and consider whether the profit is according to or bellow expectation or previous period's performance (i.e. evaluation).

iii. Communicating accounting information: The purpose of identifying and measuring information is to be able to accurately report to those within and outside the organization that need such information. An accounting system may be so good that no accounting information escapes its routine notice, yet that would be meaningless except the information can be communicated to interested parties who need them for one thing or another (Nwoko, 1997).

Government Financial Control

Financial control in government connotes:

i. The establishment of procedures to ensure that all money due to government has been received.

ii. Assurance that cash is used properly and for authorized programmes.

iii. That step is taken to ensure safe custody of financial resources and that they are not wasted, misused, embezzled mis-appropriated or disposed of illegally.

iv. That cash and other government resources are used in accordance with the legislation, regulations of accounting manual, which constitutes the legal and administrative framework of the particular entity.

v. Putting in place strategies to ensure value for money in government through economy, efficiency and effectiveness, where economy implies the avoidance of wasteful or unproductive expenditure, efficiency implies maximization of output relative to input and effectiveness, the extent to which activities achieve their objectives.

Government enforces financial control through the use of such instruments of control as the civil service rules, the general orders, the financial instructions, the financial regulations, the stores manual or stores regulations, treasury accounting manuals, financial memoranda, financial warrants, (Anyafo, 1996).

Sources of Local Government Revenue

Local Governments, as the third tier of government in Nigeria have a set of functions they perform and these include:

i. Collection of rates (including tenement rate, radio, television and non-mechanically propelled vehicle license).
ii. Establishment and maintenance of cemeteries, burial grounds, homes for destitute, play grounds and parks.
iii. Control and regulations of outdoor advertizing and hoarding, pets, shops, kiosks, restaurants and laundries.
iv. Registration of all births and marriages.
v. Provision and maintenance of all health services, etc

Local Government could also be assigned functions by State House of Assembly in Nigeria. As earlier mentioned, finance is a critical prerequisite for the survival of any organization. Local Government being public organization needs adequate financial resources to firstly, maintain themselves and secondly, to effectively meet their commitment to individuals and groups who consume their output of goods and services (Bello-Imam, 1990). Local Governments can only perform these functions assigned to them if they have adequate financial resources.

Local Governments in Nigeria as constitutionally recognized third tier of government, have been assigned some revenue sources to enable them sustain themselves and carry out their functions. The revenue sources of Local Government in Nigeria include:

Statutory Grant

These are funds financed principally from the revenue sources of the central government. In Nigeria, local governments are entitled to 20% of the Federation Account and 10% state government internally generated revenue. Most local governments in Nigeria derive over 70% of their revenue from the above sources.

Bello-Imam (1990) gives the following reasons why central government transfers funds to local governments:

i. To finance either wholly or partly the cost of service development programmes which are of national significance.
ii. To encourage Local Government to develop programmes and services in line with national policy.
iii. To stimulate growth in local economies thereby contributing to national growth and extension, reducing inter-local government/regional disparities.
iv. To control local government expenditure with a view to ensuring compliance with national policies or standards.
v. To secure equal or more equal standard of service or development across the country.
vi. To compensate local governments with low fiscal capacity, especially those with a relatively inferior potential for raising their own direct revenues.
vii. To assist Local Governments to cope with emergencies.

Local Tax

This is a kind of levy imposed across the board on every eligible citizen. This type of tax, which is also known as poll tax is usually imposed on able-bodied people who are not in any government or public employment (Dakawa, 1990).

Rate on Property

This is a tax imposed on property within a specific local government area. Until recently, this source of revenue was mainly exploited in the southern part of the country. If properly exploited, this form of taxation will make local government in the country less dependent financially on the higher tiers of government.

Fees and Charges

Unlike taxes which are paid by eligible citizens of any political system as a legal obligation regardless of the extent to which they benefit from the services or the proceeds of finance, fees and charges or user fees, are by contrast paid directly by those who consume a service and are normally appropriated to meeting all or part of the cost. In Nigeria, the list of fees and charges, which local government councils can tap, are about ninety (Bello-imam, 1990).

Loans

This is raising money from external sources to finance organizational activities. Local governments can raise loans to finance viable project after receiving permission from the central government. Permission for borrowing is usually granted on the basis of the capacity of the local government to service the loan.

Revenue Collection and Control Mechanisms

According to Nwosu and Okafor (2013), the statutory responsibilities of local government on revenue collection and control are virtually the responsibilities of treasury department. For efficient performance of these duties, the local government is guided by the provisions of local government financial memoranda which are subsidiary laws governing financial administration of councils. These duties are classified into three in the financial memoranda as general duties, quarterly duties, and monthly duties.

Financial Management

The financial management function in any organization is central to the survival of the organization. It entails the efficient application of funds. Just like all organizations where funds are managed by the responsible officers of those organizations, Ojo (2009) cited in Coker and Adams (2012) affirms that the funds of local government councils are managed by the key officers of respective councils. They maintained that in order to perform finance functions efficiently, the financial managers of local government have to necessarily:

i. Set the financial objectives of the local government;
ii. Prepare plan of action and select policies for achieving the objectives;
iii. Develop functional plan and incorporate these into the overall plans of the local government;
iv. Check the achievement of the objectives and evaluate deviations from the plan;
v. Establish causes for deviations;
vi. Take corrective action and/or redesign policy or revise the objectives to start a new cycle (Ojo, 2009 cited in Coker & Adams, 2012).

Institutional Framework for Local Government Financial Management

In Nigeria financial management in local government is conducted strictly within the context of certain rules, regulations and guidelines which are either codified and put in the form of a single document like financial memoranda (FM), uncodified like instructions received through treasury memoranda, circulars, etc. (Bello-imam, 1990).

Financial Memoranda (FM)

According to Abubakar (1994), the Financial Memoranda is the one single document that has traditionally provided support and guidance in the administration of local government finances. Specifically, the FM is designed to, among other things.

I. Define the precise duties and responsibilities of the local government, its executive and legislative councils as well as, of other service officials in regards to funds, stores, and general financial management.
ii. Set out the processes to be followed in the preparation and approval of annual and supplementary estimates of the local government.
iii. Prescribe certain financial organizational arrangements of local government and the procedures in respect of collection and accounting for revenue and controlling and accounting for expenditure.
iv. Provide a statement of the accounting objectives and the accounting principles and practices to be followed.
v. Prescribe the main and subsidiary accounting records to be maintained and the statement of the accounting to be prepared each month and at the end of the financial year.

vi. State the arrangements for internal audit of the account of the local government.
vii. Prescribe the procedures to be followed in regard to a number of ancillary matters.
viii. Prescribe the procedures to be followed in the preparation of local government development plans.

The most pervasive financial activities in any organization are budgeting and accounting. The budget is a political document through which money is appropriated according to value judgments; and the budget process is a political process that takes place within a political arena. Local government is one of these political arenas (Gildenhuys, 1997 cited in Coker and Adams, 2012). The budget at local government level is a council's financial plan. It involves two sides of the same coin revenue and expenditure. The budget which is a legal, political, economic and social document, represent a collective compromise among choices. According to the FM, a budget at the local government level is expected to perform the following functions:

i. To provide a financial plan of action.
ii. To provide legal authority for incurring expenditure.
iii. To provide a mechanism for insuring that adequate controls are maintained over expenditure and revenue.
iv. To establish the financial position of the local government.

Accounting is the most pervasive activity of the control function in the financial management process. It provides a link between the money that is appropriated and where and how it is used. Appropriated funds are normally uniformly recorded and classified on the basis of a code of account that may be structured to specifically identify the funds, organizational unity, programme, activity, or object of expenditure. The uniform classification of revenue and expenditure permits budget administration, reporting and post auditing.

The accounting function generally includes the following purposes:

i. To maintain and strengthen the day-to-day direction of operation of the local government.
ii. To reduce waste and inefficiency.
iii. To assure that resources are used in accordance with legislative intent.

The specific objectives of the local government accounting system are stipulated in the Financial Memoranda and these are:

i. To provide a management accounting service to the council, its committees and the departments in order to facilitate the reaching of prompt policy and management decision on the basis of accurate and comparative financial information.
ii. To provide a financial accounting service by means of accurate and appropriately analyzed records of funds, lawfully received by the local government and a detailed analysis of how these funds have been expended in discharging the functions of the local government.
iii. To provide monthly statements, the end of the year's statement and periodic statements for specific purposes, summarizing the financial transactions of the local government for the appropriate situation at the end of the period.
iv. To provide detailed costs of individual establishments, services and projects to enable the cost so ascertained to be used for control purposes with a view to eliminating excessive expenditures, losses, and wastages.

The final control over public expenditures occurs through the audit. Auditors, therefore, are not merely keepers of books and accounts; their main duties are to examine accounts and books of others and relate expenditures to programme outcomes. There are two types of auditors: Internal auditors are those who look at the daily operations and examine proposed expenditures, and outside ones (usually post-auditors), are those who examine the records through strategically selected samples of expenditure documents as they relate to programme objectives.

The objectives of the audit function in local government include:

I. Assisting in protecting the assets and interest of the local government by carrying out a continuous examination of activities in order to detect fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and mal-administration.

ii. Secure the continued maintenance of a soundly based system of control within each area of departmental responsibility.

Problems of local government financial management

In spite of the institutional framework for local government financial management, problems still abound in the management of the local government finances. These problems include among others:

i. Lack of fiscal discipline by the local government administrators which results in the lack of transparency and accountability. There are common and frequent cases of crude falsification of books of accounts and reckless embezzlement of funds.

ii. Lack of adequate control over revenue and expenditure. This emanates largely due to the absence of financial autonomy local governments in Nigeria need for a well coordinated and effective management of their financial resources.

iii. Absence of well articulated annual budgets, and hence too much emphasis is placed on monthly cash flows.

iv. Unlawful deduction of local governments' statutory allocation by the states. Ekweremadu (2012) cited in Nwosu & Okafor (2013), argued that poor financial management in the local government in Nigeria derives from the creation of the state and local government joint account as founded by section 162 sub-section 6 of the 1999 constitution. This position is affirmed by Ehigiamusoe and Jumare (2013) cited in Nwosu and Okafor (2013) when they noted that section 162 of the 1999 constitution empowers the state to spend and allocate at its will to the local government.

v. Interference by the so called governments into their affairs and hence parasiting on the resources of the local governments.

vi. Coker and Adams (2012) blamed the problem of local government financial management on corruption. According to them, most internally generated revenue does not go into the local government account. The political godfathers and their cronies view it as compensation for helping to install a party into office.

Conclusion and Recommendations

The requirements for a sound financial management at the local government level have been provided for in the financial memoranda. Also provided in the financial memoranda are elaborate arrangements to ensure control and accountability. In spite of the above, evidence abound to show that these provisions have been undermined. Abubakar (1994) attributed the weakening of control and accountability at the local government level to inability of accounting and audit officers to impose appropriate sanctions and surcharges on erring officers. It is therefore, the responsibility of the local government executive to ensure that control measures are correctly applied and the necessary sanctions imposed. If the credibility of the country's local government is to be restored, operators at the local government level must ensure that accountability becomes their watchword. Accountability, in this regard, is a system for ensuring proper stewardship of assets which involves a legal and a moral liability for ensuring that public funds are used for public ends or purposes and that the best value is obtained for money spent. Adegite (2010) cited in Onuorah and Appah (2012) defined accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and /or plans.

In the light of the above conclusion, the following recommendations are made:

i. Books of accounts must be well secured and properly maintained. Any attempt to print and issue fake receipts should be nipped in the bud (Coker & Adams, 2012).

ii. Local governments should, in addition to appointing qualified accounting personnel into their councils, make adequate arrangements for training and re-training of staff for effectiveness and efficiency.

iii. Local governments should, as a matter of necessity, strictly adhere to Financial Memoranda in their budgeting and accounting processes.

iv. Misappropriation, irregular expenditure, extravagances and mal-administration should be checkmated by officers of local government service commission.

v. Resources should be used in accordance with legislative intent.

vi. The audit function in the local governments should be strengthened by making sure that only people who are professionally trained are appointed as auditors.

vii. Local government should ensure accountability in the use of public funds, such that these funds are spent honestly and wisely for the purpose(s) duly authorized by the public at large.

viii. Local government statutory allocation should be directly given to them and not channeled through the states. The joint state-local government account should be abolished forthwith.

ix. The insurgence of prominent sons and daughters into the affairs of the local government should be completely wiped out.

x. All sources of internally generated revenue should be properly identified, and sound methods of revenue collection, guided by financial regulation and general orders should be handled by local government pensionable staff; but not by touts recruited by political godfathers to man their 'cash points'(Coker & Adams, 2012).

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Assessment of 2005 Bank Consolidation Reform on Performance of Some Selected Banks in Nigeria

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Abstract

This study looked at "Assessment of 2005 Bank Consolidation Reform on Performance of some selected Banks in Nigeria. The study was anchored on pro-concentration theory. The study made use of secondary data from Central Bank of Nigeria Statistical Bulletin. Fixed effect method of estimation was used to analyze the relationship between the variables of the model. The result of the analysis showed that during the reform period, bank's financial indicators such as Capital (CA), Loan-deposit-ratio (LDR), and Earnings (ENS) had a positive impact on bank performance. United Bank for Africa (UBA) made more significant contribution to bank performance with Stanbic IBTC being the least contributor during the period under study. It was recommended among others that since management quality captured by Investment Asset Ratio (IAR) was not significant as shown by the result of the study, management quality should be improved so that the rate at which management efficiently turns asset into resources will be improved thus leading to an enhanced performance of the banking sector.

Keywords: Banking Sector, Reform, Bank Performance

Introduction

Bank concentration refers to the degree of control of economic activity by large firm. It states that increase in concentration level could be due to considerable size enlargement of the dominant firms and size of bank is largely determined by its financial capacity (Beck, Demirgüç-Kunt and Levine, 2000).

According to Allen and Gale (2000), banking sectors the world over are subject to tight regulation by virtue of the nature of banks as highly leveraged entities that have a significant role in an economy's payments system. As the increasing globalization of financial markets has spurred bank expansion and cross-border merger and acquisition (M&A) activity, regulators have been keen on maintaining bank safety standards to mitigate the detrimental effects of bank failure on the wider economy. Since different markets having diverse risk management methods and financial safety standards, the risk of instability is becoming more pronounced as the banking industry continues to consolidate. This has made international bank regulation an even more prominent issue. Bank regulatory laws, among which the recent Basel Accords are most prominent, typically require banks to hold a certain amount of capital as a buffer against unexpected events such as major losses or runs, and to maintain their buffer against a set standard of capital adequacy (Barro, 1991).

The nexus between financial sector reform and banking performance is based on the premise that a well-functioning financial system would spur technological improvements because it has the ability to select and finance businesses that are expected to be successful (Demirgüç-Kunt and Levine, 2000). Concentrated banking systems may also enhance profits and therefore lower bank fragility. High profits provide a buffer against adverse shocks and increase the franchise value of the bank, reducing incentives for bankers to take excessive risk. Furthermore, a few large banks are easier to monitor than many small banks, so that corporate control of banks will be more effective and the risks of contagion less pronounced in a concentrated banking system (Demirgüç-Kunt and Levine, 2000).

The process of reforming the financial sector for greater efficiency consists of the movement from an initial situation of controlled interest rates, poorly developed money and securities market and under-developed banking system, towards a situation of flexible interest rates, an expanded role for market forces in resource allocation, increased autonomy for the central bank and a deepening of the money and capital markets (Sanusi, 2011).

The ability of the financial system to engender economic growth and development hinges largely on the health, soundness, efficiency and stability of the banking system (Soludo, 2004). Banking reforms are therefore undertaken to strengthen and reposition the banking industry, to enable it contribute meaningfully to the development of the real sector through its intermediation process. It involves a comprehensive process of substantially improving the regulatory and surveillance framework; fostering healthy competition in operation, ensuring an efficient framework for monetary management, expansion of savings mobilization base, enforcement of capital adequacy, promotion of investment and growth through market-based interest rates. Ultimately, bank reforms aim at ensuring financial deepening which implies the ability of financial institutions to effectively mobilize savings for investment purposes. The growth of domestic savings provides the real structure for the creation of diversified financial claims. It also presupposes active participation of financial institutions in financial markets, which in turn entail the supply of quality (financial) instruments and financial services (Odedokun, 1989).

De Nicolo et al (2003) averred that the nexus between bank consolidation and financial sector stability and growth is explained by two polar views proponents of consolidation which opine that increases in bank returns can be through revenue and cost efficiency gains. It may also, reduce industry risks through the elimination of weak banks and create better diversification opportunities. On the other hand, the opponents argue that consolidation could increase banks' propensity toward risk taking through increase in leverage and off balance sheet operations. In addition, scale economies are not unlimited as larger entities are usually more complex and costly to manage.

Fadare (2011) and Jung (1986) assert that a well-developed banking sector and liquid stock markets exert positive influence on the economy, since a well-functioning financial system ease external financing constraints that obstruct firm and industrial expansion. This substantiates the philosophy both in Nigeria and abroad, on why banking sector requires periodic reforms that would position it to drive economic development in the face of changing realities.

While it is observed that the banking failures of the Pre-SAP era could to a large extent be blamed on inadequate regulatory frameworks, despite the existence of regulatory frameworks like Banks and other Financial Institutions Act (BOFIA) of 1991, Prudential Guidelines on Asset Classification and Provision for Loan Losses (SAS 10) as well as Failed Banks (Recovery of Debts) and other Financial Malpractices Acts of 1994. Such failure had undermined public confidence in the system and had resulted in massive withdrawal of funds from failed banks to healthy ones, a phenomenon known as flight to safety (Fadare, 2010)

In furtherance to such banking reforms, the Nigerian monetary authorities in 2005 structured the banking sector consolidation reforms to deter the complete collapse of the financial sector. The aftermath of this policy was the merger or buy-off of commercial banks to leave a post-consolidation number of 25 banks that met the stipulated minimum criteria of 25 billion naira recapitalization funds. However, it was observed that out of the recapitalized banks, there were some banks that recapitalized well and above the minimum requirement. In this connection, the study intends to select the post consolidated banks with capitalized fund of N30 billion and above to assess the extent of the 2005 financial sector reforms on their performance.

Theoretical Framework and Literature Review

Pro-Concentration Theories

According to Allen and Gale (2003), the pro concentration theory of banking sector by Demirgüç-Kunt, A. and Levine, R. (2000) argue that economies of scale drive bank capitalization/mergers and acquisitions so that increase in concentration can be used to achieve improvement and efficiency. The proponent of this theory argue that a less concentrated banking sector with many small banks is more prone to financial crises than a concentrated banking sector with a few large banks (Allen and Gale, 2000). The thinking is that benefits accruable from "economies of scale tend to drive bank mergers and acquisitions towards increasing concentration, so that increased concentration goes hand-in-hand with bank efficiency improvements".

Boyd and Runkle (1993), using ordinary least squares (OLS) examined 122 U.S. bank holding companies and found an inverse relationship between size and the volatility of asset returns. However, these findings are based on situations in which the consolidations were voluntary, unlike the case with the concluded banks consolidation exercise in Nigeria.

Somoye (2008) investigated the performance of commercial banks in post consolidation period in Nigeria. The paper analyzed the audited accounts of twenty (20) out of twenty five (25) banks that emerged from the consolidation exercise. Ordinary Least Squares (OLS) was used to estimate the relationship. The results revealed that consolidation programme has not improved the overall performance of banks significantly and also has contributed marginally to the growth of the real sector for sustainable development. The paper concludes that banking sector is consolidation may not necessarily be a sufficient toll for financial stability for sustainable development in Nigeria. The paper posits that further researches should begin to develop a new framework for financial market stability as opposes to banking consolidation policy.

Adegbaju and Olokoyo (2008) investigated the lending of commercial banks to the real sector in Nigeria. The study investigated the impact of previous recapitalization in the banking system on the performance of banks in terms of their lending to the real sector. The data was analyzed using statistical techniques and found out that the main key profitability ratios such as the yield on earnings assets (YEA), return on equality (ROE) and Return on Asset (ROA) were significant meaning that there is a statistical difference between the mean of the bank before 2001 recapitalization and after 2001 recapitalizations. This suggested that banks also increased their lending to the real sector in order to increase their profits.

Balogun (2007) investigated "The Perspective of Banking Sector Reforms in Nigeria from since 1970 to date". He noted four eras of banking sector reforms in Nigeria, namely: Pre-SAP (1970-85), the Post-SAP (1986-93), the Reforms Lethargy (1993- 1998), Pre-Soludo (1999-2004) and Post-Soludo (2005-2006). He used simultaneous equation model to examine the relationship among the variables of the study. The empirical results confirmed that the eras of pursuits of market reforms were characterized by improved incentives. However, these did not translate to increased credit purvey to the real sector. Also while growth was stifled in eras of control, the reforms era was associated with rise in inflationary pressures. Among the pitfalls of reforms identified by the study are faulty premise and wrong sequencing of reforms and a host of conflicts emanating from adopted theoretical models for reforms and above all, frequent reversals and/or non-sustainability of reforms. The researcher recommended that there is a need to bolster reforms through the deliberate adoption of policies that would ensure convergence of domestic and international rates of return on financial markets investments.

Mogboyin, *et al.* (2012) accessed "Banking Consolidation Programme and Lending Performance in Nigeria Banking System. The study analyzed the response of flows of credit from the banking sector to reforms and consolidation programme in the Nigerian banking sector. The study utilized cross-sectional data sourced from the 89 pre-consolidation banks and the 25 post-consolidation banks in Nigeria and the Engle-Granger approach to error-correction estimating techniques on the empirical model of bank credit performance. The results from the panel data analysis generally confirmed that consolidation-induced changes in bank structure in terms of size and capitalization positively influence bank lending performance in the Nigerian banking industry. The author recommended that there is need to strengthen the overall financial system within which the banking sector operates if the bank consolidation potential is to be fully realized.

Peek and Rosengren (1996), using econometric analysis while combining a single cross-section data on lending businesses in the New England states for 1994 with some information on mergers and de novo entry, found that after banking organizations merged with smaller organizations, the consolidated organization typically reduced the amount of small business lending that was conducted earlier by the acquired institution. Large banks not only tend to have a smaller proportion of their loans made to small borrowers, but also tend to charge lower average prices than other banks to small borrowers, indicating that large banks only issue business loans to higher-quality credits.

Ibrahim, (2013) carried out a study on "Isolating the 'Pure' Effect of the 2004/2005 Bank Consolidation Policy on Performance of Banks in Nigeria, Using the Chow Test (2000-2010)". However, a critical analysis of the literature showed that majority of existing studies were neither founded on a sound theoretical premise nor their models sophisticated enough to distil the 'real juice" from the superficial and added-up effect of pooling capital bases, deposits, credit balances and book profits of several banks. To overcome the observed shortcomings, full estimated generalized least-square (FEGLS) and fixed effect-least-squares dummy variable (LSDV) models were developed. A panel data consisting of 11-year time series data, covering six stratified randomly selected consolidated banks in Nigeria was used in the study. While FEGLS was designed to isolate the 'pure' impact of the policy on bank performance using the Chow test procedure, the LSDV model was deployed to test the hypothesis that the overall impact was not evenly spread across banks. The results of the empirical estimation seem to cast doubt on the validity of the general conclusion of past studies - that the policy has had 'real' and significant impact on bank intermediation, portfolio management and performance. The study observed that this conclusion probably due to the short-term nature of the period covered by most of the studies and recommended the use of robust methodologies by subsequent research on the subject.

Okpala (2013) studied "Bank Recapitalization and Lending Behaviour: A Pragmatic Evident from Nigeria Banking Sector". The literature perception in the study demonstrates that both theoretical and empirical studies present contradictory predictions about the association between level of capital and lending behaviour in the banking system of developed countries. Based on this fact, this study examined the effect of bank recapitalization on lending activities in Nigeria banks. Twenty-two (22) banks that finally emerged from the recapitalization exercise were the banks used for the study. Structured questionnaire were administered to two top echelons of each bank and data collected was analyzed with the aid of SPSS. Regression analysis and Correlation co-efficient confirmed the formulated propositions. Results revealed that bank recapitalization has influenced the ways and manners banks react to lending and that well capitalized bank is procyclical to borrower because they suffer less from non performing loans. The study concluded that recapitalization has enhanced lending to the productive sector of Nigeria economy and therefore recommended that the exercise should be review in the future to keep peace with trend.

Mohammed, (2012) studied the "Impact of Corporate Governance on Banks Performance in Nigeria" The research study considered the impact of corporate governance on the performance of banks in Nigeria. The increased incidence of bank failure in the recent period generated the current literature on quality of bank assets and also emphasized good governance as means of achieving banks objectives. This study made use of secondary data obtained from the financial reports of nine (9) banks for a period of ten (10) years (2001- 2010). Data were analyzed using multiple regression analysis. The study supported the hypothesis that corporate governance positively affects performance of banks. In conclusion, the study shows that poor asset quality (defined as the ratio of non-performing loan to credit) and loan deposit ratios negatively affect financial performance and vice visa.

Tega, (2011) studied the "Determinants of Capital Adequacy in the Banking Sub-Sector of the Nigeria Economy: Efficacy of CAMELS.

The results of the study among others showed that money supply is an important determinant of capital adequacy base in Nigeria. Its high coefficient and very strong level of significance even at one percent suggests that increase in money leads to an increase in bank capital base. The increase in Capital Adequacy Base (CAB) could also have a feedback effect on economic growth. The real domestic interest rate is also an important determinant of Bank capital adequacy base in Nigeria, since it is statistically significant at one percent level of significance, although it is inversely related to CAB which suggests that the rise in real cost of capital, informed by an increase in real interest rate would tend to dampen CAB.

Abdulraheem, *et al* (2011) studied the determinants of performance, across generational analysis of Nigerian Banks using statistical and econometric analysis, the study reported that the performance of banks is of importance to investors because it determines both the returns on investment and it is a measure of economic stability and secured investment environment. A number of factors are used in the measurement of bank performance in a typical developing economy. This study a selected number of ten first and second generation banks in Nigeria to examine critical variables that may explain the performance of the banks. For each generation, aggregate performance was computed as a proxy of the declared profit for 10 years. Aggregate value was also obtained for the dividend declared, amount retained for expansion, new shares sold out to the public, age of banks, customer base and shareholders fund.

The result of the study shows that the performance of a bank was accounted for by the amount of profit paid out as dividend. The profit withheld for expansion and new share sold to the public with the R^2 value of 92.9% and double log of 97.7%. From the study, bank performance is both a result of dividend paid out (92.9%) profit withheld for expansion (97.7%). Age of banks was show not to be related to the performance of banks. To corroborate this, the study showed that shareholders believe that the proportion of dividend paid to shareholders is a major determinant of performance. The study therefore recommends that Nigerian Banks should redirect their focus to early dividend payment and regular declaration of dividend as one of the tools of attaining better performance.

Mwenda, *et al* (2011), studied Financial Sector Reforms, Bank Performance and Economic Growth: Evidence from Zambia. The paper investigated the effects of market-based financial sector reforms on the competitiveness and efficiency of commercial banks, and economic growth, in Zambia. The authors used quarterly panel banking financial data for the 1999Q2 to 2008Q4 period for the econometric estimations while descriptive statistics were used in presenting of other descriptive data. The data covers eleven banks for which time series financial statistics are available for the period in question. The data were obtained from the Bank of Zambia financial statistics base.

The results show that reforms adopted in Phase II (strengthening of regulatory and supervisory, payments and settlements, and financial operations frameworks) and Phase III (implementation of a comprehensive financial sector development plan) had significant positive effects on bank cost efficiency. Macroeconomic variables such as per capita GDP and inflation were insignificant. Further, using an endogenous growth model in which industrial production is a proxy for GDP growth, it was found that bank cost efficiency, financial depth, Phase II and III financial sector reforms, the degree of economic openness, and rate of inflation were significant determinants of economic growth. Phase II policies and the inflation rate have negative effects while the rest of the variables have positive effects on economic growth.

The authors recommended that the IMF-World Bank type of financial sector reforms, although necessary, is not a sufficient prerequisite for promoting competitive and cost-efficient commercial banking systems. Additional measures, such as the promotion of non-bank financial intermediaries and capital markets to compete with banks, consolidation of very small banks, and anti-competitive practice regulations and laws are needed to break the dominance and discourage the collusive behaviour of a few big banks. Cost-efficient performance conduct is not the preserve of foreign-owned multinational or domestic private banks. Public-private partnership banks can equally be more efficient if given appropriate regulatory support. Also, the poor sequencing of market-based financial reforms in which a radical financial liberalization programme is implemented before strengthening financial infrastructure, particularly bank regulation and supervisory framework, is a recipe for costly bank failures and financial system instability that is disruptive to economic growth. Finally, to be effective, financial sector reforms must be designed and implemented in the context of a holistic financial sector development plan.

Research Methodology

The study has a population of 25 post-consolidated banks from which a sample of five banks was drawn for the study. The rationale for the sample selection is that only the banks that had N30 billion and above capitalization funds were selected for the study. As a result of these criteria, only five banks met the requirement. These banks are, First Bank Nigeria Plc., United Bank for Africa, Skye Bank Nigeria Plc. Stanbic Bank Nigeria Plc. and Union Bank Nigeria Plc. Basically, secondary data were used for this research. The data essentially relate to Bank Loan, Bank Capital, and Loan to deposit ratio, Investment Asset Ratio, Earnings and Liquidity ratios. This information was obtained from Central Bank of Nigeria Statistical bulletin

Data Presentation and Analysis

Table Descriptive Statistics

	BL	CA	LDR	ENS
Mean	376531.0	726197.0	0.572629	114402.9
Std. Dev.	325429.3	723858.0	0.210649	71515.13
Skewness	1.817448	1.867598	0.074831	1.081316
Kurtosis	5.120325	6.028789	1.954063	3.600655
Median	244846.0	538145.0	0.509000	92935.00
Maximum	1389400	2988654	1.000000	302000.0
Minimum	50675.00	47621.00	0.142000	8164.000
Jarque-Bera	21.81716	33.72406	1.628058	7.096765
Probability	0.000018	0.000000	0.443069	0.028771
Sum	13178586	25416895	20.04200	4004100.
Sum Sq. Dev.	3.60E+12	1.78E+13	1.508688	1.74E+11
Observations	35	35	35	35

Source: Researcher's Computation, 2014

As shown in the table of descriptive statistics above, mean of the distribution of Bank Loan is 376531.0 while the standard deviation from the mean is 325429.30. Bank Loan (BL) shows a skewness of 1.62. CA value is 1.87, ENS is 1.06. The Skewness > 0, thus this showed that most values of the sample are concentrated on left of the mean, with extreme values to the right. However, LDR skewness value is 0.07; this shows that its values are concentrated at the right side of the mean. BL, CA and ENS have Leptokurtic distribution since their Kurtosis value > 3. LDR has a Platykurtic distribution since it Kurtosis value is < 3(1.95).

Panel unit root test

To check the stationarity of our data we use the two types of panel unit root tests. Forcommon unit root process we use Levin, Lin and Chu panel unit root test and for individual unit root process we use two unit root process namely; The ADF-Fisher chi-square test, The PP-Fisher Chi square panel unit root test. Several unit root processes is used to provide a more concrete prove for the acceptance and rejection of the unit root results.

Panel cointegration estimation

To establish whether there is a long run co-integrating relationship among the variables, Pedroni residual cointegration was performed. Although Pedroni's methodology allows us to test the presence of cointegration, it cannot not provide estimation of long-run relationships. For panel framework, to be able to reveal the presence of cointegration, several estimators are proposed namely; OLS, Fully Modified OLS (FMOLS), dynamic OLS (DOLS), and Pooled Mean Group (PMG). However, this study uses the Pooled Least Square estimator to show the presence or absence of cointegration amongst the variable under discourse.

Model Specification

The model for this work is specified using the pro-concentration theory within the fixed effect model (FEM). To account for the individuality of each bank, this is done by letting the intercept vary for each bank but with the slope coefficients characteristics constant across firms. This was done by the use of differential intercept dummies. The explicit model is specified thus:

$$Y_{it} = \alpha_1 + \alpha_2 D_{2i} + \alpha_3 D_{3i} + \alpha_4 D_{4i} + \alpha_5 D_{5i} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + u_{it}. \quad - \quad - (5)$$

Where

D_{2i}=Dummy Variable for FBN

D_{3i}= Dummy Variable for Union Bank

D_{4i}= Dummy Variable for UBA

D_{5i}= Dummy Variable for Skye Bank

Y_{it} =Bank Loan (BL): A proxy for Bank performance

X_{2it}=Bank Capital (CA)

X_{3it}=Loan-to-deposit Ratio (LDR): A measure of asset quality

X_{4it}=Investment-Asset-Ratio (IAR): A measure of management quality

X_{5it}= Earnings (ENs)

α_1= Represents the intercept of Stanbic Bank

α_2 α_3 α_4 α_5= the differential intercept coefficients, tell us how much the intercepts of Union Bank, UBA, Skye Bank and FBN differ from the intercept of Stanbic Bank.

β_2 β_3 β_4 β_5 =Regression coefficient

u_{it}= Stochastic Term

However,

D_{2i} = 1 if the observation belongs to FBN, 0 otherwise;

D_{3i} = 1 if the observation belongs to Union Bank, 0 otherwise;

D_{4i} = 1 if the observation belongs to UBA, 0 otherwise.

D_{5i} = 1 if the observation belongs to Skye Bank, 0 otherwise.

Since we have five banks, we have used only four dummies to avoid falling into the dummy-variable trap (i.e., the situation of perfect collinearity). Here there is no dummy for Stanbic Bank. In other words, α_1 represents the intercept of Stanbic Bank and α_2, α_3, α_4, and α_5 the *differential intercepts* coefficients, tells by how much the intercepts of FBN, Union Bank, UBA, Skye Bank, and differs from the intercept of Stanbic Bank.

The expected signs of the various coefficients are:

$\beta_2>0, \beta_3>0, \beta_4>0, \beta_5>0,$

Results and Findings

Table 1: Panel Unit Root at First Difference

Variable	Levin Lin &Chu P-value**	ADF-Fisher chi-square P-value**	PP-Fisher Chi-square P-value**
BL	0.0000	0.0135	0.0014
CA	0.0000	0.0000	0.0000
LDR	0.0000	0.0000	0.0000
IAR	0.0000	0.0003	0.0002
ENS	0.0000	0.0000	0.0000

Source: Researcher's Computation, 2014. Using e-views 20.0

Null: Unit root

Levin Lin & Chu Test: Assumes common unit root process

ADF-Fisher chi-square: Assumes individual unit root process

PP-Fisher chi-square: Assumes individual unit root process

*** Probabilities for fisher tests are computed using an asymptotic chi-Square distribution*

Exogenous variable: Individual effects, Individual linear trends

Automatic lag length selection based on SIC

Balanced observation for each test

All the variables are stationary at first difference using the above statistics.

Table 2: Panel Co-integration Test: Pedroni Cointegration Analysis

Pedroni Residual Cointegration Test *Series: BL CA LDR IAR EN*				
Alternative hypothesis: Common AR coefs (within-dimension)				
	Statistics	*Prob*	*Weighted Statistic*	*Prob*
Panel v-Statistic	*2.743503*	*0.0030*	*3.137263*	*0.0009*
Panel rho-Statistic	*2.556252*	*0.9947*	*2.571068*	*0.9949*
Panel PP-Statistic	*-4.997117*	*0.0000*	*-3.123427*	*0.0009*
Panel ADF-Statistic	*-0.299367*	*0.3823*	*0.545764*	*0.7074*
Alternative hypothesis: Individual AR coefs (between-dimension)				
	Statistic	*Prob.*		
Group rho- Statistic	*3.456376*	*0.9997*		
Group PP-Statistic	*-6.682089*	*0.0000*		
Group ADF-Statistic	*-35.90143*	*0.0000*		

Researcher's Computation, 2014. Using E-views 20.0

Two statistics Panel rho *(p> 0.05)* and Panel ADF-statistic ($p>0.05$) in the within-dimension statistics supported the null hypothesis of no cointegration together with rho-statistic ($p> 0.05$) from between-dimension. Panel Variance statistic ($p<0.05$), Panel PP-Statistic ($p<0.05$) from within-dimension together with Group PP-statistic ($p<0.05$) and Group ADF-statistic ($p<0.05$) strongly support a cointegrating relationship between the variables of the model. From the statistics reviewed, four of them are strongly supporting the presence of cointegrating relationship among the variables of the model. This result thus confirm the presence of cointegration among the variables of the model

The Fixed Effect Panel Estimation for the Long Run Relationship:

Given the equation of the long run FEM equation below;

$$_{log}Y_{it} = \alpha_1 + \alpha_2 D_{2i} + \alpha_3 D_{3i} + \alpha_4 D_{4i} + \alpha_5 D_{5i} + \beta_{2log} X_{2it} + \beta_{3log} X_{3it} + + \beta_{4log} X_{4it} + \beta_{5log} X_5 + u_i........(2)$$

The slope constant (α_1) will start from the origin and hence assume a zero value

Table 3: Panel Long-run Cointegration Estimates using PLS

Dependent Variable: BL Method; Pooled least squared (PLS) Date;04/19/14 time; 17: 52 Sample (adjusted) 2007 2012 Included observation; 6 after adjustments Cross-sections included: 5 Total pooled (balanced) observations: 30 Convergence achieved after 11 iterations				
Variable	Coefficient	Std. Error	t-statistic	Prob.
C	-5.078622	1.874141	-2.709840`	0.0135
CA	0.608545	0.212117	2.868917	0.0095
LDR	0.720561	0.214602	3.357659	0.0031
IAR	-0.064954	0.046900	-1.384959	0.1813
EN	0.576673	0.160014	3.603882	0.0018
DI	-0.003006	0.308231	-0.009754	0.9923
DII	-0.032550	0.286511	-0.113607	0.9107
DIII	1.431893	0.355664	4.205974	0.0007
DIV	0.128753	0.138553	0.929270	0.3638
R-squared	*0.965419*	*Mean dependent var*		*12.66343*
Adjusted R- squared	*0.949858*	*S.D. dependent var*		*0.763541*
S.E of regression	*0.170975*	*Akaike info criterion*		*-0.433395*
Durbin-Watson stat	*1.605053*	*Schwarz criterion*		*0.033671*

Researcher's Computation, 2014 using e-views 20.0

Capital (CA) was found to be positively related to Bank Loan (BL) in the long run and statistically significant in line with *a priori* expectation ($p<0.05$). The result of the analysis showed that a unit increase in Capital (CA) will cause a corresponding increase in Bank Loan (BL) by 0.61. This means that the reform policies geared towards improving the capital by the regulators had a positive impact on the capital of the selected bank. Loan to deposit Ratio (LDR) in the same vein was also found to be positively related to Bank Loan (BL) in line with a priori expectation and is statistically significant ($p<0.05$). This means that a percentage increase in Loan-deposit-ratio (LDR) will result in an increase in Bank Loan (BL) by 0.721 in the long run. Investment-asset-ratio (IAR) was found to have a negative impact on the dependent variable Bank Loan (BL) in the long-run and is not statistically significant because ($p>0.05$). This is however against *a priori* expectation. It means that in the long run, reform policies made by the regulators did not have a significant impact on Investment-asset-ratio which is a proxy for measuring management quality. As shown in table 3, ENS was found to positively affect BL in the long run. This is in line with *a priori* expectation. This relationship is statistically significant because ($p<0.05$) which means that the reform policies geared towards improving bank earnings had a positive impact on earnings ENS and thus improved bank loan. From the analysis of the PLS estimates, the R^2 is significantly high at $R^2 = 0.97$ or 97%. This means that 97% of the variation in the dependent variable BL can be explained by the explanatory variables. Durbin Watson statistic is 1.61. This shows the presence of minimal negative autocorrelation in the model.

Table 4: Individuality Characteristics of Constituents Banks to Aggregate Performance

Bank	Computation $\alpha_1 + (\alpha_2\ \alpha_3\ \alpha_4\ \alpha_5)$	% Contribution to Bank Performance
First Bank Nigeria Plc	-5.078622 + 0.648909	-4.429713
Union Bank Plc	-5.078622 + 0.151543	-4.927079
United Bank for Africa Plc	-5.078622 + 1.337923	-3.740699
Skye Bank Plc	-5.078622 + 0.415487	-4.663175
STANBIC	-5.078622 + 0.00000	-5.078622

Source: Researcher's Computation, 2014.

As shown in table 4 above, UBA's overall contribution to bank performance was the highest at (-3.74) and with the least been Stanbic Bank (-5.08). The differences in the intercepts as shown in table 4 may be due to unique features of each of the banks, such as differences in management style. This shows that the intercept of FBN, UBA and bank differ from that of the comparison bank - Stanbic Bank represented by $\alpha_{1.}$

Table 5: Analysis of Each Bank's Contribution to the Performance Variables.

Banks	**Dummies/Coefficients**	β_2 **CA**	B_3 **LDR**	B_4 **IAR**	B_5 **ENS**
First Bank (D_I)	$D_I + (\beta_2, \beta_3, \beta_4, \beta_5)$	0.68244	0.717555	-0.1005	0.573667
Union Bank (D_{II})	$D_{II} + (\beta_2, \beta_3, \beta_4, \beta_5)$	0.575995	0.688011	-0.09750	0.544123
United Bank for Africa (D_{III})	$D_{III} + (\beta_2, \beta_3, \beta_4, \beta_5)$	2.0404438	2.152454	1.366939	2.008566
Skye Bank (D_{IV})	$D_{IV} + (\beta_2, \beta_3, \beta_4, \beta_5)$	0.713049	0.813111	-0.61606	0.681177
Stanbic IBTC Bank	$\alpha_{1.} + ((\beta_2, \beta_3, \beta_4, \beta_5)$	-4.470077	-4.358061	-5.143576	-4.501949

Source: Researcher's Computation, 2014. Using e-views 20.0

The highest contribution made by First Bank (FBN) to the bank performance variable was to Loan-to-deposit ratio (LDR) which was 0.72; this was followed by, Capital CA 0.68 and Earnings ENS at 0.57. The least contribution made by FBN was to Investment Asset Ratio IAR (-0.10) which is the proxy for measuring management quality.

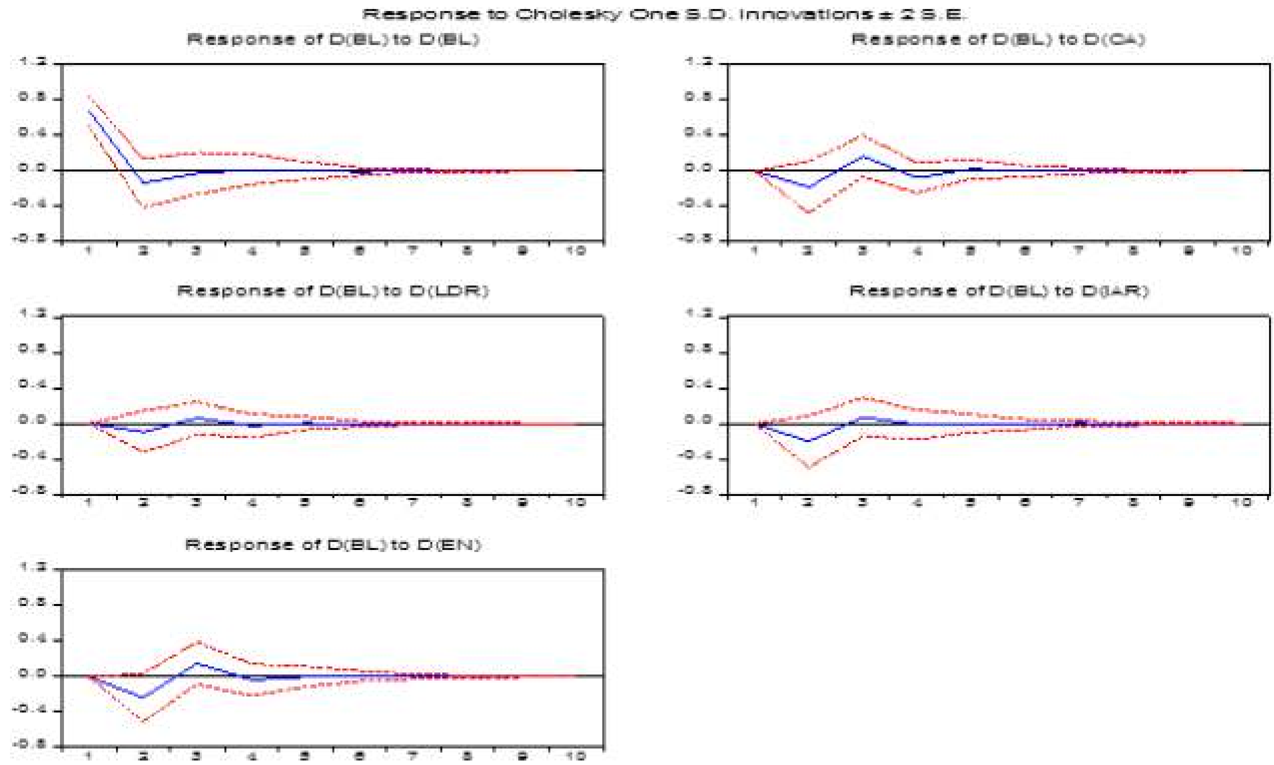
The highest contribution made by Union Bank Plc to the bank performance variable was to Loan-to-deposit ratio (LDR) which was 0.688011; this was followed by, Capital CA 0.58 and Earnings ENS at 0.54. The least contribution made by FBN was to Investment Asset Ratio IAR (-0.09) which is the proxy for measuring management quality.

The contribution made by UBA to the bank asset quality measure (LDR) was the highest among all the banks reviewed (2.15). Capital CA was 2.04, Earnings ENS were at 2.01 while there was a significant increase in the contribution of UBA to bank management proxy (IAR, 1.37). This result could be a reflection of UBA's merger with a dynamically vibrant bank (Standard Trust Bank) during the consolidation exercise of 2004/2005. Standard Trust Bank was known for its vibrant managerial skill and a lead in ICT innovative banking among the new generational bank of its time.

As shown in the table above, Skye Bank's contribution to bank performance variables during the period studied shows 0.81 for LDR, 0.68 for ENS, 0.71 for CA and the least contribution to bank management proxy IAR was -0.62.

The contribution made by Stanbic IBTC bank to bank performance variables during period studied shows that the bank asset quality measure (LDR) was the highest (-4.36) followed by Capital at -4.47, Earnings ENS were at -4.50 while the contribution of Stanbic IBTC to bank management proxy IAR was the least -5.14.

Impulse Response Function



Source: Researcher's Computation, 2014.

As shown in the graph above, the own shock generated by the dependent variable Bank Loan (BL to BL) on itself fell sharply from the first to second year and rose marginally and the effect diminished in the 7th year. The impact of the shock generated by bank capital on Bank loan (CA on BL) decline from zero in the first year and rose to its peak in the third year and the shock finally diminishes in the 7th year. The shocks generated by the BL to LDR starts in the first year and start to diminish in the 6th year while that of BL to IAR starts shortly after the first year and finally terminate in the tenth year. The response of Cholesky one SD innovations from earnings to bank loan (ENS to BL) shows that a sharp decrease in the impact of the shock is felt on the system from the first year. Then, in the second year, they was a gradual increase of the impact, which reaches its peak and start its downward spiral until the impact diminishes on the 5th year. The description of the impact of shock shows how the variables responded to the impact of the policies (shock) introduced by the regulatory authorities.

Discussion of Research Findings

From the analysis of objective one, the trend of credit to the economy showed that during the period of insignificant banking reforms, credit to the economy was very low. This could be attributed to very large numbers of under-capitalized banks that was performing below expectation. However, during the deregulation period, there was a gradual increase in the amount of credit available to the economy by banks as several policies was being introduced by the regulation authorities to ensure the health of the banking industry.

The result of the panel unit root using Levin, Lin and Chu; ADF-Fisher Chi-square; and PP-Fisher Chi-Square showed the existence of stationarity at first difference while Pedroni residual cointegration analysis established the presence long run relationship among the variables of the model. The long-run relationship given by the pooled Least Squares shows that among the selected banks which saw UBA's contribution to bank performance as the highest. *This could be explained* from their size, management policy and geographic spread and also merger with a dynamically vibrate bank, Standard Trust Bank which in their own right were the market leader in innovative banking before the consolidation exercise.

Bank Capital (CA) was found to be statistically significant with Bank Loan (BL) and in line with *a priori* expectation. This result shows the importance of capital in loan disbursement and its nexus to the overall bank performance. The result of the analysis showed that a unit increase in Capital (CA) will cause a corresponding increase in Bank Loan (BL) by 0.29. Loan-deposit-ratio (LDR) was also found to be positively related to BL in line with a priori expectation and is statistically significant. Loan-deposit-ratio (LDR), a proxy for the quality of asset of the bank, has a positive effect on bank performance. Bank earning (ENS) was also found to positively affect Bank Loan in the long run and in line with *a priori* expectation. The significantly high R^2 means that 96.5% of the variation in the dependent variable Bank Loan (BL) is explained by the explanatory variables. In other words, the dependent variables of the model are adequate in explaining the model.

Conclusion/ Recommendations

Banking sector reforms are propelled by the need to deepen the financial sector and reposition it for growth; to become integrated into the global financial architecture; and evolve a banking sector that is consistent with regional integration requirements and international best practices. The result of the research model showed that during the reform period, bank's financial indicators such as Capital (CA), Loan-deposit-ratio (LDR), and Earnings (ENS) had a positive relationship with Bank Loan, while Investment-Asset Ratio had a negative relationship with bank loan. UBA's significant contribution to bank loan as against the contribution of First Bank, Union Bank, Skye Bank and Stanbic- IBTC Bank could be explained from their size, management policy and geographic spread and also merger with a dynamically vibrate bank - Standard Trust Bank. FBN also had a significant contribution to bank loan though not as much as UBA. This could be explained by FBN acquisition of small banks during the mergers and acquisition that took place during the 2004/2005 consolidation. In the same connection, First Bank Nigeria Plc's low level of loan disbursement when compared to UBA could be attributed also to their traditional management style of exhibiting caution especially towards availing loans to their customers, especially during the risky period of bank recapitalization with a lot of uncertainties.

The ability of FBN to rank second from the list of the selected banks analysed is principally due to its geographic spread, size and capital base. The contribution made by Union Bank and Skye Bank to BL were not statistically significant. This could be as a result of Union Bank's management policy, which did not approve either merger or acquisition of any bank during the 2004/2005 consolidation exercise. The variation in the intercepts as shown in table 3 is accounted for by the unique features of each of the banks, such as differences in management style or managerial talent. The relationship showed an R^2 of the long run equation is 96.5% which implies that the strength of the variation in the dependent variable been explained by the explanatory variables is high. The Durbin-Watson statistic is 1.6 which shows a minimal level of negative autocorrelation in the model.

The result of the impulse response test shows that the shock generated by the reform started mostly at the first year of introduction and generally starts to diminish in the 3 - 4th and 5th year for the variables studied.

Based on the findings of this study, the following recommendations are made.

1. The potentials of bank performance variables such as capital and asset quality to bring about quality loan to the private sector and thus enhanced banking performance in the economy cannot be overemphasized. As a result, these variables should be strengthened to ensure the effective bank performance
2. The result of the analysis showed that the proxy for management quality (IAR) had a negative impact on bank performance as measured by Bank Loan (BL). The management quality which is the way management turns asset into resources should be improved so that it will improve the performance of the banking sector.
3. The result of the analysis shows that reform policies geared towards improving bank earnings had a positive impact on earnings ENS and thus improved bank loan. These policies should therefore be sustained.

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Electricity Supply and Economic Growth: The Nigeria Experience, 1980-2012

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Abstract

This study examines the impact of annual government expenditure in the power sector on electricity supply: and also scrutinizes the impact of electricity supply on two indexes of growth,(real GDP, and index of industrial production for the period 1980 -2012). Co-integration and parsimonious error correction model was used for data analysis and test of hypotheses. Results show that long run relationship exists between the dependent and the independent variables employed in the study. The short run results reveal that while recurrent expenditure exerts positive impact on electricity generation, the reverse is the case between the later and capital expenditure in the power sector. It was also discovered that mega watts of electricity generation which is the variable of interest exerts positive influence on real GDP and negatively impacted on index of industrial production, all of which are statistically insignificant. The paper recommends that, the corruption that is prevalent in the power sector must be checked. , officials found to have diverted money meant for a given project should be punished while the right technology and expertise should be engaged.

Key Word: Electricity Generation, Government Expenditure, Power Sector, Economic Growth, Index of Industrial Production

Introduction

Although Nigeria is rich in human and material resources, its economic and political developments have been fraught with crises since independence in 1960. Indices of the failure of the Nigerian state are today evident in the pervasive cases of hunger, inflation, budget deficits, debt overhang, street begging, prostitution, frauds, high crime rates in major cities, collapse of manufacturing industries, corruption in public service, stagnation in entrepreneurial development and above all, epileptic power supply (Fadeyi and Adisa, 2012). In the face of these crises it becomes difficult for sustainable development to take place in the country (NISER, 2000 and UNDP, 2006). Nigeria's power sector had operated for several decades as a state monopoly called National Electric Power Authority (NEPA) until 2005. NEPA controls electricity generation, transmission and distribution facilities with all the profound problems inherent in public monopoly. This over centralization made it impossible for electricity supply to keep pace with the growth in population and economic activities. Nigeria has the biggest gap in the world between electricity demand and supply, providing its population of over 160 million with less than 4000 megawatts of electricity. In contrast, South Africa with a population of less than 50 million people generates more than 40,000 megawatts while Brazil, an emerging economy like Nigeria, generates over 100,000 megawatts for its 201 million citizens (FG, 2013). Indeed, the gap in the power sector has far reaching implications for improving the business climate, sustaining economic growth and the social wellbeing of Nigerians. About 45 percent of the population has access to electricity, with only about 30 percent of their demand for power being met. The power sector is plagued by recurrent outages to the extent that some 90 percent of industrial customers and a significant number of residential and other non-residential customers provide their own power at a huge cost to themselves and to the Nigerian economy. Installed capacity is 8,000 megawatts, but only 4,000 megawatts is operable with only about 1,500 megawatts available to generate electricity. At 125 kWh per capita, electricity consumption in Nigeria is one of the lowest in the world (AfDB, 2009).

Following the Electricity Power Sector Reform (EPSR) Acts of 2005, NEPA ceases to exist and in its place, a transitional company named Power Holding Company of Nigeria (PHCN) unbundled into six generation companies with one transmission firm and eleven distribution companies as first step towards partial divestment of government assets. Between 2005 and 2013 when PHCN was sold to new owners, there was no remarkable improvement in power supply in Nigeria but at the same time government continue to inject several billions of naira into the sector annually. Power supply in the country is so epileptic that Nigerians spend enormous sums on self generated power, making the country's cost of electricity consumption one of the highest in the world. This is beside health hazard effect as many families have died of emission from generators. The high cost of power generation has made it difficult for many businesses to operate and this has further worsened the unemployment and poverty levels in Nigeria. The present administration on 1st November, 2013 handed over the unbundled PHCN to 18 successor companies made up of 6 Generation, 11 Distribution and 1 Transmission companies to new owners and thus signaling the end of PHCN. With this reform, government hopes that the power sector will drive GDP growth so that Nigeria will generate more than the irreducible 40,000 megawatts needed to make the nation become one of the world's twenty largest economy by 2020.

Review of extant empirical literature has shown that several studies have be done on the impact of electricity supply on economic development but not much study has been carried out on the relationship between government expenditure on electricity supply and economic development/industrial transformation thus, creating a huge research gap for empirical data. This study therefore intends to bridge this gap by investigating this relationship with the view of enriching the scanty empirical data that exist in this area. The objective of this paper thus is to investigate whether annual government huge expenditure on the power sector actually catalyzes economic growth and industrial production in Nigeria. Consequently, the sequence of the paper follows thus: section one introduces the paper, section two reviews related literature. Section three described the methodology of the study while section four presents and analyses result of findings and section five concludes the paper with brief policy remark.

Empirical Review

Extant literature on the relationship between expenditure in power generation and economic development has shown mixed results. Ebohon (1996) examines the impact and causal directions between energy consumption and economic growth (proxied by GDP) and reports a simultaneous causal relationship between energy and economic growth for Tanzania. Shiu and Lam (2004) applies the error-correction model to examine the causal relationship between electricity consumption and real GDP for China during 1971–2000. Their estimation results indicate that real GDP and electricity consumption for China are co-integrated and there is unidirectional Granger causality running from electricity consumption to real GDP. Esso (2010) investigates the long-run and the causality relationship between energy consumption and economic growth for seven Sub-Saharan African countries during the period 1970–2007. Using the Gregory and Hansen testing approach to threshold co-integration, the study indicates that energy consumption is co-integrated with economic growth in Cameroon, Cote d'Ivoire, Ghana, Nigeria and South Africa. The test suggests that energy consumption has a significant positive long-run impact on economic growth in these countries before 1988; and this effect becomes negative after 1988 in Ghana and South Africa. Furthermore, causality tests suggest bi-directional causality between energy consumption and real GDP in Cote d'Ivoire and unidirectional causality running from real GDP to energy usage in the case of Congo and Ghana.

The investigation of the relationship between the consumption of crude oil, electricity and coal in the Nigerian economy (1970 to 2005) was conducted by Odularu and Okonkwo (2009). Their result obtained after applying the co-integration technique, showed that there exists a positive relationship between energy consumption and economic growth. However, with the exception of coal, the lagged values of these energy components were negatively related to economic growth. Dantama, et al. (2012) examine the impact of energy consumption on economic growth in Nigeria over the period 1980-2010 using the autoregressive distributed lag (ARDL) approach to co-integration analysis. The results indicate a long-run relationship between economic growth and energy consumption. Both petroleum consumption and electricity consumption are statistically significant on economic growth but coal consumption is statistically insignificant. Also, the speed of adjustment in the estimated model is relatively high and contains the expected significant and negative sign.

Babatunde and Shuaibu (2008), examine the residential demand for electricity in Nigeria as a function of real gross domestic product per capita, the price of electricity, the price of substitute and population between 1970 and 2006. They employed the bounds testing approach to co-integration within an autoregressive distributed framework and found that in the long run, income, price of substitute and population emerge as the main determinants of electricity demand in Nigeria, while electricity price is insignificant. They also found that the relationship among the variables is more stable and significant. Tendler (1979) found in his research on some developing countries that the promotion of rural electrification projects in development assistance programmes of the World Bank would promote integrated rural development significantly by encouraging productive municipal as well as traditional household in electricity usages. In a similar joint research project, Butler, et al., (1980) discovered in Bolivia that the positive impact of rural electrification project was social and that electrical power did not appear to play a catalytic role in economic development nor was it a precondition for it. He however fails to note that electrification projects are linked to other development activities.

Onakoya et al. (2013) evaluates the causal nexus between energy consumption and Nigeria's economic growth for the period of 1975 to 2010. Secondary time-series data were analyzed using co-integration and ordinary least square techniques. The study shows that in the long run, total energy consumption had a similar movement with economic growth except for coal consumption. The empirical results reveal that petroleum, electricity and the aggregate energy consumption have significant and positive relationship with economic growth in Nigeria. The study recommends that government should encourage a level- playing field for all energy forms available in the country by diversifying its power-generation portfolio. Uzochukwu and Nwogwugwu (2012) analyzed federal government spending on the energy sector with special emphasis on the electricity sub-sector using descriptive statistics. The study found that despite the significant reforms and increase in spending in the sector, the outcome in terms of its reflection on production, transmission and distribution of electricity is far from the realization of the reform objectives. The study argues that the country lags behind other countries like Libya, Kenya and Ghana in per capita power production and consumption and this lack of access to electric power, and modern energy in general has a negative effect on productivity and has limited the economic opportunities available to Nigeria.

Akpokerere and Ighoroje (2013) investigate the effect of government expenditure on economic growth in Nigeria using a disaggregated approach. Data for the period (1977 - 2009) was used. The study finds that expenditure on education (EDU) and power (POW) have negative effect on economic growth and are significant in explaining this relationship. On the contrary, rising government expenditure on transport and communication (TRACO), and health (HEA) results to an increase in economic growth. The authors therefore advised that there should be public private participation in critical sectors of the Nigerian economy such as power and transport with high degree of transparency and accountability in government spending. Ubi and Effiom (2013) explore the relationship between electricity supply and economic development in Nigeria using annual time series data spanning 1970-2009. The paper employs co-integration technique and testing the results using ordinary least squares in the context of error correction mechanism (ECM). The results show that per capita GDP, lagged electricity supply, technology and capital are the significant variables that influence economic development in Nigeria and further argued that despite the poor state of electricity supply, it influences economic development with a very relatively low impact. The study recommended among other things that the various power projects should be completed with state of the art technology as this will ultimately reduce power loss and boost electricity supply vis-à-vis economic development.

Model Specification

Three models were specified for the study and the first was intended to capture how government expenditure on the power sector influences power generation in Nigeria for the period 1999-2012. The short period covered was due to lack of reliable data of government expenditure in the power sector. The second and the third aspects of the study investigate impact of electricity supply on economic performance in Nigeria for the period 1980-2012, using two indicators of growth namely: real gross domestic product (GDP) and index of industrial production. The data which are in million of naira unless otherwise stated were culled from the Central Bank of Nigeria annual report and statement of account for various years and World Bank development indicators database. Thus:

Model 1

MWT = f(PSRE, PSCE)……..…………….(1)

The log stochastic form of equation (1) thus,

$InMWT = \alpha_0 + \alpha_1 InPSRE + \alpha_2 InPSCE + \varepsilon$……..(2)

Where:
MWT = Mega watts of electricity generated
PSRE = Power sector recurrent expenditure
PSCE = Power sector capital expenditure
ε = error term
α_0, α_1 and α_3 = constant and parameters to be estimated respectively
In = logarithmic form

The regression models below were anchored on simple growth theory and for simplicity, we assume that:

Y = Af(L, K)………………………………(3)

Where:
Y = Output
A = Total factor productivity or efficiency parameter
L = labour
K = Capital

For the purpose of this study, we again

assumed that the impact of electricity supply on output operates through total factor productivity. Since this research work intends to investigate the impact of electricity supply on economic development in Nigeria by correctly specifying the model, it is further assumed that total factor productivity (A) is a function of electricity supply (MWT). Thus,

A = f(MWT, L, K)……..........……………(4)
Combining equations 3 and 4 and substituting for A. We have
Y = f(MWT, L, K)…………...……………..(5)
Thus, Y is then replaced in model 2 and 3 accordingly

Model 2
GDP = f(MWT, L, K)…………..……………(6)
In log form, equation (6) becomes:
$InGDP = \beta_0 + \beta_1 InMWT + \beta_2 InL + \beta_3 K + e$……(7)

Where:
GDP = Real gross domestic product at 1990 constant price
L = population (proxy for labour force)
K = capital (measured by gross fixed capital formation)
β_0, $\beta_1 - \beta_3$ = constant and parameters to be estimated

Model 3
IIP = f(MWT, L, K)…………..………………(8)
Thus, equation (8) becomes:
$InIIP = \lambda_0 + \lambda_1 InMWT + \lambda_2 InL + \beta\lambda_3 K + V$……(9)
Where:
IPP = Index of industrial production
λ_0, $\lambda_1 - \lambda_3$ = constant and parameters to be estimated

Unit Root Test

The Augmented Dickey Fuller (ADF) and the Phillips-Perron tests were used to test for unit roots as in the equation below.

$$\Delta Yt = Ci + \omega Yt - 1 + C2t + \sum_{t=1}^{p} di\Delta Yt - 1 + \varepsilon t \; ....(10)$$

yt = relevant time series
Δ = an operator for first difference
t = a linear trend
εt = error term

The null hypothesis of the existence of a unit root is Ho: ω=0. Failure to reject the null hypothesis leads to conducting the test on further differences of the series. Further differencing is conducted until stationary is reached and the null hypothesis is rejected. Akaike Information Criteria (AIC) and the Schwarz criterion (SC) were employed to determine the lag length.

Co-integration Test and Vector Error Correction Model

Engle and Granger (1987) pointed out that a linear combination of two or more non-stationary series may be stationary. If such stationarity exists then, time series are said to be co-integrated. The stationary linear combination is called the co-integrating equation and may be interpreted as a long-run equilibrium relationship between the variables. The co-integrating equation is

$$y_{1,t} = \beta_1 y_{2,t} + \varepsilon_t$$
$$y_{2,t} = \beta_2 y_{1,t} + \varepsilon_t \quad .... (11)$$

$$\Delta y_{1,t} = \gamma_1(y_{2,t-1} - \beta_1 y_{1,t-1}) + v_{1,t}$$

$$\Delta y_{2,t} = \gamma_2(y_{2,t-1} - \beta_1 y_{1,t-1}) + v_{2,t} \quad .... (12)$$

In equation (12), the only right-hand side variable is the error correction term. In the long run equilibrium, this term is zero. However, if y_1 and y_2 deviated from long run equilibrium in the last period, the error correction term is non-zero and each variable adjusts to partially restore the equilibrium relationship. The coefficients Y_1 and Y_2 measure the speed of adjustment.

Presentation and Analysis of Results

Fig 1: Power Sector Recurrent and Capital Expenditure and Mega Watts of Electricity Generated

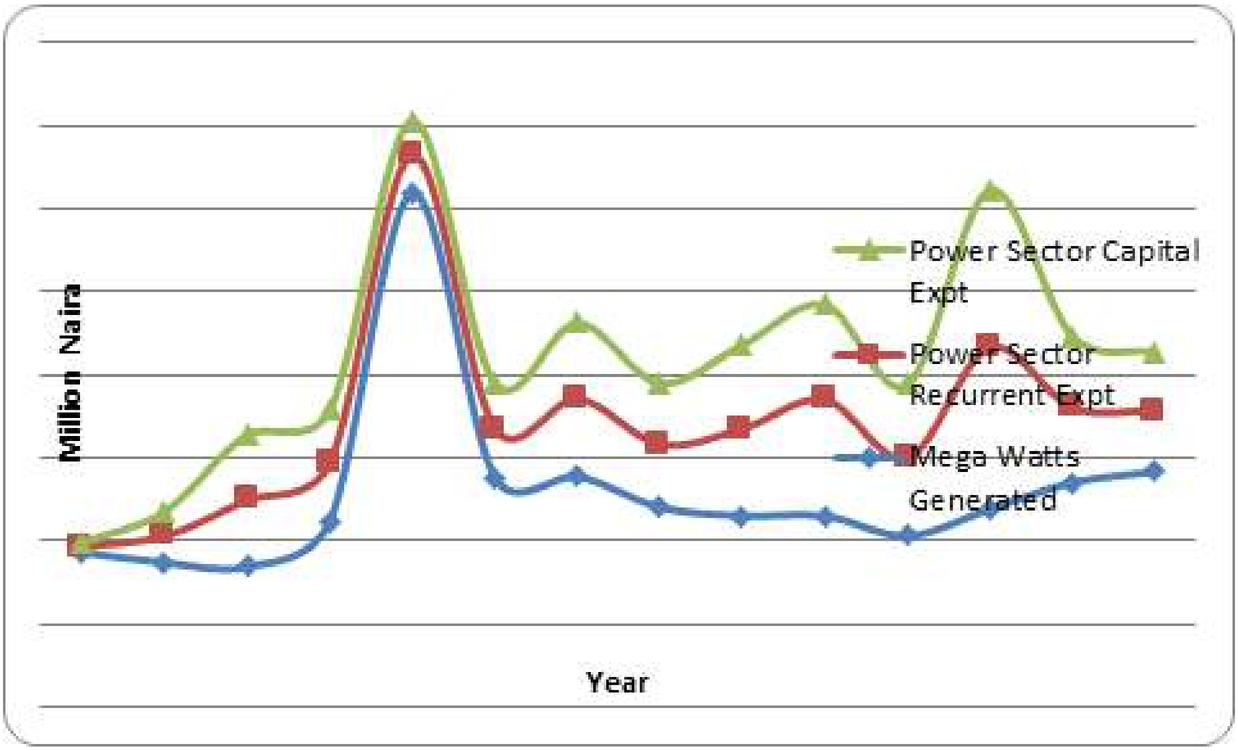
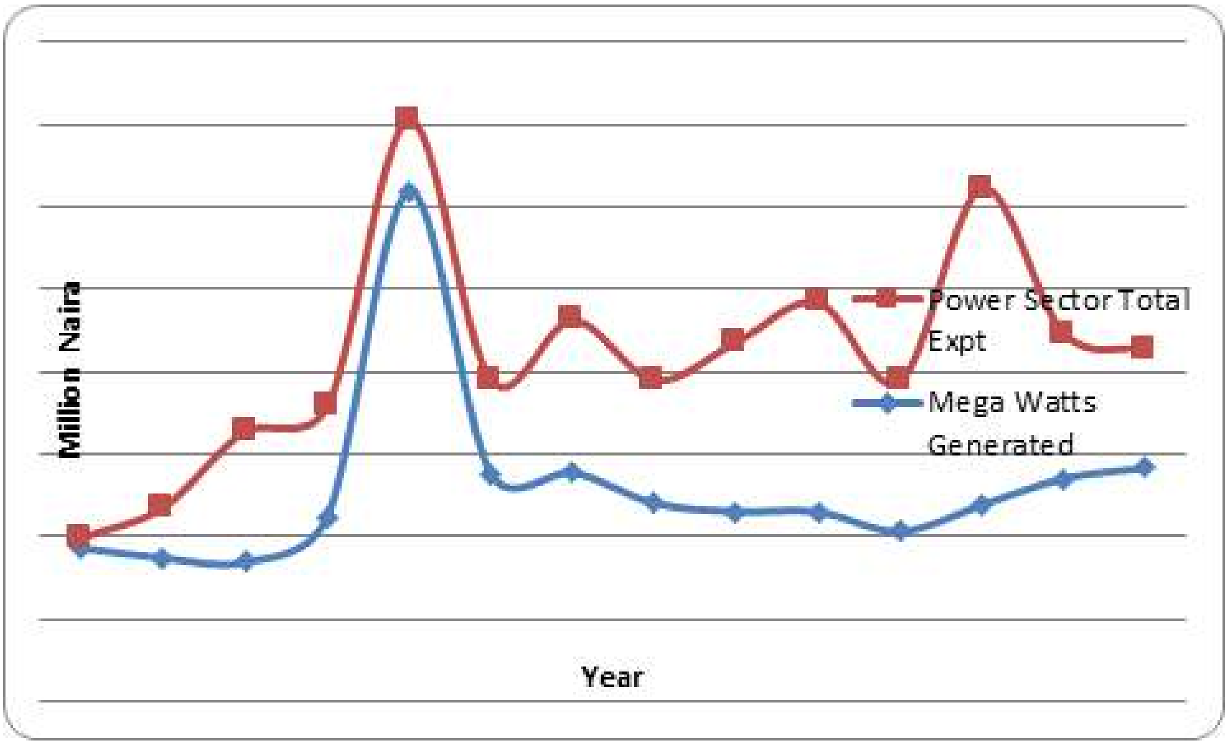


Fig 1 reveals that while both recurrent and capital expenditure budgeted for the power sector are rising continuously, electricity generated per mega watt does not keep pace with the expenditure increase in Nigeria.

Fig 2: Total Power Sector Expenditure and Mega Watts of Electricity Generated



It can be seen from both figures that electricity generation in Nigeria is in the range of 3000 mega watts between1999-2012 and this explains why majority of the citizens does not have access to power supply while most firms operating in Nigeria do not fair better.

Table 1: Results of Stationarity

A.	ADF (Trend & Intercept (1980-2012))			Phillips-Peron (PP) (Trend & Intercept)		
Variable	Level	1st Diff	2nd Diff	Level	1st Diff	2nd Diff
LGDP	-1.7173	-4.2605*	-6.8675**	-8.9617**	-33.2762**	-49.0047**
LMWT	-3.0676	-4.9322**	-6.6091**	-3.6443*	-7.7653**	-14.9992**
LIPP	-2.7701	-3.3819	-5.7074**	-2.7956	-5.7455**	-13.5107**
LL	-1.3217	-3.8526	-6.1110**	-1.2772	-5.7255**	-11.4356**
K	-2.8037	-4.0925*	-4.6328**	-3.6632*	-8.9517**	-16.0572**
Critical Value						
1%	-4.2949	-4.3082	-4.3226	-4.2826	-4.2949	-4.3082
5%	-3.5670	-3.5731	-3.5796	-3.5614	-3.5670	-3.5731
10%	-3.2169	-3.2203	-3.2239	-3.2138	-3.2169	-3.2203
B.	ADF (Trend & Intercept (1999-2012))			Phillips-Peron (PP) (Trend & Intercept)		
LPSRE	-3.4167	-4.1049*	-2.832657	-4.5134*	-4.5558*	-5.3546**
LPSCE	-3.8103	-4.4461*	-2.911087	-4.9756**	-4.4822*	-4.7419*
Critical Value						
1%	-4.9893	-5.1152	-5.2735	-4.8870	-4.9893	-5.1152
5%	-3.8730	-3.9271	-3.9948	-3.8288	-3.8730	-3.9271
10%	-3.3820	-3.4104	-3.4455	-3.3588	-3.3820	-3.4104

**(*) Stationary at 1%(5%) respectively

Table 1 presents the results of unit root test. The results in panel A and B which include trend and intercept reveal that all the variables are non stationary at level but at integration of first or second order differencing, stationarity were achieved. The level of stationarity however was either at 5 or 1 percent confidence level as indicated by the asterisk (*). This enabled us to conduct co-integration test as shown in table 2 below.

Table 2: Co-integration Result on Power Sector Expenditure

Null Hypothesis	Alternative Hypothesis	Statistical Value	5 percent critical value	1 percent critical value	Eigen value
Trace Statistics					
r = 0	r > 0	48.28	29.68	35.65	0.94
r > 1	r > 1	15.07	15.41	20.04	0.63
Max-Eigen Statistics					
r = 0	r = 1	33.22	20.97	25.52	0.94
r <1	r = 2	12.00	14.07	18.63	0.63
Long Run Regression Results Normalized on MWT					
LMWT = 1.00 – 9.55 LPSRE + 10.20 LPSCE (-5.9) (6.7) Log Likelihood = 23.2					

Thus, it can be seen from table 2 that there is a long run relationship between mega watts of electricity generated and government expenditure in the sector over the last one decade. However, the long run results normalized on mega watts of electricity generated shows that while recurrent expenditure in the power sector exerts negative impact on electricity generation the relationship between the later and power sector capital expenditure in Nigeria is positive.

Both variables are also statistically significant with coefficient of elasticity greater than unity. This means that a small change in government expenditure to the power sector will likely lead to more than proportionate change in electricity generation. With co-integration confirmed the over-parameterized error correction model estimates whose results were not shown revealed that although the models look fairly well estimated, they appear cumbersome to be interpreted in their present form. Thus, table 3 depicts the parsimonious error-correction model whose interpretation is easy and straight forward. It shows short run impact of the independent variables on the dependent variable.

Table 3: Parsimonious Error Correction Model
Method: Least Squares
Dependent Variable: DLMWT

Variable	Coefficient	Std error	t-statistic	Prob
Constant	0.087818	0.105657	0.831164	0.4437
DLMWT(-2)	0.251960	0.290789	0.866469	0.4258
DLPSRE	1.723018	1.466255	1.175115	0.2929
DLPSCE	-2.053642	1.505333	-1.364244	0.2307
DLPSCE(-1)	-0.274717	0.236088	-1.163620	0.2971
ECM(-1)	-0.945724	0.365538	-2.587212	0.0490
R^2 = 0.69; F-stat = 2.17; DW = 1.74				

Table 3 shows that both recurrent and capital expenditure in power sector explain about 69 percent of electricity generation. The F-stat shows that the model is significant while DW of 1.74 reveals absence of serial correlation. The ECM carries the usual negative sign and is statistically significant with a very high speed of adjustment of about 95 percent. This shows that whenever the system is out of equilibrium, it is returned back with a speed of about 95 percent as shown in the coefficient of the ECM. On the part of the variables, PSRE and PSCE have elastic coefficients while that for PSCE lag 1 is inelastic. Also, while the impact of PSRE is positive on electricity generation, PSCE and its lag are negative. However, lag 2 of mega watts of electricity is positively correlated with its current value. Finally, all the variables are statistically insignificant in explaining electricity generation in Nigeria between 1999 and 2012.

Table 4: Co-integration Result for Indices of Growth (Real GDP and IIP)

Null Hypothesis	Alternative Hypothesis	Statistical Value	5 percent critical value	1 percent critical value	Eigen value
		Trace Statistics			
r = 0	r > 0	67.34	59.46	66.52	0.70
r > 1	r > 1	31.20	39.89	45.58	0.36
		Max-Eigen Statistics			
r = 0	r = 1	36.13	30.04	35.17	0.70
r <1	r = 2	13.51	23.80	28.82	0.36

Table 4 shows that both trace and max-eigen-value tests indicate 1 co-integrating equation at both 5 and 1 percent levels respectively. This means that long run relationship exists between real GDP and mega watt of electricity generation (MWT), labour (L) and capital (K) on the one hand while long run relationship exists between IIP and the same independent variables on the other hand.

Table 5: Parsimonious Error Correction Model
Method: Least Squares
Dependent Variable: DLGDP

Variable	Coefficient	Std error	t-statistic	Prob
Constant	0.038545	0.015162	2.542263	0.0179
DLGDP(-1)	0.255229	0.196461	1.299133	0.2062
DLMWT	0.047396	0.039520	1.199306	0.2421
DLL(-1)	0.151755	0.226769	0.669204	0.5098
DK(-2)	-2.170008	2.121008	-1.025103	0.3155
ECM(-1)	-0.165811	0.075934	-2.183637	0.0390
R^2 = 0.49; F – stat = 4.46; DW = 1.93				

It can be seen in table 5 that lag 1 of real GDP is positive and statistically significant. It shows that one percent increase in previous year real GDP increases current year GDP performance by about 26 percent as revealed in the coefficient of elasticity. Similarly, the impact of mega watts of electricity generation (MWT) on real GDP is positive but insignificant with a somehow low coefficient of elasticity of about 0.05 percent. Also, labour (lag 1) and capital (lag 2) were similarly insignificant but while the impact of labour on real GDP is positive that of capital is negative. The ECM takes the normal negative sign and is statistically significant with the speed of adjustment of about 17 percent. Finally, about 49 percent of real GDP is explained by the independent variables.

Table 6: Parsimonious Error Correction Model

Method: Least Squares

Dependent Variable: DLIIP

Variable	Coefficient	Std error	t-statistic	Prob
Constant	0.035029	0.016328	2.145369	0.0423
DLIIP(-2)	0.129666	0.191563	0.676884	0.5050
DLMWT(-1)	-0.066750	0.054926	-1.215285	0.2361
DLL(-1)	-0.297122	0.334566	-0.888084	0.3833
DK(-1)	-1.55E-08	3.46E-08	-0.447348	0.6586
ECM(-1)	-0.212362	0.100708	-2.108687	0.0456
R^2 = 0.18; F-stat = 1.04; DW = 2.22				

A cursory look at table 6 reveals that apart from lag 2 of IIP (index of industrial production) which exert positive impact on its current value, MWT, L and K exhibit negative impact on IIP with none of the variables statistically significant. Of interest are the mega watts of electricity generation which with a unit increase in MWT, IIP decreases by about 0.067 percent. As in the models above, the ECM observes the usual negative sign and also statistically significant. The R^2 is low which shows that the independent variables explained only about 18 percent of IIP.

Discussion of Results and Implications to Research and Practice

Based on the results of data analysis, it was observed that power generation is not proportionate to government total expenditure in this sector. It was observed that, while recurrent expenditure exerts positive impact on electricity generation, the reverse is the case between the later and capital expenditure in the power sector. The mega watts of electricity generation was seen to exert positive influence on real GDP and negatively impacted on index of industrial production. Neither situation was statistically significant. The negative relationship between IIP and mega watt generation (electricity supply) reflects the reality of the Nigeria situation where most industries have folded up due to high operational cost of doing business in the land. This has negatively affected economic growth that has tended to be in sympathy with declining industrial environment. The reason for this trend may be as a result of negative effect which the modern energy in general has on productivity and has limited the opportunities available in Nigeria. This agrees with the result of earlier findings by Ebohon (1996) who observed that insincerity, corruption, misplaced priority are the bane of power sector nightmare in Nigeria. It further agrees with the opinion of Akpokerere and Ighoroje (2013) who study the impact of expenditure on education and power sector performance and came to the conclusion that corruption, low expenditure on education and technology are the fundamental causes of power sector failure in Nigeria. The implication of this finding is that it may take Nigeria so many years more to transform the power sector or reposition it in such a way as to catalyze industrial production or power economic growth if Nigerians who are given charge of this sector do not change their attitude or are not held responsible for their inaction in this sector. More researches should therefore be conducted regularly in areas like solar and wind energy in order to regularly keep check on the activities of key players in this sector and also bring to public notice the amount of financial waste in this sector.

Conclusion and Recommendation

With the continuous epileptic power supply in Nigeria and its attendant enormous sum of self generated power, cost of electricity consumption will still remain one of the highest in the world, thus making the transformation agenda of the present administration a mirage if epileptic power supply continues to prevail in the Nigerian economy. It is recommended therefore that corruption prevalent in the power sector must be checked. Any official found to have diverted money meant for a given project should be punished to serve as deterrent to others while the right technology and expertise should be engaged. The new owners of the power sector must be constantly monitored and any one found wanting should have his ownership revoked so that more competent investors can take over.

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Formal Agricultural Lending and the Response of Irish- Potato Output in Plateau State: An Empirical Investigation

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pp 311-318

Abstract

The study looked at formal lending and its impact on crop output among Irish-potato farmers in Plateau state, Nigeria. The study used survey research method and Cobb Douglas production model to capture the variables that influence farm outputusing cross sectional data through ordinary least squares. Gross margin analysis was also used to compare the profitability of borrowers and non-borrowers. It was found that all variables included in the production function were insignificant at 1% and 5% level of significance.Also, the profitability of borrowers was more than that of non-borrowers, even though the difference was insignificant to warrant a reasonable increase in the welfare of borrowers. Hence, a greater commitment of formal institutional lending and agricultural extension services is germane to help in significantly improving farmers output and hence increased welfare.

Keywords: Output, Formal lending, Irish potato, small scale farmers, borrowers,non-borrowers, output

Introduction

The bedrock of agricultural development in developing countries of sub- Saharan Africa is rural development, without which all efforts aimed at agricultural development and sustainability will be futile (Olayide, 1980). In Sub Saharan Africa, large majority of farmers operate at subsistence small-holder level with intensive agriculture being uncommon. A future of the agricultural production system in such countries is that, a disproportionately large fraction of the agricultural output is in the hands of these small-holder farmers whose average holdings is about 1.0-3.0 hectares (Commodity Trading Advisor, 2000). Also, there is very limited access tomodern improved technology and their general circumstances does not always merit tangible investments in capital, inputs and labor. Household food and nutrition security relies heavily on rural food production and this contributes substantially to poverty alleviation.

More than two-third of Nigeria's estimated population of 140 million is still rural, majority of whom are farmers and account for about 5 percent of total exports (NPC, 2006; World Bank, 2008). In spite of Nigeria's vast natural resource endowments in an area of 923,768 square kilometers, Nigeria is categorized as a poor country and about 70 percent of the population lives on less than $1 per day. The incidence of poverty is highest among households in which the head is engaged in agriculture as the main source of income and livelihood (World Bank, 2008). The increase in the severity of poverty in Nigeria, since the collapse of the oil boom in the 1970's is attributable, in part to the dwindling performance of the agricultural sector which employs a preponderant majority of the poor (Manyong,Ikpi, Olayemi, Yusuf, Omonona and

Idachaba, 2003). From NPC and UNICEF (2001) sources, poverty in Nigeria has assumed wider dimensions including household income poverty, food poverty, poor access to public services and infrastructure, unsanitary environment, illiteracy and ignorance, insecurity of lives and property, poor governance, among others. This is, in spite of the fact that Nigeria has a highly diversified agro ecological condition, which makes possible the production of a wide variety of agricultural products.

Nigeria's agriculture is essentially traditional and subsistence in nature and so given the requirement of finance in the agricultural sector, very few farmers will have capital of their own to invest in agriculture. Most farm families hardly have any savings to plough back into production, considering the pattern of their income and expenditure. Limited access to credit facilities has been implicated as hindrance to the growth and productivity of the agricultural sector (Ammani,Alamu and Kudi, 2010). Thus, the need arises for the provision of credit to the majority of Nigerian farmers. The importance of credit to agricultural development cannot be overemphasised given that credit enables farmers to advantageously use inputs and factors of production, by granting farmers more access to resources through the removal of financial constraints. The traditional argument for the provision of agricultural credit is that additional capital can be temporarily used to enhance the level of household's productive and physical capital. The provision of credit will reduce the costs of capital. In addition to contributing to the largest share of the Gross Domestic Product (GDP), agriculture has remained the largest non-oil export earner and employer of labour and a key contributor to wealth creation and poverty alleviation in Nigeria (National Planning Commission, 2004). For example, the National Planning Commission (2006) observed that agricultural sector accounted for 41.21 percent of GDP in Nigeria. Although agriculture has remained a rural enterprise, the National Bureau of Statistics (2005) indicated that about 65 percent of the working population was engaged in agriculture, fishing and agriculturally based trade.

A basic feature of crop production, as practiced in Nigeria, is the predominance of smallholder farmers. A typical farmer usually cultivates an area of land that varies consistently from 1.5 to 2.0 hectares in fragmented and scattered smallholdings (Nwaru, 2004). These smallholder farmers, although individually look insignificant, collectively form an important foundation upon which the Nigerian agricultural economy rests. Also, this category of farmers is desirable not only because they provide employment, but also because they provide a more equitable distribution of income as well as an effective demand structure for other sectors of the economy (Dorner,1975 and Bravo-Uretta,1994). There is considerable agreement with the notion that an effective economic development strategy depends critically on promoting productivity and output growth in the agricultural sector, particularly amongst small-scale farmers (Bravo-Uretta and Pinheiro, 1997).

Irish potato (Solanumtuberosum) issaid to have originated from the highland of Boloivia in South America (Martin and Leonard, 1949; Ifenkwe and Nwokocha, 1987). The spread of the crop outside its centre of origin was mainly by deliberate introduction. The crop moved out of South America to Spain in 1570; to England in 1585; then to Ireland by Spanish explorers from 1963. The crop was grown on a large scale in Yola, NigeriaIreland and became so popular such that it is not surprising that it acquired the misnomer of “Irish Potato”. In development countries, Irish potato is ranked first in energy production per hectare per day, significantly above cassava and cereals. It is a lover of cool climate and therefore requires a cool growing season with a moderate and well distributed rainfall of about 800mm during growing seasons with no prolonged dry weather. It could be grown under rain-fed condition or irrigated, but waterlogged areas are unsuitable.

Irish potato was introduced into Nigeria early in the 20th Century by European miners in Jos, Plateau state. Plateau state produces about 95% of total Irish produced in Nigeria. Jos has a high altitude and thus, cool climate which is favourable for the development of the crop. Jos South Local Government Area (LGA) accounts for 25% of the total Irish potato produced in Nigeria (Okonkwo et al 1986; Wuyep 2012). The crop is efficient in converting land, labour, water and capital into a highly nutritious food. This is not surprising if for no other reason than it has a shorter growing cycle of about 95 days than most other tuber crops in the tropics. Irish potato is an important staple food as well as raw materials for industries. In order to meet the demand for industrial and human consumption, the yield per hectare needs to be improved. Such imminent improvement could be achieved through efficientmanagement and monitoring of agro-climatic parameters among others. This crop is one of the four major crops grown in the Plateau state and upon which the economy of the state depends.

The main objective of this study is to measure the impact of credit on productivity of small scale farmers in Plateau state

Theoretical Framework

Smith's monumental work, "An enquiry into the Nature and Causes of the Wealth of Nations" Published in 1776, emphasized that; capital accumulation must precede the introduction of division of labour. Like the modern economist, Smith regarded capital accumulation as necessary condition for economic development. So the problem of economic development was largely the ability of the people to save more and invest more in a country. The rate of investment was determined by the rate of saving and saving was invested in full, but almost all saving resulted from capital investments or the renting of land so only capitalist and landlords were held to be capable of saving. This belief was based on the "iron law of wages" the classical economists also believed in the existence of wages fund. The idea is that wages tend to be equal to the amount necessary for the subsistence of the labourers. If the total wages fund at any time becomes higher than the subsistence level, the labour force will increase, competition for employment will become keener and wages will come down to the subsistence level

Empirical Literature

Takes (1963) pioneered an investigation into the impact of credit on agricultural production in Okigwe division of the then eastern Nigeria. He used survey method of research and selected variables like volume of credit, production output, credit sources etc. The findings of his research indicated that lack of credit prevented farmers from expanding land-holdings because they had no money to hire labour to clear more land. He emphasized further the need to provide and make proper use of credit because without it productivity was considerably impeded.

Khandker, (1995) estimated the impact of formal credit on farm productivity using district-level panel data from India. The methodology used were survey research method and regression model for estimation of data, both primary and secondary data were used, primary data was collected through multistage sampling technique and analyzed using ordinary least square method and it was found that formal credit increases rural income and productivity, and that benefit exceed the cost of the formal credit system by at least 13%.

Adewale (2006) conducted a study on the problem of chronic poverty condition of average families in Ilorin, assessing the impact of microfinance on agricultural output and standard of living. The study used primary data, inferential and descriptive statistics was employed in analysis of data, alogit regression tool was also used as a tool of analysis. The study employed variables like credit access, age, education and awareness and found that households have inadequate access to credit of conventional microfinance institutions and that has influenced their poverty level.

Feder, (2008) estimated a switching regression Model for households in China and distinguished between farm households that are credit - constrained and those that are not credit constrained using a simple random technique of data collection, the method of analysis used was regression as well as other simple analytical tools like simple percentages, pie charts, bar charts, histogram etc. the study employed variables like credit access, farm income, productivity, gender, farmers' experience etc. He found that farm households with access to credit enjoy higher standard of living due to higher farm output than those without access to credit.

Nwaru and Unuoha (2010) studied the problem of technical change and credit access on small holder food crop output in Imo state. The study employed the use of primary data and developed a production function model which was analyzed with the use of ordinary least square method. Variables like crop output, education, age, farmers experience, household size etc were used. The study found that farmers with credit are less technically efficient compared to farmers without credit, and that education, age, and farming experience directly affect technical progress. Furthermore inadequate access to credit has negative impact on farm output.

Methodology

The study was conducted in the Riyom, BarkinLadi, Bokkos and Manguareas of Plateau State of Nigeria. Stratified randomsampling technique was used to obtain a representative sample of the population from which data was collected. The procedure involves dividing farmers into groups of borrowers and non-borrowers. Questionnaires were used to elicit data on 72 farmers who borrowed and 59 farmers who did not borrow totaling 131 respondents across the four local governments.Also, the formal financial institutions lending institutions from which information was sourced include Commercial Banks, Microfinance Banks and the Bank of Agriculture. Production function was employed to measure marginal productivity of factors of production, factor intensity, efficiency of production and returns to scale. The purpose of the adoption of the production function was because of its ease to determine the relationship between variable inputs and output. The greater the extent to which the variable inputs are able to explain the variability in output the larger is the influence which the inputs have on output. Therefore, the Cobb-Douglas production function was used to fit data obtained from Irish potato farmers who borrowed and those who did not borrow. The best fit function was judged by R^2 values, while sign and significance of the regression coefficients were tested with the aid of t-statistic and F-ratio statisticwas used to test whether there were significant differences in the production function of farmers who borrowed and those who did not borrow. This analysis was used to obtain the parameters for the measurement of productivity.

The implicit form of the production function is specified as

Q= f (HL, FL, FERT, SD, CHEM, FS, CAP,).(1)

Where Q is quantity of output of Irish potato produced by the two categories of farmers (in kilogram weight) for Irish potato farmer,

HL = Number of Hired Labour in days

FL =Number of Family Labour in days

FERT = Quantity of fertilizer used in Kg,

SD=Quantity of seeds in Kg,

CHEM= Chemicals used in litres,

FS= Farm Size in hectares,

CAP= Capital (in Naira). The inputs considered as capital here includes cutlasses, basins, hoes, etc.

The production models in their explicit forms were as expressed below.

Double log Function

The linear model of the production function is given as

$Qi = a_0 + a_1logHL + a_2logFL + a_3logFERT + a_4 logSD + a_5logCHEM + a_6logFS + a_7logCAP + \mu$.(2)
$a_0, a_1, a_2, a_3, a_4, a_5, a_6, a_7$ are parameters estimated and elasticity of response of the X_{ith} variable factors, Qi,HL,FL,FERT,SD,CHEM,FS, CAP and μ were defined as above $a_{0>0}, a_{1>0}\ a_{2>0}, a_{3>0}, a_{4>0}, a_{5>0}, a_{6>0}, a_{7>0}$, and μ is random error term.

Profitability Analysis

Gross Margin and Net Farm Income Analyses

The gross margin analysis was also employed to determine the overall profitability per hectare. The essence is to measure the profitability of the various crop enterprises. The Gross Margin and Net farm Income were estimated using equations (3) and (4) respectively.

GM	=	TVP – TVC ………..……….(3)
NFI	=	GM – TFC…………………..(4)
TVP	=	Total value of production,
TVC	=	Total variable Cost.
		NFI = Net Farm Income and.
TFC	=	Total fixed cost.

Test of Differences and Significance of Beneficiaries and Non-Beneficiaries of Formal Credit

Three estimated regression function were used to construct the F-ratio in order to test for significance difference between the production function of beneficiaries and non-beneficiaries. From the pooled regression function (i.e the function that pooled the beneficiaries and non-beneficiaries) and the unrestricted residuals from the two unrestricted regression functions (that of beneficiaries and non-beneficiaries), these statistics are used to construct the f-ratio and test at the 5% level of significance.

$$F = \frac{(RSS_R - RSS_{UR})/k}{RSS_{UR}/n_1 + n_2 - 2k} \quad \text{.......................} (5)$$

Where:

RSS_R - restricted residual sum of squares
RSS_{UR} - unrestricted residual sum of squares
k - is the number of parameters estimated
n_1 - number of observations in the restricted data
n_2 - number of observations in the pooled data

Results and Discussion

Table 1: Irish Potatoes Output Regression Results

	Pooled		Borrowers		Non-borrowers	
Variables	Coefficient	S.E	Coefficient	S.E	Coefficient	S.E
C	0.284	(0.833)	0.256	(0.196)	0.720	(1.324)
HL	0.224	(0.196)	0.004	(0.003)	0.070	(0.1864)
FL	0.070	(0.115)	0.004	(0.0005)	0.0720	(0.2016)
FERT	0.126	(0.071)	0.001	(0.00004)	0.0196	(0.1120)
SD	0.128	(0.056)	0.002	(0.0008)	-0.1504	(0.0698)
CHEM	-0.209	(0.067)	-0.006	(0.0166)	0.3586	(0.1081)
FS	0.245	(0.172)	0.059	(0.0420)	0.4004	(0.1156)
CAP	0.089	(0.063)	0.0001	(0.00005)	0.1527	(0.0939)
DW	1.83		2.2		1.84	
Efficiency	1.327		1.291		2.054	
Returns to scale	0.547		0.1137		1.244	
F-cal	9.50					
F-tab	1.96					

Source: Computation from Field Results (2012)

Table 1 above shows a pooled production function for Irish potato farmers. In this equation, the partial elasticity values for all the variables are less than one meaning that the variables are less responsive to output of Irish Potato borrowers. The variables were appropriately signed except chemical which carries a negative sign as against our apriori expectation. Also exception of Hired labour, Seeds, chemical and Farm size the rest of the variables in the model tested insignificant to output. The function shows that considering all other factors constant, an increase in each of Hired labour (HL), Family labour (FL), Fertilizer (FERT), Seeds (SD), Chemicals (CHEM), Farm size (FS) and Capital (CAP) by one percent led to an increase in Irish Potato output by 0.224, 0.070, 0.126 0.128 0.209, 0.245, and 0.089 respectively. The total elasticity is 0.547 meaning that the production function exhibits decreasing returns to scale. And the computed efficiency value of 1.327 shows that the production function is efficient.

The table above alsoshows borrowers production function for Irish potato farmers. In this equation, the partial elasticity values for all the variables are less than one meaning that the variables are less responsive to output of Irish Potato borrowers. The variables were appropriately signed except chemical which carries a negative sign as against our apriori expectation. Also exception of family labour and fertilizer the rest of the variables in the model tested insignificant to output. The function shows that considering all other factors constant, an increase in each of Hired labour (HL), Family labour (FL), Fertilizer (FERT), Seeds (SD), Chemicals (CHEM), Farm size (FS) and Capital (CAP) by one percent led to an increase in Irish Potato output by 0.0004, 0.0005, 0.0004, 0.0008, 0.0106, 0.0420, 0.0590 and 0.0001 respectively. The total elasticity is 0.1137 meaning that the production function exhibits decreasing returns to scale. And the computed efficiency value of 1.509 shows that the production function is efficient.

The table above also shows anon-borrowers production function for Irish potato farmers, the equation reveals that the partial elasticity values for all the variables are less than one, meaning that the variables are less responsive to output of non-borrowers. All variables are appropriately signed except chemical which carries a negative sign instead of a positive sign as stated in our apriori expectation, also chemical and farm size were significant at 95% confidence level, the rest of the variables tested insignificant to output. This equation implies that considering all other factors constant, an increase in each of Hired labour (HL), Family labour (FL), Fertilizer (FERT), Seeds (SD), Chemicals (CHEM), Farm size(FS) and Capital (CAP) by one percent led to an increase in Irish Potato output by 0.0707, 0.0720, 0.0196, 0.130, 0.358, 0.400, and 0.152 respectively. The total elasticity is 1.2044 implying increasing returns to scale for Irish Potato borrowers production function and an efficiency parameter value of 2.054 indicates efficient production function.

An estimated efficiency parameter value of 1.327 for all farmers,1.291 for borrowers and 2.054 for non-borrowers shows that Irish potato non-borrowers were more efficient compared to borrowers and a pool of all farmers, the study however attributed the inefficiency of borrowers to either lack of experience of credit use given that most of the farmers reported that they were receiving credit for the first time or due to errors of aggregation. The F value was estimated to be 9.539, therefore the study rejects the null hypothesis at 5% confidence level and concludes that there is significant difference between the production function of borrowers and non-borrowers of Irish potato.

The profitability and net farm income of borrowers was N96999.3 andN83000 respectively while profitability and net farm income for non-borrowerswas N90311.31 and N78000.20 respectively. This means that borrowers had higher output and income compared to non-borrowers. This is believed to be due to credit received.

Conclusion and Recommendations

The study found a significant contribution of family labour and fertilizer inputs to the output of borrowers but the contribution of farm size, chemical, hired labour, seeds and capital were found to be insignificant. For non-borrowersproduction function, chemical and farm size contributed significantly to output while family labour, fertilizer, seeds, hired labour and capital contributed insignificantly to output, this result however is unclear to justify the receipt of credit in production. It has been found that the gross margin of borrowers was more than that of non-borrowers, the study attributes this to credit access of Irish potato farmers. In addition the study has provided evidence to the existence of a significant difference in the production function of borrowers to that of non-borrowers meaning that credit surely have some influence on output.

The study therefore recommends an increase in the volume and amount of credit available to Irish potato farmers by formal financial institutions if their output must be significantly increased. This is because an increase in output will lead to increased income and hence improved living standards. Also, the study recommends more commitment of government, well spirited individuals and other research organizations on extension services especially in assisting farmers in their efficient use of credits with the aim of boosting farm output.

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Youth Unemployment and the Challenge of Sustainable Development in Nigeria

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Abstract

Youth unemployment is one of the core issues impeding sustainable development in Nigeria. It is on the basis of the ongoing problem that this study takes an analysis of youth unemployment and the challenge of sustainable development in Nigeria. The paper argues that the factors that gave rise to youth unemployment in Nigeria ranges from rural-urban migration, high population growth, inappropriate school curricula, and decline in manufacturing sector *et cetera.* The article showcases the effects of unemployment on the economy and society of the people from the perspectives of the rise in crimes rate, prostitution, inflation, mental health, and so forth. The work chronicles the attempts made by government in reducing unemployment and states that even with government intervention, the problem of unemployment still persists in the country under review. Despite all odds the youth play a fundamental role in ameliorating unemployment challenge in the country. The paper reveals that even with role of the youth, unemployment is still on a high rate in the study area. Based on these findings, the paper recommends among other things that, government should take vocational education so serious and the youth should be empowered by the same. In carrying out this study the author makes use of secondary sources in form of national newspaper, journals, CBN Bullions, and internet. These sources were obtained from Central Bank of Nigeria Library Makurdi, University of Agriculture (Francis Idachaba) Library, Makurdi, and ICT Directorate, Benue State University Makurdi.

Introduction

Unemployment is one of the key social and economic issues of our time. There is mounting evidence to support that unemployment in Nigeria rises astronomically on yearly basis. Ugbegili (2008:1) in his timely paper entitled "The Nigerian University Graduate in His Society: An Appraisal" argues that year in year out, Nigerian Universities turn out graduates in different fields of human endeavour. Some few percentages of these graduates get employed as staff of various organizations while a larger chunk is left to roam streets (Ugbegili, 2008:1). Tallied with the above view point Adebayo (2013:350) cites Okafor who bemoans that:

> Unemployment rate in Nigeria has continued to be on the increase despite the abundant human and natural resources available in the country. Chronic youths unemployment is evident in Nigeria. Every year, thousands of graduates are produced but there are no jobs for majority of them. Nigerian streets are littered with youth hawkers who ordinarily would have found gainful employment in some enterprises.

President, Living Church (Worldwide) aka Winners' Chapel, who is also the Chancellor of Landmark University Omu-Aran, Bishop David Oyedepo, spoke on the institutions second convocation ceremony and states that about 50 million youths are unemployed (*Daily Trust Newspaper* 2015:9). To amplify the above arguments the *Nigerian Pilot Newspaper* (2015:3) discloses that decades ago getting a job was pretty easy. It was in plenty, even allowing eligible workers to choose where to work and what to accept as pay packages. Today the reverse is the case; getting a job is like the proverbial camel passing through the eye of a needle. Jobs are shrinking, factories and businesses are closing, millions of workers losing their jobs daily, the those who hold on to one are not paid as at when due (*Nigerian Pilot Newspaper,* 2015:30. This is an implication that the plight of both the employed and the unemployed youths are pathetic and heartbreaking since both of them suffered partial or total negligence.

Based on the foregoing data, the following questions implicitly arise: What are motivating factors or causes of unemployment in Nigeria? What are the types of unemployment in Nigeria? What are the percentage ratios of unemployment in Nigeria? What is the effect of unemployment on the Nigerian economy and society? What is the role of government in tackling unemployment in Nigeria? What is the role of the youth in tackling unemployment challenges in Nigeria? As questionable as the preceding perspective is, no alternative solution would seem to exist for their understanding, except through the subsequent discourse. In this wise, the present study examines the above and related issues in considerable details in the thematic areas beneath.

Understanding Youth, Unemployment, and Sustainable Development

Youth, unemployment and sustainable development are the key words on which the analysis of this work is hinged. There are divergent views on what constitute the aforementioned. For example MacMillan (2013:800) conceives that youth is the time of life when one is young, but often means the time between childhood and adulthood, that is maturity. It is also defined as "the appearance, freshness, vigor, spirit, and so forth, characteristic of one who is young (Macmillan, 2013:800). Its definitions of specific range varies, as youth is not defined chronologically as a stage that can be tied to specific age range; nor can its end point be linked to specific activities, such as taking unpaid work or having sexual relations (Furlong, 2013:2-3). While Adebayo (2013:356) states that the youths are a particular segment of the national population that is sensitive, energetic, active and the most productive phase of life of citizens. The youths are also the most volatile when their engineers are misdirected or chanted into wrong endeavours. The National Population Commission (NPC, 2015) defines youth as an individual between 15 and 34 years of age. Unfortunately as the youth population grows, so does the unemployment rate grows.

Englama (2001:1) opines that, a person is said to be unemployed when he or she is able and willing to work and is available for work (that is, the person is actively searching for employment) but does not have work. The number of people unemployed in an economy is the number of people whom that description fits. The unemployment rate in an economy is the number of people unemployed expressed as a percentage of the total labour force. The total labour force is defined as the number of people employed plus the number of people unemployed within the age bracket of 18 – 60 years (Englama, 2001:2). Borishabe (2001:16) conceives the phenomenon, unemployment as a situation whereby people who are professionally qualified, able and willing to work are unable to find employment. While Adebayo (2013:352) captures the International Labour Organization (ILO) defining the unemployed as the number of the economically active population who is without work but available and seeking work, including people who have lost their jobs and those who have voluntarily left work. According to the National bureau of Statistics (2009), the labour of country is a set of people or citizens who are willing and are able to make available at any given point in time their efforts for gainful employment, while the unemployed are the individuals with no work, but are looking for work at the time of any study. Contributing on this matter, Okafor (2011:2) defines unemployment as the condition of people who are without jobs.

The concept of sustainable development on the other hand is of recent origin. The term "sustainable development" was first used by the *World Conversation Strategy* presented by the International Union for the Conservation of Nature and Natural Resources in 1980. It was commonly used and defined for the first time by the Brundtland Report, entitled *Our Common Future;* of the World Commission on Environment and Development in 1987 (Jhingan, 2007:22iie). The Brundtland Report according to Jhinga (2007:22iie) views sustainable development as "meeting the needs of the present generation without compromising the needs of feature generations". Sustainable development means that development should "keep going" (Jhingan 2007:22ii). It emphasizes the creation of sustainable improvements in the quality of life of all people through increases in real income per capital, improvements in education, health and general quality of life and improvements in quality of natural environmental resources (Jhingan, 2007:22iie).

Causes of Unemployment in Nigeria

Various reasons have been adduced for the unemployment in Nigeria. Chief among them are rural-urban migration, high population growth, inappropriate school curricula, decline in the manufacturing sectors, corruption, to mention but a few. For the purpose of clarity and easy understanding, each of the aforementioned factors are discussed in the succeeding paragraphs as we can see hereunder.

i. Rural-Urban Migration: This is the rate at which people move from the rural areas to the urban areas in Nigeria in search of greener pastures as the gross lack of infrastructure in the rural areas which makes the standard of living in urban areas in search for gainful employments in ministries and industries, as well as to enjoy the splendor of the amenities in these areas.

ii. High Population Growth: The increasing population growth in Nigeria has led to an overwhelming increase in the youth population thereby resulting in an increase in the size of the working age population. The growth in population rate results in a rapid growth of the labour force which tends to be higher than the rate of job supply.

iii. Inappropriate School Curricula: Many scholars have argued that as far as the formal sector is concerned, the average Nigerian graduate is unemployable because of lack of necessary skills needed by the employers of labour for a formal employment. This is attributed to Nigeria's system of education as the course content of most tertiary education in Nigeria does not contain entrepreneurial content that would enable graduate to create jobs rather than seeking for jobs as Akeke and Oladujoye (2011) puts it that many graduates in Nigeria lack entrepreneurial skills to facilitate self-employment.

iv. Decline in the Manufacturing Sector: The ability of the manufacturing sector to absorb youths into its workforce has been hampered by the continuous fall in the sector. A survey carried out as part of its membership operational audit in 2010 by the Manufacturers Association of Nigeria (MAN) indicates a figure of 837 representing the cumulative aggregate of firms that have shut down across the country. This indicates that a lot of people might have been laid off their jobs and in turn leading to more people n the labour market.

v. Corruption: Increasing level of corruption in Nigeria has hampered the country's development into a vibrant economic base in spite of her abundant natural resources. Funds that are meant for development work which can create employment are been embezzled, diverted or misappropriated. This in turn blocks the avenues which would have engaged the youth in a gainful employment (Okafor, 2005).

Types of Unemployment in Nigeria

The types of unemployment in Nigeria are legion, this section of the article devout itself in analyzing the issue, as we can see beneath.

i. Frictional Unemployment: This is the type of unemployment that results from the normal turnover of labour. For example, young people who enter the labour market and still search for jobs or people who are working but are in the process of changing their jobs. This change could be as a result of dissatisfaction with the type of work or their working conditions.

ii. Seasonal Unemployment: This is a situation whereby people are laid off their job seasonally due to the nature of jobs they do for example agricultural jobs. Seasonal unemployment occurs as a result of seasonal fluctuations in the economy.

iii. Structural/Technological Unemployment: This is the type of unemployment that occurs when there is a technological or structural change in the economy. Such structural or technological change may take the form of a decrease in demand for certain skills or in a change in technology of a certain industry. For example, a non-computer literates accounting may not be able to get a job in the bank.

iv. Cyclical Unemployment: This type of unemployment occurs when there is an inadequate level of aggregate demand. For example, the aggregate demand for labour can be low with a very high a very high aggregate level of graduate.

v. Disguised Unemployment: This is the type of unemployment that people take up jobs that are unrelated to their own field of discipline or area of specialization when the job they are qualified for is not forthcoming.

vi. Underemployment: This refers to condition where people are employed in less skilled jobs than they are qualified to do (Borishade, 2001:16).

vii. Over Unemployment: The problem of over employment refers to the situation whereby workers are willing but are unable at their current jobs to reduce the amount of time they devout to earning an income. Many people are spell at some point when they would prefer shorter work hours. They are prepared to sacrifice income to attain it in order to avoid the more costly state of leaving an occupation or withdrawing from the labour force entirely (Golden, 2003:28-36).

viii. Sectoral Unemployment: A situation that affects certain professions because of over production of graduates in such areas. This can also happen as a consequence of rural-urban migration (Borishade, 2001:16).

Effects of Unemployment on the Nigerian Economy and Society

Firstly, there is spending power – The spending power of an unemployed person and his/her family decreases drastically and they would rather save than spend their money, which in turn affects the economy adversely. Secondly, there is an aspect of recession. With the increase rates of unemployment other economic factors are significantly affected, such as: the income per person, health costs, quality of health-care, standard of leaving and poverty (Golden, 2003:28-36).

All these affect not just the economy but the entire systems and the society in general. Here are some aspects of the impact of unemployment on our society. It should be noted that unemployment affects not just the person himself but also his or her family and in the long term the society where he lives. Unemployment brings with it despair, unhappiness and anguish. It forces people to live their lives in a way they do not wish to. The live expectancy is negatively affected (Golden, 2003:28-36). Life expectancy is the ease by which people living in a time and place are able to satisfy their needs and wants. Here are the main aspects (Golden, 2003:28-36):

I. Mental health: Mental health problems like: Law self-confidence, feeling unworthy, depression and hopelessness. With the lost income and the frustration involved in it, the recently unemployed may develop negative attitudes toward common things in life and may feel that all sense of purpose is lost. Frequent emotions could be – low self-esteem, inadequateness and feeling dejected and hopeless.

ii. Health diseases: The unemployment overall tension can increase dramatically general health issues of individuals.

iii. Tension at home: Quarrels and arguments at home front which may lead to tension and increased numbers of divorces etc.

iv. Political issues: Loss of trust in administration and the government which may lead to political instability

v. Tension over taxes rise: Unemployment also brings up discontent and frustration amongst the tax paying citizens. In order to meet the demands of the unemployment fund the government many a times may have to increase the taxes thus giving way to restlessness amongst the tax paying citizens.

vi. Insecurity amongst employees: The prevailing unemployment and the plight of the unemployed people and their families may create fear and insecurity even in the currently employed people.

vii. Crime and violence: Adebayo (2013) cites Adejumola and Tayo-Olajubulu contending that, unemployment has been identified as the major cause of social vices like armed robbery, destitution, prostitution, political thuggery, kidnapping and many more. Increase in the rate of crime is attributed to unemployment. This can be best explained in the table below.

Table 1: Effects of Unemployment on Crime

Year	**Unemployment Rate**	**Crime**
1990	3.5	49893
1991	3.1	44270
1992	3.5	62247
1993	3.4	48245
1994	3.2	43619
1995	5.5	40792
1996	8.9	37439
1997	8.6	24403
1998	7.7	30979
1999	8.3	32134
2000	13.1	34636
2001	13.6	69738
2002	12.6	28507
2003	14.8	32699
2004	13.4	9384
2005	11.9	13935
2006	12.3	33458
2007	12.7	14575
2008	14.9	13323
2009	19.7	14999
2010	21.1	16330
2011	23.9	14203

Source: *Annual Abstract of the National Bureau of Statistics (NBS),* (1995, 1997, 1999, 2006, 2008, 2009, 2010, 2011, 2012).

The above table clearly shows that astronomical increament of unemployment led to increase in crime rates in Nigeria especially between 1995 and 2012. The above table also indicates that the statistical figures of unemployment between 2012 and 2015 are yet to be published in the annual abstract of the National Bureau of Statistics.

i. **Suicide cases:** Increase in the rate of suicide attempts and actual suicides as well.
ii. **Social outing:** Unemployment may bring a decrease in social outings and interactions with other people, including friends.
iii. **Stigma:** Unemployment brings with more than just 'no work'. It also brings with it the disgrace that the person has to bear. Nobody likes to be termed as unemployed.
iv. **Standard of leaving:** In times of unemployment the competition for jobs and the negotiation power of the individual decreases and thus also the living standard of people with the salaries packages and income reduced.
v. **Employment gaps:** To further complicate the situation the longer the individual is out of job the more difficult it becomes to find one. Employers find employment gasps as a negative aspect. No one wants to hire a person who has been out of work for some time even when there's no fault of the individual per say.
vi. **Lose of skills' usage:** The unemployed is not able to put his/her skills to use. And in a situation where it goes on for too long the person may have to lose some of his/her skills.

Government Intervention in Unemployment in Nigeria

Attempts have been made by government at different times to reduce unemployment in the country, but for the purpose of this study we shall confined ourselves to the democratic administration of Obasanjo, Yar'adua and Jonathan. We shall analyse the programmes put in place to facilitate the reduction of unemployment in Nigeria. This shows that the Nigerian government attempted in her capacity to do away with the issue unemployment, as we can see in the succeeding discourse.

Firstly, in order to reduce unemployment and facilitate sustainable development in the country, the National Poverty Eradication Programme (NAPEP) was inaugurated by the Federal Government of Nigeria in January, 2001 by the Obasanjo led Civilian Administration, in order to eradicate poverty and create employment in Nigeria (Obadan, 2014:2). The programme is focused on creating strategies for the eradication of poverty in Nigeria by streamlining and rationalizing the hitherto existed poverty alleviation institutions in the country. It is meant to coordinate the implementation of relevant schemes and programmes in the country targeted at poverty eradication (FRN – NAPEP, 2010). Specifically, the aim and objectives of NAPEP include ensuring that all Nigerians are provided with the following: steady source of income, high purchasing power, abundant good quality and high nutritional food, basic health care facilities, good quality education, good drinking water, good standard housing units, good quality roads, and other means of transportation and stable and affordable water supply (NAPEP cited in Agba, 2014:249). In order to achieve its aim and objectives, NAPEP has evolved different strategies towards creating employment and reducing poverty. The most popular one is the Youth Empowerment Schemes (YES). This comprises Capacity Acquisition Programme (CAP). Under the CAP, youths are employed and placed on jobs such as road maintenance and paid monthly allowance of N3,500 to enable them acquire the capacity of livelihood. There is also the Mandatory Attachment Programme (MAP). The MAP requires that youths are picked and made to undergo training in different trades such as tailoring, vulcanizing, mechanic, carpentry, and so forth for a period of three to six months. The essence of the MAP is to enable the youth to acquire skills in those areas and utilize them in setting up concerns that would serve as employment and income source for them (Agba, 2014:249-250).

The FGN also intervened in the unemployment situation in the country by establishing the Local Economic and Environmental Management Project (LEEMP), 2004. The LEEMP is a product of National Economic Empowerment and Development Strategy (NEEDS) which was developed by the Former Obasanjo led civilian administration in 2002. The NEEDS plan focuses on four key strategies in the promotion of development process in Nigeria. These include the following: To re-orient values, reduce poverty and create wealth and generate employment (NEEDS, 2004). It is in line with the NEEDS plan that the LEEMP was created. LEEMP is designed to establish an institutional mechanism for transferring investment resources to communities in order to enable them finance their own development priorities which would go a long way in fighting their deprivations. It also emphasises the sustainable management of the environment as a prerequisite to sustainable livelihoods and development (Agba, 2014:257).

Moreso is the Subsidy Reinvestment and Empowerment Programme (SURE-P). the SURE-P was introduced in February 2012 and focuses on management and investment of Federal Government savings derived from proceeds accruing from the partial removal of the subsidy on petroleum products (World Economic Forum, 2015). The Sure-P is the flagship of recent efforts to provide job opportunities to graduates of tertiary institutions. It is more or less a whole range of activities and programme schemes, including the Graduate Internship Scheme (GIS), Community Service Scheme (CSS), Vocational Training Scheme (VTS), and Community Services, Women and Youth Empowerment (CSWYE), among others (NISER, 2013). SURE-P through one of its arms GIS offers unemployed graduates the opportunity to undergo one year internship in firms, banks, ministries, government department and agencies, as well as in Small and Medium Enterprises (SMEs), relevant to beneficiaries disciplines. The purpose of GIS is to help beneficiaries acquire the appropriate skills and practical knowledge that will make them more suitable for the job market. About 50,000 graduates were selected for the first phase of the scheme out of some 85,000 applicants. Even though about 2000 firms expressed in hosting graduates, only 293 firms were approved (*Vanguard Newspaper*, 2015).

Nigeria Government's 7-point agenda (+2) also known as Seven Major Government Issues designed by President Umaru Musa Yar' Adua and sometimes called “Yar' Adualism” accommodates power and energy, food security and agriculture, wealth creation and employment, mass transportation, land reform, security, qualitative and function education, plus Niger Delta and disadvantaged groups. They were defined in many ways, but the most frequent quoted definition is from our Common Future, which energizes development that meets the needs of the present without compromising the ability of future generations to meet their needs (Ogwu, 2008). The table below is summary of Yar'Adualism (7-point agenda).

Table 2: Summary of Yar' Adualism or Issues in the 7-Point Agenda

Item	Issue	Objective(s)	Strategy(ies)	Performance Rating		
				Satisfactory	Average	Not satisfactory
1	Power & Energy	*Improve the supply of power and energy	*declaration of national emergency *increase funding *achievement of 12,000 megawatts	- - -	- Ö(5) -	Ö(0) - Ö(0)
2	Food security & Agriculture	*developing agricultural sector *improve food supply	*increased funding *achievement of 5- to fold in yield	- -	Ö(5) -	- Ö(0)
3	Wealth creation & Employment	*to create wealth and employment	*diversification of the Nigerian economy *developing the agric. Sector *exploitation of solid mineral	- - -	- - -	Ö(0) Ö(0) Ö(0)
4	Mass Transportation	*to modernize and make more efficient the nation's transport system	*rehabilitating the nation's roads, railways and waterways	-	-	Ö(0)
5	Land Reform	*to reform land ownership system	*repeal 1978 Land Use Act *efficient and effective use of government land	- -	- Ö(5)	Ö(0) -
6	Security	*to strengthen the security of lives and properties in the country	*adequate funding of security agencies *resolution of Niger Delta crisis	- -	Ö(5) -	- Ö(0)
7	Qualitative and Functional Education	*meeting minimum acceptable international standard	*declaration of free and compulsory education *adequate funding of the educational sector	- -	- Ö(5)	Ö(5) -
8*	Niger Delta	*to amicably resolve the Niger Delta crisis	*creation of ministry of Niger Delta Affairs *dialogue with the people of Niger Delta *incorporating Niger Delta in the comprehensive security plan of the regime	Ö(0) - -	- Ö(5) Ö(5)	- - -
9*	Disadvantaged Groups	*ensuring that disadvantaged groups have increased access to national wealth	*correcting the inconsistencies in the nation's constitution with respect to certain groups of people *creation of councils in the disadvantaged areas	- -	- -	Ö(0) Ö(0)

Author's Rating, 2009
Rating scores:
Satisfactory – 10 marks
Average ……….. 5 marks
Not satisfactory – 0 mark
Total scores ……… 200
Scores obtained….. 45
Percentage of scores obtained ………. 22.5
Overall rating …….. failed

Source: Oluye, F and Obi, K, (2010) "NEEDs and the Seven-Point Agenda: Untarred Roads to Nigeria's Economic Development, in Wuam, T. & Talla, N. S. (eds.) *Governance and Economic Development in the Fourth Republic.* Makurdi: Aboki Publishers.

Another effort made by government to reduce unemployment is the Youth Enterprise with Innovation in Nigeria (YOU-WIN). It was designed under the leadership of President Jonathan to create job opportunities specifically for graduates of tertiary institutions that elect to go into business as entrepreneurs. Participants were required to develop and execute their own business ideas that will provide jobs for themselves and other unemployed youth who may or not be graduates. According to the National Population Commission (NPC, 2013) by 2015, the programme is expected to have provided 40,000 to 50,000 new jobs, encouraged expansion, specialization and job spinoffs of existing businesses, and enabled young entrepreneurs to have a broad professional and business network. However, it should be noted that both SURE-P and YOU-WIN are not receiving attention as the time of this study.

In addition, the students for the Advancement of Global Entrepreneurship also known by its acronym as SAGE are the international programme founded by Professor Curtis Deberg in USA. Its mission is to create the next generation of entrepreneurial leaders whose innovations and social enterprises address the gaps in needs of our global community (*Leadership Newspaper*, 2015:30). Partnership with the international body, public and private entities, SAGE Nigeria has nurtured young people in its effort to support youth re-orientation and community service, and through hands-on learning process, help these young minds jumpstart their paths to create wealth, with an end goal of poverty reduction through provision of employment (*Leadership Newspaper*, 2015:30). SAGE Nigeria has received support from the Federal Government agencies like the Small and Medium Entreprises Development Agency of Nigeria (SMEDAN), the Central Bank of Nigeria, Federal Ministry of Women Affairs and Social Development, Nigerian Police Academy, Federal Ministry of Commerce, Industrial Trade and Investment, and UBEC to teach Nigerian youth these beneficial entrepreneurial skills (*Leadership Newspaper*, 2015:30).

The Role Appraisal of the Youth in Tackling Unemployment Challenges for Sustainable Development in Nigeria.

We should be cognizant of the fact that the Federal Government of Nigeria (FGN) recognized and acknowledged the perilous effects of unemployment on the Nigerian economy and society as such she intervened in the reduction of unemployment, yet as at the time of this study it seems that her efforts did not solve the challenge, based on this premise the Nigerian youth have a key role to play as we can see subsequently.

Nigerian youth have been urged to key into entrepreneurship and be open minded to new ideas and innovations to reduce perennial problem of unemployment (*Daily Trust*, 2015:37). An entrepreneur and coordinator of Positively Affecting Lives (PALs), an advocacy agency, Mr. Yinka Odegbami made the call in Ilorin at the conference for youths on finance and health, said the programme was aimed at providing them with the necessary skills to enable them develop themselves positively (*Daily Trust*, 2015:37). According to Odegbami in the Newspaper, entrepreneurship to a large extent would drastically reduce the high rate of youth unemployment in the country, describing it as an acceptable method in the United States of America to provide jobs (*Daily Trust,* 2015:37). Odegbami further argues that the Nigerian youth should desist from looking for government jobs and focus attention on how to create wealth through their skills by tapping the untapped resources (*Daily Trust,* 2015:37).

Similarly the *National Mirror* (2015:32) shows that for Nigeria to stern the growing figure of its unemployment rate, unentrepreneurs in the country must be committed to deploying innovative technologies that will derive the economy into digital age. The preceding source also captures Jim McKelvey (a renowned America technology expert and co-founder of Square) saying “Nigerian entrepreneurs should commit to deployment of innovative technologies in achieving business enterprise successes” (*National Mirror*, 2015:32). According to him (McKelvey) following the fast-paced advancement in technology which has heightened the threat posed by the competition, visionary entrepreneurs should embrace, and keep up the pace to remain relevant in business and challenge the market equity (*National Mirro,* 2015:32).

In addition to the above, Nigerian youth should seek employment in the informal sectors like transportation, hospitality and tourism, printing, publishing, photography and cinematography. They can engage in hair styling, art work, fashion and designing, to mention but a few (Ademusin, 2014:9). According to the *Daily Sun Newspaper* (2015:25) many graduates have taken to doing odd jobs, just anything called job to survive. Self-respect or pride doesn't matter to this set of youth, as survival takes priority over any other considerations. Forty-year old Mrs. Titilayo Omoyeni, a native of Ikere-Ekiti, who has since 2008 taken to frying beans cake (*Akara*) and selling it on Akure Road in Ikere, read Primary Education with bias in Business Studies at the Department of Primary Education, Ikere College of Education, she graduated from the said college in 2008 (*Daily Sun Newspaper*, 2015:25). Hear her expression of job seeking experience herein:

> I have been searching for job since I left school, but haven't found any. I am married and have three children. My first born is already a two hundred level student at the Ikere College of Education; she is reading English Education and has said she would like to be a journalist. Her younger ones are in secondary school. I can not leave their responsibility for my husband alone. I have got to do something, this is why I have taken to frying *Akara* so that I can cater for them, since government job is not coming. On the daily basis, I make up to N3,000 if I have many customers. In most cases I make about N2,000 or N1,500 as profit (South-West Magazine, 2015:4, *Daily Sun Newspaper,* 2015:25).

The above indented quotation shows that the youth who are yet to be engaged by the government should not rely on the search of white collar jobs but they should have something doing for the purpose of earning a living, this will prevent them from becoming societal nuisance and this will go a long way to facilitating sustainable development of Nigeria. In discussing the role of the unemployed youth in Nigeria the experience of Okeke also teaches lesson. Mr. Emmanuel Okeke, 28, hails from Anieri Local Government Area of Anambra State. He holds a National Diploma in Accountancy and graduated in 2012. He had sponsored himself with token earned from operating commercial motorbike. His ambition is to become a chartered accountant so he has already commenced a degree programme at the Ekiti State University (EKSU) (*South-West Magazine,* 2015:4).

Tallied with the above, Adebayo Oluwatoyin, a graduate of Mathematics Education, University of Nigeria, Nsukka (UNN) discloses that even though she prefer to work with her degree certificate in a government school as a mathematics teacher but, she may resort sewing should she fail to get government work. Hear her beneath:

> I am just managing in one private school. The salary is not even enough to feed me in a month. My current situation has delayed me in doing certain important things, like I'm in my early 30s but haven't been given serious thoughts to marriage because I believe I and my spouse should have a good job to start a family, but where is such job now? (*Daily Sun Newspaper,* 2015:26).

The preceding representation shows that it is difficult with the unemployed youth, yet they engaged in one legal activity to another for the sustenance of their lives and their families, those who fail to do so are in most cases criminals, prostitutes, and destitute, therefore constituting nuisance to the entire country.

Conclusion

The paper illuminatingly discussed youth unemployment and the challenge of sustainable development in Nigeria. It laid credence to the fact that unemployment has become an outstanding phenomenon of our time. It takes place in all countries of the world but more prevalent in developing countries like Nigeria when compared to the developed countries like USA, United Kingdom, and many more. The study also analysed the causes of unemployment in Nigeria and focused attention on rural-urban migration, high population growth, inappropriate school curricula, decline in the manufacturing sector, corruption to mention but a few. The work took an excursion into the types of unemployment, structural unemployment, underemployment, over employment and so forth. The piece acknowledged that unemployment causes misery, social unrest, prostitution, crimes, hopelessness, and the likes.

Based on the negative effects of unemployment the FGN under different leaders has intervened by establishing different programmes to better the lots of unemployed youth for the achievement of sustainable development. For the purpose of this chapter these programmes are taken only from the decades of democracy (excluding the administration of Buhari which is too recent), they include NAPEP, LEEMP – NEEDS, SURE-P, YOU-WIN, and SAGE Nigeria. In spite of the aforestated efforts of the FGN in unemployment reduction the rate of unemployment is still high in the country. However, the unemployed youth devise their coping strategies: some are food vendors, some are teaching in private schools collecting a meagre amount of money, some have engaged themselves in transportation, hospitality and tourism, printing publishing, photography, and cinematography among others.

Recommendations

Despite the role of unemployed youth in ensuring sustainable development as revealed by this study, unemployment is still on a high rate in Nigeria, owing to this the author made the following recommendations.

i. Government at all levels must as a matter of urgency apply necessary measures that will stimulate and expand the economy so that it can retain and absorb the increasing number of job seekers in Nigeria for a better sustainability of the country.
ii. Employers of labour, particularly private investors must pay more attention to agriculture which is the largest employer of labour, as well as the solid minerals sector as these would diversify the economy and generate additional sources of foreign exchange for the country.
iii. Educational curriculum should be changed from placing emphasis on paper qualification and white collar jobs to practical skills and self employment.
iv. The FGN should revitalize her programmes of unemployment reduction such as NAPEP, LEEMP, SURE-P, and YOU-WIN which are almost going into extinction.
v. Nigerian graduates on the other hand should change their mindset of being job seekers to job creators and employers of labour.
vi. The youth should learn vocational works like wielding and fabrication, interior and exterior decoration, plumbing, tiring, and so forth even outside the school setting before, during and after their tertiary education. This will grossly reduce their stress and desperation of job seeking hence it will provide them with self-employment.
vii. The unemployed youth should engaged in agricultural activities whether on a larger or small scale; this will enable them to fend for themselves and their families and they will wipe away the agonies of job seeking.

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Corporate and Governance Failures in the Nigerian Banking Sector

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Abstract

This paper examines the failures of corporate governance in the United States of America (US), United Kingdom (UK) and the Federal Republic of Nigeria with particular emphasis on the failures in Enron, WorldCom, Barings Bank, Parmalat and Intercontinental Bank Plc. The research evaluates board composition, stock compensation schemes, corporate governance codes and legal frameworks in these companies with a view to accessing the likely reasons for these failures and to proffer solutions for preventing reoccurrences of these failures. This research strongly supports the representation of all stakeholders especially the debt holders on the board to further strengthen the ability of the board to supervise management and the separation of the role of CEO and chairman of the board so as to effectively supervise management.

Introduction

Over the last several decades, industrialization and technological advancement have changed the nature of business enterprises from family owned organizations to corporate entities. The modern corporation is owned by a large group of widely dispersed shareholders and is run by managers who may not own any stake in the business. This has created an agency problem where the motivations of the managers may not coincide with those of the shareholders as pointed out by Jensen and Meckling (1976). Due to this, managers have become less accountable to shareholders. However, this was contested when Stockhammer (2004) observed that through the shareholder revolution, the interests of managers were realigned with those of the shareholders who had a stronger need for profits as opposed to growth hence the need for corporate governance.

Denis and McConnell (2003) defines corporate governance as "… a set of mechanisms both institutional and market based that induce the self-interested controllers of a company use to make decisions that maximize the value of the company to its owners (suppliers of capital)". They further looked at corporate governance in the light of governance mechanisms which are characterized as internal and external. As an internal mechanism it is composed of the equity ownership structure of the firm and the board of directors (board) whose duties are to hire, monitor, compensate and fire management. The external mechanisms are the takeover market and the regulatory system.

Corporate governance has gained importance in the recent past, especially during the 1990s due to economic liberation and deregulation of industry and business thus a greater demand for stricter compliance with the law of the land and the demand for greater accountability of companies to their owners (shareholders). Alfaki (2007) maintain that corporate governance came to the center of international development agenda following the East Asian Financial crisis. The crises had some painful social and economic consequences which prompted an urgent analysis as to its origin. Faulty corporate governance in the financial system was the major culprit. As a result, adherence to good corporate governance is currently recognized as crucial to the success, growth and development of the corporate sector.

As such, countries are putting in place various measures to strengthen corporate governance in order to tackle the problem connected with bad corporate governance practices, including proliferation of codes of corporate governance. The purpose of introducing corporate governance code is to help sustain investors' confidence and also serve as benchmark for monitoring and implementing corporate policies and practices.

In Nigeria, there is growing consensus that corporate governance is responsible for some recent corporate failures especially in the banking sector. In fact, at firm-level poor corporate governance is identified by Wilson (2006) as one of the major factors in virtually all known instances of financial institution distress in Nigeria. As a result of this, the Nigerian Securities and Exchange Commission (SEC) released a code of best practices in 2003 to oversee corporate governance in Nigeria. Although there were deficiencies which resulted in the near collapse of the banking sector, SEC in 2008 inaugurated a National Committee chaired by M. B. Mahmond for the review of the previously issued 2003 code of corporate governance for public companies in Nigeria to address its weakness and to improve the mechanism for its enforceability. The board of SEC believes that the new code of corporate governance will ensure the highest standards of transparency, accountability and good corporate governance. The Central Bank of Nigeria (CBN) as well, after the consolidation exercise in March 2006, released the code of corporate governance for banks in Nigeria to complement and enhance the effectiveness of the SEC code in order to improve corporate governance in the country.

This study will take a critical look at corporate governance mechanisms with a detailed look at the board and the growth of options based compensation scheme and its effects on top executives of firms. Secondly, some recent high profiled cases of corporate governance failures will be looked at with emphasis on Enron and WorldCom representing the United States of America (US), Barings bank and Parmalat representing Europe, Intercontinental bank, Union bank, Afribank and Oceanic bank representing Nigeria. Next, laws like the Sarbanes-Oxley act, the corporate governance codes in the United Kingdom (UK) with emphasis on the combined code and the reviewed SEC code (Nigeria) will be studied. Lastly, this study seeks to investigate if corporate governance codes have failed considering recent events in the global financial markets and to proffer recommendations on ways to improve the corporate governance framework.

Board Composition and Impact on Effective Corporate Governance

The board of directors has a significant role to play in ensuring good corporate governance. At the heart of the corporate governance debate is the view that the board of directors is the guardian of shareholders' interest (Dalton *et al,* 1998). Boards are being criticized for failing to meet their governance responsibilities. Major institutional investors put pressure on (incompetent) directors and have long advocated changes in the board structure (Monks and Minow, 2001). Denis and McConnell (2003) contend that the board which in most cases is charged with representing the interests of shareholders exists to hire, monitor, compensate and fire management is in theory an effective corporate governance mechanism. In practice however its functions are unclear because in most cases the board includes the very same members of management which the board is trying to monitor and in some cases they Chair the board. Hopt and Leyens (2004) contend that there is growing tendency in Europe and the world over to separate the positions of CEO and chairman of the board. Section 2.1.1 of the combined code in the UK stipulates that there should be clear division of responsibility between the running of the board and the executive responsibility for running the company's business. In other words, the position of CEO and the chairman of the board should be separated. Section 4.5 of the revised SEC code emphasizes on the need for the board to be independent of management and moves further to stipulate that the chairman of the board should be a non-executive director. But is there strict enforcement of regulations? Several writers such as Vafeas and Theodorou (1998) and Brickley et al (1999) contend that there is limited evidence on whether such a separation results in better firm performance or in better decision making by firm.

Galai (2008) contends that the collapse of several major corporations such as Enron, WorldCom, Parmalat and Intercontinental bank plc all showed one problem, the failure in their corporate governance and raised the question about the role of the board. They point to the question of whether the board should represent solely the shareholders or the interest of debt holders and other stakeholders as well. According to Jensen and Meckling (1976), supports the separation between ownership and control lead managers (agents) to act in an opportunistic manner by increasing their personal wealth at the expense of the owners (principals) of the organization. Based on this premise, Zingales (1998) suggests an increase in external monitoring in the form of independent or outside directors as this may positively influence the quality of director's deliberations and decision making.

In tackling this problem, section 4.4 of the SEC code insists that the board shall be composed of a majority of non-executive directors and at least one independent director. Ogbechie and Koufopoulus (2010) discovered in their research on corporate governance in Nigerian banks that no banks in Nigeria had the CEO doubling as Chairman of the board. Since 2003, the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation (NASDAQ) have made it mandatory that a majority of a listed firm's directors should be independent with no material relationship with the firm Kaufman and Englander (2005). Section A.3 of the revised combined code in the United Kingdom (UK) and the French revised principles of corporate governance of 2003; strengthen the presence of independent directors on one tier boards in Europe Hopt and Leyens (2004).

Stock Compensation Schemes

According to Holmstram and Kaplan (2003) the last two decades have brought about evolution in corporate governance in the US which includes the dramatic increase in equity based pay in the form of stock compensation schemes. Although these changes played a role in the highly productive restructuring of US corporations, they also come with unfortunate side effects which created incentives for short sighted and illegal managerial behavior that has attracted a lot of criticism. Holmstram and

Kaplan (2003) believe that the costs from these incentives have outweighed the benefits. The option based compensation for CEOs of large US companies has substantially increased in the last two decades. A study conducted by Hall and Liebman (1998) concluded that the average annual CEO compensation increased sevenfold and as a result, equity-based compensation in 1994 made up almost 50% of total CEO compensation. These increases in executive compensation have caused a lot of controversy. The recent scandals (example Enron, WorldCom, Intercontinental bank plc) have led some observers to argue that the increases represent an unmerited transfer of shareholders wealth to top executives Holmstran and Kaplan (2003). Sidac (2003) is of the opinion that when CEOs are paid with stock options, incentives are created for short term manipulations and accounting gamesmanship. This is supported in a study by Denis et al (2005), where they find a significant positive relationship between a firm's compensation and fraud allegations leveled against the firm. However, Section B.1.1. Of the revised combined code states that a significant portion of the total remuneration package of executive directors should be formed by performance- related elements. Section 14.4 of the revised 2008 SEC code approves the use of share options as part of executive remuneration with the board ensuring that they are not priced at a discount except with the authorization of SEC.

It is reasonable to presume that ownership by a company's management can serve to better align managers interests with those of the shareholders. Dennis and McConnell (2003) suggest that higher equity ownership can provide managers with greater freedom to pursue their own objectives without the fear of reprisal. They move further to point out that the problem in a typical US corporation with its widely dispersed share ownership, is that, shareholders own very small fractions of an individual firms shares and therefore have little or no incentives to expand resources to monitor managers or to influence decision making within the firm.

External Mechanisms

Codes and Legal Framework

In terms of the external mechanisms, La Porta et al (2000 in Denis and McConnell 2003) hypothesize that the legal system is a fundamentally important corporate governance mechanism. They argue that the extent to which a country's laws protect investor rights and the extent to which those laws are enforced are the most basic determinants of the extent to which corporate governance evolves in that country.

In response to corporate failures in the US and the UK, several codes and laws have been put in place examples being firstly, the Sarbanes-Oxley act of 2002 in response to the Enron and WorldCom scandals. Brickey (2003) believes that the Sarbanes-oxley act will not be the last word on corporate governance because there are no solutions to a culture of mismanagement, conflict of interest, deceit and the failure of professional and regulatory oversight but it is a constructive step in the right direction. However, Romano (2004) is of the view that the Sarbanes-oxley act was enacted as an emergency legislation amidst a falling stock market and media frenzy over corporate scandals and as such the corporate governance mandates adopted by congress in response to corporate governance scandals where seriously misconceived as they will not improve the audit quality.

The development of corporate governance codes in the UK started with the Cadbury report in 1992 which was based on comply or explain principle which meant that compliance was not mandatory. Several other codes such as the Greenbury report 1995, Hample 1998 combined code, Turnbull report 1999, Smith report 2003, Higgs 2003 combined code, the 2006 combined code and the 2008 combined code are all based on the comply and explain principle. According to MacNeil and Li (2005) compliance is a substantial problem because less than half of the companies in the UK are fully compliant with the code. According to PIRC (2007) the combined code has contributed to boards becoming more professional and deliberative bodies. 33% of companies examined by PIRC in 2006 claimed full compliance for example the percentage of companies with an executive chairman dropped to 11.6% in 2005. PIRC (2005) strongly believes that the introduction of the code has overtime led to a push in the direction of governance structures and approaches it recommends.

Nigeria has a number of corporate governance codes which include, SEC code of corporate governance 2003 addressed to public companies listed in the Nigeria Stock Exchange (NSE); CBN Code 2006 for banks established under the provision of the bank and other financial institution ACT (BOFIA); National Insurance Commission (NAICOM) Code 2009, directed at all insurance, reinsurance, broking and loss adjusting companies in Nigeria; Pension Commission (PENCOM) Code 2008, for all licensed pension operators. However, the recent failure rots and crises in the banking industry in Nigeria clearly revealed the degree of inadequate and failed practice of corporate governance in the general realm of Business Corporation. Idornigie (2010) traces these failures to the multiplicity of the codes with distinctive dissimilarities. Although all the Nigerian codes contain the key elements of corporate governance, there are disparities in the content of their provisions and enforcement mechanisms.

External Auditors

In looking at corporate governance mechanisms, the role of external auditors cannot be overlooked. Hopt and Leyens (2004) suggest that good corporate governance depends on a balanced interplay between the distinct internal and external control devices such as efficient internal control of management and auditing. Section C.3.1 of the revised combined code in the UK recommends that the board should establish audit committees of at least three members or two members for small companies who should all be independent non-executive directors. The combined code goes further to stipulate that the group wide supervision of financial, operational and compliance controls and risk management effectiveness should be reviewed at least annually and the results should be reported to the shareholders. It further reviews the relationship between the company and the auditors.

In Nigeria, every public company is required under Section 359 (3) and (4) of the CAMA to establish an audit committee. It is the responsibility of the Board to ensure that the committee is constituted in the manner stipulated and is able to effectively discharge its statutory duties and responsibilities. At least one board member of the committee should be financially literate.

Corporate Governance Failures

According to Sanusi (2010), a good system of corporate governance ensures that directors and managers of enterprises carry out their duties within a framework of accountability and transparency. Vinod (2002), offered several reasons why Enron went bankrupt among which include firstly, Enron used many tricks to hide its debt for a long time using five thousand mysterious partnerships. Secondly, Enron was registering a $618 million third quarter loss on October 16, 2001 while in actual fact the value of the company declined by $1.2 billion. Thirdly Enron's auditors Aurthur Andersen signed off on deceptive earnings reports. Mark Zajac, a risk analyst at Andersen sent an email on 9 October, 2001 that there was risk of financial statement fraud at Enron and yet Aurthur Andersen did not act. Lastly, the Enron board should have known of the massive fraud and losses however, the outside or independent directors where well paid. Enron for Example gave $600,000 to the University of Texas Andersen cancer centre in Houston where John mendesohn and Charles A. Lemaistre who are both independent directors of Enron are current and past presidents respectively. This meant that outside directors failed to be skeptical about management actions.

According to Brickly (2003), WorldCom also experienced a massive accounting fraud. Authur Andersen was also an auditor of WorldCom. In 2001 billions of dollars in ordinary reporting costs had been improperly recorded as capital expenditures thus reporting a $662 million loss as a $2.4 billion profit. According to Sidac (2003), WorldCom reported on its consolidated statement of operations contained in its 2001 form 10-k that its line costs for 2001 totaled $14.739 billion and its earnings before tax and minority interest totaled $2.93 billion whereas the truth was that, WorldCom's line cost was approximately $17.794 billion and it suffered a loss of approximately $662 million. The CEO Mr. Ebbers owed the company more than $400 million in personal loans having long term interest rate of 2.18 to 2.21%. This loans where collaterised with his shareholding.

SEC (2003) described the Parmalat scandal as “one of the largest and most brazen corporate financial frauds in history”. According to

Ferrarini and Gindici (2005), firstly the controlling shareholder exploited the company rather than monitoring the shareholders. Secondly Deloith Touche Tohmatsu and Grant Thornton both auditors failed to detect the frauds. In addition, the largest shareholder Mr Tanzi used parmalat's finances to settle his personal debt. Consob the Italian markets watchdog only started investigation after the market had signaled in late 2002 and early 2003 that something was wrong. Parmalat's records where false; documents where forged claiming bank accounts that did not exist. An example was the \$3.95 billion of Parmalat group cash which was supposedly deposited in the Bank of America which did not exist. Lastly, Parmalat hid losses, overstated assets and recorded nonexistent assets, understated its debt and diverted company cash to Tanzi family members SEC (2003).

In the UK, the Barings bankruptcy in 1995 where Mr. Nicholas Leeson who was the chief derivatives trader of Barings bank in Singapore whose activities caused the eventual collapse of Barings bank. According to Brown and Steenbeek (2000) Leeson's trading activates involved the futures on the Japanese Nikkei 225 stock index, futures on 10 year Japanese Government bonds and Euro yen futures where these products where traded simultaneously. He was taking speculative positions financing SIMEX margin requirements by selling options and borrowing huge amounts of money from Barings head office in London. By the end of February 1995, the losses had become too large and Barings bank went bankrupt.

Wilson (2006) submits that corporate governance in Nigeria is at a rudimentary stage and only 40% of companies (banks inclusive) quoted on the Nigerian Stock Exchange have recognized codes of corporate governance in place. Poor corporate governance was one of the major factors in virtually all known instances of distress experienced by the country's financial institutions according to Sanusi (2003).

The recent gross financial misconduct committed by the former managing directors of the Union Bank of Nigeria Plc., Oceanic Bank of Nigeria Plc., and the Intercontinental Bank of Nigeria Plc is a testimony to failed corporate governance mechanisms in Nigeria. As these banks grew in size and complexity, bank boards often did not fulfill their function and were lulled into a sense of well-being by the apparent year-over- year growth in assets and profits. In hindsight, boards and executive management in some major banks were not equipped to run their institutions. The bank chairman/CEO often had an overbearing influence on the board, and some boards lacked independence; directors often failed to make meaningful contributions to safeguard the growth and development of the bank and had weak ethical standards; the board committees were also often ineffective or dormant. Governance malpractices within banks, unchecked at consolidation, became a way of life in large parts of the sector, enriching a few at the expense of many depositors and investors. Corporate governance in many Nigerian banks failed because boards ignored these practices for reasons including being misled by executive management, participating themselves in obtaining unsecured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management. In addition, the audit process at all banks appeared not to have taken fully into account the rapid deterioration of the economy and hence of the need for aggressive provisioning against risky assets. CEOs set up Special Purpose Vehicles to lend money to themselves for stock price manipulation or the purchase of estates all over the world. One bank borrowed money and purchased private jets which the CBN later discovered were registered in the name of the CEO's son. In another bank the management set up 100 fake companies for the purpose of perpetrating fraud. A lot of the capital supposedly raised by these so called "mega banks" was fake capital financed from depositors' funds. 30% of the share capital of Intercontinental bank was purchased with customer deposits. Afribank used depositors' funds to purchase 80% of its IPO. It paid N25 per share when the shares were trading at N11 on the NSE and these shares later collapsed to under N3. The CEO of Oceanic bank controlled over 35% of the bank through SPVs borrowing customer deposits. The collapse of the capital market wiped out these customer deposits amounting to hundreds of billions of naira. The Central Bank had a process of capital verification at the beginning of consolidation to avoid bubble capital.

Erastus Akingbola who was the managing director of Intercontinental Bank plc whose shareholder equity was worth about US$ 1.7 billion got a judgment against him from Justice Michael Burton of a London court. Justice Burton stated that, Akingbola commenced the strategy to increase the bank's share price and in order to benefit from it, he had borrowed N9.3 billion and used it to acquire a large quantity of the bank's shares for himself. He disclosed that Akingbola's strategy to buy the shares of the defunct Intercontinental Bank was a "substantial contributing factor to the collapse of the bank". The judge held that at a time when the bank was undergoing significant liquidity strain, the former bank boss misappropriated N16 billion of the bank's money and paid it to his family-owned companies.

The money, according to the judge, was used to repay those companies' debts to their bankers. The judge noted that Akingbola paid £8.5 million out of the money he had fraudulently taken out of the defunct bank to his English solicitors to buy luxury property in London. In 2011, the same judge had ordered Akingbola to pay £130,000 to Intercontinental Bank by way of interim payment. The court further mandated Akingbola to pay £750,000 by 4 pm on May 3, 2011 and another £5.5 million by 4 pm on October 1, 2011 into the Court Funds Office. The court-ordered sums, according to Justice Burton, were to remain in the Court Funds Office until a further order was made. The court also ruled that if Akingbola should default in paying the sums, there would be a final judgment for him to pay Intercontinental Bank a total sum of £68,110, 936 with interest to be assessed.

Conclusion

In conclusion, evidence seems to suggest that there have been some deficiencies in corporate governance over the years. Firstly, the boards have failed in their supervisory role as evidenced in the corporate governance failures that have consumed some large companies in the US, Europe and Nigeria namely, Parmalat, Enron, WorldCom and Barings Bank just to name a few. These failures have shown the weakness of the board in the supervision of the management.

This research strongly supports the representation of all stakeholders especially the debt holders on the board to further strengthen the ability of the board to supervise management. The research strongly supports the separation of the role of CEO and chairman of the board so as to effectively supervise management.

Secondly, even though the options based compensation scheme seems to align the interests of management to that of the shareholders, care should be taken to ensure that they do not reach a magnitude where managers become powerful to the extent that their interests shift away from those of the shareholders when they use their powerful positions to manipulate financial records to maximize their personal wealth. The essay recommends that there should be restrictions in the form of laws or codes to limit the amount of stock options executive directors will receive so as not to offer incentives for them to commit fraud against the interest of stakeholders.

In addition, the failures of audit firms in the case of failed companies can be traced to their greed, conflict of interests, deceit and outright corruption. The enactment of laws such as the Sarbanes Oxley act is a welcomed development where stiff penalties which will include, jail terms will serve as a deterrent to audit firms who contravene them. In the UK and Nigeria the provisions in the combined code with respect to auditing of financial report is not enough. This study suggests that laws which include strong penalties should be enacted to regulate audit practice in the UK and Nigeria because good corporate governance relies on efficient and honest audit practice.

Lastly, evidence suggests that corporate governance in the general sense has not failed although high profile corporate governance failures have been few and far in between. A lot of companies all over the world have adopted corporate governance principles all over the world including the US and UK and Nigeria have been successful. As no system is perfect, there will always be loopholes that will be exploited but a swift response by regulatory organs to close those loopholes. Even though the combined code is based on comply or explain principle, it has set the framework for corporate governance in the UK in the last ten years and has contributed to boards becoming more professional. In the light of the recent financial crisis in the global markets, the current corporate governance framework will support the recovery of the markets. The current corporate governance debate is reactive because of some recent corporate governance failures. Corporate governance in general has been responsible for the growth of companies globally and as such has contributed to growth and success of global economies.

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The Impact of Foreign Direct Investment on Nigeria Economic Development: A Time Series Analysis from 2006-2014

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Abstract

This study investigates the impact of foreign direct investment on Nigeria economy. Ex-post facto research design was adopted in the investigation. Time series data used for the study was collected from the CBN annual statistical bulletin from the period 2006-2014. The study employs the use of descriptive statistics and Ordinary Least Square (OLS) regression method in the analysis of data. Data analysis was done with the aid of e-view, version 9. Findings from the study revealed a significant positive relationship between Foreign Direct Investment (FDI) and the Gross Domestic Product (GDP). The result of the causality analysis also revealed a unidirectional causal effect running from GDP to FDI. The study found that FDI did not Granger cause GDP; rather, GDP Granger caused FDI during the period under study. The study recommends amongst others the need for the government to design policies and programs that will encourage foreign investors to invest in Nigeria so as to stimulate economic growth.

Introduction

Foreign Direct Investment (FDI) prior to the 1970s,was not seen as an instrument of economic development. The perception of FDI as parasitic and retarding the development of domestic industries for export promotion had engendered hostility to multi-national companies and their direct investments in many countries. However, the consensus now is that FDI is an engine of growth as it provides the much needed capital for investment, increases competition in the host country industries and aids local firms to become more productive by adopting more efficient technologies or by investing in human and/or physical capital (Okon, Augustine and Chuku, 2012). Foreign direct investments contribute to growth in a substantial manner because it is more stable than other forms of capital flows (Ajayi, 2006).

While the FDI-growth linkage is still ambiguous, most macroeconomic studies nevertheless support the notion of a positive role of FDI within particular economic conditions. There are three main channels through which FDI can bring about economic growth. The first is through the release it affords from the binding constraint of domestic savings. In this case, foreign direct investment augments domestic savings in the process of capital accumulation. Second, FDI is the main conduit through which technology spillovers lead to an increase in factor productivity and efficiency in the utilization of resources, which leads to growth. Third, FDI leads to increase in exports as a result of increased capacity and competitiveness in domestic production. This linkage is often said to depend on another factor, called "absorptive capacity", which includes the level of human capital development, type of trade regimes and degree of openness (Borensztein, De Gregorio & Lee, 1998 and Ajayi, 2006).

The postulation made in this study is that FDI facilitates economic growth on the one hand and on the other hand, economic growth attracts foreign direct investments into Nigeria. In other words, FDI and economic growth are both endogenously determined in Nigeria. Consequently, this study seeks to analyse the endogenous nature of the effects of FDI on economic growth in Nigeria.

Literature Review

Concept of Foreign Direct Investment (FDI)

As FDI is the central theme in this study, it is pertinent to examine its meaning and the trends over time. Foreign Direct Investment (FDI) has continued to be relevant in both the economic and political scenes. It is regarded as an instrument of international economic integration (UNCTAD-WIR, 2008). Over time, the growth of world FDI flows has well exceeded that of world gross domestic product (GDP), exports and domestic investment (UNCTAD, 2008). Despite the growing relevance of FDI, its meaning still remains unclear to many scholars. A common misconception is that foreign direct investment (FDI) in a country is merely the investment that emanates from a foreign country. Thus FDI is erroneously assumed to measure all cross-border investment. But the definition ofFDI is narrower than that of cross border investment, as the later comprises both foreign direct investment and foreign portfolio investment. As a result of this mismatch, it is worthwhile to ask the fundamental question: What is FDI

OECD Benchmark definition of foreign direct investment (fourth edition) defines direct investment as "a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor". The ownership of at least 10% of the equity or voting power by the direct investor is a necessary condition for an investment to be qualified as a direct investment (OECD, 2008).

This definition encapsulates the following salient issues. The first is "a category of cross-border investment". This implies that FDI is one of other categories of cross-border investment such as portfolio investment. The second is "made by a resident in one economy (direct enterprise)".This means that direct investor must be an enterprise whose parent or head office is in a foreign country. For example, General Motors Corporation has its parent office in the United States of America. The third phrase is "with the objective of". The purpose or motivation of the investment is essential in distinguishing direct investment from other categories of investment. The objectives of the direct investor should be clearly stated. The disclosure of its objectives is the necessary information required to enable the categorization of the activity of the direct enterprise. The fourth phase is the most crucial one: "establishing a lasting interest in an enterprise (direct investment enterprise)". The "lasting interest" implies that for the investment to be characterised as 'direct', the direct investor must possess a significant degree of influence or control in the management of the enterprise. The evidence of this lasting interest is shown by the ownership of at least 10% of the equity or voting power of the enterprise. And lastly, "that is resident in an economy other than that of the direct investor". This implies that the residence of the direct investment enterprise must be different from that of the direct investor.

Concept of Economic Development

Jhingan (1997)views economic development as relating to "a quantitative sustainable increase in the country's per capita output, accompanied by expansion on its labour force, consumption, capital stock and volume of trade". Economic development is a normative concept i.e. it applies in the context of people's sense of morality (right and wrong, good and bad). The definition of economic development given by Todaro, (1985) is an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice. The most accurate method of measuring development is the Human Development Index which takes into account the literacy rates & life expectancy which affects productivity and could lead to Economic Growth. It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. It implies an increase in the per capita income of every citizen (Todaro, 1985).

Effect of Foreign Direct Investment on Economic Development

Foreign Direct Investment (FDI) usually in form of Greenfield investment, mergers and acquisitions, or other cooperative agreements, has been a major source of skills, equipment, productivity and economic growth, majorly from developed countries to developing countries; this is based on the notion that domestic firms in developing countries benefit from the FDI externalities through improved productivity, employment, exports and international integration (Costa and De Queiroz, 2002; Lall, 1997).

In supporting favourable disposition of countries toward encouraging FDI, advocates of free market economy claim that, MNEs generate Spill over which benefit the host economy, which is usually reflected in improved productivity, know-how, and other benefits (Fosfuri *et al.,* 2001). The theory of the effect of trade policy regime on FDI, trade and growth in a given host country was first presented by Bhagwati (1978) as an extension to his theory of immiserizing growth and further developed by Bhagwati (1985 and 1994) Brecherand Diaz-Alejandro (1977) Brecher and Findlay (1983) known as the "Bhagwati hypothesis", it postulates that FDI inflows coming into a country in the context of a restrictive, import-substitution (IS) regime can retard, rather than promote growth; this is because in an IS regime, FDI mostly take place in sectors where the host developing country does not have comparative advantage, hence, FDI becomes an avenue for foreign companies to maintain their market share and to reap the extra profit, the economic rent, created by the highly protected domestic market.

On the other hand, under the export promotion (EP) regime, the main incentives for FDI in a given host country are the relatively low labor cost and/or the availability of raw materials; this allows the foreign investors to operate in an environment that is relatively free from distortions and to increase production of internationally competitive and export oriented product lines; in addition, since the production of firms in an EP regime is not limited by the size of the domestic market, there is increased potential for foreign companies to reap economies of scale through international market penetration (Edwards, 1998; Kohpaiboon, 2002).

It is imperative to know that, despite the unique advantages of FDI, local policies of the host country, especially in developing nations, often makes pure Foreign Direct Investment infeasible, so foreign firms choose licensing or joint ventures (Saggi, 2002).

Empirical Studies

A number of studies have been conducted on the relationship between FDI and the economic development. Some of these studies are reviewed in this section

Adelegan (2000) explored the seemingly unrelated regression model to examine the impact of Foreign Direct Investment (FDI) on economic growth in Nigeria and found out that Foreign Direct Investment (FDI) is pro-consumption and pro-import and negatively related to gross domestic investment.

In a related Akinlo (2004) explored the impact of foreign direct investment (FDI) on economic growth in Nigeria, for the period 1970–2001, the ECM results showed an insignificant impacts of both private capital and lagged foreign capital on the economic growth; the results seem to support the argument that extractive FDI might not be growth enhancing as much as manufacturing FDI. In addition, the output of this extensive research, showed that export has a positive and statistically significant effect on growth, while financial development, measured as M2/GDP ratio, has significant negative effect on growth, which might be due to high capital flight it generates; finally, the research observed that labour force and human capital have significant positive effect on growth, hence, a suggestion for labour force expansion and education policy to raise the stock of human capital in the country.

Ibrahim and Onokosi (2008) using co-integration techniques, examines the determinants of Foreign Direct Investment (FDI) in Nigeria during 1970 – 2006, the results observed that the major determinants of FDI were market size, real exchange rate and political factor; furthermore, by performing simulations using impulse response and variance decomposition analysis, the result advised against uncontrolled trade liberalization.

Okon, Augustine and Chuku, (2012) empirically investigate the relationship between foreign direct investment and economic growth in Nigeria between 1970 and 2008. The study makes the proposition that there is endogeniety i.e., bi-directional relationship between FDI and economic growth in Nigeria. Single and simultaneous equation systems are employed to examine if there is any sort of feed-back relationship between FDI and economic growth in Nigeria. The results obtained show that FDI and economic growth are jointly determined in Nigeria and there is positive feedback from FDI to growth and from growth to FDI.

Olokoyo, (2012) examined the effects of Foreign Direct Investment (FDI) on the development of Nigerian economy. The study employed the use of Ordinary Least Square (OLS) regression technique to test the time series data from 1970 – 2007. The Cochrane-Orcutt iterative method was also used to correct for autocorrelation. The model used hypothesizes that there is a functional relationship between the economy development of Nigeria using the real gross domestic product (RGDP) and Foreign Direct Investment. The regression analysis results evidently do not provide much support for the view of a robust link between FDI and economic growth in Nigeria. Though the result does not imply that FDI is unimportant, the model analysis reduces the confidence in the belief that FDI has exerted an independent growth effect in Nigeria.

Ugwuegbe, Okoreand Onoh, (2013) investigates the empirical relationship between Foreign Direct Investment and economic growth in Nigeria. The work covered a period of 1981-2009 using an annual data from Central Bank of Nigeria statistical bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The study also added Gross Fixed Capital Formation (GFCF) with a view to capture the effect of domestic investment on the growth of the economy for the period under review. Interest Rate and exchange rate were also added as control variables in the model. Granger causality test was also employed to determine the direction of causality between FDI and economic growth in Nigeria. The result of the OLS techniques indicates that FDI has a positive and insignificant impact on the growth of Nigerian economy for the period under study. GFCF which was used as a proxy for domestic investment has a positive and significant impact on economic growth. Interest rate was found to be positive and insignificant while exchange rate positively and significantly affects the growth of Nigeria economy.

Imoughele & Ismaila (2014) investigates the impact of components of inflow of FDI on the Nigerian economy for the period which spanned between 1986 and 2009. The objectives of the study lie in the separation of the impact of FDI on economic growth in terms of sector and sub sectors of the Nigerian economy. The trend analysis reveals that FDI inflow to the Nigerian economy is dominated by foreign investor from Western Europe which is highly concentrated on the manufacturing sector. The study used co-integration and Error Correction Mechanism (ECM) to determine the relationship between FDI, its components and economic growth. The study found that continuous inflow of foreign direct investment in mining and quarrying, telecommunication, building and construction, trading and business and agricultural sectors have a robust impact on Nigeria's economics growth.

Methodology

The explanatory type of study with a quantitative approach is employed to analyses the collected data. The research design used in this study is the descriptive design. Secondary data used for the study was extracted from the CBN annual statistical bulletin from the period 1980-2014. Also, relevant literature on foreign direct investment and economic growth were extracted from periodicals and journal articles as can be seen from the review of related literature in chapter two. Descriptive statistics will be used to summarize the collected data and the OLS multiple regression was further used to determine the effect of the independent variable on the dependent variable. The econometric view (E-view) version 9 will be used for this analysis.

Model Specifications

The econometric model adopted for this analysis is formulated as follow:

$RGDP = f(FDI, EXP, EXR, INF, IRS)$

This equation can be transformed into a multiple linear function thus:

$LnRGDP = \alpha + \beta_1 LnDFI + \beta_2 LnEXP + \beta_3 LnEXR + \beta_4 LnINF + \beta_5 LnIRS + U$ -(1)

Theoretically, the coefficients of all equations are expected to take positive signs of +1>0 (A priori Expectation). i.e.

$\beta_1 > 0, \beta_2 > 0$------$\beta_5 > 0$

Where:

RGDP = Real Gross Domestic Product for host country
FDI = Foreign Direct Investment
EXP = Export Earnings
EXR = Exchange rate
INF = Inflation rate
IRS = Interest rate
u = Error term
α = Intercept
$\beta_1 - \beta_3$ = Coefficients of the independent variables.

Note: All variables are in their logarithm form.

Decision rule

This study shall accept and reject the null and alternative hypotheses using the following set criteria.

* Accept the null hypothesis if the critical value of t under 0.05 for a two tail test in the t-table is greater than the calculated value.
* Reject the null hypothesis if the critical value of t under 0.05 for a two tail test in the t- table is less than the calculated value.

Data Presentation and Analysis

Descriptive Statistics of Data Series

In a bid to carry out this study, various descriptive statistics of the data used were initially examined. The descriptive statistics of data series gives information about simple statistics such as mean, median, minimum value, maximum value and the distribution of the sample measured by skewness, kurtosis and theJaque-Bera statistic. Table 4.1 reports the descriptive statistics of data employed in this study. It is worthy of note that all data series used for econometric investigation ranged from 2006 to 2014. Data in respect to real gross domestic product (RGDP), foreign direct investment (FDI), export earnings (EXP) have been transformed into their natural logarithmic form before been applied for analysis. This was done to improve the linearity of the econometric model.

Table 4.1: Descriptive Statistics

	LNRGDP	LNFDI	LNEXP	EXR	INFR	IRS
Mean	4.623216	3.587276	4.865336	2672314.	144.3838	8.154444
Median	4.737290	3.702517	4.004154	10096.10	150.2980	8.100000
Maximum	4.949603	4.011101	6.980864	9568949.	158.5526	12.85000
Minimum	4.268685	2.795532	3.651380	4481.050	118.5669	4.700000
Std. Dev.	0.276731	0.395989	1.531526	4057848.	15.58468	2.796749
Skewness	-0.143513	-0.900529	0.685021	0.804587	-0.668123	0.480383
Kurtosis	1.254627	2.727021	1.504216	1.787904	1.743626	2.068162
Jarque-Bera	1.173267	1.244374	1.542893	1.521981	1.261511	0.671772
Probability	0.556197	0.536769	0.462344	0.467203	0.532189	0.714704
Sum	41.60894	32.28548	43.78803	24050824	1299.455	73.39000
Sum Sq. Dev.	0.612641	1.254457	18.76459	1.32E+14	1943.059	62.57442
Observations	9	9	9	9	9	9

Source: Author's Computation Using E-view, Version 9.

Table 4.1 shows that all the series display a high level of consistency as their mean and median values are perpetually within the maximum and minimum values of these series. Besides, the standard deviation revealed that actual data in the series are not really different from their mean value. The skewness and kurtosis statistics provide useful information about the symmetry of the probability distribution of various data series as well as the thickness of the tails of these distributions respectively. These two statistics are particularly of great importance since they are of use in the computation of Jarque-Bera statistic, which is used in testing for the normality or asymptotic property of a particular series.

As a basic assumption usually made in econometric modeling, testing for the normality or asymptotic property of data series becomes necessary since most probability distribution and other test statistics, such as t, F and x^2 are based on this assumption. From Table 4.1, all data are normally distributed at either 1% or 5% level of significance. The normality assumption is further buttressed by the nearness of the mean and median values for these series. The closer the mean and median values of a data series, the greater the probability that such series will be normally distributed.

Unit Root Test

It is not unusual to discover that most time-series variables are non-stationary in their levels and that several of these variables are therefore, represented in their first difference. These time-series are therefore said to be integrated of order one and are denoted by I(1). The level of some variables can be so large or small that they not revert to their mean as expected, hence the need for stationarity test which is also known as unit root test. In view of the fact that the stationarity of a time series affects the consistency of the estimates of the error correction model, it becomes necessary to examine the order of integration of data employed in this study. In testing for the stationarity of variables, the Augmented Dickey-Fuller unit root test was adopted. The Augmented Dickey-Fuller test adopted lag 1.

A satisfactory result is obtained using ADF test of stationarity at 1%, 5% 10% critical value. Real gross domestic product (RGDP), foreign direct investment (FDI), export earnings (EXP), exchange rate (EXR), inflation rate (INFR) and interest rate (IRS)are found to be non-stationary at level 1.

Table 4.2: Summary Result of ADF Test

Variables	ADF Test	Mackinnon 1% Critical Values	Mackinnon 5% Critical Values	Mackinnon 10 % Critical Values	Order of stationarity	Remark
RGDP	-0.643709	-4.582648	-3.320969	-2.801384	I(1)	Non-stationary
FDI	-9.038363	-4.582648	-3.320969	-2.801384	I(1)	Non-stationary
EXP	-1.287284	-4.582648	-3.320969	-2.801384	I(1)	Non-stationary
EXR	-1.487797	-4.582648	-3.320969	-2.801384	I(1)	Non-stationary
INFR	-1.014464	-4.582648	-3.320969	-2.801384	I(1)	Non-stationary
IRS	-1.817390	-4.582648	-3.320969	-2.801384	I(1)	Non-stationary

Source: Researcher's Computation Using E-view, Version 9.

The table above shows that the ADF test statistics for the entire variable are less than the critical values at 1%, 5% and 10% for all the variables. This implies that all the variables are non-stationary at level I (1).

Table 4.3: Ordinary Least Square (OLS) Result.

Dependent Variable: LNRGDP
Method: Least Squares
Date: 11/20/15 Time: 10:32
Sample: 2006 2014
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNFDI	0.468030	0.134906	3.469316	0.0404
LNEXP	-0.004763	0.130211	-0.036576	0.9731
EXR	7.17E-08	3.55E-08	2.018472	0.1369
INFR	0.021053	0.006687	3.148182	0.0513
IRS	-0.027101	0.007693	-3.522715	0.0388
C	-0.042825	1.623307	-0.026381	0.9806

R-squared	0.986802	Mean dependent var	4.623216
Adjusted R-squared	0.964805	S.D. dependent var	0.276731
S.E. of regression	0.051916	Akaike info criterion	-2.843675
Sum squared resid	0.008086	Schwarz criterion	-2.712192
Log likelihood	18.79654	Hannan-Quinn criter.	-3.127415
F-statistic	44.86117	Durbin-Watson stat	2.572894
Prob(F-statistic)	0.005087		

Source: Author's Computation Using E-view, Version 9.

Estimated Model

LNRGDP = -0.042825 + 0.468030LNFDI - 0.004763LNEXP + 7.17E-08EXR + 0.021053INFR- 0.027101IRS

The regression line as shown in the result above reveals an intercept of -0.042825. This simply implies that when all the other variables are not considered, there will be a significant decline in the GDP by 1,212,045.467 occasioned by factors not incorporated in this study.

The estimated model shows that foreign direct investment (FDI) positively impacts the real gross domestic product (RGDP) of Nigeria. A unit increase in foreign direct investment (FDI) will lead to 0.468030 units increase in the real gross domestic product.

The model also reveals a negative relationship between export earnings (EXP) and real gross domestic products. A unit decrease in export earnings (EXP) leads to a -0.004763 unit decrease in real gross domestic product. Whereas, exchange rate (EXR) reveals a positive relationship with real gross domestic product. A unit increase in exchange rate (EXR) leads to a 7.17E-08 unit increase in real gross domestic product. Inflation rate (INFR) going by the result shows a positive relationship with the real gross domestic product. A unit increase in Inflation rate (INFR) leads to 0.021053% increase in the real gross domestic product.

Finally, interest rate (IRS) reveals a negative relationship with the real gross domestic product. While a unit decreases in interest rate (IRS) leads to approximately -0.027101unit decrease in real gross domestic product.

On the ground of apriori expectation, the positive relationship between the slope coefficient of FDI (b_1), slope coefficient of EXR (b_3) and the slope coefficient of INFR (b_4) goes in line with apriori expectation while the intercept (b_0), the slope coefficient of EXP (b_2) and the slope coefficient of IRS (b_5) has an inverse relationship with real gross domestic product which defiles the apriori expectation.

The implication is that, foreign direct investment, exchange rate and inflation rate positively influence the economic growth of Nigeria whereas export earnings and interest rate negatively impacts on Nigerian economic growth proxied by gross domestic product.

The coefficient of determination (R^2) is estimated at 0.986802. This suggest that 98.7% of the variation in GDP can be explained by the explanatory variable (FDI, EXP, EXR, INFR and IRS) while the remaining 2% can be explained by other variables not included in the model.

Our indicator of generalizability is the adjusted R Square value, which is adjusted for the number of variables included in the regression equation. This is used to estimate the expected shrinkage in R Square that would not generalize to the population because our solution is over-fitted to the data set by including too many independent variables (Gujarati &Sangeetha, 2007).If the adjusted R Square value is much lower than the R Square value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizability.For the problem we are analyzing, R Square = 0.987 or 98.7% and the Adjusted R Square = 0.965 or 96.5. These values are very close, thus anticipating minimal shrinkage based on this indicator (Gujarati &Sangeetha, 2007).

Lastly, the F-statistics is estimated at 44.86117. This indicates that the predictor variable was as a whole contributing to the variation in the dependent variable and that there exist a statistically significant relationship at 0.005087 (see prob f-stat in table 4.3) between the gross domestic product and the set of predictor variables (FDI, EXP, EXR, INFR& IRS). This indicates that the overall equation is significant at 0.5% which is below the 5% generally acceptable level of significant in social sciences. This further indicates that the econometric model is fit at 5%.

The Durbin-Watson indicates that the assumption of independent error is tenable since for this data, the figure is 2.6 which is greater than two, showed that the model was not suffering from autocorrelation so there are no possibility of spurious regression (Durbin & Watson, 1951).

Granger Causality Test

Generally, since the future cannot predict the past, if variable X (Granger) causes variable Y, then changes in X should precede changes in Y. Therefore, in a regression of Y on other variables (including its own past values), if we include past or lagged values of X and it significantly improves the prediction of Y, then we can say that X (Granger) causes Y. A similar definition applies if Y (Granger) causes X.

The nature of causation between FDI and economic growth (GDP) is unclear. While some economic theorists believe that FDI causes GDP, others are of the opinion that GDP causes FDI. To test whether GDP causes FDI or FDI causes GDP in Nigeria, the data is used to run a Granger causality test to determine the direction of causation between the variables.

Tables 4.4: Results of Granger Causality Test for Lag 1 and 2

Pairwise Granger Causality Tests

Sample: 2006-2014

Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
LNFDI does not Granger Cause LNRGDP	8	4.32592	0.0921
LNRGDP does not Granger Cause LNFDI		2.12363	0.0248

Pairwise Granger Causality Tests
Sample: 2006 -2014
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
LNFDI does not Granger Cause LNRGDP	7	2.14960	0.3175
LNRGDP does not Granger Cause LNFDI		1.80806	0.3561

Source: Author's Computation Using E-view, Version 9.

The study examines the Pairwise Granger Causality Tests as presented above. The table shows the results in respect of Lag 1 and Lags: 2. The number of years the past behavior of the variables takes to impact significantly on the current period is indicated by the lags. One lags and two lags, are used respectively. This enables us to determine how past records of the variables for a short period of one year and a medium period of two years affect their current value.

This study relies on the test results in Lags: 1 (Table 4.4) to accept the null hypothesis that FDI does not cause economic growth. The results reveal that there is a unidirectional relationship between FDI Inflow and GDP. Based on Table 4.4, the F-value of 2.12363 is statistically significant at 1 percent level of probability. Consequently, the null hypothesis that GDP does not Granger cause FDI inflow is rejected. However, the hypothesis that FDI inflow does not Granger causes GDP is accepted as judged by the insignificant F-value of 4.32592. Hence, the Granger causality test confirms a unidirectional causality from GDP to FDI inflow.

The results in Table 4.4 further show that the direction of causation runs from GDP to FDI. The direction of causation that runs from GDP to FDI can be justified by the increase in the level of economic activities, increase in income levels (particularly between 1999 and 2003), stable government, economic reforms such as bank consolidation, improvement in Information and Communication Technology (ICT), removal of trade barriers and privatization and commercialization of public enterprises. All these attract FDI. The results in table 1above further show that the direction of causation does runs from neither GDP to FDI or FDI to GDP.

The direction of causation that runs from GDP to FDI can be justified by the increase in the level of economic activities, increase in income levels (particularly between 1999 to date), stable government, economic reforms such as bank consolidation, improvement in Information and Communication Technology (ICT), removal of trade barriers and privatization and commercialization of public enterprises. All these attract FDI.

The Granger causality test results confirm the consensus among economists that the country's growth rate would have a positive impact on FDI. The results also support Tambunlertchai (1994), Chete (1997), Garba (1997) and Saggi (2002) which indicate that the prospects that FDI will be profitable is brighter if the nation's economic health is better and the growth rate of GDP is higher. Thus, the growth of the economy, using GDP growth rate as a proxy exerts, positive effect on FDI.

Test of Hypotheses (T-Test statistics)

This test is used to test the significance of the relationship between variables. This is done at 5% level of significance at n-1 degree of freedom. This was done in line with the decision rule earlier stated in the study. This test is used to test the hypothesis which states that:

Ho_1: There is no significant relationship between foreign direction investment (FDI) and the economic growth of Nigeria.

In the results tables, FDI had a t-calculated value of 3.469316 (see table 4.3) and a correspondent significant probability statistics of 0.0404 which lies within the 5% level of significance. This leads to the rejection of the null hypothesis (H_{01}). The study therefore concludes that there is no significant relationship between foreign direction investment (FDI) and the economic growth of Nigeria.

Discussion and Interpretation of Findings

This study's first objective was concerned with examining the relationship between foreign direct investment and the gross domestic product of Nigeria. The study formulated a null hypothesis in line with this objective and was tested using the t-test statistics at 5% level of significance for a two tail test. Evidence from the study showed a positive relationship between FDI and GDP during the period under review. Though FDI exhibited a positive and significant relationship, the contribution of other FDI associates variables (EXP, EXR, INFR and IRS) to economic growth in Nigeria during the study period was not statistically significant. This was due to poor economic performance which made the domestic economy less competitive to attract FDI. Political instability, poor macroeconomic management, the threat of crime, violence and personal security problems throughout the Niger Delta oil-producing region also accounted for the decline in FDI inflow to Nigeria during the study period.

In order to ascertain the direction of the relationship, the granger causality test was performed. The Granger causality test indicated that FDI did not granger cause GDP; rather, GDP granger caused FDI. The causality analysis indicated a unidirectional causal effect running from GDP to FDI contrary to the a priori expectation. The study found that FDI did not Granger cause GDP; rather, GDP Granger caused FDI for the period 2006-2014. Thus, GDP stimulates FDI. The results contradicted our a priori expectation that there was a bi-directional relationship between FDI and GDP. The results in table 4.4 further showed that the direction of causation ran from GDP to FDI. This implied that the growth of the economy using GDP growth rate as a proxy exerted positive effect on FDI.

The direction of causation that runs from GDP to FDI can be justified by the increase in the level of economic activities, increase in income levels (particularly between 1999 and 2003), stable government, economic reforms such as bank consolidation, improvement in Information and Communication Technology (ICT), removal of trade barriers and privatization and commercialization of public enterprises. All these attract FDI. The results in table 1above further show that the direction of causation does runs from neither GDP to FDI or FDI to GDP.

The direction of causation that runs from GDP to FDI can be justified by the increase in the level of economic activities, increase in income levels (particularly between 1999 to date), stable government, economic reforms such as bank consolidation, improvement in Information and Communication Technology (ICT), removal of trade barriers and privatization and commercialization of public enterprises. All these attract FDI.

The Granger causality test results confirm the consensus among economists that the country's growth rate would have a positive impact on FDI. The results also support Tambunlertchai (1994), Chete (1997), Garba (1997) and Saggi (2002) which indicate that the prospects that FDI will be profitable is brighter if the nation's economic health is better and the growth rate of GDP is higher. Thus, the growth of the economy, using GDP growth rate as a proxy exerts, positive effect on FDI.

The findings of the study are consistent with works of Awolusi, (2012) who found a significant relationship between GDP and FDI using his vector correlation model. These findings are also consistent with the conclusion of some existing studies reported in the literature like the work of Borenztein et al. (1998) Oyaide (1977) Eke et al. (2003) and Egbo (2010) shows a significant relationship between FDI and economic growth. However to the contrary, Ugwuegbe, Okore and Onoh(2013) examined the impact of Foreign Direct Investment on the Nigerian Economy and found from the result of the OLS techniques that FDI has an insignificant impact on the growth of Nigerian economy for the period under study. The reason for the non-conformity with some study could be as a result of unfavoraurable macroeconomic environment in Nigeria, like the general price level, interest rate, exchange rate etc. It may also be as a result of the number of years covered by the study.

Conclusion and Recommendations

The results of this study show that there is a statistically significant relationship between economic growth (GDP) and FDI. Looking at this result, we conclude that Nigerian economic growth has been significantly propelled by the inflow of FDI into the Nigeria economy in the period under consideration. This has majorly been possible due to the potentials of Nigerian economy to provide higher return on investment as foreign investors prefer to invest in an area that promises higher returns on investment.However, the causality analysis indicated a unidirectional causal effect running from GDP to FDI contrary to the a priori expectation. The study found that FDI did not Granger cause GDP; rather, GDP Granger caused FDI for the period 2006-2014. Thus, GDP stimulates FDI. In line with the study findings, the following recommendations become imperative.

It is evident from this study that FDI impacts on economic growth of Nigeria. To this end, the government and the monetary authorities should design policies and programs that will encourage investors to invest in Nigeria. The problem of insecurity in this country should be addressed squarely by the government and other stakeholders if Nigeria will continue to compete favourably in the global financial market.

More so, there should be an investment friendly environment. Enhancing foreign investor legal protection, Streamlining procedures for business visas and entry of foreign workers, Reforming land policy and administration, Speeding up and deepening tax reforms, should be created by the government so as to increase the inflow of FDI in to the economy.

Finally, Policies that will bring about improvement in foreign direct investment and the balance of payments (BOP) in the economy should be encouraged.

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