Managing the Delays in Publishing Financial Reports of State Owned Enterprises and Parastatals in Cameroon

Francis A. Fuamenya
Faculty of Social and Management Sciences
P.O. Box 63, University of Buea, Cameroon
Tel: Mobile (237) 679787171
Email: fuamenyaf@yahoo.co.uk

Ochugudu, Achoda Ipuele. Ph.D
Department of Business Management,
Benue State University, Makurdi, Nigeria
Ochugudu74@gmail.com; +2347054397012

pp 1-8

Abstract

This study seeks to establish whether financial statements from organizations and notable parastatals in Cameroon were available on time, and if not, whether the delay was significant. Using the Normal Approximation rule, it was possible to establish or predict that parastatals delayed in releasing financial statements. The results may led to the conclusion that information provided by financial statements from Cameroonian parastatals was no longer relevant at the time it was available ; as such, decisions made on the basis of that information, may be misguiding with resultant disastrous implications on the economy and society. It was therefore recommended that, the government parastatals and other organisations should ensure timely release of relevant information for effective and efficient decision making.

Keywords: Financial reports, state owned enterprises, parastatals, Cameroon

Introduction

Financial statements contain information about the performance and prospects of an enterprise or organization. Through their publication, theses information are conveyed to present and potential investors, as well as to other interested parties. Generally, users of financial statements include stakeholders, investors, auditors, employees, customers, governments and general public etc. Among the uses of these information provided are facilitation of investment decision-making, assessment of the quantity, timing and risk on returns on investment; and the evaluation of economic resources of enterprises and results of operations of the enterprise (David, 2003).

Parastatals, basically State-owned Enterprises (SOEs), are affected by what is generally referred to as agency problems. It is argued that state-owned enterprises have a soft budget constraint, and the fact that government often assures the survival of SOEs deter creativity on the part of management (Heary &Krishna, 2000).

In Cameroon, amendments to the companies' ordinance and other laws like the OHADA Uniform Acts requires parastatals to submit their accounts for examination by the constituted authorities immediately after the close of the financial year. The maximum period specified by the Public Corporations Act and others was three months. The examination of the accounts is required to be completed within three months after the receipt from the parastatals. The minister responsible is to receive a copy of these statements together with the auditor's report within one month after completion of the examination. The Accounts are to be presented to the National Assembly within one month of their receipt.

Thereafter, the Treasury or Registrar of companies requires that copies of duly audited annual financial statements, among others, be submitted to his office within one hundred and eighty days, i.e. six months, after the close of the financial year in question. This applies especially to specified companies which are companies so specified by the companies (Regulation on Dividends and Surpluses and Miscellaneous Provisions Act of 1972). No explanations are available as to why this should not apply equally to the non- specified companies.

However, since in both cases audited statements are required to be ready six months after the year, this is considered the maximum delay provided by the law. This period is longer than that required elsewhere. In the USA, for example, the law requires that US Corporations file their financial statements with the Securities Exchange Commission (SEC) within ninety days after their year-end. But even there, delays sometimes arise in the receipt of foreign financial statements in the case of corporations with subsidiaries abroad (Jensen and Mecking, 1976). There is no financial statement user in Cameroon who requires financial reports of enterprises with such urgency, as would a Stock Exchange (e.g the Douala Stock Exchange), which is still in its infancy and leaves much to be desired.

Institutions that receive parastatal financial statements on a stationary basis have no influence on the timing of the supply of accounting information from parastatals. Even though the law stipulates the period for provision, this is not enforced and in any case, no specific date is mentioned in the laws. It is thus assumed that parastatals resort to the normal means used in dispatching of letters and the like. There is no way therefore, that the time of information release can be determined as in developed economies.

This study sought to establish whether or not financial information relating to Cameroonian Parastatals are disclosed within a time frame that ensured usefulness, and if not, whether the delay in disclosure has significant effects on stakeholders.

Qualities of financial information

The usefulness of financial statements cannot be questioned, but whether the statements are of a quality high enough to justify or maintain usefulness is questionable. Furthermore, the usefulness of financial statement information is dependent on the needs of the users. Users as individuals or groups will interpret such information according to their objectives or functions, which will vary a lot. It is unlikely and very difficult therefore, to produce information that will match the user's objectives and the general objectives of financial reporting. Nevertheless, the provision of information of a general nature is expected to benefit users of financial statements in various ways. Users likely to benefit are those who have an interest in:

Assessing the financial performance and position of the enterprise

Assessing the performance for management, and

Making a number of decisions, including decisions on investment, credit, trade and employment (Volcker, 2000).

There remains however, the problem of specifying those issues common to all users of financial statements. This is a research question. However, it is important in the present circumstances to identify the qualities expected of financial statements for them to be useful. Quality financial information disclosure has been defined in reference to completeness, accuracy and reliability. That is for financial statements, to be useful, the information provided therein must be complete in itself, accurate as to the conveyance of the intended message, and reliable for the purpose intended(Jensen & Mecking, 1976).

In addition to the above, others include relevance, understandability, objectivity, timeliness, and comparability (ICAEW, 1975 and FASB, 1980). SFAC2 lists relevance, reliability, encompassing, verification, neutrality and representational faithfulness as accounting qualities that make financial information a useful commodity. Theses all operate within cost-benefit and materiality considerations.

In both CMND (1977) and the SFAC2, reliability is stated as being a desirable characteristic for financial statements. Reliability has to do with dependability or trust-worthiness. Information is reliable if it can be verified, the more it can be trusted and depended upon. Hence, reliable information is verifiable, neutral and faithfully representational. In other words, there should be wide consensus among independent measures of financial accounting data using the same measurement methods, with no bias in information reporting, and the information should be trusted to represent the economic conditions or events it purports to represent. These are some of the key components of reliability.

Secondly, accuracy in the case of Jensen and Mecking (1976) can be related to verifiability in the case of SFAC2. If accuracy is considered to imply conformity to a yardstick or standard, then it pre- supposes an ability to verify conformity. Conclusively, the purpose of verification is to assure oneself that financial accounting measures are correct. This assurance in turn contributes to the usefulness of financial accounting information data.

Thirdly, completeness can, albeit remotely, be likened to representational faithfulness. Therefore, if information is complete and unqualified, then full representation can be assumed. Relevance and reliability also affects the usefulness of financial accounting information for valuation purposes. Data that is gathered for one set of purpose in a particular environment may have little relevance in a different environment. It therefore, presupposes that the reliability of past data may be highly suspected if there are changes in the type of accounting systems, basic assumptions underlying accounting estimates and calculations, and lack of verifiability that is reasonably free of error and bias(Porter 1991).

The financial accounting and reporting systems of developing countries were once disqualified as being grossly unreliable, inadequate, rudimentary and offering little or no vital information to management, and that they were irrelevant and deficient (Mecking and Jensen, 1976).

It is argued that financial accounting information emanating from (SOEs) or Cameroonian parastatals is likely to be viewed in a similar manner due to a number of reasons;

One is that, there are significant weaknesses in the accounting function in Cameroon. Although efforts are being made in a number of areas, the shortage of professionally qualified accounting personnel appears to impact negatively on the period it takes to have financial statements ready for use by end- users. This also affects relevance and reliability of the statements as evidenced by the opinion provided by statutory auditors (AICPA, 1978 & ICAEW, 2009).

This study seeks to confirm the relevance and or irrelevance and unreliability of SOEs or parastatal financial statement information in Cameroon as would be implied by suggestions from other studies.

The relevance of financial information

Furthermore, relevance pertains to the extent to which financial accounting information is useful for decision making. It is the capability of influencing a decision – maker by changing his/ her assessments of the likelihood of occurrences of a goal. Relevant information is particularly useful to investors, creditors and others for investment, credit and similar decisions. Such information must have the ability to impact on a decision by facilitating the formulation or prediction about the results of events occurring in the past, present and future.

Noteworthy is the fact relevant information must help the decision – maker to confirm or reject expectations. Usually, information facilitates both functions simultaneously because the knowledge of the results of the past actions will normally improve the outcome of similar future actions. It is not easy to make a forecast without a sound historical background.

That notwithstanding, financial information will only be useful, or relevant to business decision- makers or others if it is available when required, i.e. at the time a decision is to be made, and it has that capacity to influence decisions. Information that comes too long after the reported events have taken place is superseded by events and has no value for a decision and it's therefore irrelevant.

However, under ideal conditions, financial accounting information should be available soon after the end of the period to which it relates. The significance or timeliness depends a great deal on the nature of the information to be communicated to influence decision – making. For example, the measure of timeliness for release of routine information on annual results of an enterprise will not be the same as that for reporting such crucial information as at take-over-bid or the results of an internal investigation. Whereas in the former situation the usefulness may be retained for a relatively delayed period, but in the latter cases, any delay may be extremely detrimental to enterprise survival.

It is impressive to note that information providers, however, need to strike a balance between accurate information and timely information. The value of financial statements is, apparently, inversely related to the time taken to prepare it. Promptness, though of paramount importance, may compromise the usefulness of the information reported. Occasionally, economic events may reasonably be presented as estimates without compromising the usefulness, and the information made available quickly. Gains in both cases will again depend on the nature of the information and its materially. In this regard, timeless alone does not make information relevant, but relevance may be demised if information is not timely, leading to information decay (Porter, 1991).

Both the timeliness of information released, and the predictive ability of financial statement numbers and affects relevance. In addition, interim reports also provide information for periods less than one year. These provide users with timely information about enterprises to avoid the time lag between the annual reports. This has important implications for monitoring and control. If accounting information is not made available early enough, it is not possible to monitor the performance of management and to detect other financial misconduct by employees of the enterprise. Indeed information can be delayed deliberately for that very purpose (Luo, 1996).It is thus imperative that delayed information should be analyzed more carefully.

Empirical Review

Scholarly interest has focused on the usefulness of annual and interim accounting or financial reports, considered separately, with respect to whether more use could be derived from one than for others. Therefore, this study shows that investors do not have any preference between the two types of reports (May, 1971 & Sweo, 2000).

The ability to inform and to be informed is an important aspect of accounting and financial information's usefulness. An important use to which financial accounting information can also put into, is in predicting results of events occurring in the present and future. Therefore, the predictive ability is, therefore, one of the basic properties of accounting numbers, and predictive value is one of the qualities expected of financial statements (Freeman, 1987, 1994).

Studies on information content have therefore, been simultaneously undertaken with those on predictive values. Moreover, the predictive ability is a key component, which is regarded as a good predictor of the future and thereby facilitates better decision- making and it is preferably to those that do not predict equally well (CMND, 1977 & HMSO, 1976). Accordingly, accounting and financial information usefulness has also been suggested in relation to ability to predict share prices, through the prediction of expected future cash flows and risks(Jensen & Mecking, 1976). Subsequent studies have greatly supported further arguments for the usefulness of interim reports for predictive purposes. However, significant arguments have cropped up, that accounting and financial information apparently has no predictive advantage over non-accounting information (Brenner & Warkins, 1985). That notwithstanding, similar studies have taken place during the past five decades with focus on earnings. Although some have considered other aspects of financial reporting, interest has been on information content (Peng & Heath, 1996 and Porter, 1991).

The usefulness of financial accounting information has also been examined in relation to the predication of corporate failures. Bankruptcy is an indication of the improper allocation of resources, which adversely affects totality of society, and which causes personal loss to investors. Studies in this area have aimed at determining the usefulness of financial accounting information data in the predication of bankruptcy. Pioneering work by Barney (1968, 1991) concludes that financial accounting information data, in the form of financial ratios for example, can be used to forecast business failure. Libby (1975) made similar findings conclusively from research studies. Other research results also uphold that, and found that cash flow information plays an important role in predicting bankruptcy. Interpretation of the findings of these studies is however subject to the realization of the self-fulfilling prophecy inherent in the reliance on ratio analysis. Preventive action by, for example, providers of loan capital in an attempt to pre-empt loss from insolvency may itself be an ingredient to failure of the business, which would not have occurred if loan capital was provided, (Amoako & Boye, 2001).

Methodology

Both qualitatively and quantitatively data were obtained and discussed in line with the research hypotheses. The sampling frame comprised a list of state owned enterprises including those earmarked for privatization within the last decade that is 1993-2003, the presidential parastatal sector reforms commission (PSC), the office of the Minister Delegate at the Presidency of the Republic in Charge of Supreme State Control, and the Good Governance Programme. An array of the enterprises was prepared and about one hundred parastatals were initially targeted for selection using a random number generator.

From the resulting sample, enterprises from Douala, Yaounde, Limbe, Bafoussam amongst others were sampled. Douala is a natural choice due to its economic significance, as the industrial, economic and commercial capital, and the largest city nationwide, and other logistical considerations including accessibility and the feasibility of data. The final sample therefore consists of the sixty state-owned enterprises (SOEs) from these four regions hosting the localities. But, data was obtained from only fifty five of these sampled SOEs. Data about financial statements were collected from the sampled parastatals or SOEs, the Cameroon Finance Audit Committees of the National Assembly, the Minister Delegate at the Presidency of the Republic in Charge of Supreme State Controls, the Good Governance Programme, the ministries of Economy and Finance, the inventory of the Republic and from other private sources such as the ONECCA, the Institute of Chartered Accountants of Cameroon, the Douala Stock Exchange, the Chamber of Commerce and Industries and other stakeholders. Statements were gathered for the period of the last decade (2005-2010).

These financial Statements were analyzed with the purpose of obtaining information relating to the time it takes for financial statements to be ready for distribution or publication or circulation and collection. In this regard, the study assumed that financial statements can be collected immediately after they have been signed by constituted authorities and according to the provisions of the laws (Companies Acts, Finance Laws of the Republic) on enterprises or parastatals.

The Normal Approximation Rule was used to test for significance of the differences between the means time determined for enterprise/parastatals and the legal time. The model used is to test the significance of the difference in time periods. That is, months taken by SOEs to prepare financial statements and make them available. This formula is also invoked for application under resolving this difference over timing.

$t=(x-U)/(\frac{(x-U)}{s/\sqrt{n}})$; Mo

where,

X stands for the mean time to make financial statements available according to the sample.

U is the time needed for financial statements to be ready and available for circulation and collection on publications, and $s/\sqrt{n}$ stands for the standard error.

Therefore, if the difference is not important then it means that the time period for financial statements from SOEs to be made available and ready is the same as that officially stipulated time period, and therefore, any difference is as a consequence of the selected sample(s).

The null hypothesis would be therefore represented as follows;

H_0: U=06 months

This null hypothesis is considered acceptable if the time difference is not significant, and we thereby search for a base on which to suggest that these financial statements are available on timely basis. On the contrary, the argument that state owned enterprises' financial statements are unavailable or delayed in their insurance could be illustrated by the understated alternative hypothesis:

H_1: u>06 months

Therefore, this seeks evidence to support the argument that in practice it takes possibly much longer than six months to have state owned enterprises publish and make available their financial statements; this would be the very case if the two mean times were greatly different. Therefore, the alternative hypothesis would be stronger, convincing and consequently more potentially acceptable hence the null hypothesis perhaps may remain as it signals no difference in the actual timing period of accounting and financial information for disclosure for the managerial stakeholders decision- making processes.

Data Analysis

The results of the analysis is summarized based on the time it takes for financial statements from sate owned enterprises to be available and constitutes some of these elements; Number of state owned enterprises, mean time (months), standard deviation; median (monthly) mode (monthly) rage, t-statistics and ρ-values.

Analysis is also based on findings over random sampling and survey techniques to be applied for data collected. The analysis also considers findings from interviewees with actors and stakeholders. Tab on approximated summary results on the time it takes for financial statements from state owned enterprises (SOEs) to be made available.

Number of state owned enterprises	60.54
Mean time in Month	12.04
Standard deviation	5.29
Median in months	10.00
Mode in months	09.00
Range	23.00
t-statistic	08.39
ρ-value	0.0005

From the sample (s) the mean time it takes for statements of SOEs to be made available was 12.05 months, meanwhile, the resultant " t" statistic was viewed as 8.39, producing a ρ-value falling far too less than 0.0005; therefore, presenting a mean time which is very significant. This result is thereby implying that the chance that difference in mean time for making financial statements available could be attributed only to those selected sample(s) which are lesser than one (01) percent.

Discussion of the findings

The findings of this study clearly reveal the fact that the state owned enterprises do not comply with the requirements of the laws with respect to availability of financial statement information and their release and dissemination.

This means that there are great implications of this delay for decision-making by stakeholders and by the internal and external financial information users. That is, those who relied on financial information from state owned enterprises for decision making actually base their decisions on information that had been over taken by events, as the financial statements are no longer useful as at the time they are released. The results further confirm observations made by the office of the Minister Delegate in Charge of Supreme State Control at the Presidency of the Republic, the ministry of Finance, office the Good Governance Programme, the ONECCA-L' Odre National des Expert Comptable du Cameroun that state owned enterprises in Cameron prepared their accounts and financial reports in arrears. Therefore, it is difficult to understand how the managements were able to organize, plan, make decisions and control their organizations over the year(s) without current financial information.

It is also possible to inquire into the relationship between some of the problems of some of these state owned enterprises over the years as having their origin rooted in the absence of up-to-date accounting and financial statements information.

It was also follows that the absence of current information is amongst the numerous problems identified as affecting various profession and professionals.

Conclusion

The research sought to prove whether financial and accounting information related to or from Cameroonian state-owned enterprises were disclosed in time to assure usefulness, and if not, whether the delay in disclosure was significant. In order words, it sought to investigate if the state enterprises took a significantly long time to make their financial reports available to stakeholders and various user groups. It was established that the state enterprises took a significantly long time to make their financial reports available to stakeholders and various users group. It is thus concluded that financial statements or reports from state owned enterprises were no longer useful as at the time they were received. Thus, it accordingly implies that decisions made on the basis of those financial statements or reports were misguided and those reports failed to provide the appropriate the appropriate base for the control of organizational operations.

Consequently, the failure of the state owned enterprises and the entire parastatals sector in Cameroon could be view in the context of an absence efficient and effective monitoring mechanism for their operations.

Recommendations

Based on the findings and conclusion, it is strongly recommended therefore, that relevant constituted state authorities at the least should seriously consider a revision with a goal of shortening the legality required for reporting period. A shorter reporting timetable will challenge the enterprises and parastatals to improve effectiveness in the overall processing and disclosure of accounting and financial information. The precision of the financial information on time would in turn facilitate timely management, business and economic decision-making processed by all stakeholders and users thereby impact the economy, society and nation towards sustainable development.

References

Clarkson, M.B.E (1986)- Defining, Evaluating and Managing Corporate Social Performance – The Stakeholder Management Model; pg 765-777.

David. F.D (2003) Strategic Management: Concepts and Cases (9th Ed.). NJ: Prentice Hall, Upper Saddle River.

May.R C., & Swecor, R. (1971, 2000). "Environmental Scanning Behaviour in a Transitional Economy: Evidence from Russia". Academy of Management Journal 43 (3), pg 403-411.

Freeman, R.E (1994). *Strategic Management: A Stakeholder Approach*. NEDI: Pitman Publication.

HMSO (1976). *Department of Trade: Aims and Scope of Corporate Reports*. N.J: Prentice Hall.

CMND (1977). *The Future of Company, Reports– A Consultative Document*. OxforUnviersity Press.

Jensen, M., and Mecking, K. (1976). "Theory of the Firm: Managerial Behaviours, Agency Costs and Ownership Structure". *Journal of Financial Economics* pp. 71-89.

Porter, M.E (1991, 2005). "Towards a Dynamic Theory of Strategy". *Strategic Management Journal*, pg 95-117.

Pen, M. E., and Heath, P. (1996, 2005). "The Growth of the Firm in Planned Economics in Transition: Institutions, Organisations and Strategic Choices". *Academy of Management Review* 21 (02), pp 492-512.

Barney, J.B. (1968, 1991). "Firms Resources and Sustained Competitive Advantage". *Journal of Management*, (7-1) pp. 99-119.

Amoako-Gyampah. K., & Boye. S. (2001). "Operations Strategies in an Emerging Economy: The case of Ghanian Manufacturing Industry". *Journal of Operations Management*, Pp. 49-59.

Volcker, P. (2000)."The Sea of Global Finance" in W. Hutton and Gardens (eds). *The Edge: Living in Global Capitalism*. Jonathan Cape. Pp. 77-89.

Luo,Y. (1996). "Evaluating the Performance of Strategic Alliances in China", *Long Rang Planning*, 29, Pp. 534-541.

UDEAC (1970)."Act No 4-70-UDEAC-133" Internal Regulations of the OrdreNationale des Experts Comptableset des Comptables Agrees du Cameroun, Douala.

UDEAC (1982) . "Act No. 7-82 – UDEAC - 362", Internal Regulations of the Order Nationale des Experts. Comptables et des Comptables Agrées du Cameroun, Douala.

UDEAC (1982), "Act No. 5-82-324 of 18th December, Journal Officiel de la Republique Unie du Cameroun, Yaounde,

http://www.asiapacific.amesty.org

http://www.silobreaker.com.

http://comp.about.com.2007

www.efecccameroon.org

www.IFAC.Org

Juxtaposing Entrepreneurial Planned Behaviour and Desire to Create A New Venture Among Undergraduates in Ibadan, South West Nigeria

Rukevwe. Juliet Olughor[1]
Onyema Eugene Ofoegbu, Ph.D. FIPD[2]
Email: onyemaofoegbu@gmail.com
[1&2]Department of Business Administration,
Faculty of Social & Management Sciences,
Ajayi Crowther University, Oyo, Oyo State, Nigeria.

pp 9-20

Abstract

The study investigated the influence of planned behaviour of students with regards to their intentions toward venture creation as well the concept of entrepreneurship. Questionnaires were administered to university students in Ibadan city, South West of Nigeria. The variables were measured using Likerts scale. The data gathered were analyzed using regression analysis and Pearson's correlation analytical techniques. The results of the study indicate that the linear combination of planned behaviour of professional attraction, entrepreneurial capability, networking support, self-independence and self-reliance and intention to venture creation is significant ($F=648.910$; $R=.932$, $R^2 = .869$; Adj. $R^2 = .868$; $\rho<.01$).The results also show a significant relationship between the independent/predictor variables and intention to venture creation. The conclusion is that planned behaviour does influence intentions to venture creation among university undergraduates. The recommendations are that more efforts be made to equip students sufficiently in all aspects of venture creation and enterprise management. Secondly, that a scheme be created by government and private sector which will provide practical experience to those on the scheme while the government provides some stipends to those on the scheme for the duration of the scheme.

Introduction

At different stages of economic development of countries and the world as a whole emphasis is placed on one dimension of the economy or the other. Challenges facing the world economic order as well as the economies of countries both developed and developing ones have prompted serious attention being paid to the concept of entrepreneurship and entrepreneurial issues. This attention is based on the belief that entrepreneurship is connected with value creation, employment creation and economic growth.

In recent times International Organizations like the World Bank and International Monetary Fund have been emphasizing on the importance of entrepreneurship as a vehicle for wealth creation and economic growth as well as a panacea for contemporary economic problems facing the world. As a result of this conviction, different countries especially the developing ones have introduced the teaching of entrepreneurship in the curricula of schools and universities. The purposes of this action include (1) to highlight the importance and criticality of the subject matter as a catalyst for economic growth (2) to inculcate in the young minds the need to appreciate the role entrepreneurship plays and will continue to play in present and future economic development (3) to build solid foundation for tomorrows' economic wellbeing of countries especially given the fact that today's youths are going to be tomorrows' economic and political leaders. The assumption here is that once these young students accept and internalize the concept of entrepreneurship then tomorrow's economic growth may be guaranteed. Empirical evidence lends credence to the positive association between entrepreneurial activities, economic growth and innovativeness as well as creativity. This link accounts for the sustained interest given to entrepreneurship. It equally explains the contemporary attention given to entrepreneurship in most university curricula which are designed to improve and provide effective business landscape for business start-ups (Kuratko, 2005).

The contemporary high level unemployment among youths necessitates the need to expose university undergraduates to the concept of entrepreneurship by ascertaining their intentions with regard to creation of new business ideas. Indeed Bosma and Levie, (2009),Luthje and Frank, (2003) opined that research shows that young university graduates demonstrate the highest propensity towards starting a firm and the potential to start innovative new ventures. The most important reasons why people want to start up new business are to create something new and to be in control of their own lives, (Daft and Marcic (1998). The formation of business ideas will be affected by nascent entrepreneurs past experience, training educations and skill development (Deakins and Freel (2009). Sometimes an entrepreneur develops new ideas and understands the issues involved but lacks the strategic will or ability to see them to fruition. Evidence suggests that change as exemplified by new ideas does not first happen like that, it requires personal energy, effort and consciousness. Indeed Timmons (1994) has summarized the characteristics of successful entrepreneurs and entrepreneurship to include:

a. High energy coupled with emotional stability
b. Creative and innovative ability
c. Conceptual ability and
d. Vision combined with capacity to inspire.

It has also been contended that entrepreneurial planned behaviour intention and venture creation tend to be associated with past experience in certain areas of life or endeavor. Idea formulation in the above circumstances will be affected by educational experience and early training (Deakins et al 2004). Ideas to create venture can come from different sources (Brokaw 1994). Behavioural Orientation of the entrepreneur whether in the area of task orientation, relationship, orientation or indeed desire for greater effectiveness, all contribute to overall take-off and performance of the business enterprise.

Intentions in terms of business ideas and operations become the galvanising force for entrepreneurial behaviour at any given time. Planned behaviourial intentions sometimes assume centrifugal force that accentuates the generation of business ideas and creates impetus for the accomplishment of such ideas and other business objectives. Flexibility and adaptability are twin variables that may heavily influence planned behavioural intentions whether it is the start-up of business, achievement of high profitability or operational efficiency. In order to achieve the high premium countries have placed on entrepreneurship as an important factor in modern economic development and given that youths of today in higher institutions in Nigeria are the business actors of tomorrow, it became necessary to ascertain their behavioural intention towards business and enterprise creation hence this study. Therefore, the major reasons for undertaking this study is to find out the effect of entrepreneurial planned behaviour on intentions among students of higher institution, to create new venture in Ibadan city, South West Nigeria.

Hypotheses

In order to increase the validity or otherwise of the findings of the study, certain hypotheses were formulated and tested:

1. Entrepreneurial capability, professional attraction, self-referencing and self-reliance and networking support do not significantly predict intentions to create new venture.
2. There is no significant relationship between entrepreneurial capability and intentions to create new venture.
3. There is no significant relationship between professional attraction and intention to create new venture.
4. There is no significant relationship between self-referencing and self-reliance and intention to create new venture.

Literature Review

Entrepreneurship is a process of initiating a business venture, organizing the necessary resources and assuming the associated risks (KuratKot 1989). According to Peters and Waterman (1982) entrepreneurial business goes through distinct stages of growth including, existence, survival and success. It has been contended that majority of new business ventures are in the areas the entrepreneur is familiar with. Indeed Cressy (1996) has opined that human capital is an important determining factor in new business creation. For some researchers, however, entrepreneurship is devoid of precise conceptual framework (Busenitz *et al* 2003; Shane and Venkataraman 2000; Ireland and Webb 2007). Entrepreneurs are actually individuals who start a business from the scratch (Glueck and Jauch 1976)

The formation of business ideas will be affected by a nascent entrepreneur's past experience, training, education and skill development (Deakins and Freel 2009).

Indeed Timmons (1994) has summarized the characteristics of a successful entrepreneur and entrepreneurship to include (a) High energy coupled with emotional stability, (b) creative and innovative ability (c) conceptual ability (d) vision combined with a capacity to inspire.

Regarding planned behaviour, empirical evidence suggests that peoples' behaviour is strongly influenced and propelled by their confidence in their ability to undertake a task (Adams, et al 1980, Bandura, et al 1977). Furthermore, Kolvereid (1997) has shown that perceived behavioural control, subjective norm and indeed attitude towards behaviour emerged as a major influence on self-employment intentions more than gender, family background and employment experience. For Ajzen (1991), attitude towards behaviour, subjective norms and perceived behavioural control are the antecedents of intentions that influence behaviour. It has been suggested (Hull 1943) thatbehavioural achievement is jointly predicated on motivation and ability and level of aspiration and is equally a factor in performance of psychomotor of cognitive challenges and tasks (Vroom 1964, Neishman 1958, Lockre 1965 and Lewin, et al 1944). Bandura (1977) takes the view that behaviour can best be explained in terms of a continuous reciprocal interaction among cognitive, behavioural and environmental determinants that induce people to produce conditions that affect their behaviour in reciprocal fashion. Planned behaviour has been opined to be one of the most common indices used to explain and predict various behavioural dimensions (Kruegardand Carsrud 1992; Carr and Sequeira 2007; Treicher & Kolvereid 1997; Kolvereid 1996, Ajzen 1991).

Attitudes according to Martins (2001) have influence on behaviour but it is a complex relationship. Katz (1960) suggests that attitudes serve many purposes one of which is value expression. Attitudes are determinants of behaviour because they are linked with perceptions, personality feelings and motivation (Ivancerich 2011). However, empirical evidence suggests that behaviour is not strongly predicted by attitudes. On the other hand, intentions to perform behaviours of various dimensions can be predicted with a high degree of precession from attitudes towards the behaviour, perceived behavioural control and subjective norms, (Fayelle *et al* 2006). Furthermore, intentions are assumed to be the result of normative force or the persons (entrepreneurs) expectations of how he/she is supposed to behave; an instrumentality force which represents the individual's (entrepreneur's) personal interests and beliefs (Invancevich et al 2008). Thompson (2009) has observed that individual entrepreneurial intention is an important issue in any concept of new business creation. There are however, arguments that doubt the sagacity of the belief that starting a business is an intentional act hence the need for more research (Shaver and Scott 1992; Bord 1988; Katz and Gartner 1988). Bagozzi et al (1989) have differed from Shaver & Scott and the rest by affirming that intentions are indeed unbiased predictor of actions. Expectancy driven models have been used to explain entrepreneurial intent in the context of entrepreneurship and planned behaviour (Shapero, 1975; 1982 and Bird 1988, 1992). Empirical evidence suggests that entrepreneurial activity can be best predicted by studying intentions (Kreuger et al, 2000; Souitaris et al 2007; Isaksen, 2006;Rotefoss and Kolveried 2005). For Luthans (2005), intentions or goals play an important role as cognitive determinants of behaviour. Planned behaviour has been observed to be one of the most common indices used to explain and predict various behavioural dimensions (Krueger and Carsrud 1993; Carr and Sequoia 2007; Tracher and Kolvereid 1996, Ajzen, 1991). Gibbs (1997) takes the view that development of entrepreneurship is affected by the extent of interaction with "stake holders" in the small firm environment such as customers, banks, creditors and supply chain relationships.

The ability of the entrepreneur or entrepreneurial team to learn is crucial to their behaviour and ability to succeed. Levinthal (1996) stresses the adaptive role of entrepreneurs as they adapt to their environment to their learning experience and as a result change in behaviour, pre-entrepreneurial experiences including education, employment and learning have been recognized as important influence on nascent (pre-starting) enterprises (Reynolds and White (1977; Deakins and Freel 2009).

Theoretical Framework

Some theories are relevant in explaining the concept of planned entrepreneurship behaviour and intention to create new ventures.

Theory of planned behaviour takes the view that performance of a behaviour isa joint function of intentions and perceived behaviour. The theory conceptualizes three determinants of intention namely, attitudes towards the behaviour and how favourable or unfavourable such an attitude is appraised, the other determinant is the perceived social pressure to discharge/perform or not to perform a behaviour as well as the perceived or difficulty of performing the behaviour predicated on past experience and the expected and anticipated problems and hindrances. The overall conception with regard to the theory is that the more disposed the attitude and subjective rule with regard to a behaviour the greater the perceived behavioural control, the stronger the individuals intention to exhibit the behaviour being referred to.

The social cognitive theory takes the view that cognition, affective and behaviour determine attitudes and that attitudes in turn determine cognition, affective and behaviour. The theory emphasizes on rationality and logic as important ingredients in making choices including business decision choices.

Entrepreneurial personality approach to entrepreneurship takes the view that the supply of entrepreneurs is limited to a finite number of people that have a set of characteristics that marks them out as special and have particular insights not possessed by others. This special attribute makes new venture creation possible.

Furthermore, the personality characteristic approach tries to identify traits in individuals that appear to be possessed by successful entrepreneurs. The theory opines that high self-confidence in entrepreneurship translates into self belief in one's capabilities to mobilize resources, motivate others and produce change (business start-up). The theory also contends that individuals with a high internal locus of control like to be in charge of their environment and their own destiny. Intentions to create new business venture are likely to be high in such people.

The social behaviourial approaches recognize the importance and influence of environment and culture on individuals. The theories postulate that society's culture is a more powerful influence on the extent to which individuals can successfully pursue entrepreneurship and create new ventures. The non-conformist behaviour approach of entrepreneurship takes the view that such deviant behaviour precipitates a desire to start own business.

The Kitznerian approach to entrepreneurship conceptualizes market place exchange itself as an entrepreneurial process but people can profit from exchange because of information gaps in the market place. Such gaps no doubt accentuate the desire and intention to create new business ventures.

Methodology

The study population was four thousand five hundred from five faculties of the University under study. The sample size for the study was 600 drawn from Faculties of Social and Management Sciences, Law, Natural Sciences, Humanities, and Education. The method applied to gather the data was stratified random sampling and simple random sampling. Stratified random sampling was adopted to ensure high reliability and to reduce bias.The data was collected from two sources, primary source and secondary source. The primary source involved the use of questionnaire, which were administered to the 600 hundred students. Out of the 600 questionnaires administered on the students, 495 were returned and found to be usable. The secondary data was collected from internet source, libraries, journals, books, newspapers, reports.

The variables (items) were measured on a 5-point Likert Scale which ranges from strongly agree (5) to strongly disagree (1).The Cronbach values of the scales are 0.60, 0.65, 0.61 and 0.65, respectively. The scales for entrepreneurial capability, network attraction and professional attraction were based on the work of Linan *et al* (2008) while self-independence and self-reliance were based on the scales developed by Kolvereid (1996) and Trandris et al (1955), respectively.

The independent variables include, entrepreneurial capability, network support; professional attractions, self-independence and self-reliance while the dependent variable is intention to venture creation.

Data Presentation, Analysis and Interpretation

The descriptive Statistics of Demographics of Respondents are treated here:

Table 1: Descriptive Statistics of Respondents'Demography

Variable Age	Frequency	Percentage
15 - 20	461	93.1
21 – 25	21	4.2
26 - 30	13	2.7
Total	495	100.0
Sex		
Male	240	48.5
Female	255	51.5
Total	495	100.00
Marital Status		
Single	494	99.8
Married	1	0.2
Total	495	100.00
Level		
100	220	
200	50	
300	170	
400	55	
Total	495	

Faculty		
Faculty of Natural Sciences	120	24.2
Faculty of Humanities	100	20.2
Faculty of Social and Management Sciences	130	26.3
Faculty of Law	50	10.1
Education	95	19.2
Total	495	100.00

S/No.	Variables (Departments)	Frequency	Percentage
1.	Religious Studies	36	7.2
2.	Banking & Finance	20	4
3.	Business Administration	46	9.2
4.	History	45	9
5.	Accounting	46	9.2
6.	Mass Communication	42	8.5
7.	Law	40	8
8.	Computer Science	28	5.8
9.	Physics & Electronics	24	4.8
10.	Biochemistry	25	5.`
11.	English	31	6.2
12.	Industrial Chemistry	34	6.6
13.	Geology	12	2.6
14.	Microbiology	26	5.3
15.	Economics	45	9.0

Source: Field Study

Table 1shows the frequency and percentage distributions of respondents in terms of sex, marital status, the levels of students, their faculties and the departments from which responses came. From table one it can be observed that 240 (48.50%) of the respondents are males while 250 (51.5%) are females. That female respondents are greater than male is indicative of the current trends in the education sector where the females are making impressive improvement over the males.

Table one also shows that 494 (98%) of the respondents are not married while only 1(0.2%) is married. This result is obviously expected.

A look at table one shows also the age ranges of the students. Out of the 495 students who responded, 461 (93.1%) of them were within the age range of 15 – 19 years, 21 (4.2%) within the range of 20 – 24 years, while 13(2.7%) were between the age range of 25 – 29 years.

Table one also indicates the levels of the students who responded, 226 (45.6%) were in 100 level, 44 (8.9%) in 200 level, 181 (36.6%) in 300 level while 44 (8.9%) were in 400 level. The students came from four faculties namely, Humanities, Natural Sciences, Social Sciences and Law and fifteen departments.

Test of Hypotheses

Multiple regression and Pearson's Correlation analysis were carried out and used to test the hypotheses. The multiple regression analysis was used to test hypotheses one while hypotheses 2 – 6 were tested using Pearson's Correlation co-efficient.

Hypotheses I – Entrepreneurial capability, professional attraction, networking support, self-reliance and self-independence can jointly and independently do not predict intention to venture creation.

Table 2: Multiple regression of the effect of entrepreneurial capability, professional attraction, networking support self-reliance and self-independence on intention to venture creation

Variable	F-Ratio	Sig of ρ.	R	R^2	Adj R^2	β	t	ρ
Professional Attraction on Entrepreneurial Capability	648.910	.000	.932	.86%	.868	.855	51.570	000
Professional						.104	2.240	.040
Networking Support						.086	3.216	.001
Self-independence						.074	2.013	.045
Self-reliance						.356	13.201	.000

Table 2 above indicates that the linear combination of Professional attraction, entrepreneurial capability, networking support, self-independence, self-reliance and intention to venture creation was significant F = 648.910. R = .932, R^2 = .869, Adj. R^2 = .868. The independent/Predictor variables jointly accounted for a variation of about 86.9% in intention to venture creation. The various relative contributions and levels of significance of the independent variables include the following: Professional attraction (β = .855, ρ<.01): Entrepreneurial Capability (β= .104, ρ<.05); networking support (B = .086, ρ<.01), self-independence (β=.074 ρ<.05, self-reliance (β=.356, ρ<.01), respectively. From the foregoing, it can be concluded that all the independent variables (Professional attraction entrepreneurial capability; networking support, self-independence, self-reliance) jointly and independently predicted intention to venture creation. The hypothesis is therefore, accepted.

Hypothesis 2 – There is no significant relationship between professional attraction and intention to venture creation.

Table 3: Pearson's Correlation between professional attraction and intention to venture creation

Variables	Mean	Stud. Dev.	N	R	P	Remark
Professional Attraction	4.6066	.3733	495	.865**	.000	Sign.
Intention to Venture Creation	4.390572	.3721981				

**sig at .01 level

Table 3 shows that there is a significant relationship between professional attraction and intention to venture creation (r=.865** N = 495, ρ<.01). This result indicates that a 1% shift in professional attraction would bring about 86.5% shifts in intention to venture creation. From the above result it can be concluded that professional attraction can influence intention to venture creation. The hypothesis is therefore accepted.

Hypothesis 3 –There is no significant relationship between entrepreneurial capability and intention to venture creation.

Table 4: Pearson's Correlation between entrepreneurial capability and intention to venture creation

Variables	Mean	Stud. Dev.	N	R	ρ	Remark
Entrepreneurial Capability	4.5005	.31029	495	.489*	.048	Sign.
Intention to Venture Creation	4.390572	.3721981				

**sig at 0.05 level

Information on table 4 above shows that there is a significant relationship between Entrepreneurial capability and intention to venture creation (r=.489**, N = 495, , ρ<.05). This result indicates that a shift of 1% in Entrepreneurial capability would result in a 48.9% shift in intention to venture creation. From the above, it can be concluded that entrepreneurial capability can influence intention to venture creation by this result, hence the hypothesis is accepted.

Hypothesis 4 – There is no significant relationship between networking support and intention to venture creation.

Table 5: Pearson's Correlation between networking support and intention to venture creation

Variables	Mean	Stud. Dev.	N	R	ρ	Remark
Networking Support	3.377778	.7971497	495	.274**	.000	Sign.
Intention to Venture Creation	4.390572	.3724981				

**sig at .01 level

Information on table 5 above indicates that there is a significant relationship between Networking Support and intention to venture creature (r = .274** N = 495, ρ<.01). The deduction that can be made from this result is that a shift of 1% in Networking Support would bring about a 27.4% shift in intention to venture creation. It can therefore, be concluded from this result that Networking Support influences intention to venture creation. The hypothesis can therefore be accepted.

Hypothesis 5 – There is no significant relationship between self-independence and intention to venture creation.

Table 6: Pearson's Correlation between self-independence and intention to venture creation

Variables	Mean	Stud. Dev.	N	R	ρ	Remark
Self-independence	3.0288	.94941	495	.348**	.000	Sign.
Intention to Venture Creation	4.390572	.3724981				

**sig at .01 level

Table 6 shows that there is a significant relationship between self-independence and intention to venture creation (r=.348**, N=495 ρ<.01). The deduction from the above is that a 1% shift in self-independence would cause a 34.8% shift in intention to venture creation. From the above results, it can be concluded that self-independence can influence intention to venture creation. The hypothesis can therefore, be accepted.

Hypothesis 6 – There is a significant relationship between self-reliance and intention to venture creation.

Table 7: Pearson's Correlation between self-reliance and intention to Venture Creation

Variable s	Mean	Stud. Dev.	N	R	ρ	Remark
Self-independence	3.0798	1.07356	495	.369**	.000	Sign.
Intention to Venture Creation	4.390572	.3724981				

**sig at .01 level

A cursory look at Information on Table 7 indicates that there is a significant relationship between self-reliance and intention to venture creation (r=.369**N = 495; ρ<.01). It can be deduced from the above result that a 1% shift in self-reliance will produce a 36.9% shift in intention to venture creation. It can therefore, be concluded from the above result that self-reliance can influence intention to venture creation.

The hypothesis that there is a significant relationship between self-reliance and intention to venture creation can, therefore, be accepted.

Conclusion

The study looked at the impact of entrepreneurial planned behaviour on intention to venture creation among undergraduate students in a University situated in Ibadan, Oyo State, South West of Nigeria. The results of the study indicate that the linear combination of professional attraction, entrepreneurial capability, networking support, self-independence and self-reliance and intention to venture creation is significant, F = 648.910; R = .932, R2 = .869; Adj.R2 = .868; ,ρ<.01). The results also show that the independent valuables jointly accounted for a variation of about 86.9%

in intention to venture creation. The results show a significant relationship between the independent/predictor variables and intention to venture creation. The summary is that all independent variables (Professional attraction, entrepreneurial capability, networking support, self-independence; self-reliance) jointly and independently predicted intention to venture creation among undergraduate students in the study.

The findings in this study are similar to findings of Deakins et al (2004) among young Scottish entrepreneurs where it was found that the young Scottish entrepreneurs are willing to test different ideas as well as being willing to take risks as strategies associated with innovation and business growth.

Recommendations

Arising from the findings of the study the following recommendations are made:

1. That since undergraduates are the entrepreneurs and leaders of tomorrow in Nigeria and elsewhere, it is necessary that efforts be made to prepare and equip them sufficiently in all aspects of enterprise creation and management through training and development and skill acquisition.
2. The present focus and introduction of entrepreneurship management in Nigerian, Universities is a positive development and should be pursued with utmost vigour and determination.
3. There is a need to create entrepreneurship scheme for young entrepreneurs. The Government and industry should participate in such a scheme where the private sector organizations will take on young entrepreneurs for a period of two years for them to learn the art and intricacies of entrepreneurship while the Government pays some allowance to them during the period on the scheme.
4. Finance and Fund has always been a limiting factor for young entrepreneurs. It is therefore, recommended that a separate funding scheme for new entrepreneurs be set up. The terms and conditions for accessing such a fund must be made simple and non-complicated.

References

Abu, G.O. &Oseni, Taiwo (2004) – How to identify ideas for small scale business in Nigeria in David Okongwu, Usman, A. Saleh (Ed.).Fundamental Issues in Entrepreneurship Apex Books Limited.

Ajzen, I (1991). Theory of Planned Behaviour Organisational Behaviour and Human Decision Process 50: 179 – 211.

Ajzen, I and Fishbein, M (1980) – Understanding attitudes and predicting social behaviour. Eaglewood Cliffs, N.J: Prentice Hall.

Anele, Douglas (2014) – Understanding the role of emotional Intelligence in corporate governance. Nigerian Sunday Vanguard Newspaper July 20th 2014, pp.16.

Bagozzi, R, Banmgartner, H and Y1 Y (1989) – An Investigation into the role of intentions as mediators of attitude-behaviour relationship. Journal of Economic Psychology 10:35 – 62.

Bandura, A (1986) – Social Foundations of Thought and Action: A Social Cognitive Theory. Prentice Hall, Upper Saddle River.

Bandura, A. (1977) – Self-efficacy: Towards a unifying theory of behavoural change Psychological Review, 84:191 – 215

Bandura, A; Adams, N.E. and Beyer, J. (1977) Cognitive processes mediating behavioural change Journal of Personality and Social Psychology, 35:125 – 139.

Bandura, A, Adams, N.E; Handy, A.B. and Howells, G.N. (1980) . Tests of the generality of self-efficacy theory. Cognitive Therapy and Research, 4:39 – 66.

Bareman. Tom (1997) From ideas to Action: Overcoming Self-Sabotage Perspectives for Managers, Vol. 35, Issue 7, July 1997.

Bird, B (1988) – Implementing Entrepreneurial Ideas: The Case of Intentions. Academy of Management Review, 13: pp.442 – 53

Bird, B. (1992) – The Operation of Intention in Time. The emergence of the new venture Entrepreneurship Theory and Practice, 17, pp. 11 – 20.

Bosma, N and Levie, J. (2009 – Global Entrepreneurship Monitor: 2009 Executive Report Babson College Babson Park, MA.

Brokaw, Leshe (1994) – "How to Start an Incorporation 500 company" Inc. 500 1994 51 – 65; McCune, The Entrepreneur Express.

Bryyat, C and Julien, P.A. (2010) – Defining the field of research in entrepreneurship. Journal of Business Venturing, 16(2): 165

Busenitz, L.W. West, Lii; G.P, Shepherd, D; Nelson, T, Chandler, C.N and Zacharakis, A (2003). Entrepreneurship, Research in Emergency: Past Trends and future Directions. Journal of Management, 29(3): 285 – 308.

Carr, J.C., Sequira, J.M. (1991) – Prior family Business Exposure as International Influence and Entrepreneurial interest: A Theory of Planned Behaviour Approach.A Journal of Business Research, 6(10), 2007, pp. 1090 – 1098.

Chell, E, Haworth, J and Brearley, S (1991) – The entrepreneurial Personality Concepts, Cases and Categories, Routledge, London.

Cope, J. (2005) – "Toward a dynamic learning perspective of entrepreneurship" Entrepreneurship, Theory and Practice, vol. 29, No. 4 pp. 173 – 398.

Daft, R and Marac, D (1998) Understanding Management. The Dryden Press.

Deakins, D, Ishag M, Whitham G, &Wyper. J (2004) – Unpublished Interima Progress Report for the Scottish Executive. Scottish Executive, Edinburgh.

Davidsson, P (1995) – Determinants of Entrepreneurial Intentions, RENT IX Workshop in Entrepreneurship Research Pianiea Z9, Italy 23 - 24

Deakins, D, Ishaq M, Whittam, G &Wypor, J (2004) – Unpublished Interim Progress Report for Scottish Executive, Edinburgh.

Deakins, D &Freel, M (2009) – Entrepreneurship and Small Firms (5th Ed.), MaGraw-Hill Companies

Delmar, P (2000) – "Psychology of the entrepreneur" in S. Carter and D. Jones – Evans (Eds.). Enterprise and Small Business, Principles Practice and Policy. F.T/Prentice Hall, London, pp. 132 – 154.

Donald, L.K., Delores, W. Steinhauser, Bobbie H. McCrackin, Kathryn Hart (1994) – High Performance Companies in the South East: What can they Teach Us? Economic Review, Federal Reserve Bank, Alauter p 2 – 24.

Epstein, S. (1979) – The stability of behaviour: On predicting most of the people much of the time. Journal of Personality and Social Psychology 37:1097 – 1126.

Fayolle, A, GaillyB.T. and Lassas, N (2006) – Assessing the impact of entrepreneurship education programme: a new methodology. Journal of European Industrial Training, 30(8/9): 701 – 720.

Freema, C and Soete, 1 (1997) - The economics of Industrial Innovation 3rd Ed Pinter, London.

Fishbein, M. &Ajzen, 1 (1975) – Belief, Attitude, intention and behaviour: An introduction to theory and research. Reading, M.A; Addison – Wesley.

Gartner, W.B. (1985) – "A Conceptual – Framework for Describing, the Phenomenon of new Venture Creation" Academy of Management Review 10(4) pp. 696 – 706.

Gartner, W.B., Shaver, K.G, Carter, N.M. and Reynolds, P.D (2004) – Handbook of Entrepreneurial Dynamics, Sage Publications Thousand Oaks, C.A. –

Gibbs, A. (1977) - Small firm training and competitiveness: Building upon the small Business as a learning organization. International Small Business Journal Vol. 15 No. 3 pp 13 - 24.

Glucck, W.F. & Jauch, L.R. (1976) Business Policy and Strategic Management. McGruk Hill Coy.

Haover, Georges (1998) – Managing Technical Innovation as a global process Perspective for Managers, Vol.43, Issue No. 2, 2nd Feb. 1998.

Henry, C. Hill, F and Leitech C (2003) – Entrepreneurships Education and Training, Ashgate, Aldershot.

Hince-Leski, K.M. and Corbitt, A.C. (2006) – Productivity for Improvisation as a Predictor of Entrepreneurial Intentions Journal of Small Business Management, 44(i), pp. 45 – 63.

Ireland, R.O. and Webb, J.W. (2007). A Cross Disciplinary Exploration of Entrepreneurship Research Journal of Management, 33(6): 891 – 927.

Invancevich, J.M., Kenopaske, R. and Matteson, M.T. (2008) – Organisational Behaviour and Management (Nineth Ed.).McGraw-Hill, International Edition.

Jenson, M.C&Meckling, W.H. 1976) Theory of the Firm, Managerial Behaviour, Agency costs and ownership structure. Journal of Financial Economics, Vol. 3, No. 2 pp 305 – 360.

Katz, J.A. (1988) – Intentions, Hurdles and start-ups: An Analysis of Entrepreneurial Follow-Through. Frontiers of Entrepreneurship Research pp.43 – 57.

Katz, J. A. (1990) – Longitudinal Analysis of Self-Employment Follow-Through, Entrepreneurship & Regional Development, 2(1) pp. 15 – 25.

Kets de Vries, M. (1977) – Entrepreneurial personality: a person at the crossroads. Journal of Management Studies, Vol. 14, No. 1, pp. 34 – 57.

Kim, M.S and Hunter, L (1993) – Relationships among attitudes, Behavioural intentions and behaviours: A Meta-Analysis of Past Research; Communication Research, 20, pp 331 – 64.

Kolvereid, L (1996) – Organisational Employment versus Self-Employment: Reasons for Career Choice Intentions. Entrepreneurship Theory and Practice.

Kolverid, L (1998) Predicting Employment Status, Choice Intentions. Entrepreneurship Theory and Practice, 21, pp 20(3) pp 23 – 31.

Kolvereid, L and Isaksen, E (2006) – New Start-up and subsequent entry into self-employment. Journal of Business Venturing, 21.866 -885.

Kuratko, Donald, F (1989) – Entrepreneurship: Contemporary Approach, Chicago, The Dryden Press.

Krueger, N (1993). The impact of prior entrepreneurial exposure on perceptions of new venture feasibility and desirability. Entrepreneurship Theory and Practice, 18(1): 5 – 21.

Krueger, N, Reilly, M.D and Carsrud, A.L. (2000). Compeling models of entrepreneurship Intentions. Journal of Business Venturing, 15:411 – 432.

Kuratko, D. F. (2005). The emergence of entrepreneurship education: Development, trends and challenges. Entrepreneurship Theory and Practice. 29(5), 572 – 598.

Levinthal, D (1996) – Learning and Schumpeterian dynamics in Dosi and F Malerba (Eds). Organisation and strategy in the Evolution of Enterprise. McMillian, London.

Linan F, Cohand, J.C.R, Guzman J (2008). Temporal stability of Entrepreneurial Intentions: A Longitudinal Study. 4th European Summer University Conference on entrepreneurship Bodo Graduate School of Business and Nordland Research Institute, 22nd – 26th August 2008, Bodo, Norway.

Locke, E.A. (1965) – Interaction of ability and motivation in performance: Perceptual and Motor Skills, 21, 719 – 725.

Luthje C &Franke N (2003) – The making of an entrepreneur: Testing a model of entrepreneurial intent among engineering students at MIT Research and Development Management, 339(2): 135 – 147.

Luthans, Fred (2005) – Organisational Behaviour 10th Ed., McGraw-Hill Irwin.

Martins, John, (2001) – Organisational Behaviour 2nd Ed. Thomson. McClelland, D.C. (1961) – The Achieving Society Van Nostrand, New York.

Meredith, G.G., Nelson R.E. & Neck, P.A. (1982). The Practice of Entrepreneurship, International Labour Office, Geneva.

Minniti, M and Levesque, M (2008). Record Developments in the Economics of Entrepreneurship. Journal of Business Venturing, 23 ed: 605 – 612.

Mitchell, R, Busenitz, L, Lant T, McDougall, P, Morse. E,& Smith. B (2002). Toward a theory of Entrepreneurial Cognition: Rethinking the people side of entrepreneurship Research. Entrepreneurship Theory & Practice, 27, 93 – 104.

Rae, G, Holden R and Walmsley.A (2006). Graduate Career-making and Business start-up: A Literature Review. Educational Training, 48(5) pp. 273 – 385.

Raee D and Carswell M (2001) . "Towards a Conceptual understanding of Entrepreneurial Learning. Journal of Small Business and Enterprise Development Vol. 8, No. 2; pp150 – 158.

Reitan, B (1996). Entrepreneurial Intentions: A combined Models Approach. 9th

Nordic Small Business Research Conference. Lillehammer, Norway, 29 – 31 May, 1996.

Reynolds, P.D. (1995), who starts new firms? Linear AdditrueVersus Interaction Based

Models, Babson Kauffman Entrepreneurship Research Conference, London, 19 – 23 April.

Reynolds, P.D and White, S.B. (1997). The Entrepreneurial Process: Economic Growth, Men, Women and Minorckes Quorum, WestPoint, C.T.

Richlefs, Roger and GupaUdayan (1989)."Traumas of a New Entrepreneur" The Wall Street Journal, May 10 1989, B.I.

Ross, John (1995). What you see depends on who you are." Perspectives for Managers, No. 7, Sept. 1995.

Kotefoss B and Kolvereid, L (2005) – Aspiring, Nascent and fledgling Entrepreneurs: An investigation of the business start-up process. Entrepreneurship and Regional Development, 17: 109 – 127.

Shane, S &Venkataraman, S (2000). The Promise of Entrepreneurship as a Field of Research. Academy of Management Review, 25 (pp 217 – 226).

Shapero, A (1982). Social Dimensions of Entrepreneurship in C Kent (eds). The Encyclopedia of Entrepreneurship. Eagleworld Cliffs, Prentice Hall, pp. 72 – 90.

Shauer, K and Scott H (1992). Person, Process and Choice: The Psychology of New Venture Creation. Entrepreneurship Theory & Practice, 16, 23 – 45.

Souctaris, V. Zerbinati, S and Al-Laham, A (2007). Do entrepreneurship Programmes raise entrepreneurial intentions of science and engineering students? The effect of learning, inspiration and resources. Journal of Business Venturing: 22(4): 566 – 591.

Stam, E, Andretsch D and Meigjaerd, J. (2008) Renascent Entrepreneurship: Journal of Evolutionary Economics, Forthcoming.

Timmons, J.A. (1999), New Venture Creation: Entrepreneurship for the 21st Century. McGraw Hill Book Co., Singapore.

Tkacher, A &Kolvereid, L. (1999) – Self-employment Intentions Among Russian Students: Entrepreneurship and Region Development, 11, pp. 269 – 280.

Triandis, H.C. (1977) – Interpersonal Behaviour. Monterey, CA: Brooks/Cole.

Triandis, H. C., Leung K, Villareal, M.J. and Clack, F.L (1985).Allocentric versus Idiocentric Tendencies: Convergent and Discriminate Validation. Journal of Research in Personality, 19, pp. 395 – 415.

Wilson, F, Kickul J&Marlino, D (2007). Gender Entrepreneurial Self-Efficacy, and Entrepreneurial Career Intentions: Implications for Entrepreneurship Education. Entrepreneurship Theory & Practice, 31 (37 pp. 387 – 406).

Employees' Competency Management and Job Performance: A Review of Nigerian Public Sector

Okpala Kenneth Enoch
Department of Financial Studies (Accounting),
Redeemer's University, Nigeria
Email: enocharticles@gmail.com

Agada, Solomon
Department of Economic and Business (Marketing) Redeemer's University, Nigeria
Kolawole, Ebiere
Department of Entrepreneurship,
Joseph Ayo Babalola University, Nigeria

pp 21-31

Abstract

This study investigated the relationship between employees' competency management (ECM) and job performance (JP) in the Nigerian public sector. A cross-sectional survey research design was employed. The working population of the study consists of 175 randomly selected HR Management staff of key federal ministries based on the researcher's experience. The instrument for direct data collection was structured questionnaire. The response rate was 97 representing 55.43% copies of the questionnaire administered. The instrument was validated by human resources management experts. Confirmatory factor analysis was carried out to test the reliability of the instrument and the R_c obtained was 0.832. Data was analyzed using descriptive statistics and Chi square analysis technique for hypothesis validation with the aid of SPSS IBM version 21software. The findings revealed that there is no statistically significant relationship between ECM and workers' productivity (p=.617), quality of service rendered (p=.645), and service cost savings (p=.523) in the Nigerian public sector. The study concluded that ECM which is the basis for job performance did not reliably predict superior job performance in the Nigerian public sector. This is due to the absence of employees' competence management best practices in the Nigerian public sector.

Keywords: Competency management, job performance, service quality, cost of service, service expectation gap, public sector

Introduction

Production of private and public goods and services are accomplished using factors of production with special attention to human resources (Okpala, 2012). To attract the best performance from employees, appropriate policies and competency development models should be employed (Boyatzis, 1982; Legge, 1989; Armstrong, 2009). Competent and committed employees apart from being the most important resources available to any organization, largely determines organizational objectives and its successful achievement. Competency covers employees' surface and core personality which allow an individual to perform a task within a specific function (Boyatzis, 1982).The demand for competent workforce is continually on the increase which is motivated by the vibrancy of the global marketplace, rising local and intentional competition and the demand for quality private and public goods and services from providers(HayGroup, 2004). Competitors may emulate business strategies, adopt models, copy products and services but cannot do the same with an employee's character as it symbolizes the organization's best source of competitive advantage (HayGroup, 2004). Talented and effective workers represent a sustainable source of differentiation and employees' discriminative competencies put an organization or a nation ahead of her contemporaries (Gould-Williams,2003; Vathanophas & Thai-ngam, 2007).Knowledge and skills can be achieved by an organizations when management increase its investment in education, training and development while attitude, traits, self-concept are achieved with appropriate human resources policy that motivates best work ethical behaviours within an organization (Rodrigues &Chincholkar, 2005). HRM practice increases opportunities within the organization for employees to develop their proficiency for both their own benefit and that of the organization (Rao, 2000; Ichniowski, Kochan, Levine, Olson, & Strauss, 1996).In Nigeria, based on the poor quality of public services rendered, non-availability of public goods, infrastructure breakdown and non or partial functioning of government own business units, citizens are left in doubt whether government actually have competent labour-force to carry out her operations.

There is a general opinion that most of the public enterprises have failed to deliver on the purposes for which they were established. This is common in developing countries (World Bank, 1994). Poor resource management and employees' inefficiency has been suggested by public administrators as the twin issues that need to be addressed in the Nigerian public sector (Tokunboh, 1990).Apreliminary interview conducted randomly on top public officers to examine the problem of the study highlighted a perceived high level of inefficiency in the Nigerian public service which is evident by the weak infrastructure service provision, duplication and overlaps of duties, non-availability of public goods, idle workers in various MDAs and enormous investment in education and training without results. All the above shortcomings demonstrated the presence of incompetent workers in MDAs. Recently, several top public officials were accused of exhibiting high levels of incompetence in their work during their appearance before the Public Accounts Committee (PAC) of the National Assembly (Okpala, 2014).This has produced waste of national resources, poverty in the face of abundance, unemployment and economic retardation (Tokunboh, 1990; Okpala, 2012). Nigerians therefore want the bureaucrats to reconcile the role of various local and foreign staff education, training and development funded from budget on yearly basis and the inefficiency level in the public sector. However, since only few studies have been carried out in this direction in Nigeria which has created some obvious gaps in knowledge, investigation of this HRM practice that is and how it influences the level of job performance is therefore recommended to enable proper documentation of the relationship between the two variables in Nigerian public sector and the effect on the economy.

The main objective of the study is, therefore, to investigate the relationship between employees' competency management and job performance in the Nigerian public sector. To achieve that, the subsidiary objectives include examining the influence of competency management on workers' productivity, quality of service rendered by the public servants, and service cost savings in Nigerian public sector.

The formulated hypotheses are: (i) There is no significant relationship between employees' competency management and workers' productivity (ii) There is no significant relationship between employees' competency management and quality of service rendered in Nigerian public sector. And (iii) There is no significant relationship between employees' competency management and service cost savings in Nigerian public sector.

Literature Review

According to Vathanophas& Thai-ngam (2007), the term competency was probably first introduced to psychology literature in 1973with David McClelland's article titled"Testing for competence rather than for intelligence" in the search for theory and tools that could reliably predict effectiveness in the workplace (McClelland, 1973). In1982, Boyatzis drew together comprehensive data collected in the USA using the McBer & Company job competence assessment' method. Since then, competency has become a significant factor in HR development practices (Simpson, 2002).The word competency is derived from a Latin word meaning "suitable" (Bueno & Tubbs, 2004). Boyatzis (1982) noted that competency is an underlying characteristic of a person which represents his or her ability to effectively performance in a job. According to him, an individual's set of competencies reflect their capability or what they can do. Mitrani, Dalziel, &Fitt (1992) stated that competencies could be motives, traits, self-concepts, attitudes or values, content knowledge, cognitive or behavioural skills or competency is also described as a set of behaviour all patterns that an incumbent needs to bring to a position in order to perform his or her tasks in the delivery of desired outcomes (Bartram, Robertson, &Callinan, 2002; Woodruffe, 1992). All of the above definitions suggest that competency may be exterior or interior and the existence and possession of these characteristics may or may not be known to the individual but can be seen from the output. Similarly, it is also an individual characteristic that can be measured or counted reliably. It differentiates significantly between superior and average or between effective and ineffective performers (Vathanophas& Thai-ngam, 2007).

The United Nations Industrial Development Organization-UNIDO (2002) defined competency as a set of skills, related knowledge and attributes that allows an individual to perform a task within a specific function. If an individual possesses these three elements of competency, they can effectively perform duties as required by the specific job. Spencer and Spencer (1993) noted that employee's competency can be described as an underlying characteristic of a person that is fundamentally related tocriterion-referenced effective and/or superior performance in a job or situation. They identified five types of competency characteristics as: motives, traits, self-concept, knowledge and skills. Surface competenciest end to be more visible and are relatively easy to train and develop in most cost-effective way to secure employee abilities whereas core competencies are hidden, deeper and central to personality which is perceived to be lacking in the Nigerian public sector (Spencer & Spencer, 1993). The theory of performance is the foundation for the perception of competency; therefore, emotional and cognitive intelligence is the predictor of effectiveness in any Workplace(Mitrani, et. at. 1992). Kantola & Vanharanta (2009) noted that competencies provide a sound basis for consistent and objective performance standards by creating shared language about what is needed and expected in an organization. Organizational learning and the ability to create new knowledge are important factors in achieving a sustainable competitive advantage or quality service provisions. The diagram in Figure 2.1 below illustrates the central and surface competency model.

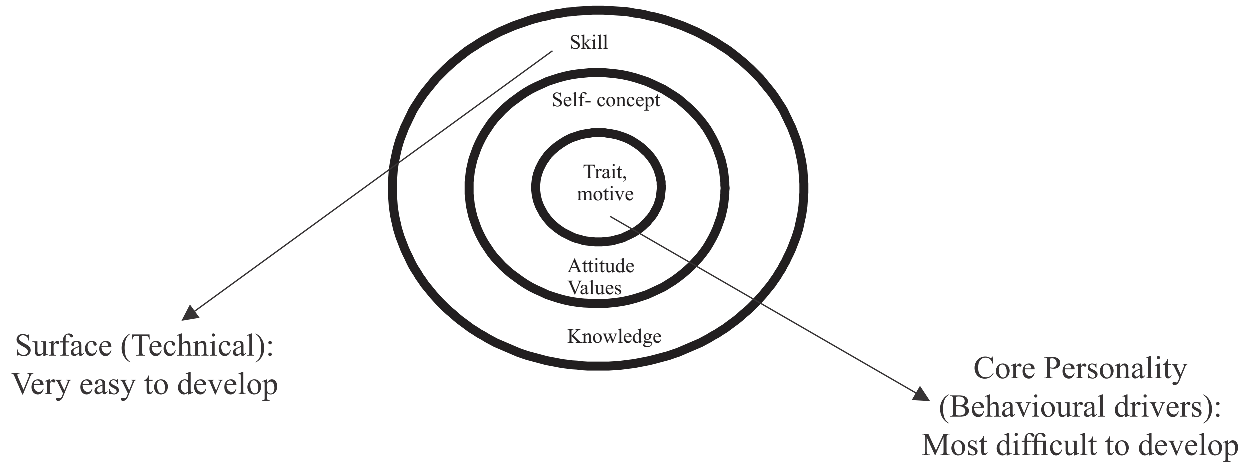


Figure 2.1: The Central and Surface Competencies Model Source: Spencer & Spencer (1993)

Figure 2.1shows that visible competencies are regarded as technical which is basically required by a job, while hidden competencies are behavioural drivers which impel individual's performance on the job. Boyatzis (1982) stated that while qualification and training enhances knowledge and skill, and core competencies have the most direct impact and affects the knowledge and skill.

Competency and Job performance

Some previous studies have examined the value of core competency in the bid to identifying factors that have most contributed to job performance and sustenance of organizational excellence(Boyatzis, 1982; Spencer and Spencer, 1993; McClelland, 1973; Mitrani *et al.,* 1992; Bartram, et al., 2002).The results of previous investigations revealed six HR management conditions that need to be met by an organization as follows: (i) performance-oriented culture, (ii) low staff turnover, (iii) employee satisfaction, (iv)qualified replacements, (v) effective employee compensation investment and (vi) institutionalization of performance evaluation processes (Berger &Berger, 2004). The model of effective job performance propounded by Boyatzis in 1982 provided linkage between competency and job performance He noted that effective action and job performance will occur when all three of the critical components such as organizational environment, job demands, and an individual's competencies are met. The absence of one or more of these will result in ineffective behaviour or action in any workplace. The competency model also known as "competency profiling or mapping." is a process of determining what competencies are necessary for the successful performance of a job. They are the positive characteristics of an employee which enable the demonstration of appropriate specific actions (Mitrani *et al.,* 1992; Berger & Berger, 2004). Effective job performance is the attainment of specific outcomes required by the job through those specific actions while maintaining adherence to HR policies, procedures and conditions of the organizational environment consistently (Boyatzis, 1982). Organizational strengths and strategic competitiveness is determined by core competency (Prahalad and Hamel, 1990). Figure 2.2 belowillustrated the model.

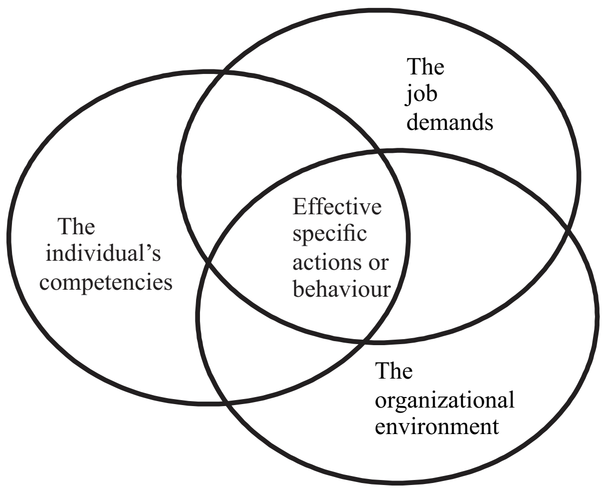


Figure 2.2: Effective Job Performance Model Source: Boyatzis (1982)

Public sector service expectation gap and competency as a critical success factor

Barlow, Roehrich & Wright (2010) noted that the public sector refers to the part of the economy concerned with providing basic government infrastructure services. The composition of the public sector varies from country to country but in most countries it consists of governments and all publicly controlled or funded MDAs providing basic government services such as education, power supply, healthcare, securities, roads, transport, water etc. for the benefits all members of the society (Lane, 1995). The services provided by these agencies are very essential and they are regarded as the basic structure of a society and foundation for economic growth (World Bank, 1994). Rutten (2003) stated that service expectation gap occur when the public service delivered fall short of citizens' expectation. Various public organizations and agencies providing public goods and services in Nigeria have performed below standard even in the face of adequate investments (Okpala, 2012). These include: Nigerian railway corporation, the defunct Nigerian Telecommunications, Oil refineries, Water Corporation, Nigeria Daily Times, National Electric Power Authority now known as Power Holding of Nigeria Plc., etc. It is apparent that the poor production or service rendition was not due to lack of resource but may be traced to management and employees' incompetency. This gap has a number of economic repercussions which include: financial failures at micro and macro levels, poor welfare service provisions, pitiable standard of living of the citizens, high unemployment rate and associated social vices. The cost of public sector failure has enormous negative effects on the economy and the ultimate consequence rest upon the citizens.

Vathanophas & Thai-ngam (2007) noted that to obtain a competitive advantage, survive and achieve excellent service at a low cost, there is the need to adopt a proper HRM practice necessary to respond to changing trends. One of the critical success factors that have been neglected in human capital administration is competency management. A study of Thai government employees' competency management strategy revealed that every public organization should adequately plan its human resource development based on their vision, mission, objectives using appropriate competency-based approach (OCSC, 2004). Figure 2.3 below shows the human resource development plan process.

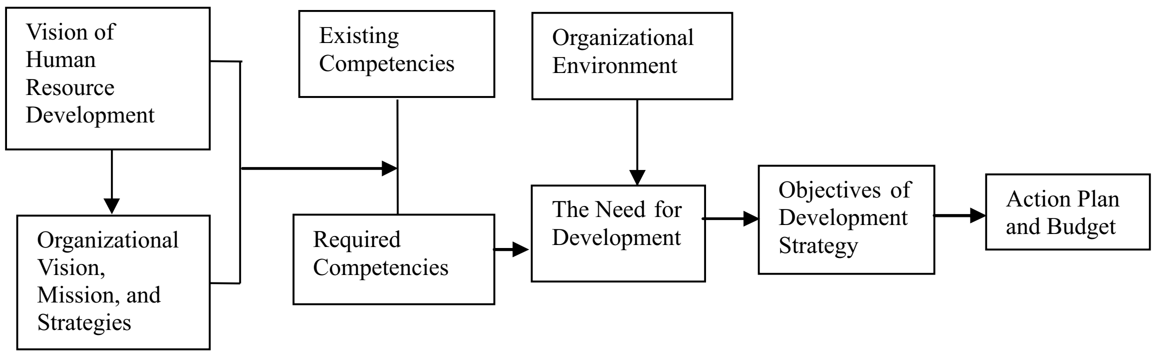


Figure 2.3: Human Resource Development Plan Process
Source: OCSC (2004)

A public organization has the duty to map out its organizational vision; mission and strategies to enable appropriate human resource development planning. The work in each field should be determined by job descriptions and then the competency required for each position level is then investigated. The gap between expected and existing competences, also need to be examined because it is considered as a measure of the need for development of public sector employees. Taking a clue from the study of Thai government, there is the need for competency development in Nigeria public sector. Each position level should be identified through the requirements of organizational vision, mission and strategies. This can be fulfilled by setting a competency model for each separate position level (OCSC, 2004).

Idemobi & Onyeizugbe (2011) conducted a questionnaire survey on performance management. The study gave an empirical perspective of the public sector in Delta state of Nigeria and data was collected using questionnaires administered to 44 respondents selected from five public organizations in Delta state.. The study concluded that the absence of performance management system has contributed to the high rate of business failures in the Delta state public sector. The study recommends that organizations in the Delta public sector should establish and adopt incentive systems that will motivate employees to work better after performance management review exercise.Obisi (2011) investigated employee training and development in Nigerian Organizations. Findings include (i) that organizations should place high emphasis on training by having a training philosophy, identifying training needs, objectives and administration, (ii) research efforts should be devoted to identifying missing gaps in the reviewed materials. It was concluded that priority would be given to empirical analysis of the significance of identifying specific and appropriate needs before training to avoid failure. Omisore (2013) studied strategies to improve the competence of public service officials in Nigeria. The objective of the study was to identify strategies for improving the competence of public service officials in Nigeria with a view to moving public management beyond bureaucracy and promote greatereconomy, efficiency and effectiveness in public service delivery. Some of the findings include (i) the need for a human resources development strategy to enable realistic reflection of capacity and needs of the country (ii) adequate funds in the budget should be allocated to staff development (iii) high impact need-driven training interventions to update public servants to add value to the service delivery should be provided.

Research Methodology

This study employed across sectional survey research design. A20-term, 6-point Likert scale structure questionnaire ranging from strongly agree (6), agree (5), fairly agree (4), fairly disagree (3), Disagree (2), to strongly disagree (1) was used to elicit opinion from the respondents. One hundred and seventy-five (175) randomly selected HR management staff between the ranks of Junior mangers to Directors of HR of Nigeria civil service commission; ministry of works; ministry of finance; ministry of external affairs and ministry of petroleum was used as the study population. The selected agencies were based on the researchers' experience and judgment. The validity of the questionnaire was confirmed by the human resources management experts at Babcock Business School. The questionnaire was adopted from previous studies and confirmatory factor analysis was conducted to test the reliability of the instrument and Cronbach's Alpha Coefficients of Reliability (R_c) obtained for the constructswas0.854 which affirmed the reliability and internal consistency of the instrument. This is considered adequate as the recommended benchmark for (R_c) score 0.70 (Nunnally, 1978). 97usable copies of questionnaire representing 55.43% of the total administered were returned and analyzed. In the researcher's opinion, there sponse rate achieved is adequate for the study considering the rate attained in some previous studies:32.5%for Olurankinse (2012); 55.5% for Erhan (2008) and 52.05% for Akinyomi (2014). Chi-square test at 5% level of significance was employed to validate the study hypotheses. The decision rules are rejecting H_0 if p-value is less than 0.05 and otherwise do not reject. The model specification is as follows: $Y = f(X)$. Where: **Y** = dependent variable (job performance) and **X** = independent variable (employees' competency management).

$$Y=\beta_1 WOPRO+\beta_2 QUASR+\beta_3 SCOSA+\varepsilon_3 \text{......} \quad (1)$$

In order to attain the principal objective, the specific objectives were designed. The models for the functional relationships are as follows:

$$y_1 = \beta o + \beta_1 x_1 + \varepsilon_1 \text{.......................} \quad (2)$$
$$y_2 = \beta o + \beta_2 x_2 + \varepsilon_2 \text{.......................} \quad (3)$$
$$y_3 = \beta o + \beta_3 x_3 + \varepsilon_3 \text{.......................} \quad (4)$$

Where: **Y** = dependent variable (job performance) whichcovers$\mathbf{y_1}$to $\mathbf{y_3}$. **X** = independent variable (employees' competency management) which covers$\mathbf{x_1}$to $\mathbf{x_3}$. Where: $y_{1=}$ Workers productivity (WOPRO); $y_{2=}$ Quality of services rendered (QUASR) and $y_{3=}$ Service cost savings (SCOSA), $\mathbf{x_1}$to $\mathbf{x_3}$ = employees' competency management. Hence, the study intends to assess the relationship that exists between the identified variables in the following equations.

$$y_1 = f(x_1) \text{.................................} (5)$$
$$y_2 = f(x_2) \text{.................................} (6)$$
$$y_3 = f(x_3) \text{.................................} (7)$$

Simple linear regression equation specified in the expectation of developing relationships that exists among variables in the hypotheses of the study is as follows: Model 1 for $H0_{1:}$ $Y=f(X)$ where Y = JP, X=ECMThus, $y_1 = f(x_1)$. A priori Expectation $x_1 > 0$(Positive).Model 2 for $H0_{2:}$ $Y=f(X)$ where Y = JP, X=ECM. Thus, $y_2 = f(x_2)$. A priori Expectation $x_2 > 0$(Positive). Model 3 for $H0_{3:}$ $Y=f(X)$ where Y = JP, X=ECMThus, $y_3 = f(x_3)$. A priori Expectation $x_3 > 0$(Positive)

Results

Testing of Statistical hypothesis

The formulated hypotheses stated in null (**$H0_1$-$_3$**) as shown in section 1.0 above were tested and the researcher employed both descriptive statistics and Chi square analysis technique using SPSS-IBM version 21. The interpretations of results showed in table 4.1 to 4.7 are as follows:

Table 4.1: Case Processing Summary

	Cases					
	Included		**Excluded**		**Total**	
	N	Percent	N	Percent	N	Percent
JB * ECM	97	100.0%	0	.0%	97	100.0%

Source: SPSS Output

Table 4.1 shows how all cases were used, with zero cases missing, and none unselected. In the present study, the whole of 97 cases representing 100% investigated were analyzed.

Table 4.2: Analysis of responses to question 11: Does workers' productivity Nigerian in public sector depends on employees' competency management?

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Strongly agree	2	2.06	2.06	2.06
	Agree	6	6.19	6.19	8.25
	Fairly agree	3	3.09	3.09	11.34
	Fairly disagree	13	13.40	13.40	24.74
	Disagree	27	27.84	27.84	52.58
	Strongly disagree	46	47.42	47.42	100.00
	Total	97	100.0	100.0	

Source: Field work, 2014

The descriptive statistics in table 2, showed that a total of 86 respondents representing 88.66% disagreed that workers' productivity depends on employees' competency management in the Nigerian public sector, out of which 46 participants representing 47.42% strongly disagreed to rank first.

Hypothesisone

H_0: There is no significant relationship between ECM and workers' productivity in Nigerian public sector.

Table 4.3: Chi-square test

	Value	**Df**	**P-Value**
Pearson Chi-Square	115.431	96	0.617

Source: SPSS Output

The hypothesis 1as contained in table 4.3above showed that there is no statistically significant relationship between employees' competency management and workers' productivity in the public sector, as the probability (or significance) of the t-calculated is equal to 0.617 which is greater than 0.05 or 5%. Therefore, there is enough evidence to accept the null hypothesis which states that there is no significant relationship between employees' competency management and workers' productivity in Nigerian public sector and alternate hypothesis not accepted.

Table 4.4: Analysis of responses to question14: ECM is responsible for the high quality service rendition in Nigeria public sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	4	4.12	4.12	4.12
	Agree	8	8.25	8.25	12.37
	Fairly agree	9	9.28	9.28	21.65
	Fairly disagree	15	15.46	15.46	37.11
	Disagree	25	25.77	25.77	62.89
	Strongly disagree	36	37.11	37.11	100.00
	Total	97	100	100.0	

Source: Field work, 2014

The descriptive statistics in table 4.4, above showed that a total of 76 respondents representing 78.35% disagreed that ECM had no effect on quality of service rendered in Nigeria public sector out of which 36 respondents representing 37.11% strongly disagreed to rank first.

Hypothesis Two

H_0: There is no significant relationship between ECM and quality service rendition in Nigerian public sector.

Table 4.5: Chi-square test

	Value	Df	P-Value
Pearson Chi-Square	121.151	96	0.645

Source: SPSS Output

Hypothesis 2, as contained in table 4.5above showed that there is no statistically significant relationship between employees' competency management and quality services rendition by Nigeria public servants, as the probability (or significance) of the t-calculated is equal to 0.645 which is greater than 0.05 or 5%.Therefore, the null hypothesis is accepted which states that there is no significant relationship between employees' competency management and quality service rendition in Nigeria public sector and alternate not accepted based on available evidence.

Table 4.6: Analysis of responses to question 17 in the questionnaire: Proper employees' competency managementhas motivated efficiency and saved cost in Nigerian public sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	2	2.06	2.06	2.06
	Agree	6	6.19	6.19	8.25
	Fairly agree	10	10.31	10.31	18.56
	Fairly disagree	14	14.43	14.43	32.99
	Disagree	24	24.74	24.74	57.73
	Strongly disagree	41	42.27	42.27	100.00
	Total	**97**	**100**	**100**	

Source: Field work, 2014

Lastly, a total of 79 respondents representing 81.44% disagreed that employees' competency management has influenced service cost savings in Nigerian public sector with 41 respondents representing 42.27% strongly disagreed to rank first.

Hypothesis Three

H_0: There is no significant relationship between ECM and service cost savings in Nigeria public sector.

Table 4.7: Chi-square test

	Value	Df	P-Value
Pearson Chi-Square	116.893	96	0.523

Source: SPSS Output.

Hypothesis 3computed in table 4.7 above showed that there is no statistically significant relationship between employees' competency management and cost savings in Nigeria public sector, as the probability (or significance) of the t-calculated is equal to 0.523 which is greater than 0.05 or 5%.The null hypothesis is therefore accepted which states that there is no significant relationship between employees' competency management and service cost savings in Nigerian public sector and alternate not accepted based on available evidence.

Discussions of findings

According to Boyatzis (1982), competency is a fundamental characteristic of a person which represents ability to effectively performance in a job situation and this can be measured or seen from the output. When properly managed, it leads to demonstration of appropriate specific actions that boost performance (Berger & Berger, 2004). The three hypotheses tested showed that there is no statistically significant relationship between ECM and the moderating variables, therefore ECM did not reliably predict productivity, quality of service and cost reduction. On the other hand, in summary, the analysis shows that ECM has no influenced on superior job performance in the Nigerian public sector. This result opposed the opinion reported in McClelland (1973); Boyatzis (1982); Spencer and Spencer (1993); Gould-Williams (2003); Vathanophas & Thai-ngam (2007). It is obvious that the government has made adequate investments in terms of funding education through various scholarships, training and developments. These programs mainly increase knowledge and skill without a corresponding level of increase in motive, character and attitude to work which is central to personality and directly impact on employees' skill. ECM effort did not translated into realistic productivity due to lack of clear vision, mission and strategies; lack of proper competency development model; undue policy change; corruption; ineffective education and training of public servants and staff selection for training based on ethnicity and tribalism. The study suggested that ECM effort did not reliably predict productivity, quality and cost savings in Nigeria public sector which fueled ineffectiveness and wastages. The cost of inefficiency rang from financial failures at micro and macro level, poor welfare service provisions, high cost of living, high unemployment rate and abject poverty. All these have the ultimate consequence on the citizens and the economy. The three hypotheses have empirical undertone as it reveal the operational condition in Nigeria public sector which is supported by the opinion of Tokunboh (1990);Kauzya (2001); Omisore (2013).

The results of the study revealed that :(i) there is a positive correlation between employees' competency management and superior job performance in general terms. (ii) ECM did not positively affect performance in Nigeria public sector due to environmental factors such as corruption, tribal sentiments, poor work attitude of public servants, lack of self-motivation and lack proper information database for planning (iii) the resulting inefficiency has produced huge cost detrimental to both the citizens and economy. (iv) due to high level of corruption, MDAs hardly consider staff with required pre requisites, promotion are based on ethnicity and tribalism. Question 18 addressed the issues of employment and promotion. The respondents' general opinion is that employment in Nigeria public sector in most cases is based on federal character and promotion is not based on merit but godfatherism and political loyalist. (v) the training in public sector are neither tailored to the needs nor carefully discriminated to suit different level of staff. Employees are not also allowed to guide the training process as in most cases they are hijacked by top echelons with personal benefit intensions.

There are no clear training expectations in MDAs and training progress report are not properly documented. From the opinion of respondents, training are rushed usually in the last quarter of the year in order to use up the fund allocated which affect staff selection, choice trainers and quality of the training provide. (vi) due to lack of accurate information database, it becomes impossible for public sector HR management to develop HR vision and strategies in line with of that of their organizations, compare existing with the required competencies to bridge the gap in human capital needs upon which action plan and human resources budget is based. (vii) incompetence by some employees in public services is due to failure by the employing entities to provide a focused on-the-job training and skills development. Furthermore, (viii) sometimes employees are given tasks for which they have no training or experience and end up delivering poor quality work. Lastly, Question 20 of the questionnaire requested respondents' opinion on present government effort to address the issue of employees' competency management and the level of inefficiency in Nigerian public sector. Respondents opined that President Jonathan's administration is doing so much to correct these social and economic abnormalities but need time. Based on the findings, the study concluded that employees' competency management in Nigeria public sector fall short of best practices as human resource managers are yet to achieve the desired results.

References

Akinyomi, O.J. (2014). Prospects of the implementation of activity-based costing in manufacturing sector in Nigeria. Unpublished PhD Thesis, Department of Business Administration & Marketing (Management Accounting), Babcock Business School, Illisan-Remo, Nigeria.

Armstrong, M. (2009). *Handbook of personnel Management Practice* (11 ed). London and Philadelphia: Kogan Page.

Bartram, D., Robertson, I. T., &Callinan, M. (2002). Introduction: A framework for examining organizational effectiveness. In I.T. Robertson, M. Callinan, &D.Bartram (Eds.), Organizational effectiveness: The role of psychology. Chichester, UK: Wiley.

Berger, L., & Berger, D. (2004).*The talent management handbook: Creating organizational excellence by identifying, developing, and promoting your best people*. New York: McGraw-Hill.

Boyatzis, R. E. (1982). *The competent manager: A model for effective performance*. New York: John Wiley & Sons.

Boyatzis, R. E. (2008). Competencies in the 21st century. *Journal of Management Development*, 27(1), 5 – 12

Bueno, C., & Tubbs, S. (2004). Identifying global leadership competencies: An exploratory study. *Journal of American Academy of Business,* 5(1/2), 80-87.

Catano, V., Darr, M., & Campbell, C. (2007). Performance appraisal of behaviour-based competencies: A reliable and valid procedure. Personnel Psychology, 60, 201-230. D. (2005) The Great Eight competencies: A criterion-centric approach to validation. Journal of Applied Psychology, 90, 1185–1203

Idemobi, E. I., &Onyeizugbe, C. (2011). Performance management as an imperative for effective performance in Delta State of Nigerian public owned organizations. *Sacha Journal of Policy and Strategic Studies*, 1(2), 46-54

Erhan, B. (2008). The impact of higher education on the job preparedness and performance of Turkish national police officers (Unpublished Ph.D Thesis). University of Central Florida, USA. Retrieved on May 2, 2013 from: www.chapters.indigo.ca/oks/the-impact-of-higher...

Esu, B.B.,&Inyan, B.J. (2009). A case for performance management in the public sector in Nigeria *International journal of Business and management*, 4(4), 98 – 105.

Gould-Williams, J. (2003). The importance of HR pices and workplace trust in achieving superior performance: A study of public-sector organizations. *International Journal of Human Resource Management*, 14(1), 28-54.

HayGroup. (2004). Hay Resources Direct. Accessed April 12, 2014 on at: http://www.hayresourcesdirect.haygroup.com/Competency/Assessments_Surveys/Manager_Comp...

Ichniowski, C., Kochan, T.A., Levine, D., Olson, C, & Strauss, G. (1996). What works at work: Overview and assessment. *Industrial Relations,* 35(3),299-333.

Kantola, P. P.,&Vanharanta, H. (2009). Knowledge creation and learning. *Systemics, Cybernetics and Informatics,* 3(3) 1.10.

Kauzya, J. (2001). A holistic model for managing ethnic diversity in the public service in Africa. Paper presented at UN expert group meeting on managing diversity in the civil service. New York: UN Headquarters. Retrieved April 12, 2014, from: http://www.UPAN.org.analytical-report.asp

Legge, K. (1989). Human resources management: A critical analysis in (Ed) J Storey, New Perspectives in human resources management. Routledge, London: McGraw-Hill.

McClelland, D.C. (1973). Testing for competence rather than for intelligence. *American Psychologist*, January, 1-14.

Mitrani, A., Dalziel, M., &Fitt, D. (1992).*Competency Based Human Resource Management*. London: HayGroup.

Obisi, C. (2011). Employee training and development in Nigerian organizations: Some observations and agenda for research. *Australian Journal of Business and Management Research,* 1(9), 82-9

Okpala, K.E. (2012). Strategic budgeting system and management of public resources: A Nigeria review. *European Journal of Business and Management,* 4(21), 171-180

Okpala, K.E. (2014). Strategic budgeting system and infrastructure development: A study of power sector in Nigeria: A Nigeria review. An unpublished Ph.D. thesis, Department of Business Administration and Marketing management Accounting) Babcock Business School. Illisan –Remo, Ogun State, Nigeria.

Olurankinse, F. (2012). Due process and budget implementation: An evaluation of Nigerian public sector auditing. *Asian Journal of Finance & Accounting,* 4(2), 144-154

Omisore, B. O. (2013). Strategies to improve the competence of public service officials in Nigeria. *Journal of Public Administration and Governance, 3(4), 15 – 30*

Rao, T.V. (2000). *Human resource development – concept and background, human resources development: Experiences, interventions and strategies*, New Delhi: Sage Publications.

Rodrigues, L. L. R., &Chincholkar, A. M. (2005). Benchmarking the HR practices of anengineering institute with public sector industry for performance enhancement. *International Journal of Training and Development*, 9(1), 6-20.

Rutten, E. (2003). The service expectation gap: Creating satisfied clients one at a time. Canada: AXISimpson, B. (2002). The knowledge needs of innovating organizations: The University of Auckland. Society for human resource management. Competency overview. Retrieved on January 23, 2013, from:

Spencer, L.,& Spencer, S. (1993). *Competence at work: Models for superior performance*. New York: John Wiley& Sons, Inc.

Tokunboh, M. A. (1990). *Public enterprise: the Nigeria experience,* Lagos: Lantern Books.

United Nations Industrial Development Organization (2002).UNIDO Competencies. Retrieved April 14, 2014, from: http://www.unido.org.

Vathanophas, V., & Thai-ngam, J. (2007). Competency Requirements for Effective Job Performance in The Thai Public Sector. *Contemporary Management Research,* 3(1), 45-70

Woodruffe, C. (1992). *What is meant by Competency*? In: Sparrow, P.R., Boam, R., Eds. Designing and achieving competency. London, UK: McGraw-Hill International.

Strategic Management of Natural Resources for Sustainable Development in Nigeria

Aliyu Mamman. Ph.D
Department of Business Management
Federal University Dutsinma, Katsina State.
E-mail address: mammanaliyu1@yahoo.com

Isa M. Adamu. Ph.D
Department of Economics,
Taraba State University, Jalingo
E-mail address: isaardo@ymail.com

pp 32-39

Abstract

Nigeria is endowed with variety of natural resources. In comparison with countries such as Botswana, Chile and Malaysia endowed with similar or even less resources, Nigeria has not fared well in the use of natural resources for sustainable and even unsustainable development. This unfortunate development can be attributed to, among other factors, lack of strategic management of the said resources. Based on the available literature and deduction, the paper proposed a model on strategic management of natural resources for sustainable development in Nigeria. The input side of the model contains the five stages of strategic management process comprising Goal setting, Analysis of Environment, Strategy Formulation, Strategy Implementation, and Control and Evaluation. The output side of the model contains the Daly's three stages of sustainable development comprising Environment, Economy and Equity. The conclusion of the paper is that with good governance and strategic management, natural resources can be used to attain sustainable development by meeting the needs of the present generation without compromising the ability of future generations to meet their own.

Keywords: Strategic management, natural resources, sustainable development and model

Introduction

Natural resources play an important role in the economy of nations (Barbier, 2003). However, there is no consensus on whether the contribution of natural resources to economic development is positive or negative (Sachs and Warner, 1995). The nature of contribution varies from country to country depending mainly on governance and management of the available natural resources. Countries like Botswana, Chile and Malaysia have gained enormously over long periods from their natural resources. In some other countries like Sierra Leone, Angola and Congo natural resources have brought about violent conflicts and devastating socio-economic effects for the society (Collier and Venables, 2011). This unfortunate development triggered argument among scholars, whether natural resources are source of "Blessing" or "Curse".

Nigeria is endowed with variety of natural resources (www.indexmundi). Sadly, noted Collier and Venables (2011), the said resources are yet to fully make the desired impact on the welfare of the current generation, talk less of the future generations. This unfortunate development has been attributed to, among other factors, lack of strategic management of the resources to attain sustainable development ((Shonekan, 1997). It is against this backdrop that the paper, based on available literature and deduction, will attempt to present a model on strategic management of natural resources for sustainable development in Nigeria. To achieve this objective the paper, with the introductory part, is divided into seven sections. Section two dwells on the global trends in management of natural resources. The conceptual framework of the paper on key areas comprising natural resources, Strategic Management and Sustainable Development, will be presented in section three. In section four, natural resources and sustainable development will be highlighted. Section five will focus on sustainable development Strategies in Nigeria. In section six, the proposed model on strategic management of natural resources for sustainable development in Nigeria, will be presented. Section seven contains the conclusion of the study.

Global Trends in Management of Natural Resources

Over the years, there were three major trends with regards to management of natural resources for achievement of socio-economic development. In the first trend which spans from the late 1940s and early 1950s the major concern was the quantitative contribution of natural resources to economic development. By the late 1960s and early 1970s, which marked the second trend, it was discovered that scarce natural resources led to limits in growth and environmental degradation (Mensah and Castro, 2004). This trend brought about the argument whether natural resources are "curse" or "blessing" to nations that have them. The belief of a number of economists in 1980s and 1990s was that natural resources were more of a "curse" than "blessing". They argued that a country rich in natural resources was poised to lack development in tradable non-resource goods (due to having a too strong currency) and possibly become a nonproductive rent seeking nation (Page, 2008).

On the stock of the resources themselves and their continuous exploration, the club of Rome, in 1972, drew the world attention to the limits of resources and an inevitable collapse of life on earth if the rate of depletion of natural resources was not addressed. In line with this argument, Collier and Venables (2011) conducted a study on the impact of natural resources on socio-economic development covering seven countries comprising Cameroon, Chile, Iran, Kazakhstan, Malaysia, Nigeria and Zambia. The finding and conclusion of the study was that in many resource rich countries, natural resources have not led to development. Instead, the resources brought about slow growth, increased inequality, environmental damage, corruption of officials and government institutions and armed conflicts and violence (Gylfason, 2004).

The concerns of scholars, especially economists, and developments in the second trend brought about the emergence of the third and current trend which was about implications of natural resources on environmental quality, food production, and more importantly human health for this and next generations (Mensah and Castro, 2004). The concern for human health for this and next generation brought about the issue of "Sustainability" in the management of natural resources. Since its introduction in to the World stage by the United Nations World Commission on Environment and Development (WCED) in 1987, there have been two opposing schools of thought on definition and application of "Sustainability" in respect of natural resources. The Pessimists School of Thought, dominated by ecologists and other scientists, is of the view that the earth cannot forever continue to support the world's demand for renewable and nonrenewable resources. On the other hand the optimists School of thought dominated by economists, is of the belief that the earth, with appropriate market incentives, appropriate public policies, material substitution, recycling, and new technology, can satisfy the needs and improve the quality of human welfare of this and next generations, indefinitely. This assertion by economists can be interpreted to mean that with strategic management, natural resources can be turned to be a "blessing" rather than a "curse" and can also be used to improve the welfare of the present and future generations. This paper subscribes to this view, hence its attempt to propose a model on strategic management of natural resources for sustainable development in Nigeria.

Conceptual framework

Natural Resources

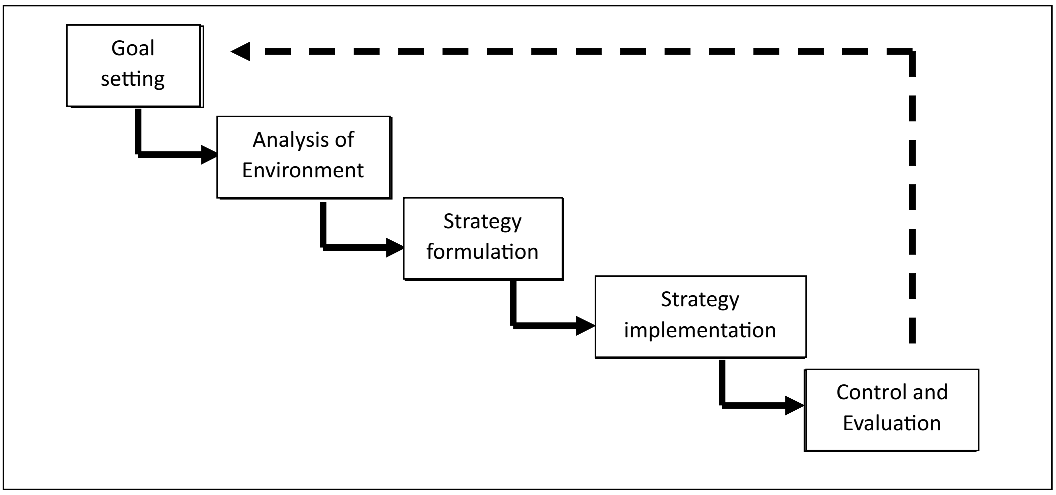
Resource refers to a stock or supply of materials, men, money, machinery and method (often referred to as 5ms) that can be drawn on by an individual, organization or country in order to function effectively (www.indexmundi.com). Natural resources are materials that are considered valuable in their relatively unmodified (natural) form. A common classification of natural resources was given by the European Commission (EC, 2002) as Nonrenewable and recyclable such as fossil fuels; Nonrenewable but recyclable such as minerals; Quickly renewable such as fish; Slowly renewable such as forests; Environmental such as air, water and soil; and finally flow resources such as solar and wind energy. Nigeria is endowed with all the aforementioned categories of natural resources. Therefore, natural resources in the study comprise all the classifications stated above.

Strategic Management

More broadly, management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims (Koontz and Weihrich, 1990). From this definition, it can be noted that management is all about carrying out the managerial functions of planning, organizing, staffing, leading and controlling; efficiently and effectively. Accordingly, strategic management is defined as the set of decisions and actions that result in the formulation and implementation of strategies designed to achieve goals and objectives of an organization (Dess and Lumpkin, 2003). Clayton (2014) identified five steps of strategic management process as follows; setting goals, analysis of environment, and formulation of strategies, implementation of strategies and finally, control and evaluation of implementation of strategies.

The stages are graphically depicted as follows;

Figure 1: The stages of Strategic Management



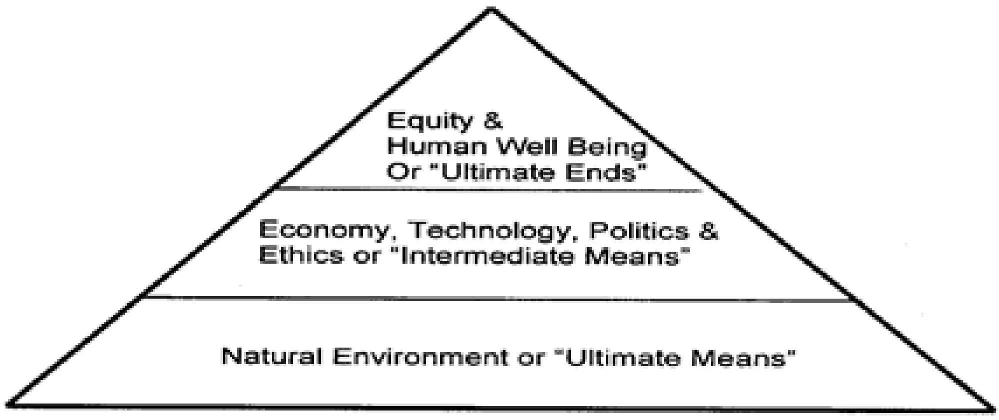
Source: Adapted from https://www.boundless.com/manangement/strategic-management/creat, 2014

Though strategic management process is applied mostly in business outfits and natural resources in Nigeria are being managed by non-business government agencies, the study will adopt the five steps in the process in proposing a model for strategic management of natural resources in Nigeria for sustainable development.

Sustainable Development

The increasing concern over exploitation of natural resources and economic development at the expense of environmental quality brought about the idea of "Sustainable Development". The issue was brought to the world stage by the report of the United Nations World Commission on Environment and Development (WCED). The Commission in its 1987 report titled "Our Common Future" defines sustainable development as "Development that meets the needs of the present without compromising the ability of the future generations to meet their own needs". From that time to date, scholars have provided various interpretations, definitions and frameworks of sustainable development. This study will be guided by the framework proposed by Daly (1990). He re-arranged the issues involving sustainable development in to triangular set up of what he referred to as 3Es- *Environment, Economy and Equity*.

Figure 2: Daly's Triangle of Equity, Economy and Environment



Source: www.sustainablesonoma.org/keyconcepts/dalystriangle.html in Mensah and Castro, 2004

At the bottom of the triangle is the *Environment* or the 'Ultimate Means' which represents natural resources as a precondition for decent human life. The *Economy* (which includes technology, politics and ethics) is on the next rung, is not independent but serves as a vehicle for achieving ultimate ends. At the top is *Equity* or the 'Ultimate End' which involves the welfare of the present and future generations (Mensah and Castro, 2004).

Natural Resources and Sustainable Development

Resources that contribute to human welfare through supporting the production of goods and services for socio-economic development can be broadly categorized in to three: human-made resources (technology), human resources and natural resources (Barbier, 2003). The issue of depletion and environmental degradation play an important role in the use of natural resources. The way and manner the resources are currently extracted or exploited determines the extent of sustainability of the current level of development. If the current economic development lead to excessive depletion and environmental degradation without due consideration of the interests of generations yet unborn, that kind of development is essentially "unsustainable" (Neary and Wijinbergen, 1986). If on the other hand the use of natural resources for current economic development takes into consideration the interests of future generation, that kind of development is regarded as "sustainable" and is the one WCED is advocating for in all countries, Nigeria inclusive.

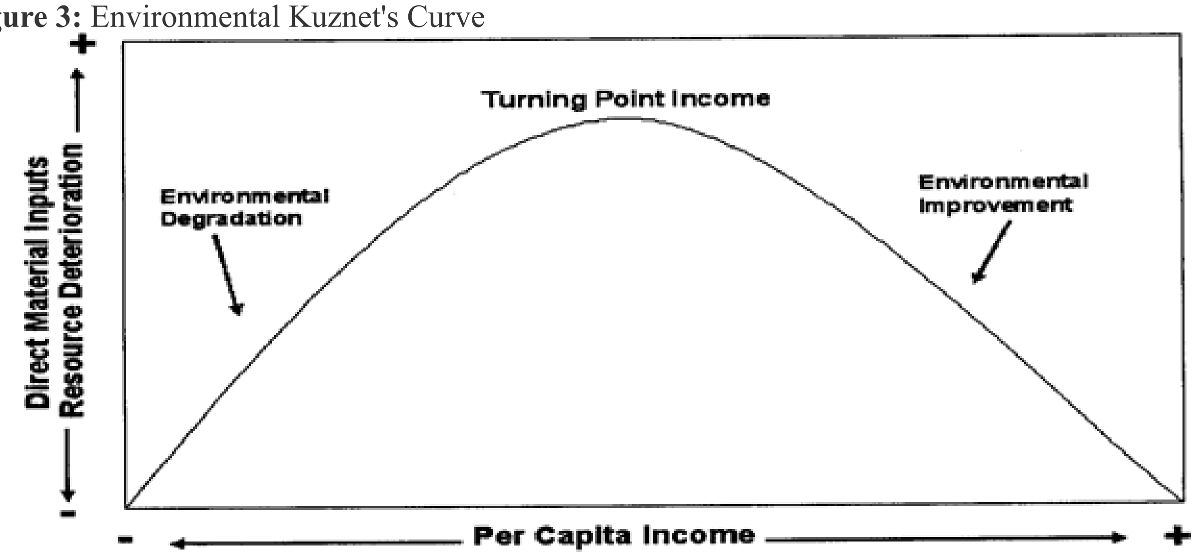
It is generally accepted by most economists that current economic development around the world is leading to depletion of natural resources and environmental degradation, and this justifies the calls for sustainable development by world bodies like United Nations. However, there is widespread disagreement among economists that economic development leading to depletion of natural resources and environmental degradation is inherently unsustainable. The disagreement is whether or not natural resources has a unique, essential or non-substitutable role in sustaining human welfare, and thus whether special "compensation rules" are required to ensure that future generations are not made worse off by natural resource depletion today (Barbier, 2003). The disagreement has led to emergence of two contrasting views generally referred to as "strong sustainability" and "weak sustainability"

According to the strong sustainability view, the role of natural resources in economic development is unique, essential and cannot all be substituted with human-made and human resources (Folke et al, 1994 in Erekson 1999). Based on this belief, there is a limit to which current generation can adequately compensate future generations for depletion of natural resources and environmental degradation. Accordingly, the proponents of the view suggest that natural resources that are essential for human welfare and cannot be easily substituted by other forms of resources should be protected and not depleted.

The proponents of the weak sustainability view argue that the role of natural resources in economic development is not unique, essential and can reasonably be substituted with human-made and human resources (Rogders, 2004). This view is based on the fact that during the stages of early exploration or exploitation of natural resources, the environment is degraded and per capita income increases (Mensah and Castro, 2004).

At a critical point however, the scholars pointed out, environmental quality begins to improve as the now higher-per capita income society restores the environmental impacts of the early stages of exploration or exploitation of natural resources. This relationship has been aptly captured by what is popularly referred to as Environmental Kuznet Curve (EKC) as follows:

Figure 3: Environmental Kuznet's Curve



Source: Rodgers, 2004

The argument of weak sustainability as depicted by EKC is totally applicable and practicable in some countries endowed with natural resources like Chile, Botswana and Malaysia (Shankleman, 2011). These countries are regarded as success stories in the use of natural resources for sustainable development. The factors behind the success stories are essentially strategic management of the natural resources leading to formulation and implementation of sustainable development strategies. The thesis of this paper is that Nigeria can equally attain this position with strategic management of its variety of natural resources.

Sustainable Development Strategies in Nigeria

The Nigerian government recognizes and reaffirms the 1987 WCED report and the 1992 Rio de janeiro Agenda 21, which all aimed at addressing the pressing needs of today without compromising the ability of future generations to meet their own needs. Sustainable development strategies in Nigeria are mostly contained in two independently-developed initiatives-the National Conservation Strategy (NCS) and the National Environmental Action plan (NEAP). NCS focused on the conservation of natural resources and biodiversity. The policy goal of NCS is sustainable use of forest resources and preservation of the many benefits accruing from soil, water, and wildlife conservation for economic development. The strategies put in place to achieve this goal as contained in Nigeria's report to the fifth and seventh sessions of the United Nations Commission on Sustainable Development include: a) taking the inventory and rehabilitation of all threatened and endangered animal species; b) increasing the network of protected areas to include all ecosystem types consistent with internationally accepted classification; c) increasing the nation's biodiversity management capability (human, infrastructural, institutional and technological); d) protection and promotion of policy guidance for bio-prospecting and indigenous knowledge (intellectual property rights); and e) rehabilitation of the degraded ecosystems (www.un.org)

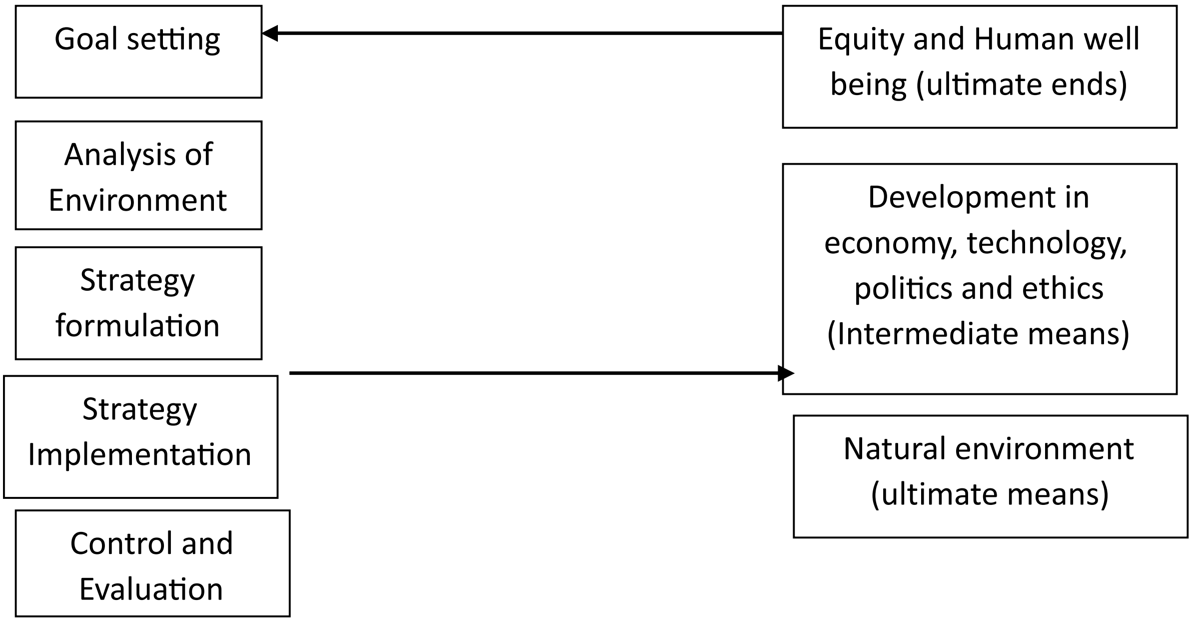
NEAP focused on control of pollution and land degradation. The main policy thrust of NEAP is protection of environment for present and future economic development. In addition to liaison with the Federal Environmental Protection Agency (FEPA) as well as the state agencies on environmental matters, NEAP has the following strategies, as stated in the report, to achieve its policy goals: a) promotion of environmental awareness and consciousness amongst oil operators and the general public through seminars and workshops on safety, health and environment; b) ensuring that all companies have effective contingency plans to combat minor to medium oil spills; c) coordinating the establishment of a National oil spill contingency plan for major or disastrous oil spills; d) carrying out environmental baseline studies and establishing oil pollution monitoring stations in high risk areas; e) establishing guidelines and standards for environmental monitoring and control in the petroleum industry; f) encouraging the remediation of polluted or contaminated sites through the use of safe and environmental sound technologies; g) promotion of the utilization of associated gas through the implementation of various projects such as the OSO Condensate Project, the OSO Natural Liquefaction (NGL) Project, Natural liquefied Natural Gas (NLNG) Project, etc.; and h) promoting the use of clean fuels by encouraging a shift from kerosene and wood stoves to gas-fired stoves, gradual introduction of Compressed Natural Gas (CNG) for vehicles as a substitute for petrol etc. (www.un.org).

It is one thing to device strategies and entirely another thing to achieve sustainable development through them. However, sustainable development can be achieved with effective implementation, control and evaluation of the strategies put in place

Strategic Management of Natural Resources for Sustainable Development in Nigeria

Strategic management of natural resources for sustainable development involves set of decisions and actions that result in the formulation and implementation of strategies designed to meet the needs of the present without compromising the ability of the future generations to meet their own needs. In the case of Nigeria, the strategies are already in place, what remains is to adapt or adopt the five stages of strategic management so that the said strategies will lead to the attainment of development for the present and future generations mainly in areas of environment, economy and equity. This scenario, which constitutes the model the paper is proposing, is graphically depicted as follows:

Figure 4: Proposed model on Strategic Management of Natural Resources for Sustainable Development in Nigeria



Source: Adapted from https://www.boundless.com/management/strategic-anagement/creat,2014 and www.sustainablesonoma.org/keyconcepts/dalystriangle.html in Mensah and Castro, 2004)

The five stages of strategic management can be adapted or adopted in the implementation of the current strategies and formulation of the future ones for sustainable development. This can be achieved in the following manner: a) Goal-Setting; at this stage the mission, vision, and goals of sustainable development should be considered and it is simply "Development that meets the needs of the present without compromising the ability of future generations to meet their own need". Objectives can equally be determined at the stage and they should be Specific, Measurable, Achievable, Realistic and Time bound. The objectives can be mainly in areas of conservation of natural resources, biodiversity, environmental degradation, pollution control etc; b) Analysis of Environment; this involves scanning of internal and external environment in respect of exploitation or exploration of natural resources. The scanning will reveal the country's strengths and weaknesses within its immediate environment and opportunities and threats at the global level; c) Strategy Formulation; strategies should address areas of weaknesses and threats, improve on areas of strengths and take good advantages of areas of opportunities. Presently, the Nigeria's strategies on sustainable development are contained in the NCS and NEAP; d) Strategy Implementation; this is the action stage and it involves specification and assigning of responsibilities as well as allocation of required resources to adequately and promptly implement the formulated strategies; e) Control and Evaluation; this entails measuring actual results against the set standards or targets (in stage one of the strategic management process), with a view to ensuring high performance in the implementation of the formulated strategies.

Proper implementation, control and evaluation of strategies will lead to the first stage of development (Natural Environment or "Ultimate Means"), then to the second stage (Development in Economy, Technology, Politics & Ethics or "Intermediate Means") and finally to the third and ultimate stage of Equity & Human Well Being (Ultimate Ends). The outcome of the review of equity and human well-being at the peak of the development pyramid forms the basis for determination of further goals and objectives of the country's sustainable development programme and this makes the process continuous and cyclical as depicted in the model.

Conclusion

Scholars have continuously argued on whether natural resources are source of "Blessing" or "Curse". This paper strongly believes that with good governance and strategic management, natural resources are source of blessing rather than curse. The resources can be use to attain sustainable development by meeting the needs of the present generation without compromising the ability of future generations to meet their own.

References

Babier, E. B. (2003). *The Role of Natural Resources in Economic Development.* Wyoming: University of Wyoming.

Clayton, J. (2014). Retrieved July 17, 2014, from htt://smallbusiness.chron.com/five stages-strategic-management-proc.

Collier, P., & Venables, ,. A. (2011). *Plundered Nations?: Successes and Failures in Natural Resource Extration.* Chicago: Macmillan.

Daly, H. E. (1990). Towards Some Operational Principles of Sustainable Development. *Ecological Economics 2 (1)* , pp 1-6.

Dess, G., & Lumpkin, T. G. (2003). *Strategic Management: Creating Competitive Advantage.* Boston: McGraw-Hill.

Erekson, O. H. (1999). Retrieved August 5, 2014, from www. lib.miamioh.edu/multifaced/record/mu3ug b2652151.

European Commission (EC). (2002). *Analysis of Selected Concepts on Resource Management.* Brussels: European Commission.

Gylfason, T. (2004). *Natural Resources and Economic Growth: From Independence to Diversification. London.* Centre for Economic Policy Research.

Koontz, H., & Weihrich, ,. H. (1990). *Essentials of Management (5the ed). New York,* McGraw-Hill.

Mensah, A. M., & Castro, L. C. (2004). *Sustainable Resource use and Sustainable Development: A Contradiction?* Bonn: Centre for Development Research, University of Bonn.

Neary, J. P., and Van Wijinbergen, S. (1986). Natural Resources and the Macro Economy, MIT Press, Cambridge, MA

Page, J. (2008, December). Retrieved July 23, 2014, from http://www.brookings.edu/research/papers /2008/12/africa-resources-page.

Rodgers, C. (2004, October 25-26). Natural Resources Scarcity-Interdisciplinary Perspectives; lecture presented to ZEF Inter-disciplinary Course, University of Bonn. Bonn.

Sachs, J. D., & Warner, A. M. (1995). *Natural Resource Abundance and Economic Growth.* Washington, D.C: National Bureau of Economic Research.

Shankleman, J. (2011, November 18). Retrieved August 9, 2014, from https://www.wilsoncenter.org/…/book-review-plundered-nations-successes-and-failures.

Shonekan, E. (1997). Management: A Key Factor in Sustainable Development. *Management in Nigeria NIM, Vol. 33, No. 2,* , pp 5-7.

www.un.org/esa/agenda21/natlinfo/count/nigeria/natur.htm (n.d). Retrieved June 15, 2014.

www.indexmundi.com/facts/nigeria/natural-resources-contribution (n.d). Retrieved July 10, 2014.

https://www.boundless.com/manangement/strategic-management/creat (n.d). Retrieved August, 7, 2014

World Commission on Environment and Development(WCED), (1987). *Our Common Future.* New York: United Nations

Strategic Mechanism for Achieving Competitive Advantage through the Employees

Okebaram, Sunday Moses, Ph.D
Optimal-Satis Management Services, 40 Ebony Paint Road, Enugu
E-mail: sunnymorlar@yahoo.co.uk

pp 40-56

Abstract

This research has attempted to identify range of concepts, models of competitive advantage, competitive strategy and best practices, the strategic human resource management, etc. and how to gain and retain competitive advantage through employees. This is in order to determine and define the criteria of best practice for competitive advantage. Thus this study develops an array of alignment an organization can combine to achieve good employee relations. Responses were sought aboutthe identification of the objective focus from a survey covering 30 respondents of PHCN Enugu, CAC and banks.The rundown of practical criteria of best practice of competitive advantage were used as indicators to answer the questions raised. The work discovered that balancing a highly focused performance management process and gaining employee trust through commitment and career development helps them identify their human resources. Also it was affirmed that through human capital advantage and human process advantage, organization resource immobility, high wages, good communication and personal development as well as incentive pay, employee ownership, participation and employment can help them gain a competitive advantage through its people. The study concludes that the quality of organization's employees, their enthusiasm, and their satisfaction with their jobs and the company all have a significant impact on the organizations productivity, level of customer service, reputations and survival. It was recommended, among others, that attention should be given to the human resource of the organization by considering how worthy to use it in achieving competitive advantage.

Introduction

The firm is regarded as a cohesive organism, which learns to adopt or find better ways of doing things essentially in response to its environment (Child 1997). Micolo (2009) contends that successful companies all have a sustainable competitive advantage that is not the result of technology, patents or strategies position but of how these companies manage their human or workforce. Helios (2008) states that the prevalence of technology, globalization, and increased competition dramatically impact traditional forms of competitive advantages. Thereby, leveraging differentiation through alliances, cost advantages, availability of raw materials and diversification which may no longer sustain a true competitive advantage in the 21st century. Human capital has been and continues to be a critical competitive advantage in most industries. Thus, the right people or employees are a company's most important organizational asset. They define its character, affect its capacity to perform and combined with the sum totals of their knowledge, skills, and experience, represent its human capital. Effective strategic human capital management strategies serve to increase the value of this asset and enable an organization to achieve strategic goals and objectives while remaining competitive. One of these practices is employee development which profoundly affects the realization of these goals.

Bartlett and Ghoshal (2002) reiterate that most managers today understand the strategic implications of the information\- based, knowledge-driven, service intensive economy. But they know what the new game requires speed, flexibility, and continuous self-renewal. They even are recognizing that skilled and motivated people or employees are central to the operations of any company that wishes to flourish in the new age. These authors emphasized that yet a decade of organizational delayering, destaffing, restructuring and re-engineering has produced employees who are more exhausted than empowered, more cynical than self-renewing. Consequently, in many companies only minimal managerial attention is focused on the problems of employees' capability and motivation. Somewhere between theory and practice precious human capital is being misused, wasted or lost.

However, the fundamental question then is what really should the firm do to maintain or to optimize its situation in its environment? Should it focus on its financial situation, its technology, or its human resources? The answer to this question should lead us to other researcher opinion and conclusion.

Barney (1991) suggests that, in order for a resource to qualify as a source of sustained competitive advantage the resource must add value to the firm, it must be rare, it must be inimitable and it must be non-substitutable.

Wright, et al. (1994) has shown that human resources meet Barney's criteria for being a source of sustainable competitive advantage. Coff (1994) argues those human assets are a key source of sustainable advantage because of cause making than inimitable. Guest (1990) says that if management trusts their workers and gives them challenging assignments, workers in return will respond with high motivation, high commitment and high performance. Gratton (1997) identifies six factors for success: the commitment of top management; the motivation and aspirations of recruits, the core capabilities of the management team; the team's aspiration; its ability to build and maintain alliances; and the integration of the business into a global network. What does that mean to us? It has shifted from financial resources to technology resources and now to human capital.

Helios (2008) retracing the above state that increasing the value of an organization's human capital and having that human capital productively engaged in executing the organization's mission is vital. Developing people's knowledge and skill ensures they reach their maximum potential and have maximum impact on the organization. Effective human capital management converts this potential into productive work through the process of employee development. This conversion benefits both the organization and employee. Hence, employees reach their maximum potential not just by acquiring knowledge, skill, and experience, they must be engaged. The extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment, defines employee engagement.

Therefore, organizations adopting components of a human capital management model need to design, implement, evaluate and refine those components based on the standard of how well employees help the organization achieve results and execute its mission. This process, performed properly leverages the organization's human capital into a lasting competitive advantage through employee engagement. In other words, success does not depend primarily on the size of the budget or the products supporting technologies. It really depends on employee's attitudes, competencies and skills, their ability to generate commitment and trust, communicate aspirations and work in complex relationships.

As we recognized the shift of the sources of competitive advantage, which is the employees, then, the organization were bedeviled on what they want do to achieve competitive advantage through employee. The answer lies in competitive strategy and human resource practices. Then, problem of what competitive strategy are all about triggers the desire of organization to seek for answer. Organizations were faced with what are key elements and the best practices of competitive advantage. Also organizations many a times are faced with the problem of formulating effective competitive strategies to enhance their performance. These are what this work wants to proffer solution to at the end of the study.

Concept of Strategy

The growing popularity and use of the word "Strategy" by capitalist management and management are increasingly tremendous. The strategy concept extracted from the Greek word-strategos, a general which in turn comes from roots meaning " army and lead (Legge, 1995), but the Greeks provided no clear description. Conventionally, strategy is assumed to involve the planning and directing of the organization towards some goals and objectives. In any business, there are certain market-related decisions which are strategic. These sets of strategic decisions are interrelated. Schemmenhom (1993) defines strategy as a comprehensive plan of action that sets critical direction for an organization and guides the allocation of its resources. Child (1972) defines strategy as a set of fundamental or critical choices about the ends and means of a business. In this vein, strategy choice perspective involves defining strategy. Such choices are critical because they play a decisive role in determining the ultimate success or failure of the business. Firms that combine high levels of competence in multiple modes of strategy making appear to be the highest performers. Obviously, certain market-oriented choices, such as the desired competitive position of a particular business unit are strategy. But such concerns do not define the universe of strategy.

According to Boxall (1996) strategy is a firm's framework of critical ends and means or strategic paradigm. Such a term implies that competitive strategy and structure strategy are all connected in a systematic and dynamic fashion. Johnson and Scholes (2009) define strategy as follows: "Strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations". In other words, strategy is about;

a. Where is the business trying to get to in the long-term? (Direction).
b. Which markets should a business compete in and what kinds of activities are involved in such market? (Markets, scope).
c. How can the business perform better than the competitive in those markets? (Advantage).
d. What resources (skill, assets, finance, relationships, technical competence, and facilities) are required in order to be able to compete? (Resources).
e. What are the values and expectations of those who have power in and around the business? (Stakeholders).

Then, the key contending question is "how this strategic plan is formulated in order to be successful? The answer to this question is, if the Human Resource (HR) is integrated into strategic plans, if HR policies are coherent, if line manager have recognized the importance of HR and aspirations and motivations are considered, if top management are committed, if the business is integrated into a global network and if employees identify with their firm then the firms strategic plan can be implemented successfully.

Different Levels of Strategy in Business

Meanwhile, strategies exist at several levels in any organization, ranging from the overall business (or group of business) through to individuals working in it. We have:

a. **Corporate strategy:** Is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investor in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often explicitly in a mission statement".

b. **Business unit strategy: -** Is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.

c. **Operational Strategy: -** Is concern with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc.

In addition, strategic management is about taking "strategic decision". In practice a thorough strategic management process has three main components strategic analysis (comprising the analysis of the strength of businesses position and understanding the important external factors that may influence that position). The process of strategic analysis can be assisted by a number of tools e.g. PEST analysis, scenario planning, fire forces analysis, market segmentation, directional policy matrix, competitor analysis, critical success factor analysis and SWOT analysis. Another process includes the "strategic choice" which involves understanding the nature of stakeholder expectations (the ground rules) identifying strategic options, and then evaluating and selecting strategic options. Third step is strategy implementation because when a strategy has been analyzed and selected, the next task is how to translate it into organizational action.

Competitive Advantage

When a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors, then we can say the firm has a competitive advantage. And when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy, then we can say the firm has a sustained competitive advantage (Barney, 1991).

Johnson and Scholes (2009) define competitive advantages as an advantage over competitors gained by offering consumers greater value, either by means of lower prices or providing greater benefits and services that justifies higher prices. There are two models that competitive advantage formed its bedrock.

i. The position of environmental model
ii. The resource-based view model

The Position or environmental model:-

In order to achieve a competitive advantage, the firm is required to make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Choosing the competitive scope or the range of the firm's activities can play a powerful role in determining competitive advantage because it aims to establish a profitable and sustainable position against the forces that determine you industry composition.

What is competitive strategy?

Porter (1985) defines the competitive strategy as the positioning of company in its competitive environment. Also porter has posed two important questions:

What is the structure or the attractiveness of the industry, which the company is in?

What is the company's position in its competitive environment?

Attempts to answer the question first indicate that as an organization should analyze their industry by focusing on the following points (industrial analysis):

1. Begin with understanding your industry
2. Focus attention on significant force
3. Watch out for industry change

In the second issue amplifies the "competitive position", the following question should be asked:- "How does a company achieve superior performance? To be a superior performer in the emerging industry, the company must have a sustainable competitive advantage, which its rival cannot copy or duplicate. The competitive advantage can be sustained in one of the two ways:-

i. Either the company can be lucky enough to come up with something that its rival cannot copy which is very rare or
ii. The company is improving so fast that its rivals cannot catch up.

Porter shows that there are five competitive forces, which play a major role in the company success or failure, "the entry of new competitors, the threat of substitutes, the bargaining power of suppliers, the bargaining power of buyers and the rivalry among the existing competitors. The collective strength of these five competitive forces determines the ability of firms in an industry to earn on average, a rate of return on investment in excess of the cost of the capital.

Again, Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of businesses activities are narrow versus broad and the extent to which a business seeks to differentiate its products. The four strategies are summarized min the figure below:

Degree of product Differentiation	Narrow	Broad
High	Differentiation Focus	Differentiation
Low	Cost Focus	Cost of Leadership

Scope of business activities

Source: Adapted from Porter (1985) Competitive Advantage: Creating and Sustaining Superior Performance, New York: Free Press.

The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By contract, the differentiation focus and cost focus strategies are adopted in a narrow market or industry. Porter noted a business can develop a sustainable competitive advantage by following two strategies: "cost leadership strategy or differentiation strategy"

I. **Cost Leadership Strategy: -** The primary focus of a cost leadership strategy is to achieve low costs relative to competitors. Lowering costs lead to lowering price, which can increase demand for products or services but if the product or services cannot be produced at a lower cost, it also reduces profit margins. To compete, based on cost, managers must address labour, materials, overheads, and other costs, and to design a system that lowers the cost per unit of the product or service. Often, lowering costs requires additional investment in automated facilities, equipment and employees skill.

ii. **Differentiation Strategy:** - The primary focus of a differentiation strategy is creating uniqueness such that the organization's goods and services are clearly distinguished from those of its competitors. In other words the focus is on creativity and innovation which have long been recognized as necessary for bringing the required change to obtain the competitive advantage. Carr and Johansson (1995) have defined creativity as the generation of ideas and alternatives, and innovation as the transformation of those ideas and alternatives into useful applications that lead to change and improvement. They have found that on today's business environment, an essential element to an organization's success is adaptability.

Ostrenga, Ozan, Mollhattan, and Harwood (1992) note that those companies that are effective at rapidly bringing innovative new products and services to the market have gained a huge competitive edge in today's business world. Deming (1993) note that the moral is that it is necessary to innovate, to predict the needs of the customer, and give him more. He that innovates and is lucky will take the market. Csikszentmihalyi (1988) notes that what we call creative is never the result of individual action alone, it is the product of three main shaping forces, a set of social institutions or field that selects from the variations produced by individuals those that are worth preserving, a stable cultural domain that will preserve and transmit the selected new ideas or forms to the following generations, and finally the individual who brings about some change in the domain, a change that the field will consider be creative.

Schuler and Jackson (1987) emphasis emerged from Porter discussion of three competitive advantage strategies stated that organization can use to gain competitive advantage: innovation, quality enhancement and cost reduction. Innovation strategy, the primary focus here is developing products or services different from those of competitors or offering something new and different. A vital component of any innovation strategy is getting employees to broaden their skills. Quality enhancement strategy, the primary focus here is enhancing the product and/or services. So, quality enhancements often means changing processes of production in ways that require workers to be more involved and more flexible. Cost reduction strategy, firms typically attempt do gain competitive advantage by being the lowest cost producer. The major question is who brings the innovation quality and the cost reduction strategy to the firm? We believe that it comes from the right employee who is motivated by the right human resources practices.

iii. **The resources-based view model**

Firm resources include all assets, capabilities, organizational process, firm attributes, information, knowledge, etc controlled by a firm to conceive of and implement strategies that improves its efficiency (doing things right) and effectiveness (doing the things right). In the traditional strategic analysis parlance, the resources are strengths that firms can use to conceive of and implement their strategies. Firm resources can be conveniently classified into three categories viz;

a. Organization capital resources
b. Human capital resources
c. Organizational capital resources

Physical resources include the physical technology used in a firm, a firm's plant and equipment, its geographic location, and access to raw materials. Human capital resources include the training, experience, judgment, intelligence, relationships and insight of individual managers and workers in a firm. The organizational capital resources include a firm's formal reporting structure, its formal and informal planning, controlling, and coordinating systems as well as relations among groups within a firm and between a firm and those in its environment (Barney, 1991).The resource-based view of the firm is presently being touted as an alternative theory of strategy to that developed by porter 1985. Instead of focusing on positioning in the product market, it argues that firms achieve sustainable competitive advantage by developing resources which add unique or rare value which cannot easily be copied by others. Thus, the firm with superior access to physical resources, which others cannot buy, holds a superior advantage. For example, a manufacturing firm, which invents a superior process technology, holds an advantage over its rivals.

Barney (1991) suggests that in order to understand sources of sustained competitive advantage it is necessary to build a theoretical model that begins with the assumption that firm resources may be heterogeneous and immobile. To have this potential a firm resource must have four attributes:-

- It must be valuable in the sense that it exploits opportunities and/or minimizes threats in a firm's environment.
- It must be rare among a firms current and potential competition.
- It must imperfectly imitable
- There cannot be strategically equivalent substitutes for this resource that are valuable but neither rare nor imperfectly imitable.

Firm resources can be imperfectly imitable for one or a combination of three reasons:

· The ability of a firm to obtain a resource is dependent upon unique historical conditions.

- The link between the resources possessed by a firm and firm's sustained competitive advantage is casually ambiguous.
- The resource generating a firm advantage is socially complex.

Wright, McMahan, and McWilliams (1994) have shown that the human resources can be a source of competitive advantage because they meet the criteria for being a source of sustainable competitive advantage. Human resources add value to the firm, are rare, cannot be imitated and are not sustainable. Also they have characterized human resources by unique historical conditions, casual ambiguity and social complexity which means that not all firms can successfully develop human resources as a sustain competitive advantage through imitating the HR practices of firms that have successfully developed human resources.

Gratton (1997) shown that most companies believe that human resource rather than financial or technological resources can offer a competitive advantage. But can it provide a sustained competitive advantage, or will competitors be able to imitate what has been achieved or buy in the same skills and capabilities from the external labour market, making any competitive advantages purely short term? Also, other enabling factors include "commitment, trust and pride appear to be sustaining ongoing change at the organization and provide a platform for the organization to increase its turnover and profitability. Thus, commitment, pride and trust would take the organization years of focus, skill and senior management commitment to nurture this kind of culture. Competitive advantage can best be achieved by seeking improvement in the management of people in other words through better utilization of human resources. From the standpoint of researchers interested in competitive advantage the resource-based view of the firm provides a framework for examining the rule of human resources in competitive success and forces us to think more clearly about the quality of the workforce skills at various levels and the quality of the motivation climate created and the strategic human resources management (Boxall 1996).

Competitive Advantage and the Employees

In most industries and market segments there is no question anymore that employee loyalty is a significant contributor to a company's long-term success. The reason for this is obvious; the cost of securing long-term employees is hugely lower than the cost of new recruitment. As an existing employee is already familiar with your products, processes and your ways of doing work, the cost of re-training new staff is largely eliminated. It is important to seize every opportunity to engender loyalty among our employees so that they remain with our company and will tend to good references on your company and products. So, having existing employees that say your company places employees first can be a competitive differentiator. The basic principles that applies therein is "if you offer your employees a market related package, interesting work and treat them as you want to be treated, you will built trust and over time loyalty.

Schuler and Jackson (1987) have shown that there is a linkage between competitive strategy, HR practice and performance. Also HR practice results from different human resources existing within the organization. Surveys have been conducted to determine the required human resources practices of competitive advantage through the employees. The survey starts by asking the employees certain questions in order to identify what are the barriers to their potential and what can be done to motivate them. The employees of the organizations have claimed the following points as factors that play the most important roles in improving their performance and long-term loyalty which both lead to a great competitive advantage:-

- High job security (if the jobs disappear through economic, technical, social and political changes then the employer will offer alternative employment or at least help the employee to find another one).
- Good communication and strong respect for individuals
- Personal development such as training
- Reward and social relationship
- Performance reviewing and setting goals and objective
- Job description
- Good manager with a good qualification and vision

- Involvement in the selection process

The survey findings coincide with some of Pfeffer's sixteen practices and, Schuler and Jackson (1987) six HR practices (planning, staffing, appraising, compensating, training and development).

Best Practices/Nuggets for Unleashing the Power of the Employees

The effectiveness of a given practice, such as training depends on other practices such as "organizing work in ways that makes the use of skill and knowledge possible". Pfeffer (1994) highlights the 16 nuggets of practices that motivate employees viz.

1. **Employment Security: -** The security of employment signals a long-standing commitment by the organization to its workforce. Norms of reciprocity tend to guarantee that this commitment is repaid. This commitment was met even in the face of temporarily slow demand, and many observers believe that as a result, trust between employees and the organization increased substantially.
2. **High Wages: -** In labour markets as in other markets, there is a tendency to get what you pay for. Relatively, high wages tend to attract more applicants permitting the organization to be more selective in finding people who are trainable and who will be committed to the organization. Paying more makes turnover less likely. Perhaps most important, high wages send a message that the organization values its people.
3. **Selectivity in Recruiting:** Security in employment means that one must be carefully to choose the right people, in the right way. At organization level hiring is done very careful because employees are expected to make a lifetime commitment to the company. Organization select for both the desire to succeed and the capacity for growth. Recruiting also has an important symbolic aspect.
4. **Incentive pay: -** In organization employees are motivated by more than money, such as recognition, security and fair treatment matter a great deal. Across the globe, there has been tendency to over use money in an effort to solve myriad organizational problems. However it is also true that if people are responsible for enhanced levels of performance and profitability, fairness and justice virtually dictate that they will want to share in the benefits. Although the factory workforce is paid on a piecework basis, it is paid only for good pieces (i.e. worker correct compensation). Bonuses, which often constitute 100% of regular salary, are based on the company's profitability, encouraging employees to identify with the whole firm.
5. **Employee Ownership:** employee ownership offers two advantages. Employees with ownership interest in the organizations for which work have less conflict between capitals and labour (they are both capital and labour). Secondly, employee ownership puts stock in the hands of people who are more in lined to take a long-term view of the organization, its strategy, and its investment policies, and who are less likely to support hostile takeovers, leveraged buyouts, and other financial maneuvers.
6. **Information Sharing:** As owners, employees have more power and expect to be treated as owners. To achieve excellent, better productivity and performance it is desirable for managers to consult or carry-along the employees in matters concerning, operations, productivity and profitability. Whether or not employees are owners, they must have information if they are to be a source of competitive advantage.
7. **Participation and Empowerment: -** Sharing information is a necessary precondition to another important feature found in many successful work systems. It encourages the decentralization of decision making as well as broader participation by workers and allows employees influence in controlling their own work process. Autonomy is one of the most important dimensions of jobs. It involves moving from a system of hierarchical control and co-ordination of activity to one in which lower-level employees who may have better information are permitted to do things to enhance performance. Autonomy works best when it is coupled with rewards brings as well as training in the skills necessary to take true responsibility for one's own work

process. And assurance of job security helps ensure that the increased productivity does not result in job loss.

8. **Teams and Job Redesign: -** The traditional organizational hierarchy serves at least two functions. It provides monitoring and supervision to ensure that employees do not shirk their duties or otherwise take advantage of their employer, and it provides coordination across interdependent tasks. The use of teams preserves the sense of autonomy because most people are inherently social creatures; groups exert a powerful influence on individual behaviour by enforcing conformity and providing social information. Management has typically seen groups as perverse, leading to restrictions in output, formation of union, and resistance to management control.

9. **Training and skill Development:-** Worker autonomy, self managed teams and even a high-wage strategy depend on having people who not only are empowered to make changes in products and processes but also have the necessary skills and process but also have the skill to do so. Consequently, an integral part of most new work systems is a greater commitment to training and skill development. However, training will produce positive returns only if the trained workers are then permitted to employ their skills.

10. **Cross-Utilization and Cross-Training:-** Having people who do multiple Jobs have a number of potential benefits. The most obvious is that doing more things can make work more interesting. Variety in jobs permits a change in pace, a change in activity, and potentially even a change in the people with whom one comes in contact, and each of these forms of variety can make work life more challenging. Beyond its motivational effects, having people do multiple jobs has other important benefits. One is keeping the work process both transparent and as simple as possible. A second benefit is the potential for newcomers to a job to see things that can be improved that experienced people do not see.

11. **Symbolic Egalitarianism: -** One important barrier to decentralizing decision making using self-managed teams, and eliciting employee commitment and cooperation is symbols that separate people from each other. Consequently, it is not surprising that many of the firms that are known for achieving competitive advantage through people have various forms of symbolic egalitarianism. The common co-existence means that senior management is more likely to know what is actually going on and be able to communicate its ideas more directly to everyone in the facility. The egalitarianism makes cross-movement easier because there are fewer status distinctions to be overcome.

12. **Wage Compression: -** Teamwork is fostered by the sense of a common fate, and that sense is enhanced when people are rewarded comparably. Although issues of wage compression are most often considered in terms of hierarchical compression and particularly CEO pay relative to that of others, there is a horizontal aspect to wage compression that can have a number of efficiency enhancing properties for organizations.

Therefore, pay compression can reduce interpersonal competition and enhanceco-operation. Furthermore, while large differences in rewards can motivate people to achieve these rewards, they can as readily result in excessive time and energy spent on ingratiating oneself with one's supervisor or trying to affect the criteria for reward allocation. By this reasoning a more compressed distribution of salaries can actually produce higher overall performance as there is less incentive for individuals to waste their time on gaining the system. Wage compression also makes it easier to more people across units or functions because their standard of living is not drastically altered by each move. Vertically pay dispersion sends a signal that the lower-paid, lower-level people matter comparatively less. This may be fine in some technologies and under some strategies but if is quite inconsistent with attempting to achieve high levels of commitment and output from all employees.

13. **Promotion from Within:** Promotion from within is a useful adjunct to many of the

practices already described. It encourages training and skill development because the availability of promotion within the firm binds workers to employers. It facilitates decentralization, participation, and delegation because it helps promote trust across hierarchical levels (supervisors are responsible for coordinating the efforts of people whom they probably know quite well). Promotion from within also offers an incentive for performing well, and although tied to monetary rewards, promotion is a reward that also has a status-based non-monetary component. Finally, it tends to ensure that people in management position actually know something about the business, the technology, and the operating they are managing.

14. **Long-Term Perspective:** The bad news about achieving competitive advantage through the workforce is that it inevitably takes time to accomplish.
15. **Measurement of the Practices: -** Measurement is a critical component in any management process, and this is true for the process of managing the organization's workforce. Measurement serves several functions. First, it indicates how well the organization is implementing various policies. A commitment to training is more likely to be fulfilled if data are collected not only on the total amount spent on training but also on the types of employees who have received training and the sorts of training delivered. Second, measurement ensures that what is measured will be noticed. Most people will try to succeed on the measures even if there are no direct, immediate consequences. Measurement permits the organization to see the extent to which it is actually doing what it thinks it wants to.
16. **Overarching Philosophy:-** At times called view of management, it provides a way of connecting the various individual practices into a coherent whole and also enables people in the organization to persist and experiment when things do not work out immediately. Moreover, much a philosophy makes it easier to explain what the organization is doing justify it and mobilize support from its internal and external constituencies.

Strategic Human Resources Management and Competitive Advantage

The eager and struggle to gain competitive advantage in markets that grow more fiercely contested day to day has radically altered the complexion of many businesses. The field of strategic human resource management has grown up along side the field to strategic management in recent years. It represents attempts by HRM researchers to relate the worlds of HRM and strategic management to each other (Boxall 1992, and Wright and McMahan 1992). Different scholars have opinions on the “Matching model or behavioural prospective” of strategic HRM. In its simplest form, the matching model asserts that organizational effectiveness depends on a tight fit between HRM strategy and business strategy. The essential idea of this model is that HR practices should be matched to the firm's desired competitive position. This is seen to make the organization more effective. In other words, management should work out what behaviours are required by the choice of a particular business position and adopt those HR practices, which reinforce them.

The underlying features determinants to the firms are to “choose whether they want to be cost leaders, or differentiations on the basis of some superior non-price feature such as- superior quality, delivery or service.(Schuler and Jackson 1987). So, selecting highly skilled individual giving employees more discretion, using minimal controls, a making a greeter investment in human resources, providing more resources for experimentation, all owing and even rewarding occasional failure, and appraising performance for its long-run implications. On the other hand, if management wants to pursue cost leadership, this entails designing jobs, which are repetitive, minimal training, cutting staff numbers to the minimum and rewarding high output and the way if offers a basis for integrating HR practices. The disparate functions of HRM are brought together around a common theme, behavioural consistency with pre-selected competitive position.

Boxall (1995) outlines several weak points in this model such as, what is strategy, the typological problem, the unitarism issue, the issue of strategy making, and the dynamism issue. The capabilities model as aligned to the matching model of strategic HRM is linked to the product market oriented views of strategy advocated by Michael Porter 1985. A second model is linked to the resource-based view of the firm. The resource-based perspective of offers a way of the ……..the contribution of HR strategy that does not rest solely on the reactive notions of the positioning model. Human resources can be defined as the pool of human capital under the firms control in a direct employment relationship. In resource based thinking, HRM can be valued not only for its role in implementing a given competitive scenario but for its role in generating strategic capability (Barney, 1991) for its potential to create firms which are more intelligent and flexible than their competitors over the long haul firms which exhibit superior levels of co-operation and operation (Grant 1991).

By hiring and developing talented staff and synergizing their contribution within the resource bundle of the firm, HRM may lay the basis for sustained competitive advantage. In order to get more complete model of strategic HRM, it should be linked to the employment relationship. A theory of strategic HRM must be built on credible assumptions about the nature of strategic management on the one hand and the wage-work bargain or employment exchange on the other. The resources based view of the firm quite clearly; provide a basis for asserting that key human resources are sources of competitive advantage. It helps to lay the intellectual basis for a capabilities model of strategic HRM. These are merely a tentative set of ideas but they show how a capabilities model of strategic HRM offers advantages order the matching model because it forces use to think more clearly about the quality of the work force skills at various levels and the quality of the motivation climate created by management. The matching model fails to take a long term view of skill development and simply takes worker motivation for granted.

Competitive Advantage through Employment Relationships

Broadly speaking, employment relationship has been recognized as a socio-economic exchange process which involves the mediation of different interest-, the interest of employer to minimize the labour cost and the interest of the employee to maximize the labour price. Henceforth, employment relations engender bargaining which can either individual or collective and mobilization of the power in order to protect or advance such interest. Tracing this fact, power mobilization could be a problem facing the organization. Here organization begins by analyzing the employment relationship drives-, as can either be “conflict or co-operation. In conflict sense, occurs in the employment relationship for the following reason: “sharing the economic returns in other words the fair wage, lay-offs (job security) and the authority (power). And management gets involved or participates to solve conflict through “mediation and control”.

Therefore, management knew that in order to control the conflict, they have to cope with the paradox of what might be called “the motivation-control equation”. This implies treating employees with respect, rewarding their fairly or even generously and perhaps seeking to elicit responsibility and trust. On the side is the need to control work-behaviour in the light of the economic realities of competition and the profit-motive. These implies treating the employee as an economic resources to be made as economically efficient as possible in the practice this may require extracting additional productivity for no additional cost, minimizing wages and rewards and declaring redundancies (Keenoy 1992). Thus, co-operation can be brought to the organization by keeping commitment fair reward system and motivation, and employees should have a voice in management and should have more decision power over work conditions.

Five Key Elements in Employee Management:

Helio (2008) discloses that the most successful human capital management models have five key elements. When implemented properly and measured frequently, models with those elements enable companies to thrive through the engagement of their employees. These elements include:-

i. Leadership commitment
ii. Human capital planning
iii. Attracting, developing, and retaining employees
iv. Communications strategy and
v. Impact metrics

Leadership commitment

In this case, committed leaders view employers as critical enablers of company performance and manage them accordingly. Employees become increasingly engaged through knowledge through knowledge of how leadership views, measures and aligns their contribution with the organization's goals. In such transparent environments employees become prepared and motivated to provide analytical, consultative, technical and other services to the organization. In this stead, the employees and manager have role to play and should link their performances together to accomplish their goals.

Human Capital Planning

Successful management of human capital involves planning to ensure all strategies are aligned and integrated with the organization's performance objectives. All new initiatives or refinement of existing initiative are identified, captured and agreed upon as reflected in the goals of the organization. One area of planning as called "succession planning represents a challenging component as organizations strive for differentiation in the marketplace. To protect against leadership, skill, and knowledge deficits, organizations must develop employees today to fill future positions.

Succession planning is a process that identifies and prepares employees for future openings due to employees moving into different positions and the loss of employee both planned and unplanned. A journal succession plan defines how the organization will ensure continuity of operations. Identifying internal candidates prior to positions becoming available allows for mentoring and developmental opportunities to improve the individual's readiness to succeed. A key succession plan strategy occurs in "staffing forecasts", which is best maintained with a talent pool.

Attracting, Developing and Retaining Employees

Naturally, attracting new employees helps to ensure that an organization's workforce remains current with the latest skills, knowledge, and innovations. The attraction of new employees becomes much less costly with shorter recruitment time frames when an organization includes compelling programs supporting the living and on barding of new employees. In developing employees, successful employee development programs include a detailed set of professional development goals tailored for each employee. These goals are based on the organization's objectives, the employee's interests and needs and address specific developmental challenges for the employee, identified as part of the performance management process. In this vein, organization must decide which high impact programs to develop before designing and implementing any employee development initiatives. (i.e. career path development). Career path is defined as a logical and planned progression of jobs within an organization. It can be lateral, vertical or both. It provides employees and managers an invaluable tool that allows them to identify and create strategies to close gaps in employee knowledge or skills necessary to be successful in the next level of their careers. Also, it forms the foundation for compensation structures performance management systems, and succession plans. Still within development is "training", which serves to increase knowledge and skill within the employee community/domain ensuring delivery of knowledge and skills relevant to mission and objectives.

There are varying degree of training style as in-"on-the job training (OJT), cross-training or rotational programs, job rotation, mentor/ apprenticeship programs, external training (degree programs) training/certification programs, industry event etc) Instructor-led training, online training.

Communication Strategy

The aspect of communication helps to promote the organization's devotion to the development of its employees. Formal professional development communication should also include information on the utilization of specific opportunities, employee feedback about the event(s), and usage and attendance statistics. Communication is vital to organization, constant/regular distribution of it employees transmit the growth and productivity of them. The communication vehicle organization adopts in recent time is "learning management systems (LMS) use to track the usage of professional development opportunities. It provides statistics readily available with detailed information on the skills employees have acquired. Other communication strategies include professional development calendars, intranet or extranet, internal email traffic and direct communication etc.

Impact Metrics

Consequently collecting metrics overtime provides bench marking toward specific program goals enabling an organization to assess the impact of its human capital management strategy. Collection of these metrics also demonstrates a direct alignment of human capital management with the overall mission and objectives of the organization. Measurement of internal promotions has been found to be among the most common of metrics. Employee development plans need to include employee development requirements and contingencies for employee advancement. This component of the development plan provides an objective appraisal of basic knowledge, skills and experience for consideration when making advancement decisions. As a result, promotion's become an indicator of successful employee development efforts.

Practical Criteria of Best Practice for Competitive Advantage

Jassim (2009) highlights a practical criterion that is seen to be important to create a competitive advantage. The criterions are viz:

I. **Goals/Objectives:** This contains a details statement of the general goals and their relationship to the company's objectives. When an organization goals are not planning efficiently. The lack of planning contributes directly to unrealistic resource allocations and schedule notably the key personnel should be actively involved in defining the specific work to be performed, the timing, the resources, the responsibilities, and positive participation on in the pursuit of the goal/objectives.

ii. **Recruitment:** The pertinent thing here is how can the firm management recruit the right employee? Most of the management uses a detailed job analysis and job description and some of then use one of the selection models to insure they are employing the right employees.

iii. **Commitment:** Kline and Peters (1991) define commitment as a process by which people become psychologically bound to their action in such a way that feel a personal obligation to follow through on the implications of those actions. Commitment can be enhanced and maintained by high participation of employees in definition of results, measuring criteria and schedules. It is through this involvement that the employee gain a detailed understanding of the work to be performed a feeling of importance, develops professional interest in the work and desires to succeed, and eventually makes a firm commitment toward the specific task and the overall organization objectives.

iv. **Tracking/coaching:** This system captures and processes work performance data conveniently summarized for review and management actions.

v. **Measurability**: This assures accurate measurements of performance data especially technical progress against schedule and budget.

vi. **Signing-on:** The process of signing-on employees during the initial phases of the job or each task seems to be very important to a proper understanding of the task objectives, the specific task and personal commitment.

vii. **Interesting Work:** The managers should try to accommodate the professional interests and desire of sporting employees when negotiating their tasks. The effectiveness of the work depends on the manager's ability to provide professionally stimulating and interesting work. This leads to increase involvement, better communications, lower conflict and stronger commitment.

viii **Communication:** Good communication is essential for effective work. It is the responsibility of the task leaders and ultimately the manager to provide the appropriate communication tools, techniques, and systems.

ix. **Minimize threats:** Managers must foster a work environment that is low and personal conflict, power struggles, surprises, and unrealistic demands. An atmosphere of mutual trust is necessary for the personnel to communicate problems and concerns candidly and at an early point in time.

x. **Design a Personal Appraisal and Reward System:** This should be consistent with the responsibilities of the employee and implies treating employees with respect, rewarding them fairly or even generously and perhaps seeking to elicit responsibility and trust.

Methodology

The methodology adopted to gather data as well as information includes: questionnaire, and one-on-one interactive section with key or top management in selected institution. At the end of the collection, the presenter or researcher uses percentage table and judgmental method to present and arrive at the conclusion. And the sample size of respondents used in this work is 30 in number. The organizations where these respondents are drawn from are banking industry, power holding company of Nigeria (PHCN) and Corporate Affairs Communications (CAC). And 5 point likert scale questionnaire were used to construct our questions for the respondents.

Results and Discussion

The results of the table presentation and discussion are as follows:

Question 1: What are the Elements of Competitive Strategy and Advantage?

Options	SA	A	UD	D	SD	TOTAL
Inimitable	15	5	5	2	3	30
	50%	16.7%	16.7%	6.7%	10%	100%
Rare	18	8	0	1	3	30
	60%	26.7%	0	3.3%	10%	100%
Non-	15	5	5	2	3	30
substitutable	50%	16.7%	16.7%	6.7%	10%	100%

Source: Field survey, 2012.

Question I1: What are the major Human Resources Practice for Competitive Advantage?

Options	SA	A	UD	D	SD	TOTAL
1. Selection	15	5	5	**2**	3	30
	50%	16.7%	16.7%	6.7%	10.%	100%
2. Appraisal	18	8	0	1	3	30
	60%	26.7%	0	3.3%	10%	100%
3. Reward	15	5	5	2	3	30
	50%	16.7%	16.7%	6.7%	10%	100%
4.Development	18	8	0	1	3	30
	60%	26.7%	0	3.3%	10%	100%s

Source: Field Survey 2012.

Question II1: How do your Organization Formulate Effective Competitive Strategies?

Options	SA	A	UD	D	SD	TOTAL
1. Leadership commitment	20	5	0	3	2	30
oriented.	66.6%	16.7	0	10%	6.7%	100%
2. Human capital oriented.	15	8	0	5	2	30
	50%	26.7%	0	16.7	6.7	100%
3. Attracting, developing and	20	5	0	2	3	30
retaining employees oriented.	66.6%	16.17%	0	6.7%	10%	100%
4.Communication strategy	15	8	0	5	2	30
oriented	50%	26.7%	0	16.75	6.7%	100%
5.Impact metric oriented	20	5	0	2	3	30
	66.6%	16.1%	0	6.7%	10%	100%

Source: Field Survey 2012.

Question IV: How do you think organization can gain a competitive advantage through it employees?

Options	SA	A	UD	D	SD	TOTAL
1. Through human capital advantage and human process advantage.	18 60%	7 23.3	0 0	3 10%	2 6.7%	30 100%
2. Organization resource immobility, high wages, good communication and personal development.	15 50%	6 20%	0 0	6 20%	3 10%	30 100%
3. Incentive pay, employee ownership, participation and employment.	18 60%	7 23.3	0 0	4 13.3%	1 3.3%	30 100%

Source: Field Survey 2012.

Discussion

In the first table 15(50%) strongly agreed that inimitable is one of the element of competitive strategy and advantage. Secondly, 18 (60%) strongly agreed that rare is another element of competitive strategy and advantage. While 15(50%) said non-substitutable is one of the element of competitive strategy and advantage. At the end we see that inimitable, rare, and non-substitutability are elements of competitive strategy and advantage. The second question depicts that 15(50%) of the respondents strongly agreed that selection is one of the major human resources practice for competitive advantage. While 18(60%) strongly agreed that appraisal is one of the major human resources practice for competitive advantage. Also 15(50%) of them strongly agreed that reward and the other 18(60%) of them said development are equally the major human resources practice for competitive advantage. Finally we deduced that selection, appraisal, reward and development are the major human resources practice for competitive advantage.

Third question shows that 20(66.6%) strongly agreed that their organization formulate effective competitive strategies when leadership commitment oriented action is high, 15(50%) said when human capital oriented action is high, 20(66.6%) of them said when attracting; developing and retaining employees oriented action is high, 15(50%) said when communication strategy oriented action is high, while 20(66.6%) said when impact metric oriented action is high. We deduced that organization formulates effective competitive strategies when the five indices of leadership commitment, human capital, attracting; developing; and retaining employees, communication strategy and impact metric oriented action is high. In the question four, 18(60%) strongly agreed that they think the organization through human capital and human process advantage can gain a competitive advantage through it employees, 15(50%) of them said through organization resource immobility,; high wages; good communication and personal development. While 18(60%) of them again said through incentive pay, employee ownership, participation and employment. We conclude that organization through human capital and human process advantage, organization resource immobility; high wages; good communication and personal development, incentive pay, employee ownership, participation and employment can gain a competitive advantage through its employees.

Conclusion

Obviously, there is one factor that can set an organization apart from its competitors whether in services or production, the private or public sector is its employees. The quality of the organizations employees, their enthusiasm, and their satisfaction with their jobs and the company all have a significant impact on the organizations productivity, level of customer service, reputations and survival. Therefore, in a competitive environment, people make the difference. Here human resources are a critical component in every area of the organization, from finance to sales to customer service to line management. Nonetheless, using human resources as a competitive advantage means analyzing what factors are necessary for the organization's long term success. The relevant areas to review include organizational design, key work processes, teams, hiring effective employees, promotion strategies, defining competencies and performance measures, training and development programs for current job and preparation for future positions, rewards and recognition systems, motivation and retention, employee perceptions and customer perception of the organization and employees. In order to formulate appropriate competitive advantage through the employees program for an organization, it first necessary to analyze the firm's competitive strategies or business strategy and organizational human resource practices. Then, the organization should create a complete model of HRM and employment relationship; also it should support long-term thinking, building core competencies and also develop sensing capabilities.

Again, it is bound to the personnel to develop its capability to collect information about future trends in labour markets and skill sets and link changes in aspiration, work practices to bind the organization into the future. Every successful company knows that there is a direct link between employee satisfaction and customer satisfaction. It is the responsibility of managers and supervisors to ensure that their employees are motivated, if not enthusiasm about their work will diminish. And this integration should encourage collaboration concentration on "people oriented programs" that can enhance value and improve the productivity of the organization generally.

Recommendations

Thus, for any organization to achieve competitive advantage through the employee the following should be adhered:-

1. The firm should use an analytical framework for strategic management because it provides identification of the relationship between key variables that should be analyzed and assistance to practitioners to analyze and initiate appropriate policy in their own context.
2. Attention should be give to the human resource of the organization by considering how worthy to use it in achieving competitive advantage.
3. The management should trust their workers and give them responsible and challenging tasks/assignments, workers in return should respond with high spirit, high commitment and high performance.
4. There should be intensified efforts to choose the right leaders that are committed, innovative, and goal-oriented.
5. The management should provide good job descriptions and realistic targets and all required resources to achieve those targets.
6. There should be effective communication system and procedure for individuals to raise grievances and receive feedback.
7. Management should design an effective rewards system and annual increases.
8. There should be constant performance appraisal of employee annually against set of objectives which include "an assessment of progress, career ambitions and consideration of possible training.
9. The organization effectiveness can be increased by improving the match between what the organization requires of it employees and what is required of it.
10. The employer strategy for creating competitive advantage through the employees should align their practices by "creating an attractive work environment, optimizing people resource levels, sharing information, developing capability, designing optimal work systems, aligning reward and recognition systems.

References

Barney, J. (1991) Firm Resources and Sustained Competitive Advantage; *Journal of Management*, *Vol. 17. No1.*

Bartlett, C.A and Ghoshal, S. (2002) Building Competitive Advantage through people, *MITSloan Management Review*: *Winter 2002 vol. 43 No. 2.*

Beer, M and Walton, E.R. (1990) Reward Systems and the Role of Compensation, Managing People, Not personnel: Motivation and performance Appraisal; *A Harvard Business Review Book.*

Beer, M. and Walton, E.R (1988) *Managing Human Assets*, London: McMillan Publishers.

Boxall, P. (1996) The Strategic Human Resource Management Debate and the Resource-

Based view of the firm, *HRM Journal, Vol,2 No 3*.

Carr. D.K and Johansson, H.J (1995) *Best Practices in Re-engineering,* New York: McGraw Hill Inc.

Child, J. (1972) Organization Structure, Environment and Performance the role of Strategic choice, *Sociology, Vol. 6 No:3.*

Coff, R.W. (1994) Human Assets and Organization Control: Implication of the Resource-Based view: *John, M. Olin School of Business Washington University in St. Louis.*

Csikszentmihalyi, M (1988) *Society, Culture, and Person; A Systems view of Creativity, in Stemberg R.J. (Ed.). The Nature of Creativity*: Cambridge UK: Cambridge University Press.

Deming, W.E. (1993) *The New Economics for Industry, Government, Education*, Cambridge MA: Massachusetts Institution of Technology center for Advanced Engineering study.

Grant, R. (1991) The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formation, *California Management Review. Vol. 33. No.2*

Gratton, L. (1997) Human Resource Strategy, *People Management, Vol.3, No.15*

Helios, (2008) Creating a Competitive Advantage Engaging Employees through a culture of Learning: *Helios HR LLC.*

Jassim, R.K. (2009) *Competitive Advantage through the Employees,* Unpublished.

Johnson and Scholes (2009) Exploring Corporate Strategy; *Journal of Management studies.*

Johnson, .E. (1995) *TQM and Performance Appraisal: To be or not to be The Challenge of HRM Directions and Debates* in New Zealand Edited by Peter Boxall.

Kennoy, T. (1992) *Constructing Control Employment Relations: The Psychology of and control at work:* Edited by Hartley .J.F and Stephenson, G.M. Blackwell.

Kilne, C. and Peter, L (1991) Behavioural Commitment and Tenure of New Employees: A Replication and Extension, *Academy of Mat Journal Vol. 34 No.1.*

Legge, K. (1995) *Human Resource Management: Rhetoric's and Realities,* London: Macmillan Business.

McAfee, R.B. and Champaign, P.J. (1993) Performance Management: A strategy for Improving Employee performance and productivity, *Journal of Managerial Psychology .Vol. 8, No.5*.

Meon, R.D. (1989) The Performance Appraisal System; Deming Deadly Disease, *Quality Progress; Vol. 22, No. 11*.

Micolo, A.M (2009) *Competitive Advantage through People: Unleashing the power of the Work Force*, New York: Eastman Kodak Co.

Ostrenga, M.R., Ozan, T.R, Mcllhattan, R.D. and Hardwood .D (1992) *The Ernst & Young Guide to total cost Management*, New York: John Willey & sons.

Porter, M (1985) *Competitive Advantage: Creating and Sustaining Superior Performance,* New York: Free Press.

Pteffer, J. (1994) *Competitive Advantage through People: Unleashing the Power of the Work force*, Harvard: HBS press.

Guest, D. (1990) Human Resource Management and the American Dream, *Journal of Management Studies.*

Schemmenhom, Jr. J.R. (1993) *Management for Activity,* Washington DC: CEE Press Book.

Schenkenback, W.W (1986) *The Deming Route to Quality and Productivity: Roadmaps and Roadblocks*, Washington DC: CEE press Books continuing Engineering Education program George Washington University.

Schuler, R. and Jackson, S. (1987) Linking Competitive Strategies and Human Resource Management Practice, *Academy of Management Executive vol. 1, No. 3.*

Wright, P., McMahan, G. and McWilliams, A. (1994) Human Resources and Sustained Competitive Advantage: A Resource-Based Perspective: *International Journal of HRM, Vol. 5, No2.*

Evolutionary-Based Hotel Staff Cyclical Scheduling System

Ismaila W. Oladimeji[1] **and Ismaila M. Folashade**[2]
[1]Ladoke Akintola University of T echnology, Ogbomoso.
[2]National Open University of Nigeria.
woismaila@lautech.edu.ng, ismailafolasade@yahoo.com

pp 57-65

Abstract

The paper has presented hotel staff rosters generated through Genetic Algorithm (GA), one of the evolutionary algorithms, to tackle problems which have been associated with hotel staff schedulings like conflicting duties, cluster of staffs in a period where very few are needed, etc. The system was developed based on cyclical scheduling approach. GA employs the use of constraints (hard and soft), which served as guidelines for the system performance. Fitness functions of chromosomes, GA operators (crossover and mutation) are run through the process of this development. Appropriate values testing to search for the most effective point was conducted under variation of proportion among crossover, mutation and tournament size. The system was implemented using MATLAB. The system performance was evaluated with hard and soft constraints violations. The results showed that the system produced a low hard constraints violation and relatively low soft constraints violation.

Keywords: Hotel staff rostering, constraints, genetic algorithm, tournament, hotel management,

Introduction

Hotel staff rostering has become a very attractive research area within the field of artificial intelligence, especially since the 1990's [16]. Hotel management board recognizes that good rosters add to the quality of care and to the (mental) health and social well-being of large numbers of workers. In constructing a roster, various legal, management, and staff requirements must be considered. Staff rosters are often conflicting in their nature. For example, requirements for the cover, i.e. required mix of staff qualifications for a particular shift are often in conflict with the maximum working hours that are allowed for workers, and may also be in conflict with individual staff preferences for that shift.

Consequently, a large number of papers have appeared presenting different approaches that often address one particular problem or a set of similar problem instances. Hotel staff rostering belongs to the class of personnel scheduling problems and aims at providing an optimal schedule based on the working hours of the staffs, their personal preferences and the hotel regulations. Currently, this process is usually done manually by highly qualified administrative personnel. The problem that have being associated with hotel staff scheduling over the years have been the problem of conflicting duties, cluster of staffs in a period where very few are needed, issues where some staffs are over working while others are under- working, lapses when some staffs take time out or permission to be off work and many more.

In the past decade, to solve hotel management problems, several solution approaches, due to the problem complexity mostly heuristics and meta-heuristics, have been proposed. Among these solution approaches, evolutionary algorithms like Genetic Algorithm, GA, which are proven to be efficient and robust, have been used in a variety of fields including hotel management area to find an optimal solution for the problem. [10], [18].

GA was first employed to address the problem of time-tabling to organize the lecture timetable at an Italian university. The basic iteration cycle of GAs proceeds on a population of individuals or chromosomes each one representing a point in the search space of potential solutions to a given optimization problem. An iteration cycle consists of two main steps: first a selection procedure and then a recombination. This cycle is repeated a number of generations. In order to evaluate the good qualities of an individual, that is, the adaptation degree of the individual to the environment, the fitness function is used. The value produced by this function for an individual is used during the selection procedure in such a way that an individual has a selection probability for reproduction according to its fitness value. Therefore, reproduction directs the search towards regions of the search space where the average fitness of the population improves.

[5], developed a distributed genetic algorithm for an employee staffing and scheduling problem called 'tour scheduling'. The algorithm aims at minimizing the number of personnel members to fulfill the demands. The fitness function represents violations of constraints and individual solutions are improved with local hill climbing operators. [12] propose a genetic algorithm for scheduling nurses under various constraints. A distinction is made between 'absolute' and 'desirable' constraints. Among the absolute constraints is the minimum coverage per skill category. The objective function considers weights for the desirable criteria: the balance of shifts, the granting of requested holidays, the number of night shifts assigned to unskilled, new nurses. [15], presents a genetic algorithm to solve a staff scheduling problem. The objective is to minimize the total wage cost in a situation where the number of personnel is not fixed. Solutions have to meet the total workforce requirements while respecting the maximum number of individual working shifts. Overtime is allowed, however. Although the problem dimensions are very basic, this is one of the few research papers which allow flexible starting times for the shifts. Other related works can be found in [1], [14], [4], [8], [11].

Rostering Styles in Hotel Management

Centralised scheduling is a term that is sometimes used to describe the situation where one administrative department in a hotel carries out all the personnel scheduling. When unit managers are given the responsibility to generate the schedules locally, the process is sometimes *called* ***Unit scheduling***. ***Self-scheduling or interactive scheduling*** is a term sometimes used to describe the situation when the personnel roster is generated manually by the staff themselves (often with no or little computer aided support). ***Team rostering*** is where staff are divided into teams and a nominated member of each team has the responsibility for rostering, in consultation with team members. While ***cyclical scheduling*** **(**which is employed**)** is referred to as 'fixed' scheduling, ***non-cyclical scheduling*** is sometimes called 'flexible'. Cyclical schedules offer several advantages. Personnel know their schedule a long time in advance, the same blocks are used repeatedly, the work is divided evenly, and unhealthy work rotations are avoided because it is common to apply 'forward' rotation. [2], [9], [10].

Methodology

Data Collection and Analysis

In this work, a renowned Lagos-based hotel will be used as case study. It consists of two seven-storey buildings that accommodate administrative and technical staff, bar and two hundred and forty-six rooms, the ground floor accommodates restaurant, and a separate building for laundry, driver and security staff. The staff is categorized into two viz scheduling staff and non- scheduling staff. Non-scheduling staff consists of administrative staffers like manager, secretary, system administrator and accountant. Scheduling staff consists of cleaners, receptionists, chefs, kitchen aides, security-men, laundry, drivers, porters and barmen. The shifting hours was sectioned into morning: 8:00am – 6:00 pm and night: 6:00pm - 8:00am.

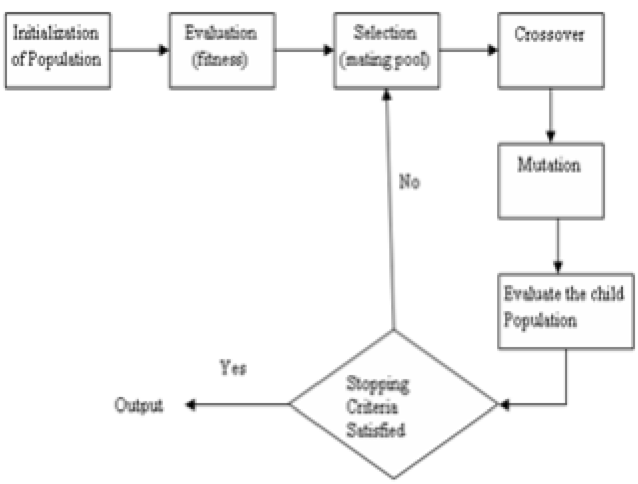
The scheduling staff is also comprised of skilled and unskilled staffers. The skilled staffers among the scheduling staffers include chefs, security, drivers, receptionists, and swimming pool guard, while the unskilled workers include kitchen aides, porters, gateman, gardener, laundry/cleaner. The staff modes of work are full time staff and part-time staff. The part-time staff is paid in respect to his/her number of working hours per month. Each staffer is tagged with an identification number on the point of employment. The part-time staffers are allocated with odd numbers while full-time staff is given even numbers. In this work, the following assignments are used: Receptionist: 1-10; Porters: 11-20; Drivers: 21-40; chefs: 41-50; Gatemen/Gardeners: 51-80; Kitchen aides: 81-90; Laundry/ Cleaners: 91-110.

Basics of Genetic algorithm

Genetic algorithm (GA) is a form of evolutionary algorithms which model mechanisms and ideas from Mendel's classical theory of genetics and the Darwinist evolutionary theory. GAs is developed from evolution of living things to survive on the Earth under such changeable environment. Parents' chromosomes and GA operation constructs evolution in better consequence of the next generation. Many parents' chromosomes were constructed to solve problems and gained groups of desired answers. This task needs huge computer's memory. In the past, many researchers have studied applications of GA for solving universities and medical personnel timetabling problems. [6], [11].

The working principle of a GA is illustrated in figure 1. The major steps involved are the generation of a population of solutions, finding the objective function and fitness function and the application of genetic operators.

Fig. 1: The Cycle of *Population/ Fitness*



In the next step, individual members, chromosomes of the population represented by a string are evaluated to find the objective function value. This is exclusively problem specification. The objective function is mapped into a fitness function that computes a fitness value for each chromosome. This is followed by the application of GA operators.

***Reproduction/Selection*:** Reproduction or selection is usually the first operator applied on a population. It is an operator that makes more copies of better chromosomes in a new population. Thus, in reproduction operation, the process of natural selection causes those chromosomes that encode successful structures to produce copies more frequently. To sustain the generation of a new population, the reproduction of the chromosomes in the current population is necessary.

***Crossover operators*: A** crossover operator is used to recombine two chromosomes to get a better one. In the crossover operation, recombination process creates different chromosomes in the successive generations by combining material from two chromosomes of the previous generation. In reproduction, good chromosomes in a population are probabilistically assigned a larger number of copies and a mating pool is formed. It is important to note that no new chromosomes are usually formed in the reproduction phase. In the crossover operator, new chromosomes are created by exchanging information among strings of the mating pool.

***Mutation*:** Mutation adds new information in a random way to the genetic search process and ultimately helps to avoid getting trapped at local optima. It is an operator that introduces diversity in the population whenever the population tends to become homogeneous due to repeated use of reproduction and crossover operators. Mutation may cause the chromosomes to be different from those of their parent. Mutation in a way is the process of randomly disturbing genetic information. They operate at the bit level.

Modeling GA for Hotel staff scheduling

This section describes the genetic algorithm implemented to generate staff rosters. The algorithm begins by creating an initial population of rosters. Each element of the population consists of two genes, one representing a venue roster and the other a staff roster. Each gene is a two-dimensional matrix with the rows corresponding to weeks and the columns to venues. The intersection of a row (week) and a column (venue) contains the staffers that is required at that venue in morning and night duties during that week. An example of this can be seen in figure 2. In this illustration, 4 and 1, 42 and 47, 22 and 23 are scheduled to work in morning and night periods. This representation ensures that professional staffers are scheduled in line with their professions.

Figure 2: Sample of resultant roster

Week	Building1&2	Restaurant	Premises
1	(4;1)	(42,84;47,89)	(22,52;23,51)
2	(4;3)	(42,84;43,89)	(22,52;21,55)
3	(4;1)	(42,84;47,89)	(22,52;231)
4	(4;3)	(42,84;43,89)	(22,52;21,55)

To create a scheduling, the program firstly constructs a list of requirements of the problem. Each requirement is a venue-staff tuple. If a staff is posted to a venue *l* times in a month this staff-venue occurs *l* times in the requirements list. Figure 3 depicts a part of the contents of a data file for a hotel with fifty-six staffers (only forty staff can be scheduled) and three venues (building 1&2 contains the receptionists cum porters, drivers and gatemen are grouped under premises and restaurant encompasses chef and Kitchen aides). The requirement list for each problem is constructed from this file. The first 4 rows and second rows are the staffers posting for building 1&2 for morning and night shift. The next two 4 rows indicate staffers posting for restaurant and

Figure 3: Part of the data file to create a requirements list

3	2	2	1	2	1	1	4
2	2	4	1	0	2	2	3
1	1	3	2	1	2	2	4
0	2	0	1	2	2	1	0
2	3	3	4	4	1	1	1

These occurrences must be stored in the requirements list and be placed in appropriate slots on the rosters to be generated. Also, each staffer must be scheduled at least seven times in a month at all venues. All the required postings are recorded by the system. A function is established to record all the required schedules which are formatted as an array. A part of this array can be seen in figure 4. The eight schedules in the requirement list are recorded in the array eight times. Staffers 4 and 42 are scheduled for morning duties for two consecutive weeks per month. This is recorded in the requirements array four times each.

Each requirement is taken from this array and placed on the roster matrix in an appropriate location. The initial population does not consist of randomly generated rosters. Instead each roster in the initial population is created by implementing a sequential construction method (SCM) m times to produce *n* different schedules.

Figure 4: Part of requirements array used to generate the schedule

5	Morning	Receptionist 4	Building 1&2
6	Morning	Receptionist 4	Building 1&2
7	Morning	Receptionist 4	Building 1&2
8	Morning	Receptionist 4	Building 1&2
9	Morning	Chef 42	Restaurant
10	Morning	Chef 42	Restaurant
11	Morning	Chef 42	Restaurant
12	Morning	Chef 42	Restaurant

Of the *m* schedules, the schedule that satisfies the most constraints is included in the initial population. The number of times that the SCM is run to produce a member of the initial population is treated as a genetic parameter and hence can take on a different value for each problem domain. If there are two or more rosters that are most fit, the roster that was found first would be included in the initial population. The SCM allocates each tuple in the list sequentially according to the saturation degree, that is, the number of roster periods that the tuple can be allocated to without causing handicap scheduling. Whenever a tuple is scheduled the number of options available for the unscheduled tuples is re-estimated. Figure 5 illustrate the algorithm for the sequential construction method. Note that each tuple is allocated to the first non-handicap period found. If such a period is not available the tuple is allocated to a randomly chosen timeslot.

Procedure SCM

Begin

While (the requirements list is not empty)

Begin

Sort the requirements in descending order according to the saturated degree

Allocate the first tuple in the list to the first non- handicap period

If a non-handicap period has not been found schedule the tuple in a randomly chosen period re-estimate the saturation degree for the unscheduled tuples end while end.

Figure 5: SCM Scheme

The GA employs the generational control model with the number of elements of the population remaining fixed from one generation to the next. The algorithm terminates if either a feasible solution has been found or a maximum number of generations has been reached. If the problem has soft constraints as well as hard constraints only the latter termination criterion is used.

Fitness function

The fitness of an individual is the number of constraints violated by the roster, that is, a lower fitness value is indicative of a fitter individual. In this paper, the constraint is that there must be no handicap scheduling. Thus, the fitness of a scheduling is the sum of all handicap schedules in the roster.

The mutation operator is used to create the offspring of each generation. A variation of tournament selection is used to select the parent for each mutation operation. As in the standard tournament selection *t* elements of the population are randomly chosen. However instead of the fittest element of the tournament being returned as the parent, each element of the tournament is compared to the current winner. The next element is also randomly chosen from the population and compared to the current winner. Each comparison either returns the fitter of the two individuals being compared or the current winner even if the new element is fitter. The selection method randomly chooses whether to return the current winner or the fitter of the two individuals being compared. This process continues until the tournament size is reached. In trial runs conducted this variation of tournament selection performed much better than the standard tournament selection, which provided results that were far too elitist (the roster with the least handicap was always the winner), and as a result struggled to assist in producing non-handicap rosters. The variation assisted in producing non-handicap results and better reflects real life sports tournaments, where the winner is not always the best team.

Selection

As in the standard tournament selection the first element of the tournament, denoted by *X*, is randomly chosen. In this tournament selection, three opportunities arise viz; (i) If the random number is divisible by 3, the fitter of the two participants is the winner (ii) if the random number when divided by 3 gives a remainder of 1, then participant *Y* is the winner regardless of whether *X* is better than *Y*. (iii) if the random number when divided by 3 offers a remainder of 2, *X* is declared the winner regardless of whether *Y* is better than *X*. this system was used to add some variety and unpredictability to the tournament. The number 3 is used since any number divided by 3 will result in a remainder of 0, 1 or 2. Depending on the remainder, one of the options mentioned above will occur.

Mutation

As a mutation operator, swap mutation, in which two positions are selected at random and their contents are swapped, is used. Fig. 6 illustrates the procedure of this mutation operator. The mutation operator randomly chooses to make a change to either the staff roster or the duty roster. The change is made by firstly allocating a row in the roster that contains a handicap and hence a missing staffer or duty. Another row containing the missing staff or duty is located. A swap occurs between both the rows. The mutation operator performs *j* swaps where *j* is a genetic parameter and thus its value can change from one problem to the next. If the offspring produced by the mutation operator has worse fitness than its parent, the parent is copied into the next generation.

Figure 6: The Mutation method used

{ Find a row with a handicap
{Find a venue/staff handicap (EXTRA) within that row and a venue/staff that could replace it (MISSING}

Find another random row with a handicap (2ND HANDICAP)
{If 2ND HANDICAP is same as MISSING Swap 2ND HANDICAP with EXTRA
Else
Find another random row with a HANDICAP}
Otherwise find any other row (without a handicap)}

Experimental Setup

The genetic algorithm presented in preceding section was evaluated with soft and hard constraints as follows. Soft constraints are those constraints that are not compulsory to be adhered to, but using them is an advantage. One or two soft constraints can be avoided and the system will still work properly. The soft constraints used for this work include: *s1*- avoid scheduling staff to work on both Saturday and Sunday; *s2*- part-time staffers should dominate night duties and weekends and *s3*- unskilled workers can be allocated to any unskilled duty; *s4*- number of staffers posted per venue should obey the following constraints: driver = m ≥5, n≤ 3; porters= m ≥3, n≤ 2; kitchen aides= m ≥8, n≤ 5; laundry= m ≥5, n≤ 3; gateman/gardener= m ≥4, n≤ 3 and receptionist=m =n=1, and chef=m=1, n ≤ 1.

The hard constraints considered in this work are those conditions that must be met for the system to work out which include; *h1*- staffing levels and skills must be properly considered for staffers; *h2*- night shift requires less trained staffers; *h3*- no member of staff can work more hours in one week than stated in their contract except for exceptions like staff absence, demise of a staff etc; *h4*- no staffer can work two shifts a day; *h5*- some shifts cannot be followed or preceded by other shifts e.g. do not schedule day duty for any staffer on the day after night duty.

The genetic parameters used are listed in table 1 the values of these parameters were obtained empirically by performing trial runs.

Table 1: Genetic parameters values

Parameter	**Value**
Chromosome length (L)	2*no. of days in a month
GA population size	1000
Tournament size	10
No. of Mutation swap	Rate = 1/L
Crossover	Uniform rate = 1
Max. no. of Generation	500
Run Count	50

Discussion of Results

The system is simulated using Matlab programming on a workstation with dual processor Intel (R) Xeon at 3GH, 1024 KB cache, 4 GB memory and runs under window 8. The system is evaluated using constraints violation for both soft-constraints and hard-constraints. The rosters were generated five times with different level of violations to get an optimum staff schedules. The optimum roster generated is shown in table 2. The generated roster is meant for Mondays to Saturdays. Management uses adhoc staff on Sundays.

From the generated roster, it was observed that some of the stated hard and soft constraints were violated. The table 3 below shows the percentage of each violation. Soft constraint *s1* has 2.3 percent violations, constraint *s2* has 4.1 percent, constraint s3 has the highest of 6.9 percent. While the hard constraints *h1* and *h4* has zero percent, constraint *h2* has 0.4 percent, constraint *h3 has 1.6* percent and *h5*has 0.2 percent.

Conclusion

The hotel staff scheduling problem is a complex scheduling problem. Assigning proper weight to each constraints helps to get a visible solution faster. But if we assign too much weight to the hard constraints, then the solutions of good quality are hard to find. Of course, not every randomly generated problem instance has a feasible solution. When no weight it assigned to the constraints it is quite possible that some of the problems do not have feasible solutions. In this paper, GA was applied for solving hotel staff Scheduling Problem. In most of the cases the system was able to return a feasible solution satisfying the hard constraints. What is more interesting is that the resulting roster is cyclic, i.e. the same roster can be repeated after the given duration.

Table 2: Final roster generated (*m* - morning, *n* - night)

Venues/ Months		Building 1&2	Restaurant	Premises
Week 1	***M***	4;12;17;18;	46;84;86;82;90; 91;100;108;	22;28;24;26;38; 52;54;56;68;66;62;
	N	1;11;15;19;	47; 87;85; 89;93; 109;	23;29;33;31; 53;55;57;69;
Week 2	***M***	4;12;16;18;	46;84;86;90;82;100; 110;	22;28;24;26;38; 52;54;56;68;66;62;
	N	3;13;15;17;	43; 85;87;89;109;	21;29;33;31; 53;55;57;69;
Week 3	***M***	4;12;16;18;	46; 82;84;86;90; 100;108;110;	22;28;24;26;38; 52;54;56;68;66;62;
	N	1;13;15;19;	47; 85;87;91;89; 109;	23;29;33;31; 53;55;57;69;
Week 4	***M***	4;12;16;18;	46; 80;84;82; 100;108;106;	22;28;24;26;38; 52;54;56;68;66;62;
	N	3;11;13;15;	43; 87;85;89;97; 109;	21;29;33;31; 53;55;57;69;

Table 3: Outcomes of violations of each constraint

	s1	s2	s3	h1	h2	h3	h4	h5
%age of violation	2.3	4.1	6.9	-	0.4	1.6	-	0.2

References

U. Aickelin. and K. Dowsland "An indirect genetic algorithm for a nurse scheduling problem", Computers & Operations Research, 31(5), 2004, pp 761-778.

S. Aryee and H. Lind. "Hotel maintenance management; Strategic practices in hotel operation", Department of Real Estate and Construction Management Thesis No: 73 Real Estate Management. 2011.

A. Colorni, M. Dorigo, V. Maniezzo. "Genetic algorithms and highly constrained problems: The time-table case," Parallel Problem Solving from Nature, 1991. Vol. 496, pp. 55-59.

H. W. Chan,.: School timetabling using genetic search". 2th International Conference on the Practice and Theory of Automated Timetabling, PATAT'97, 1997.

F. Easton, and N. Mansour. "A distributed genetic algorithm for employee staffing and scheduling problems", Conference on Genetic Algorithms, San Mateo, 1993, 360-367

A. E. Eiben, and J. E. Smith. "Introduction to evolutionary computing", Springer, 2003.

H. L. Fang, "Genetic algorithms in timetabling problems". PhD Thesis, University of Edinburgh. 1994.

C. Fernandes, "Infected genes evolutionary algorithm for school timetabling. WSES International Conference. 2002.

M. Gröbner, P. Wilke: "A general view on timetabling problems". 4th International Conference on the Practice and Theory of Automated Timetabling PATAT'2002.

R. Hung. Hotel staff Scheduling. Journal of staff Administration. 1995.

W. O. Ismaila, O. O. Adeosun, A. A. Adigun, A.D. Agunbiade: Genetic Algorithm-Based Physicians Non-Cyclic Rostering. International Journal of Emerging Technology and Advanced Engineering. www.ijetae.com, 2012, 2(11), 776-781.

H. Kawanaka, K. Yamamoto, T. Yoshikawa, T. Shinogi, S. Tsuruoka. Genetic Algorithm with the Constraints for Nurse Scheduling Problem, Proceedings of Congress on

Evolutionary Computation, Seoul, IEEE Press, 2001, 1123-1130.

M. Gen, S. Tasan and K. Hirano, Hotel Management Model: Human Resource Allocation by Evolutionary Algorithms. 2008.

N. Nuntasen and S. Innet. Application of Genetic Algorithm for Solving University Timetabling Problems: a case study of Thai Universities, Proceedings of the 7th WSEAS International Conference on Simulation, Modelling and Optimization, Beijing, China, September 2007, 15-17.

J. Tanomaru. Staff Scheduling by a Genetic Algorithm with Heuristic Operators, Proceedings of the IEEE Conference on Evolutionary Computation, 1995. 456-461.

Wren, Shift scheduling for tank trucks. Omega-International Journal of Management Science, 39, 513-521, 1996.

Employees' Perception of Components of Pension Environment

Oladipo, Jimoh Ayanda, Ph. D[1]
Fashagba, Mathew Olasehinde, Ph. D[2].
[1]Department of Business Administration,
University of Ilorin, Ilorin, Nigeria
[2]Department of Business Administration,
Ibrahim Badamasi Babangida University, Lapai,
Niger State, Nigeria
08037285579 or mfashagba@yahoo.com

pp 66-76

Abstract

The study set out to determine the perception of the employees on the employers and the Pension Fund Administrators (PFDs) with respect to their roles on the new scheme. The study was conducted among the employees of the Public and Private Universities in the South-West of Nigeria. Multistage sampling method was used for sampling method while questionnaire was used for method of data collection. Normal Distribution Test and Cross tabulation were used to test the hypotheses. The study found that employees perceived the activities of the employers and the Pension Fund Administrators satisfactory. The study concludes that the new scheme is acceptable to employees in Nigeria.

Keywords: Employee, employer, pension, contributory pension scheme and pension fund administrators

Introduction

Environment factors are believed to play varying degrees of influence on the efficiency of functions. While some environment factors play little influence others play a dominant role and significant affect the outcome effectiveness. The contributory pension scheme in Nigeria incorporated legal entities to forestall the recurrence of undesirable experience of the old. These entities were to function to achieve an efficient pension system that gives joy to the pensioners and hope to the employees. These entities which include National Pension Commission (PENCOM), Pension Fund Administrators (PFAs), Pension Fund Custodians (PFDs) and the employers were required by the Act to play different roles as members to ensure that the objectives of the scheme is achieved.

The success of the Scheme is no doubt depends on how these components of the Scheme effective perform their expected roles. Although components may appear to differ in their significance of the overall goals, but the inability for the perceived less significant component to perform its prescribed function efficiently if not urgently (and adequately) forestall may with time lead to total failure to deliver its goal.

It is on this note that study intends to find out how employees who are the beneficiaries of the contributory pension scheme perceive the employers and the Pension Fund Administrators (PFAs) in performing their function.

Hypotheses

For the purpose of this research, three hypotheses were developed stated as follows:

i. H_0: Employees are not satisfied with how employers manage the deduction and remittance of their pension contributions
ii. H_0: Employees are not satisfied with how pension fund administrators manage the retirement benefit fund
iii. H_0: There is no acceptance of the new contributory pension scheme as a viable alternative to the old scheme by employees

Retirement Benefits

In broad terms, the simplest definition of retirement benefit is the one offered by Barbier (2007). He sees retirement benefit as "money that your employer gives you at retirement". It is a general fact that there is no employee that will continue in the employment of an organization all through lifetime. The employer stands to gain if he discharges the employee at a time of the latter's declining productivity. In other words, it is in the interest of the employer to let go such employee whose productivity is declining due to age factor.

In his support, Niehaus (2004) observes that one risk faced by every individual is that his/her human capital (ability to earn a living) will eventually decline. Productivity, especially physical productivity, generally declines at the old age. At this age, employees statutorily choose to stop working and retire. Employees are therefore expected to be disengaged from the service of their employer at certain old age, except an employee dies before that age. In many cases, employees live beyond the set age of retirement. Once disengaged from the service, where does s/he expect to earn his/her living especially with the reduced physical productivity? To ensure employee post-service individual welfare, provision of retirement benefit is a crucial part in employment contracts.

Historically, retirement benefits have been provided via different means, with various statuses. First, retirement benefit predated any legislation on it (Davar, 1998; Niehaus, 2004). Davar observed that retirement benefit already existed before any government pronouncement of retirement benefit legislations. This means that even before any legislation that made the benefit payment compulsory, good employers had provided some forms of retirement benefits for their employees so that they may not suffer lack of emolument at their retirement. He noted that good employers were generous with their disengaged employees at retirement, although they were not compelled by law to do so. In the same vein, Vaughan & Vaughan (2003) noted that retirement benefit can be traced back to 1800s in the USA. Unfortunately, the adoption was not widespread before World War II when only 20% of the employees were covered. It was about this time that the pension system began to witness enormous growth.

The study of Niehaus (2004) supports the above position. He traced the first employer-sponsored retirement plan in the United States to American Express Corporation in 1875. Subsequently, a number of large firm's followed.

The firms introduced their retirement plans before the introduction of federal income taxes in 1913. The retirement plan was later adopted by various nations through necessary legislations. He further affirms two advantages derived from incorporating retirement benefit into employment contract: the retirement benefit is "special tax treatment" and it "can improve employee productivity".

Skipper and Kwon (2007) opined that retirement benefit serves the same purpose. They posited that the rationale for the development and expansion of employee benefit programmes is essentially the same worldwide. This is irrespective of who runs it and how it is run. "Together, government-mandated and voluntary employer-provided benefit plans typically address the usual personal risks of death, disability, accident and sickness, and retirement" (Skipper & Kwon, 2007: 405).

Pension

It is the retirement benefit that is paid monthly to the retired employees. In this regard, Nwanegbo (2007) defined pension as "a regular sum of money paid to someone who is old, retired, widowed, or disabled usually made in fixed monthly installments". In the Nigerian case in particular, Nwanegbo established pension as the monetary reward offered monthly until death, to a former public office holder who has served the government of the Federal Republic of Nigeria for a certain period and retired. In the view of Neil (1977), pension is the benefit that may be provided on retirement, due to attainment of certain age or ill-health. Yet, pension is an arrangement to provide people with financial income when they are no longer earning a regular income from employment. Pension is a lifetime monthly income benefit payable to a person upon his or her retirement (Barbier, 2007). The statutory requirements of minimum age and years in service are expected to be met by the retired employee before he/she can be considered for pension program.

Pension is meant to cushion the post retirement economic effect of the outgoing employee for the service he/she has rendered all his work life, since retirement is inevitable with the modern work organisation allowing employees to use the good part of their work lives for an employer until they reach their performance peak and the law of diminishing returns sets in.

Furthermore, Ogobuchi (2007) justified pension on both moral and legal basis. According to him, "giving a man over to fate, after he has spent the prime of his life working for the prosperity of an organisation" is not morally justifiable. On the legal ground, pension should be viewed as part of the employee's total emolument; it is a future or deferred benefit derived from the present contributions of the employee to the employer.

The Provisions of the Pension Reform Act 2004 Relevant to the Study

The Pension Reform Act 2004 (FGN, 2004), which replaced the old pension scheme with the Contributory Pension Scheme, received the assent of the President Olusegun Obasanjo GCFR on the 25th June 2004 having been duly passed into the Act of the National Assembly on the 23rd June 2004. The scheme became operational immediately. The adoption of the scheme marked the introduction of a compulsory Contributory Pension Scheme that provides uniform pension system to all employees of the Federation, Federal Capital Territory and the Private Sectors in the country.

The provisions of the Act relevant to this study include, inter alia the followings:The Act provides for a uniform pension system to all employees in the country irrespective of employer/sector. The scheme was made compulsory for employers of both public and private sectors. However, private sector employers with less than five employees are not under obligation to comply with the scheme.

Section 9 of the Act provides that employees in the employment of the Federation, Federal Capital Territory and Private Sector and the employers should contribute 7.5% each of the employees' monthly emolument to the employee's retirement saving account. The Nigerian army forces are exempted from this provision as their employers are expected to provide 12.5% while employees contribute only 2.5% to complete the compulsory 15%. The sub-section 2 of the section 9 allows employer the choice of whether or not choose to bear the entire burden of the contributions alone provided that the total contribution is not less than the 15% required by the law.

The Act provides that the contributions deducted from the employee's income should be remitted to the Pension Fund Administrators within seven days from the day the employee's salary is paid. Section 11(7) provides that employer who fails to remit employees' fund within the time prescribed will be liable to pay 2% of the unpaid contribution in addition to the contribution due for each month that the default continues. The 2% charges are considered as debt owing to the employees

The section 9(3) of the Act provides that in addition to the 7.5% monthly contributions, the employers shall maintain life insurance policy in favour of the employee for a minimum of three times the annual total emolument of the employee. With this provision, employees are supposed to enjoy life insurance policy with a sum assured of not less than three times of the annual salaries at the expense of the employer.

Part two of the Act provides exclusively for the establishment of National Pension Commission (PENCOM) charged with the responsibility of regulating, supervising and ensuring the effective administration of pension matter in Nigeria (section 15). PENCOM as provided in section 14 (2a and b) shall be a corporate body and it is able to sue and be sued in its corporate name.

Part 4 of the Act provides for Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) which are charged with the responsibility of managing employees' retirement saving account. Section 74 provides for PFAs to keep and manage employees' retirement saving account while PFCs keep the assets of PFAs on their behalf as provided in section 60 of the Act.

Empirical Framework

There are a number of empirical studies on pension scheme and pension fund management with the existing literature on pension being substantially dominated by studies on the efficiency of the pension fund investment and the management of the shareholders' benefits (see for example Ziyou, Meijuan & Wanke, 2007). However, there are few studies on the impact of pension on motivation which this study is interested in.

Generally, there is no agreement from the findings of the few studies. Hence, the studies, based on the relationship found between pension and motivation, can be grouped into three categories. The first category reports strong evidence to support positive impact of pension on motivation. For instance, Wagithi, Wanjau and Anyango (2012), found this relationship using inferential statistics aided with SPSS packages in a survey study of 10 management staff and 30 employees. The study reports that employees are satisfied with the administration of pension scheme and are motivated. This particular study shows a positive correlation between pension scheme management and employees' satisfaction as well as motivation.

Similarly, Oladipo and Fashagba (2011), performed t-test on 86 non-academic staff of the Redeemer's University and, found a positive relationship between employees' satisfaction and pension scheme. The study provides evidence of a significant change in employees' satisfaction resulting from a change in the pension scheme.

Also, Allen and Clerk (1987) found evidence that profit rate is not affected by expansion in pension coverage. The finding implies that pension coverage is associated with higher productivity. The position is supported by indirect evidence on pension, turnover and productivity.

In a study (Oladipo, Fashagba & Akindele, 2011) conducted among academic and non-academic staff in some universities in the South West and North Central geo-political zones of Nigeria, an analysis using z-score shows that over 82% of the study respondents expressed satisfaction at receiving their pension account information from the Pension Fund Administrators. This can be rightly interpreted to have the capacity to influence their attitude to work and thus performance.

The second category also finds this support relationship but without such a strong evidence. A study conducted by Terry and White (1997) in a postal survey of companies registered in Scotland, found that there was a strong managerial belief that had positive recruitment and motivational effects but with hard evidence. The study specifically noted that the relationship between pension scheme and employees' performance is complex.

Finally, the third category found no positive influence of pension on motivation. Mathew and Joshua (2011) also used z-score on 42 selected employees to test the influence of pension on motivation. The study provides virtually no evidence to support positive influence of pension on employees' motivation. The study however suggested the factor for this outcome to be poverty.

It is obvious that there is need for more studies in this area. The gap for more studies can be derived from two major grounds. Firstly, as it can be seen from the above, there are few studies on the subject matter despite its importance. Also, the lack of consensus among the few studies showing wide disparities is another strong pointer to the need for more studies in the area. They both provide justification for this research work. This shows there is need for more empirical study on the relationship between pension and employees' performance. This study intends to fill up the gap of providing empirical analysis of the impact of pension on employees' performance.

Research Methodology

The study is a survey research. The employees of the universities in South-West, Nigeria consist the study population. The sampling frame is divided into the public and private universities because of the difference in pension history between public and private sectors in Nigeria.

Multi-Stage Sampling method was employed for the study. The Universities were divided into Public Universities and Private Universities. Thereafter, a simple random sampling was used to select fifteen (15 %from each stratum. And convenient sampling method was used to select the final respondents.

The method of data collection used is questionnaire. Normal Distribution Test and Cross tabulation were the methods of data analysis used to test the hypotheses. The hypotheses were tested at 5% significant level. The Gamma value obtained from the cross tabulation is used at 95% significant level to show the relationship between the variables. The relationship will either be positive or negative as the gamma values indicate.

The approximate significant value is used to determine the significance of the relationship. The decision rule is that the gamma value with positive sign shows a positive relationship while negative sign means negative relationship. Also the relationship is considered significant if the approximate significant level is less than 0.05 and if otherwise not significant.

Relationship Matrix of Objectives, Hypotheses and Analytical Procedure

The relationships among the objectives of the study, the hypotheses and the analytical methods used are presented in table 1. This matrix shows the flow from the objectives to the hypotheses and the analytical methods employed to achieve the objectives.

Table 1: Relationship Matrix of Objectives, Hypotheses and Analytical Procedure

Objectives	**Hypotheses**	**Statement of Hypotheses**	**Methods of Analysis**
1	1	Employees are not satisfied with how employers manage the deduction and remittance of their pension contributions.	Normal Distribution test Crosstabulation
2	2	Employees are not satisfied with how pension fund administrator manage the retirement benefit fund in its custody	Normal Distribution test Crosstabulation
3	3	Employees do not accept the new contributory pension scheme as a viable alternative to the old scheme.	Normal Distribution test

Source: Author's matrix of the relationship between stated objectives and analytical procedures

Data Presentation and Analysis

The study retrieved 359 valid questionnaire back from the field survey. The distribution of the age, sex, employers (public and private) and job types (academic and non-academic) is given table 2 below.

Table 2: Descriptive statistics of respondents' bio data

Variable	Frequency	Percentage
Respondent's sex		
Male	229	63.8
Female	130	36.2
Total	359	100.0
Respondent's age		
15 to 25 years	35	9.7
26 to 35 years	135	37.6
36 to 45 years	115	32.0
46 to 55 years	37	10.3
56 to65 years	37	10.3
Total	359	100.0
Respondent's employer		
Public Employer	161	44.8
Private Employer	198	55.2
Total	359	100.0
Typondent's employer		
Public Employer	163	45.4
Private Employer	196	54.6
Total	359	100.0

Source: Author's computation, 2012.

The distribution from the table 2 shows that there is fairly balance distribution with 63.8% male and 36.3% female of the total 359 respondents. The age distribution shows that there is a well spread of the respondents. The distribution of the employers has 161 respondents from the public universities and 198 respondents are from the private universities. Finally, respondents from the academic staff are shown to be163 and the remaining 196 respondents are non-academic staff.

Also, the descriptive statistics of the data used for testing the hypotheses are presented in the table 3 below.

Table 3: Descriptive statistics for research data

Variable	N	Mean	Std Deviation
1	359	3.41	1.071
2	359	3.31	1.005
3	359	3.55	1.007
4	359	3.64	1.113
359	359	3.59	.999

Source: Author's computation, 2012.

Test of Hypotheses

Results of tests of three hypotheses are presented in this section.

Hypothesis 1.

The first hypothesis tests the level of employees' satisfaction with their employers' roles on the Contributory Pension Scheme. The employers' roles include accurate deduction and timely remittance of the employees' contribution. The hypothesis in both the null and alternative forms is stated as follows:

H_{01}: Employees are not satisfied with how employers manage the deduction and remittance of their pension contributions

The result of the normal distribution test of the hypothesis is presented in tables 4.1 and 4.2

Table 4.1: Descriptive statistics of the normal distribution test on employees' satisfaction with how employers deduct and remit pension contributions

	N	Mean	Std. deviation	Std. error mean
7	359	3.41	1.071	.057

Source: Author's computation, 2012.

Table 4.2: The normal distribution test on employees' satisfaction with how employers deduct and remit pension contributions

Test value = 3.0				
	Z	Df	Mean difference	95% confidence interval of the difference
7	7.243	358	.409	1.96

Source: Author's computation, 2012.

The result in tables 4.1 and 4.2 shows that the valid sample size (N) used for the test was 359 respondents, sample mean is 3.41, standard deviation is 1.071, the degree of freedom (df) is 358 and 95% for confidence interval. The result also shows a z-score value of 7.243 and significant level of 1.96 at the given 95% confidence interval.

This test does not produce statistical evidence to accept the null hypothesis, since the z-score value (7.243) is greater than the critical value (1.96). Thus, the alternative hypothesis is to be accepted. The null hypothesis states that employees are not satisfied with how employers manage the deduction and remittance of their pension contributions. This position is not accepted by the normal distribution test performed. The alternative hypothesis states that employees are satisfied with how employers manage the deduction and remittance of their pension contributions. Therefore, the study finds from the test, that employees are satisfied with how the employers manage their pension fund contributions.

Cross-tabulation for type of Universities and employees' satisfaction with employers' roles in the pension Scheme

The study employs cross tabulation analysis with gamma to determine the comparative influence of the type of universities on employees' satisfaction with employers' roles in the Contributory Pension Scheme. The result of the analysis is presented in tables 5.1 &5.2.

Table 5.1: Case Processing Summary of Cross-tabulation of the Differences in Employees' Satisfaction with Employer' Role in Contributory Pension Scheme Between Public and Private Universities

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Type of Employment * Employee's satisfaction with Employer	359	100.0%	0	.0%	359	100.0%

Source: Questionnaire Administration, 2012.

Table 5.2: Symmetric Measureof Cross Tabulation of the Differences in Employees' Satisfaction with Employer' Role in Contributory Pension Scheme Between Public and Private Universities

		Value	Approx. Sig.
Ordinal by Ordinal	Gamma	.127	.113
N of Valid Cases		359	

Source: Questionnaire Administration, 2012.

The information in tables 5.2 shows that there are 359 valid cases with a gamma value of 0.127 and approximate significance of 0.113. The result reveals that there is an insignificant positive relationship between public and private universities. Thus employees' satisfaction with employers' role in the Contributory Pension Scheme is relatively the same. In other words, the finding of the cross tabulation shows that both type of universities support the findings of the normal distribution test on the hypothesis that employees are satisfied with the employers' role.

Hypothesis 2

The second hypothesis tests the level of satisfaction of the employees in the public and private universities with the management of their retirementbenefit funds by Pension Fund Administrators (PFAs). The hypothesis is presented as follows:

H_{02}: Employees are not satisfied with how Pension Fund Administrators manage the retirement benefit fund in its custody

The result of the normal distribution test for the first test on the fifth hypothesis is presented in tables 6.1 and 6.2.

Table 6.1: Descriptive statistics of the normal distribution test on employees' satisfaction with pension fund administration

	N	Mean	Std. deviation	Std. error mean
9	359	3.55	1.007	.053

Source: Author's computation, 2012.

The descriptive statistic of the normal distribution test in table 5.1 shows a sample size (N) of 359, sample mean of 3.55, standard deviation of 1.007, degree of freedom (df) of 358 and 95% confidence interval.

Table 6.2: The normal distribution test on employees' satisfaction with pension fund administration

	Test value = 3			
	Z	Df	Mean difference	95% confidence interval of the difference
9	10.381	358	.552	1.96

Source: Author's computation, 2012.

From the result of test in table 6.2, the z-score value is 10.381 and the significant level is 1.96 at the 95% confidence interval. The test result provides evidence to accept that the alternative hypothesis and reject null hypothesis. The null hypothesis states that employees are not satisfied with how Pension Fund Administrators (PFAs) manage the retirement fund deposited with them. This position is rejected from result of test. On the contrary, the alternative hypothesis holds that employees are satisfied with how Pension Fund Administrators manage the retirement benefit funds. This position of the alternative hypothesis is accepted. Therefore, employees are satisfied with the management of their retirement benefit funds by the Pension Fund Administrators.

Cross-tabulation for types of Universities and employees' satisfaction with pension fund administration

The study uses cross tabulation analysis to find the relative contribution of the types of universities on the normal distribution test. The result of the cross tabulation analysis is presented in tables 7.1, and 7.2.

Table 7.1: Case Processing Summary of Cross-tabulation of the Differences in Employees' Satisfaction with Pension Fund Administrators' Role in Contributory Pension Scheme Between Public and Private Universities

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Type of Employment * Satisfaction with PFA	359	100.0%	0	.0%	359	100.0%

Source: Questionnaire Administration, 2012.

Table 7.2: Symmetric Measure of Cross-tabulation of the Differences in Employees' Satisfaction with Pension Fund Administrators' Role in Contributory Pension Scheme between Public and Private Universities

		Value	Approx. Sig.
Ordinal by Ordinal	Gamma	.243	.003
N of Valid Cases		359	

Source: Questionnaire Administration, 2012.

The result in table 7.2 of the cross tabulation for type of Universities and employee's satisfaction with Pension Funds Administrators shows that the Gamma value is 0.243 while the approximate significance is 0.003. The finding reveals a positive relationship between the type of universities and employees' satisfaction with the management activities of the pension funds administrators with the Gamma value of 0.243. This relationship is, however, significant because the approximate significance of 0.003 in the test is less than 0.05. Therefore the study cross tabulation finds a significant positive relationship between the two types of universities and employees' satisfaction derived from the pension fund administrators' management activities.

Since a significantly positive relationship implies that both types of universities response in similar pattern, type universities does not significantly affect employees' satisfaction with Pension Fund Administrators. In other words, both employees of the public and private universities are equally and similarly satisfied with fund management function of the Pension Fund Administrator.

Hypothesis 3

The third hypothesis tests level of employees' acceptance of the new Contributory Pension Scheme. Is it acceptable to the employees? Is it a viable alternative? The hypothesis is stated as follows:

H_{03}: There is no acceptance of the new contributory pension scheme as a viable alternative to the old scheme by employees.

The study uses question 20totest the sixth hypothesis. The question is stated below:
Question 20: The Contributory Pension Scheme is a better alternative to the old non-contributory pension scheme.

The result of the normal distribution test of the hypothesis is presented in tables 8.1 &8.2.

Table 8.1: Descriptive statistics of normal distribution test for employees' acceptance of the contributory pension scheme

	N	Mean	Std. deviation	Std. error mean
10	359	3.59	.999	.053

Source: Author's computation, 2012.

Table 8.2: One-sample Z-Test for employees' acceptance of the contributory pension scheme

	Test value = 3.0			
	Z	Df	Mean difference	95% confidence interval of the difference
10	11.174	358	.59	1.96

Source: Author's computation, 2012.

The normal distribution test of employees' acceptance of the contributory pension scheme presented in the tables 8.1 and8.2 shows that the sample size (N) was 359 respondents, sample means () is 3.59, standard deviation is 0.999, degree of freedom (df) is 358 and confidence interval is 95%. The z-score value in the test is 11.174 and the significant value at 95% confidence interval is 1.96. Therefore, the null hypothesis is rejected, while the alternative hypothesis is accepted. The null hypothesis states that the employees do not accept the Contributory Pension Scheme in Nigeria. The position of the null hypothesis is rejected, from the test result. The alternative hypothesis states that employees accept the Contributory Pension

Scheme. Hence, the normal distribution test for the third hypothesis supports the test question that employees accept the contributory pension scheme as a viable alternative for their retirement benefit.

Discussion of Findings

In answering the posers raised by the study objectives, three hypotheses are designed. The first hypothesis deals with the level of employees' satisfaction with the employers' activities on the Contributory Pension Scheme. The results support the alternative hypothesis. Therefore, the alternative hypothesis is accepted because the z-value is greater than the significant level. Thus, the study reveals evidence that employees are satisfied with the manner the employers carry out their roles in the Contributory Pension Scheme. This result is also consistent with findings in Oladipo and Fashagba (2011) where a significant change is reported in employees' satisfaction as a result of a change in pension scheme. The employers' roles, among others, include timing and accurate deduction of pension contribution from staff salaries deduction, timely remittance of same to employees' retirement saving account etcetera.

Cross tabulation analysis reveals that the type of universities does not influence the level of employees' satisfaction with the employers' role (i. e. timely remittance) in the contributory pension scheme. This is indicated in the positive relationship in the response of the employees of the public and private universities. This may be either because employees expect employers to abideby law.

The employees' satisfaction with how pension fund is managed by Pension Fund Administrators (PFA) is the issue is the second hypothesis. The result of the normal distribution test on the hypothesis presented in table 6.2 shows z-score of 10.381 and 1.96 for significant level. The result produces evidence to reject the null hypothesis because the z-score value is greater than the table value at 5% level of significance. The acceptance of the alternative hypothesis signifies that employees are also satisfied with PFAs roles in the management of their pension contributions.

The finding from cross tabulation of the second hypothesis also reveals that the type of universities do affect the z-score revealing that employees are satisfied with pension fund administrators' activities with the scheme. Types of universities are found to have no influence since there is significant positive relationship between the two types of universities in their reaction to their satisfaction on the activities of the Pension Fund Administrators.

The analysis of the third hypothesis reveals that employees accept the new Contributory Pension Scheme as a better alternative. The employees accept the change and see the new contributory pension regime as a better alternative (as found in the test of the sthird hypothesis), the performance of the employees would, all things being equal,improve.

Conclusions and Recommendations

The study reveals that employees were satisfied with employers roles in respect of the percentage of pension the employer deducted from employees' salary and the timeliness of remittance. With evidence from the test on the first hypothesis the study concluded that employees were satisfied with employers' role in the scheme. Satisfaction as earlier noted in the study was one of the organizational performance indices, hence, employees satisfaction revealed further strengthened the earlier conclusion on the relationship between Contributory Pension Scheme and organizational/employees' performance.

The study concluded that the scheme was acceptable to the employees. The study revealed that employees preferred the new Contributory Pension Scheme to the old scheme from the sixth hypothesis tested. The null hypothesis was rejected as the result of the test provided evidence to accept the alternative hypothesis which mean that employee accept/prefer the Contributory Pension Scheme as a better alternative to the old scheme. As a matter of fact, earlier studies (such as Laoshe, 2009) provide a strong basis for this conclusion as they have revealed that the old scheme was not only unpleasant to the employees but also offensive to both the public and the economy.

Also, the study concluded from the findings of the seventh hypothesis that the level of employees' acceptance of the Contributory Pension Scheme over the old scheme differs significantly between employees of the public and the private universities. Although, this conclusion disagrees with Oladipo&Fashagba (2012) where no statistical significant difference was found in the percentage adopted by the two sectors.

A major constraint however was found in the fact that many of the respondents were not adequately informed about the scheme. Many of the respondents were quick to say words like "thank God', 'I want to find out certain things about the scheme." This may be the reason why many respondents turned down the request to answer the questionnaire.

In the final analysis, the objectives of the study are achieved as the relationships between performance and Contributory Pension Scheme are established. Also the data used are fitted for the analysis on the scheme. And from the findings of the study, the scheme chances of survival are high.

From the finding that employees were satisfied with the regular provision of information from Pension Fund Administrators to the employees, the study recommends that employers should provide similar service to their employees. This information may include the total amount remitted and the time of remission. This service will be best if it is provided monthly on the normal pay slip.

Employers can also from time to time meet with the employees or their representatives to discuss any issue of misconception on their retirement benefits. Clarification of ambiguity and contentious issues can be made through such medium. This will further enhance employees' satisfaction the study found with the passage of information on the scheme. Employers for instance can justify the basis for computation of their 7.5% contribution and provide answer to questions arising therefrom. This will facilitate an atmosphere of transparency and mutual trust which in turn will impact on the organizational health. This recommendation becomes reasonable as many respondents sought to be educated more, about the scheme during the time of questionnaire administration. The respondents would have been more delighted if their employers had provided such opportunities.

Finally, a further study covering how employees can be guided on involvement in investment of his fund as provided by the scheme is recommended.

References

Barbier, E. B. (2007).*Academic's dictionary of insurance*. New Delhi: Academic (India) Publishers.

Davar, R. S. (1988).*Personnel management and industrial relations*. New Delhi: Vikas Publishing House.

Mathew, O. F. & Joshua, S. A. (2011).The Motivation influence of pension on employees in Nigeria. *Lapai Journal of Management Science.2(1).*

Momoh, A. A. (2008). The role of pension reform in enterprenureship development, youth empowerment and poverty alleviation in Nigeria". *Auchi Journal of Business Studies*

Neil, A. (1977). *Life contingencies*. London: Heinemann.

Niehaus, H. (2004). *Risk management and insurance.* Boston: McGraw Hill Education.

Nwanegbo, C. J. (2007). Pension reform and management in Nigeria: A critical appraisal of the 2004 pension reform Act. Annual Conference of the Nigerian Association of Political Science. Bayero University Kano. 21st-24th August 2007.

Ogobuchi, O. C. (2007). Rethinking the social security funding in the public sectors. *The Nigerian Accountant*. April/June, 2007.

Oladipo, J. A., &Fashagba, M. O. (2011). Employees' satisfaction with pension scheme beforeand after 2004 pension reform in Nigeria: *Lapai International Journal Of Management and Social Sciences,*4(2)

Oladipo, J. A., Fashagba, M. O., &Akindele, J. A. (2011). "Evaluation of employer's rule in timely remittance of the employees' contribution to pension fund administrators in the new Contributory Pension Scheme". *LIJOMASS.*4 (1)

Skipper, H. D.,& Kwon, W. J. (2007).*Risk management and insurance perspective in a global economy.* Australia: Blackwell Publishing.

Terry, N. G., & White, P. J. (1997). The role of pension schemes in recruitment and motivation: Some survey evidence. *Employee Relation.19 (2).*

Vaughan & Vaughan (2003).*Fundamental of risk and insurance.* New York: John Wiley & Sons, Inc.

Wanjohi, C. W., Wanjou, K.,&Anyango, D. M. O. (2012). The roles of pension scheme on motivation of employees: A case study of Tuskys supermarkets. *Prime Journal of Business Administration and Management.*

Coaching: A Literature Review

Terkura T. Bemaa
Department of Business Administration
Faculty of Management Science
University of Benin, Benin City
Edo state – Nigeria

pp 77-86

Abstract

In the course of writing this paper many who saw the topic, asked whether there can be coaching other that of sports coaching. The concept of coaching has gone beyond sporting arena. It has been embraced as a tool for managing businesses and not for profit organizations. Coaching acceptance is wide spread now. In this paper attempts was made to review the basic literature surrounding the field of coaching with particular emphasis on meaning, approaches, benefits, characteristics and many other essential issues that forms a knowledge base for people researching in this area.

Key words: Coaching, approaches, characteristics

Introduction

Organizations as intangible beings are bound to grow. Sometimes, the growth can be slow and steady. In extreme circumstances it may also be sudden and explosive. At whatever rate it may take, it is important to note that no organization at any point in time have been awarded for stagnation. Growth though, a necessary and desirable phenomenon, usually would have attendant consequences – pleasant and annoying, gentle and destructive. Consequently, every organization wants to mitigate or simply amputate unwanted effects that are associated with growth.

Now that a great number of organizations want to keep unpleasurable effects of growth under check, and continue to keep on growing without problems, it has become necessary to most organizations to keep their high flyers working optimally. Curiously, organizations discovered the coaching tool as capable of salvaging their situation. It is at this juncture that coaching as a management practice became apparent. Thus, large numbers of business organizations are beginning to include coaching in their arsenals of management. Great results as often reported about coaching are that of efficacy. In this light that we want to explore the theoretical rudiments of this emerging discipline perhaps, it might help those who are interested in the field.

Conceptual clarification

Coaching according to Evered and Selman (1989) is a means of conveying a valued colleague from where he or she is to where he or she wants to be. Costa and Garmston (2002) view coaching as a desire to enhance another's self-directedness: building someone's ability to self manage, monitor and modify bahaviour. To Downey (2003), coaching is the art of facilitating the performance, learning and development of another. Sharing this view, Linder-Pelz and Hall (2008) sees coaching as facilitating a client's performance, experience, learning and growth, and about actualizing goals. Parsloe (1995) argues that coaching is a process that enables learning and development to occur and thus performance to improve. To be successful as a coach requires knowledge and understanding of the process as well as the variety of styles, skills and techniques that are appropriate to the context in which the coaching takes place. Whitmore (2009) explained that Coaching is unlocking a person's potential to maximize their own performance. It is helping people to learn rather than teaching them. Grant (2007) focus on the key elements and opines that coaching is a collaborative, solution focused, result – oriented and systematic process in which the coach facilitates the enhancement of work performance, life experience, self – directed learning and personal growth of individual from normal (i.e. non – clinical) populations.

Approaches to Coaching

Just like any other discipline, coaching too has enjoyed contributions from other fields that had existed before its emergency as a new area of study. Stober and Grant (2006) combined some of the approaches critical to the development of the field of coaching as thus:

The humanistic perspective

Roger (1951, 1959) argued that coaching is person-centered and that all individuals desire to experience positive change. They further posited that every individual's craving is to become what they are capable of becoming. Therefore, the essence of coaching should be to arouse the curiosity of growth which seems to be innate in everybody. To achieve this goal, the relationship between a coach and a client must be open and ever- ready to address all issues that the coachee may bring into focus in the coaching relationship.

Behavioural approach

The persona is defined as a mask which is in shape and shades. The understanding of this persona is challenging because many factors – environmental, situation and hereditary affect its formation. This accounts for the complexity associated with explaining what it is. No matter the inhibiting factors, the behavioural approach seeks first the achievement of practical changes in every human being. The behaviourist argues that achieving psychological adjustments will not be too helpful for ones future. This has made the behaviourist approach to be action focused and seems to suggest to coachees to be given to learning which is instrumental to personal development over therapeutive measures.

Adult Development Approach

This approach argues that maturity exposes people to high consciousness, openness, understanding of authority and responsibility, a tendency for greater tolerance of ambiguity. As a coach therefore, your activities should be based upon the ideals of four main stages of development. The approach suggests that coaching at each stage should be focused on the stage of development related to issues in the coaching relationship (Berger, 2006).

Cognitive approach

This approach acknowledges the diversity or multiplicity of individualism. It posits that coaching is essentially a cognitive process. Fundamental to coaching as a cognitive process is the conclusion that one's feelings and emotions are a function of his thoughts which is made up of perceptions, mental attitudes, and beliefs. Cognitive therapy helps clients to substitute maladaptive and inaccurate cognitions (Ellis, 1979; Burns, 1980). Under the cognitive approach, the primary function of the coach is to assist in challenging and surmounting maladaptive and distorted perceptions (Auerbach, 2006).

Adult learning approach

This is an approach designed to provoke deep learning. The approach emanates from a basket of learning theories: for instance *Andragogy* (Knowles, 1980), *Reflective Practice* (Boud et al 1994), and *Experiential Learning* (Kolb, 1984). These theories argue correspondingly that adults learn by reflecting on experiences. Consequently, Cox (2006) agrees similarly, pointing out that coaching should thus be seen as a learning approach designed to nurture with the aim of facilitating goal-focused, self-directed learners who are determined to draw on their reservoir of previous experience with a view to solving real life puzzles. Gray (2006) on the other hand, advocates a *transformative learning coach model* where a coachee's critical reflection capabilities are raised to a level of questioning assumptions. Gray sees coaching essentially as a tool for informal, self directed learning in organizations. However, many literatures see a coaching relationship as being formal now (Diedrich, 1996).

Positive Psychology Model

Kauffman (2006) explained that coaches are to identify and build on the strengths of their clients all with the aim of galvanishing hope and happiness for those concerned. Positive psychology simply identifies what is good in us and encourages us to reinforce such positivism continually. Those positive emotions do not only widen ones focus of attention and broadens access to intellectual and psychological resources but result to enhanced performance. The essence of positive coaching model aside from facilitating the achievement of specific goals is also designed to assist general improvement and life balance (Neenan and Dryden, 2002). Life coaching's thrust is built on positive psychology and focuses on changing perceptions and attitudes.

Adventure-based model

Is a concept of coaching whereby the coach and coachees simultaneously agree to go beyond the boundaries. To them, it is worthwhile to explore new frontiers and horizons probably working assiduously towards setting new records. Agreeably, this is risky as it involves analyzing the status quo, designing new milestones and concocting appropriate strategies to achieving them. Except this approach is undertaken, personal growth will be a mirage. In adventure model, participants as a measure of test are required to assess themselves against behavioural, emotional and cognitive competencies with a goal to effecting desirable behavioural dispositional attitudes towards situations seem important. Priest (1999) explained that adventure is a process and not an activity. Whatever learning that is achieved during adventure process, they are expected to be warehoused for application in life situation experiences.

Systemic approach

It is designed to capture from the beginning unnoticed patterns of behaviour of the coachee so that they can be seen in different ways. Humans are complex systems by nature but capable of adaptation most especially when there is a need to interact with other systems. Holistically, this approach encourages a coach to view circumstances that led to the coaching relationship under which relevance aspect of unnoticed behaviour may be (Carver and scheier, 1998). The system however, communize complexity, unpredictability and contextual factors and instead emphasis the uniqueness of small changes. It also reiterates openness, creativity and growth. In a nutshell, the systemic approach views the balance between stability and instability as optimal for performance (Cavanagh, 2006).

Goal-oriented Approach

Grant (2006) said that coaching is about the coachee's ability at regulating and directing their interpersonal resources to better attain their goals. Consequently, a coach is required in this instance to encourage a coachee to identify, set goals and develop strategies to achieving them. In stimulating a coachee towards setting goals, a coach has to take into cognizance the coachee's main life values and interest and respectfully protect them. It is important for a coach to avoid persuading a coachee into adjusting her values and beliefs as immediate results will be realized against fatal consequences later.

In goal – oriented approach, coaching is concerned essentially with raising performance and the support of effective actions other than addressing feelings and thoughts as the latter are resolved through a commitment to obtaining positive results (Grant 2003). Goal – oriented approach is also called brief coaching because it is aimed at achieving target result at relatively short period of time.

Benefits of Coaching

A CIPD report (2009) listed benefits that coaching activities stand to offer an individual and an organization to include: Learn to solve own problems, improve managerial and interpersonal skills, have better relationships with colleagues, learn how to identify and act on development needs, have greater confidence, become more effective, assertive in dealing with people, have a positive impact on performance, have a greater self – awareness and gain of new perspectives, acquire new skills and abilities, develop greater adaptability to change, improve work – life balance. To the organization, coaching improve productivity, quality, customer service and shareholder value; can gain increased employee commitment; demonstrate to employees that an organization is committed to developing its staff and helping them improve their skills; support employees who have been promoted to cope with new responsibilities; help employees to sort out personal issues that might otherwise affect performance at work; gain a satisfactory process for self – development; dupport other teaching and developmental initiatives e.g. reduce leakage from teaching courses.

Characteristics of Coaching in Organizations

The Chartered Institute of Personnel and Development (CIPD), lists some characteristics of coaching in organizations that are generally agreed on by most coaching professionals. They include:

It consists of one-to-one developmental discussions; provides people with feedback on both their strengths and weaknesses; aims at specific issues/areas, its relatively short-term activity except in executive coaching which tends to have a longer time-frame; Its essentially a non-directive form of development; it focuses on improving performance and developing/enhancing individual's skills; It is used to address a wide range of issues; Have both organizational and individual goals; It assumes that the individual is psychologically healthy and does not require a clinical intervention; It works on the premise that clients are self-aware, or can achieve self-awareness; It is time-bounded; It is a skilled activity; Personal issues may be discussed but the emphasis is on performance of work.

Coaching Responsibilities

Coaches according to *Kampa-Kosech* and *Anderson* (2001), *Peterson* (1996) and *Witherspoon* and *White* (1996a) have the following responsibilities: Provision of feedback, forging a partnership, inspiring commitment, facilitating the growth of new skills, promoting persistence towards goals, encourages the client to maximum use of environment and helps executives to learn, grow and change. This involves coaching for skills and developing performance while keeping the focus on the executive's agenda.

Conditions Necessary for Coaching Success

Some of the conditions necessary for coaches to succeed according to *Kampa-Kosech* and *Anderson* (2001) include but not limited to:

You have to be willing to change: Success comes with hardwork done smartly. There are no shortcuts. Your inability to show commitment will meet with monumental failure. Where coaching was adopted to facilitate the change and minimal or no success was recorded, you may have to abandon it (coaching) for some other method or magic.

Be open and honest to yourself: Feedback, it is said to be the cornerstone of improvement. Allow people access into you. Especially relatives, workers and superiors that you respect their views to tell you what they think of you. There are instances when their views may be biting but I guarantee you, it will be beneficial if you take it in good faith and do amends.

Measure yourself: Remember the principles of setting goals – SMART (**S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime-bound). Specificity will only be achieved if measured against some parameters within a period of time. You or your workers or some others can assess you against your targets to determine your performance.

Listen: There are many or a reason why we were given two ears and just one mouth. If this assertion is true, *keep quiet and listen to feedback(s)*. Really listen and thereafter think or ask others about alternative action. Furthermore, justify every alternative and select the best for the situation.

Enjoy the process: Coaching is about establishing a dialogue. You will not be judged as there is no sure or wrong approach. Take the step and be faithful. It may end up amazingly beautiful.

Types of Coaching

Peterson (1996) has identified three different types of coaching offered by the firm.

Target coaching: Consists of minimal assessment such as interview, 360-degree survey and a discussion with the sponsor of the client's organization. It is focused on one or two skill areas, such as team leadership or communication for example. The coach is not motivated and well aware of the objectives of the intervention. The coach and the client meet 4 or 5 half-day session during 3 to 4 months. The organizational sponsors are somewhat involved, and this sort of intervention only requires minimal follow-up on part of the coach.

Intensive coaching: Requires in-depth assessment of the client's psychological and cognitive abilities, work simulations, interviews and 360-degree survey. This type of coaching is used with clients who need assistance in behavioural changes and role changes. In these situations, the need for change is obvious but the actual objectives of the engagement may not be spelled out. The client may, or may not be motivated to change. During intensive coaching, the coach and the coachee meet for 5 to 6 full-day session during a 6 to 9 month period. The organizational sponsors are involved through ongoing, in-depth consultation. They follow up within 3 to 6 months in order to make sure that the behavioural changes are sustained.

Executive coaching: Under this type of coaching, the assessment of the individual depends upon the needs of the coachee. The focus on the intervention is on the challenges that face the coachee, and often involves discussions regarding options and effective implications. The coachee often has a clear goal he or she wants to obtain as a result of the intervention. The session takes place in the form of 1 – 2 hour meetings, either as needed or according to a schedule. The coachee is usually the one who communicates the progress to the organizational sponsors. With Executive Coaching, follow-up and on-going consultation is the response to the coachee's report.

Other types of coaching as identified by *Thach* and *Heinselman* (1999) are:

Feedback coaching: Is based on a format where the coach provides the coachee with feedback and helps to create a developmental plan focused on specific areas. This coaching engagement can be conducted over the phone or face-to-face and usually lasts from 1 to 6 months. The coaching activity is based on information gathered through a 360-degree assessment tool, which also forms the foundation of the engagement.

In-depth developmental coaching: Consists of an engagement lasting up to 12 months. The intervention is based on an extensive data gathering using 360-degree tools, Myers Briggs, and Firo-B, as well as interviews with staff, peers, managers and in some cases even family members. The coach and the coachee collaboratively create a developmental plan, which is shared with the coachee's manager. The coach meets with the client for 2 to 4 hours, at least once a month. Shadowing is common throughout this engagement, during which the coach provides immediate feedback.

Content coaching: (*Thach* and *Heinselman*, 1999), or Coaching for Skills (*Witherspoon* & *White*, 1996); appears to have semblance of targeted coaching consists of a coach providing specific knowledge and guidance to the coachee in a specific skill area, such as marketing or finance, for example. This type of engagement has clear and specific goals; the client agrees on the purpose and need of the intervention and believes that it is possible to learn such skills. Experts often provide this sort of coaching in certain cases through external workshops. However, considering time limitations often facing executives, one-to-one coaching can be a better alternative. Alternative sources such as books can also be used to assist the client.

Personal and life coaching: This is the approach where the coach appears to focus more on the coachee's personal life, rather than on the individual's performance in relation to an organization. Personal and life coaching seem to focus on a number of intra-personal issues such as life transitions, divorce, individual goal setting and individual improvement within a number of different areas.

Balance in- life coaching

A life balance coach will first teach you to recognize that you simply don't have the tools to do everything all the time. Once you understand this reality, then the next difficult task is having you abandon the pipe dream of keeping twenty balls in the air at the same time. The old adage is true: “there are only so many hours in a day”, meaning you can only accomplish a finite number of tasks in a day.

This means that you will have to make some decisions. In other words, put your priorities in order, to either focus on your day job, moonlighting, family, or health. It is possible to handle perhaps two or three of these elements but all of them together makes for an unsatisfying life. With a life coach, you can begin prioritizing your duties and determining which of them holds the most value for you and where your attention should be focused.

Building Coach-Client Relationship

To assist in the success of a coaching business/assignment, it is required that a relationship exists. Essentially, the relationship as drawn by Maynard (2006) as follows:

One-on-one relationship: Many authorities on coaching are in agreement on this point and explained that, it is entered into with mutual agreement. According to these authorities, the relationship is one-on-one, but adds that within an organizational setting, it may take place in a variety of contexts such as during team building meetings and within a network of individuals formed to support one another (Garman et al, 2000; Schnell, 2005; Stern 2004; Winum, 1999).

The collaborative process: Relationship must serve dual purpose. When using the systems approach within an organization. The one-on-one nature of the coaching relationship must be tailored to include the needs of the organization as a whole. *Kiel* at al (1996) stated that although the individual is the primary client, the organization is also the client and its needs must be addressed within the development plan. To fully develop the coach/client relationship, referred power must be given by the organization, typically in the form of a boss who explicitly supports the coaching process and the goals decided upon.

Trust: Blattner, 2005; Frisch; 2001) argue that this is essential in the coach-client relationship. Therefore, coaches must really get to know their clients both professionally and personally through extensive data collection. A battery of psychological tests for personality assessment and others imaginable can be helpful in this information gathering for the purpose of knowing the client.

Quality of work alliance: Determines eventualy, the ultimate importance of relationship. *Kilburg* (2001) regarded a meaningful and effective therapeutic alliance as the single most important factor contributing to a positive outcome in any helping intervention. Furthermore, creating a strong alliance for managing change (*Goodstone* and *Diamente*, 1998) is a major factor in producing positive results when facilitating behavioural change (for better than feedback, reduction of incongruity or increased self-awareness). Goodstone and Diamente added, unconditional positive regard and empathy are features critical to establishing a successful coach.

Delineation of boundaries: The coaching relationship is informal. Consequently, it is important that clear-cut boundaries be maintained between social and professional roles. *Kiel* et al (1996) suggested that social invitations be declined, although meetings with the client at his/her home or off-site location such as a hotel are appropriate if the tone is kept professional rather than social. *Kilburg* (1997) noted the relationship needs to be predictable and reliable for the client. All administrative issues such as fees, confidentiality, cancellations, places and times for meetings, information exchange, and technical responsibilities on the part of the client or coach should be agreed upon and made clear in a formal working agreement.

Openness: *Bugos* and *Silberscahtz* (2000) examined coaching behaviours of patients in a therapeutic relationship.

Reasons that account for the increase in coaching services

Many reasons have accounted for a consistent increase in the demand and supply of coaching services. Among the myriad of reasons are (*Liljenstrand,* 2003:5):

Changing work environment: *Permanency* defines what is said to be change. *Immediate propellers of change* are fast technological changes, a hitherto tall organizational structure suddenly becoming flattened, changing composition of economic powers and the population structure. There is also the benefits' driving a shift from production to service-oriented industries.

The digital technology has revolutionalized production activities. Today, people are easily and quickly accessed through information technology mechanism like e-mail and GSM phones and the social media. These has not only changed the way people work and interact but also have placed high demand and higher expectations on organizations. *Liljenstrand* (2003:5) explained that such scenarios present opportunities where a professional coach can assist the individual in functioning more effectively in areas such as interpersonal communication, delegation or balancing work and personal life, career amongst others.

Major changes within coaching: The coaching field is relatively young, however, there has been a major force contributing to the increasing need for coaching services. From the beginning, coaching was done for managers thought to have performance challenges. In the contemporary world, a coach is demanded to help in boosting the performance of successful individuals. Thus, the change from coaching a non-performing to a top performer, had made a whole lot of difference in the way people view coaching services.

Currently, having a personal coach has become a status symbol other than anything else (Berglas, 2007). In essence, the change in the perception of coaching services and those who hire coaches had aided the development of this field. Maynard (2006)

Increased target market: The list of those demanding for coaching services is ever increasing. This is largely because; it is a helpful process with potentials for diverse application in different settings for a variety of engagements. Coaches take different titles. These varying nomenclatures define the main focus areas for the coach. The major focus areas are communication career, personal and performance coaching just to mention a few.

Result-oriented: The relatively young nature of coaching notwithstanding, it had proven to be effective, cost-wise and better over traditional approaches to executive development. Prominent among companies that have used coaching extensively for development are Coca-cola, Polaroid and a California utility company

(*Judge* and *Cowell*: 1997).

Consequently, the interesting efficacy of coaching has led many proactive organizations to concentrate on its use as a sin qua non for meeting their bottom lines.

Minimal entry requirements. The most important requirement is your ability to market your services face-to-face or ICT mechanisms – the web, cell phones, billboards and handbills can be used. At the beginning, an office may not be necessary because of prohibitive cost. Also, the handsome remuneration that accompanies this fledging profession is another motivating factor (Hellkamp, Zins, Ferguson and Hodge, 1998).

Similarly, the fact that people are free to work from their homes has encouraged many to own businesses. Furthermore, there are no recognized standards in place that prohibits individuals from offering coaching services.

Providers of Coaching Services

Liljenstrand (2003) argued that for now, there are no known and strictly enforced standard for coaching. Moreover, there has been a surge in the demand for coaching services. Consequently, there has been a variety of people with diverse experiences, qualifications and educational qualifications entering the profession.

Judge and *Cowell* (1997) pointed our that psychologists, MBA's, Ph.D's, and even drama instructors – all are pitching in to help improve the work performance of top executives. Majority of the providers of coaching services are said to hold a masters degree in business and social sciences. Only a small percentage of the service providers in this field were said to hold a first degree or below.

At this point, we can ask, with diverse qualification possessed by coaches, who then should be an ideal coach? *Eggers* and *Clark* (2000) explained that hence there are no standards of training currently in existence to guarantee coaching quality and strive for consistency in the delivery of services, *Brotman* et al (1998) warns that, it is important for organizations to make an informed and competent decision when hiring a coach. This is critical when putting the high cost involved in such consultancy services as well as the high level of work executive coaching consist of.

References

Auerbach, E.A. (2006) Cognitive coaching in Stober, D. and Grant A. M., (Eds). Evidence – Based coaching Handbook, Wiley, New York.

Berg, I. K., and Szabo, P. (2005). Brief coaching for lasting solutions, W.W. Norton and company New York.

Berger, J.G. (2006). Adult development theory and Executive coaching practice in Stober, D. and Grant A. M. (Eds). Evidence – Based coaching Handbook Wiley, New York.

Blattner, (2005). Coaching: The Successful Adventure of a downwardly mobile executive. Consulting Psychology Journal: Practice and Research, 57(1), 3 – 13.

Bond, D., Cohen, R., and Walker, D. (1994). Using experience for learning, Srheand open university press, Buckingham, England.

Brotman, L.E., Liberi, W.P., and Wasylyshyn, K.M. (1998). Executive Coaching: The need for Standards of Competence.

Bugas, J., and Silberschatz (2000). How patients coach their therapists in psychotherapy. Psychotherapy: Theory, Research and Practice, 37(1), 64 – 70.

Burns, D. D.,(1980). Feeding good: The new mood therapy, William Morrow, New York.

Carver, C.S., and Scheier, M.F. (1998).On the self – regulation of behavoiur, New York.

Cavanagh, M. (2006).Coaching from a systemic Perspective: A Complex Adaptive approach in Stober, D., and Grant, A. M., (Eds). Evidence – Based Coaching Handbook, Wiley, New York.

CIPD, "Coaching and buying coaching services - a guide". Accessed at www.cipd.co.uk/NR/rdonlyres/c31A728E.

Costa, A.L.,and Garmston, R.J. (1996). Cognitive Coaching: A Foundation for Renaissance schools, Christopher – Gordon publishing, Norwood, MA.

Cox, E. (2006). An Adult Learning approach to learning in Stober, D; and Grant, A. M; (Eds). Evidence – based coaching Handbook, Wiley, New York.

Diedruch, R. C., (1996). An interactive approach to executive coaching. Consulting psychology Journal: Practice and Research.

Downey, M. (1999). Effective coaching, orient Business Books, London.

Eggers, J. H., and Clark, D. (2000). Executive coaching that wins. Ivey Business Journal.

Ellis, A. (1980). The practice of rational – emotive therapy, in Ellis, A., and Whiteteley, J. (Eds), Theoretical and empirical foundations of rational – emotive therapy, Brooks/Cole, Monterey, CA.

Evered, R.D. and Selman, J.C. (1989). Coaching and Performance: A case study, organizational Dynamics, 1989, 18(2), 16 – 32.

Frisch, M.H. (2001). The Emerging Role of the internal coach. Consulting psychology Journal: Practice and Research, 53(4), 240 – 250.

Garman, A.N., Whiston, D.L., and Zlatoper, K.W. (2000). Media perceptions of executive coaching and the formal preparation of coaches. Consulting psychology Journal practice and Research, 52, 201-205.

Goodstone, M.S., and Diamante, T. (1998). Organizational use of therapeutic change: Strengthening multi – source feedback systems through interdisciplinary coaching. Consulting psychology Journal: practice and Research, 50(3),152 – 163.

Grant, A.M., (2003). The impact of life coaching on goal attainment, metacognition and mental health, Social behaviour and personality, 31(3), 253 – 264.

Grant, A.M., (2007).Solution focused coaching: Managing people in a complex world. Accessed at www.wishfulthinking.co.uk/2007/03/13.

Gray, D.E.(2006). Executive Coaching: Towards a dynamic Alliance of psychotherapy and Transformative Learning Processes, Management Learning. Vol. 37, No.4, 475 – 497, SAGE London.

Hellkemp, D.T., Zins, J.E., Ferguson, K., and Hodge, M. (1998). Training Practices in consultation: A national survey of clinical, counseling, industrial/organizational and School Psychology Faculty. Consulting Psychology journal: Practice and Research, 50(4), 228 – 236.

Judge, W.Q., and Cowell (1997, July – August). The brave world of executive coaching. Business horizon, 71 – 77.

Kampa – Kokesch ,S., and Anderson, M.Z. (2001). Executive coaching: A comprehensive review of the Literature consulting psychology Journal: Practice and Research, 53(4), 205 – 228.

Kauffman, C., (2006). Positive psychology: The Science of the heart of coaching in Stober, D., and Grant, M. (Eds). Evidence – Based coaching Handbook, Wiley, New York.

Kiel, R., Rimmer, E. Williams, K., and Doyle, M. (1996). Coaching at the top. Consulting psychology Journal: Practice and Research. 48(2), 67 – 77.

Kilburg, R.R (1997). Coaching and Executive character: Core problems and basic approaches. Consulting psychology Journal: Practice and Research, 49(4), 281 – 299.

Kilburg, R.R (2001). Facilitating intervention adherence in Executive coaching: A Model and Methods. Consulting psychology Journal: Practice and Research, 53(4), 251 – 267.

Knowles, M.S. (1975) Self – Directed learning. A guide for learners and teachers, Englewood cliffs: Prentice Hall/Cambridge.

Kolb, D.A., (1984). Experiential learning: Experience as the source of knowledge and development, prentice – Hall, Engelwood Cliffs, NJ.

Liljenstrand, A.M., A Comparison of Practice and Approaches to coaching based on Academic background. Accessed at http//*wwwbadergroup.com/wp_content/uploads/2010/08/Coaching.*

Linder – Pelz, S., and Hall, N. (2008) Meta – Coaching: A methodology grounded in psychological theory, international, Journal of Evidence based coaching, vol.6 no.1 Feb. 2008.

Maynard, Sandy (2006). Personal and Professional Coaching: A Literature Review. Accessed at *www.sandymaynard.com/thesis_without_cv.pdf.*

Neenan, M. and Dryden, W. (2002). Life coaching: A cognitive – Behavoiural approach.

Programming, Venture publishing, State College, PA.

Parsloe, E. (1995). Coaching, Mentoring and Assessing, Kogan Page, London.

Peterson, D.B. (1996). Executive Coaching at Work: The art of one – on – one change.

Consulting psychology: A study of science, McGraw – Hill, New York, PP. 184 – 256. Psychology Journal: Practice and Research, 48(2), 78 – 86.

Priest, S. (1999). The Semantics of adventure Programming in Miles, J.C., and Priest, S. (Eds). Adventure.

Rogers, C.R., (1951). Client – Centered therapy: its Current practice, implications and theory, Houghton – Mifflin, Boston.

Rogers, C.R., (1951). A theory of therapy, personality and interpersonal relationships, in Kochm, SW. (Ed),

Schnell, E.R. (2005). A case study of Executive coaching as a support mechanism during organizational growth and evolution. Consulting psychology journal: Practice and research, 579(1), 41 – 56.

Skiffington & Zeus (2003). Behavioral coaching: How to build sustainable personal and organizational strength, McGraw – Hill Australia, Sydney, Australia.

Stern, L.R. (2004). Executive coaching: A working definition. Consulting psychology Journal: Practice and Research, 56(3), 154 – 162.

Stober, D. and Grant, A.M. (2006). Towards a contextual approach to coaching models in Stober, D. and Grant, A.M (eds.). Evidence – Based coaching Handbook, Wiley, New York, N.Y.

Thach, L., and Heinselman, T. (1999, March). Executive coaching defined. Training and Development, 35 – 39.

Winum, P.C. (1999). Reaction to CEO succession case study. Consulting psychology Journal: Practice and research 54(4), 273 – 274.

Witherspoon, R., and White, R.P. (1996). Executive coaching: A continuum of roles. Consulting psychology journal: Practice and Research, 48(2), 124 – 133.

University Undergraduates Lifestyle Patterns as Factors in the Purchase of Smart Phones.

Patrick, K. Ladipo and Solomon, A. Agada.
Department of Business Administration,
University of Lagos.
Email: axispmtc@yahoo.com

pp 87-96

Abstract

This study attempted to identify consumer lifestyles categories on the basis of psychographics measures with university undergraduates and the ownership and purchase of smartphones in Nigeria. The study was conducted on 380 undergraduate students of two renowned universities in Nigeria, a private and a public university. Factor analysis using principal component analysis with varimax rotation yielded seven factors namely; Informatics or Information Access/Sharing, Status Symbol-Oriented, Scholarlees/Acada or Academic Oriented, Palees/Peer Group Pressure Oriented, Fashionability/Sociability/Current, Techno-Savvy, and Entertainment/Sports/Infotaiment. Lifestyles measures using T-Test Anova showed significant impact in terms of gender classifications and programme levels but no divergence in the interrelatedness of the lifestyle factors. The factors illuminated the undergraduate consumer population psychographic and demographic elements. The study therefore suggested that these factors are critical and salient as the basis for the formulation and implementation of marketing strategies in the sale of products or services.

Keywords: Lifestyles, purchase, psychographics, smartphones, university undergraduates

Introduction

Consumers place a lot of value on products and services that reflect and enhance their lifestyles and this affects their attitude towards the purchase of the products or services. Lifestyle is interrelated with significant sociological or demographic factors and sex, age, religion, and social class. The dynamism associated with the needs and wants of the modern Nigerian undergraduates is ubiquitous in view of the rapid sophistication of the consumer in the face of a very competitive socio-political society, information age, and information economy. These are reflected in the consumers' activities, interests, and opinions that determine the buying behaviour of the consumer and consequently influence the marketing strategy required to satisfy such needs and wants.

The smartphone technology has in recent times, by observation, been on the high demand by Nigerian undergraduates especially. This is probably due to the fact that it has the capabilities and capacities to satisfy their peculiar needs and wants. The smartphone is a mobile telephone device that provides advanced capabilities beyond a typical mobile phone. The smartphone is incredible as it not only performs the function of a normal telephone. It can also be used to access the Internet, play games, including an immense number of applications which make it a gateway to just about anything (Smartphone, 2012).

Lindgreen and Wynstra (2005) point out that consumer differences vary with lifestyles and the purchase decision of a particular good or service can be a good measure of consumer lifestyles and segmentation. The society is prevalent as consumer society, where consumption is the main factor behind lifestyles and culture (Miles 1998). According to Miles (2002), lifestyle is a material expression of a person's identity. The activities, interests, and opinions (AIO) model proposed by Plummer (1974) and psychographics by Demby (1974) (putting together psychology and demographics), provide the measure for investigating consumers lifestyles patterns especially in terms of their purchase behavior and how to meet their demands.

Previous studies in Nigeria have investigated lifestyles of the Nigerian consumer in varying perspectives. Ekwenchi and Ewuzie (2014) examined the lifestyles of children and the internet using mobile capabilities like the cell phones including the attendant risks. Tade and Aliyu (2011) conducted a study on the lifestyles of *"yahoo-boys"* or internet fraudsters in Nigeria and noted that their abilities are significantly aided by the use of cell phones.

Empirical study by Folorunso, Vincent, Adekoya, and Ogunde (2010) indicated the usability of mobile phones as a tool for enhancing the accessibility to the internet and internet social networking among undergraduates in Nigeria. Krishnan (2011) confirmed the strong correlation between the lifestyle of the consumers and the brands of products they purchase and use. The study concluded that consumers often choose products, services and activities over others because they are associated with a certain lifestyle. Kucukemiroglu (1997) analyzed consumer lifestyles as a basis for market segmentation along patterns of social beliefs and behaviors, using lifestyle dimensions and ethnocentrism among Turkish consumers in the determination of their purchase decisions.

In line with these studies, this research evaluates consumer lifestyles on the basis of psychographics measures with university undergraduates and the use of smartphones in Nigeria and to identify how lifestyles elements help determine their purchase behaviour of smartphones. This was carried out empirically to generate findings in the direction of the subject matter.

Research Hypotheses

H_{01}: The lifestyle pattern of the male undergraduate does not differ significantly from the female in the ownership of the smartphone.

H_{02}: There is no significant difference among the factors that determine the ownership of the smartphone among university undergraduates.

Theoretical Framework

Consumers' lifestyles patterns can be elucidated using a number of theories and models. Particularly in terms of technology products such as the smartphone, the theory of Diffusion of Innovations (Rogers, 1995), aptly help to explain the conditions that necessitates the rate of adoption of the smartphone as a new product among the youth undergraduate subculture. The theory emphasized on the role of the opinion leader and information as the likely determinant for the adoption of a new product.

Sahin (2006) expatiate on Roger's diffusion of innovation theory and suggested that it is the most appropriate for investigating the adoption of technology in higher education and educational environments (Medlin, 2001 & Parisot, 1995). Critical elements of the diffusion theory relevant to the present study according to Rogers (2003) include Communication channels which refer to a process in which participants create and share information with one another and the social system which comprises of a set of interrelated units engaged in joint problem solving to accomplish a common goal. The nature of the social system affects individuals' innovativeness, which is the main criterion for categorizing adopters (Rogers, 2003).

The application of the Technology Acceptance Model (TAM) by Davis (1989) relates the issue of perceived usefulness (PU) and perceived ease of use (PEOU) as precursors to peoples' desire to accept or reject a technological phenomenon. PU refers to the degree to which a person believes that using a particular product would enhance his performance of a task. On the other hand, PEOU indicates the extent to which a person is convinced that a product would help him achieve the success of a task with less and costless effort.

Two models of significance to the present study attempts to measure adequately the dimensions of lifestyles. The activities, interests, and opinion (AIO) model by Plummer (1974) and the VAL2 model by SRI (1989). The AIO dimensions serves as a basis for segmentation, targeting and positioning strategies in marketing. Sathish and Rajamohan (2012) took a closer look at the model and opine that Activities indicate how a consumer spends his or her time, Interests are a consumer's preferences or priorities and Opinions are how a consumer feels about a wide variety of events and things. Similarly, Kotler and Armstrong (2008) show that the AIO dimensions include Activities (work, hobbies, shopping, sports, social events), Interests (food, fashion, family, recreation), and Opinions about (themselves, social issues, business, products).

Empirical framework

Lifestyle as a segmentation strategy exists sufficiently in markets and marketing research. Errit, Jõks, Lõhmus, and Peling (2012) studied the use of smartphones and the lifestyles of consumers in Tallinn, Estonia, and found a growing rate of smartphones users of 65 percent compared to the world average of 47 percent and therefore recommended it for commuters' use in the city's proposed transport service. The usage of smartphones is prevalent as it is notable that owners use it to read and send emails, listen to music, taking photographs, and for social media activities (Errit, et al, 2012).

Pagalea and Steluta (2012) conducted an online survey among university students and academics in Romania in order to examine their attitude towards the consumption of bio-products in relation to their lifestyle patterns and purchase behaviour. The study using descriptive statistics found that consumers generally exhibited a healthier attitude towards bio-products and in terms of the AIO measure, Interest (family-9.5), Opinion (about themselves-9.3) Activities(work-8.6). The results showed that work scored highest in the AIO categories.

Tade and Aliyu (2011) conducted a study on the lifestyles of university undergraduates who operate as *"yahoo-boys"* or internet fraudsters in Nigeria. The study involves the use of qualitative research techniques such snowball sampling, indepth interview and focus group comprising of 20 key informants (KIs) who are notably involved in the fraudulent dealings. The study confirmed the use of mobile phones as a good sustenance of the *'yahoo boys'* lifestyle.

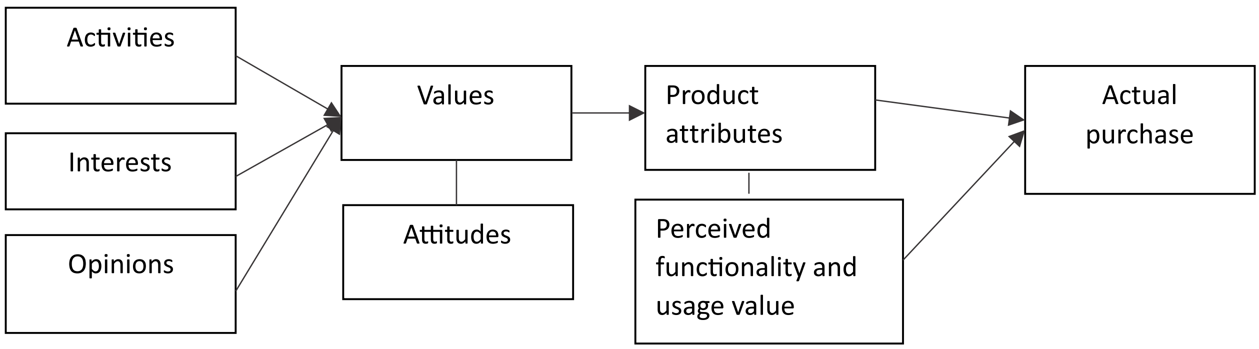
Honkanen and Mustonen (2007) conducted an empirical analysis of the Finish population based on two nation-wide surveys, Finland 1999 and Finland 2004 with a sample size of 2417 and 3574, and a response rate 61 % and 62 %, respectively. The study identified socio-demographic factors to have more influence more on tourism consumption although lifestyle variables were equally very significant.

A psychographic analysis of 275 college students was conducted by Goswami (2007) in Kolkata, India on the basis of values they consider important, their activities, interests and opinions. The AIO and LOV scales were used to generate response items with the use of stratified sampling of the students' population. Analysis was done using principal components analysis with varimax rotation and ANOVA to identify factors that determine the college undergraduates' lifestyles and differences in purchase behavior among the student segments respectively. The results clearly demonstrated the significance of psychographics as determinant of consumer purchase of consumer goods including mobile phones.

Conceptual framework

The consumers' activities, interests and opinions are values they hold dear and define their lifestyles attitudes. The AIO measure is mediated by the product or service attributes which define the utilitarian perception of the consumer to enjoy the benefits of a given product or service. When these are evaluated to yield the expected values associated with the consumer's lifestyle, they result in actual and increased purchase and patronage.

Fig 1.0 Consumers' lifestyles patterns and purchase behavior. Model by authors Consumers' Lifestyles



Consumers would act in response to products features based on their lifestyles pattern. Obviously, the impacts of lifestyle in predicting consumer purchase of products and services is abundant in marketing literature and spares no categories of consumption.

Consumers' way of living is rapidly changing as examined by Errit et al (2012). Changes in lifestyles include the way we work, play and even manage our money. They noted that in the United States, half of adults own a smartphone and the rate of ownership is expanding quickly in every age group (except people aged 65 and older). Attitudes towards the use of smartphones has led to the tagging of some consumers of smartphones as “smartphonatic,” which means someone who changes shopping, banking and payment behaviour after switching to a smartphone (Errit et al, 2012). This indicates the correlation between the use of smartphone and the quality of service rendered by a business.

The acknowledgement of the smartphone capabilities and capacities is granted in view of the fact that in designing and introducing new products, firms often focus on the products' functionality in terms of the specific benefits that the products provide or the specific problems they address such as the tasks that the smartphones can accomplish (Ziamou & Ratneshwar 2003). Also, consumers' lifestyles define a sense of distinctiveness and are attributable to the value of the product attributes that match their distinctive lifestyles pattern and the consequent purchase behavior (Berger & Health 2007; Ma, Yang, & Mourali, 2014).

Lifestyles is synonymous with Self-construal which refers to the perceptions that people have about their thoughts, feelings, and actions in relation to others with differing dimension between the "Independent Self" and the “Interdependent Self” (Markus & Kitayama 1991). The dimension thus creates consumer segments viewed as “Independents” and the “Interdependents” when the self-perception is salient. The Independents see themselves as autonomous and separate from others while the Interdependents view themselves as connected with others and these have been proposed as based on consumers' evaluation of product offerings (Ma, Yang, & Mourali, 2014).

Lifestyle is something that is absorbed through the socialization process but still, it can also be chosen, for example through consumption behaviour. According to Miles (2002) lifestyle is a material expression of a person's identity hence provides broader views about the consumers. The basic premise of lifestyle research is that the more marketers know and understand their customers, the more effectively they can communicate to them and serve them (Kaynak & Kara, 1996).

Feldman and Theilbar (1971) describe lifestyle as portraying characteristics in terms of four main categorizations which are a function of group interactions. Secondly, it lingers through the phases of life and hence allows for effective prediction of consumers behaviour over a consistent life-time. Lifestyle involves a consideration for core interest of consumers in the area of concern for family, social issues, and work within his environment. Lastly, lifestyle is interrelated with salient sociological or demographic variables such as sex, age, religion, social class etc.

Lifestyle is about the definition and discovery of self, as Smith and Kelly (2006) indicate that people are induced to rather search for themselves instead of escaping the everyday life. This is a pattern after Weber's (1922) original concept of the term- 'lifestyle' which he stressed is an embodiment of the structure of the social class conceptualization, which also comprised of hereditary charisma and hierocratic authority.

Consumers' AIO and Values Dimensions in Purchase Behaviour

The dimensions of consumers' **Activities** (work, hobbies, social events, vacation, entertainment, club membership, shopping and sports), **Interests** (family, home, job, fashion, community, recreation, foods, media, and achievements), **Opinions** (themselves, social issues, politics, business, economics, education, products, future, products and culture) and varied constructs of the same variables have been adjudged quite adequate to serve as a good measure for consumers' lifestyle (Plummer, 1974; Pagalea & Steluta, 2012; Sathish & Rajamohan; 2012, Kotler & Armstrong, 2008).

Bennett and Kassarjian (1972) have linked lifestyle to aspects of motivation research using methods of cluster analysis and factor analysis to create market segments on the basis of AIO variables including attitudes and demographic variables. Attitude implies that the consumer believes in the product. This is because one can have a belief about a product without an associated attitude about the product since belief or opinion is an emotionally neutral cognition. Attitudes develops into purchase action in conditions of positive valence and reasonable degree of salience (Bennett & Kassarjian, 1972). Attitude is comprised of the cognitive evaluation tendencies which is concern with product evaluation, the affective component concern with the emotional value of the product and the conative component or the intention or action to purchase behavior.

Methodology

A descriptive research design employing a cross-sectional survey of 400 undergraduate students for the purpose of data collection was adopted for this study. The sample population was based on the selection of students of the faculty of business studies from two renowned universities in Nigeria, one public and the other a private university (University of Lagos and Redeemer's University) respectively.

The survey was to get responses from the subjects on how the use of the smartphone has affected their lifestyles in the university. The selection of the sample population involves multi-stage procedure from one of the university to the other and sample elements were selected based on the stratification of the population along the respective undergraduate levels in the university (Year 1 or 100 level – Year 4 or 400 level). The students get admission into these universities from different state backgrounds in the federation and thus reflect a good reflection of the Nigerian undergraduates' consumer. The demographics are therefore robust and sustainable for the study as the combined elements cut across the lower, middle and upper income levels as well as the related social strata in the society.

The study made use of questionnaire as the survey instrument. The instrument measure such items relating to the AIO constructs in the present study and previous studies including *Activities* (Internet activities, chatting/pinging, studies, calls, shopping, games, scheduling, work lifestyle, purchase lifestyle, leisure lifestyle, study/ learning lifestyle). *Interests* measures include (gisting, socializing, music, sports, relationship, and play) and *Opinion* measures in terms of colleagues, friends, shared style, stabilization, and family). Value items were also included as well as the demographics to make it a complete psychographics study. Respondents indicated their response with scale items on a five-point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree). The instrument was generally adapted from previous studies on lifestyles which adopted the scale suggested by Wells and Tigert (1971).

The tested instrument was administered to 400 students (200 in each university). The questionnaire was distributed along the stratified undergraduate levels as indicated above on a multi-stage process by level to level. This is in view of the ubiquitous possession and use of smartphones among undergraduates in Nigeria.

The sample size is reasonably large in view of the number of constructs and therefore ensures communality among the variables of the study (Field, 2009). The administered questionnaire recorded a return rate of 95 percent and all returned copies were edited for correctness for the purpose of data analysis.

The study made use of factor analysis technique by analysing data collected via principal component analysis with varimax rotation which enabled the derivation of the weight or factor score coefficient (Malhotra, 2007). Respondents indicated their responses via the research instrument on a five-point Likert scale with interval ranging from 1(strongly disagree) to 5(strongly agree). Field (2009) suggested that another prerequisite for factor analysis is that the variables are measured at an interval level.

Further analysis was conducted on the extracted factors using One-way analysis of variance (Anova) technique for between subject effects. The objective was to test the demographic variables in terms of the difference in the ownership level between the male and female undergraduate. Secondly, the test considered the level of disparity or divergence among the dimensions of lifestyle based on the seven extracted factors that form the category of the ownership of smartphone among the undergraduate students. The data was analysed using the SPSS.

Results

The results of factor analysis allow for factor interpretation and discussion of findings from the study. Table 1 below provides information on the demographic statistics of the respondents. There are 194 males and 186 females respondents. The respondents age ranges from 13-33 years with the majority of them falling between the age of 18-22 or 70 percent of the sample population of undergraduates. Ownership of the smartphone among the students is tremendous as 325 or 86 percent own the smartphone.

Table 2 below shows reliability tests for the various dimensions of the variables of the study. Sample adequacy was measured using the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and yielded a value of 0.81. This is considered as very adequate since values ranging from 0.5 to 1 are considered appropriate for factor analysis, good and great for extraction and reflects little variance among the variables (Malhotra, 2007; Field, 2009).

Table 1: Summary of Demographic Statistics

Criteria	N = 380	Remarks
Sex	M = 194	
	F = 186	
Age	13-17 = 50	
	18-22 = 267	
	23-27 = 58	
	28-32 = 2	
	Above 33 = 3	
Levels	100 = 69	
	200 = 93	
	300 = 116	
	400 = 102	
Ownership of Smartphone	Yes = 325	
	No = 55	

Similarly, Cronbach Alpha coefficient reasonably peaked at 0.84 equally affirming the reliability of the data set for the variables of this study (Nunnally, 1978).

Bartlett's test of Sphericity yielded a Chi-Square value of 1633.07 and significant at 0.000. This is suitable for the procedure of factor analysis with the correlation matrix to check whether the variables do not correlate too highly ($r > 0.8$ or $r < -0.8$) or too lowly ($-0.3 < r < 0.3$) and to enable for the estimation of the unique contribution of each variable to a factor. In addition, this is necessary to ensure that the variables measure the same underlying construct as the other variables (Field, 2009; Malhotra, 2007). The amount of variance shared between the variables ranges from 37 to 72 percent and also explains the proportion of variance explained by the common factors.

Table 2: Reliability Tests

Test Statistic	Coefficient/Value	Remarks
Conbach Alpha	0.840	
Returned Rate	0.95	
KMO	0.810	
Bartlett's Test of Sphericity	Approx. Chi-Square =1633.074 df = 378 Sig. = .000	
Range of Communalities	0. 37 – 0 .72 percent	

Table 3: Eigen Values and Extraction Sums of Square Loadings

Component	Initial Eigenvalues and Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Factor	Eigenvalues	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.524	19.728	19.728	3.533	12.617	12.617
2	3.793	13.547	33.276	2.622	9.366	21.983
3	1.578	5.635	38.910	2.389	8.534	30.517
4	1.360	4.856	43.766	2.146	7.666	38.183
5	1.280	4.571	48.337	2.027	7.238	45.421
6	1.153	4.116	52.454	1.502	5.363	50.784
7	1.021	3.646	56.099	1.488	5.316	56.099

Eigen Values and Extraction Sums of Square Loadings

The determination of factors for the study was based on Eigen values. Eigen values ranging from 1 and above were considered adequate and were extracted for factor analysis with the notion that the longer an eigenvector the more variance it explains and the more significant it is.

Therefore, the factors that explain the highest proportion of variance the variables share are expected to represent the underlying constructs (Field, 2009). The seven factors extracted based on Eigen values therefore accounted for 56 percent of the total variance.

Rotated Component Matrix

Factor rotation was conducted via varimax rotation. This enabled that the factors are rotated towards some variables and away from some others in order to allow for a proper, easier and simpler interpretation of the factors based on the items that load on them. In addition, it ensures that it minimizes the number of variables with high loading on a single factor and that a factor loads few variables in order to enhance interpretability.

Table 4: Summary of Extracted Factors

Factor	Coefficient	Description
1	0.780	Informatics or Information Access/Sharing
2	0.775	Status Symbol - Oriented
3	0.699	Scholarlees/Acada or Academic-Oriented
4	0.747	Palees /Peer Group Pressure Oriented
5	0.773	Fashionability/Sociability/Current
6	0.792	Techno-Savvy
7	0.759	Entertainment/Sports/ Infotainment

The rotated factor matrix contains the factor coefficients used to interpret the factors. Coefficient with large values indicate that the variable and the factor are closely related (Malhotra, 2007). Variables that load highest on a factor were extracted and those that load lower than 0.5 on a factor were ignored. This resulted in the outcome of seven variables which loaded highest on each of the seven extracted factors as shown on table 4 above.

The results of Independent t-test and One-way Anova test are shown on table 5, 6 and 7. The t-value, F-values and mean square values for the model and error items are presented for the sake of parsimony. The Independent t-test results indicated a significant difference between male and female (Table 5) undergraduates lifestyles in respect of demographic factors t = 2.093, 2.114; P<.05. On the other hand, the mean difference among the extracted lifestyle factors (Table 6) showed no significant difference, F = 1.140; ρ>0.05 thus confirming the interdependency of the factors (Malhotra, 2007). A significant difference was noted among the different levels (Table 7), that is the year attained in the four-year programme F=2.920; ρ<0.05.

Table 5: Independent sample T-Test of Lifestyle Pattern of the Male and Female Undergraduates in the Ownership of the Smartphone.

Source	Standard Error Difference	df	Mean Difference	t	Sig.
Equal variances assumed	.91957	1	1.91957	2.093	.037*
Equal variances not assumed	.90808	1	1.91957	2.114	.036*

Sig. 0.005*

Table 6: Anova Results for Differences among the Factors that Determine the Ownership of the Smartphone among University Undergraduates.

Source	Type III Sum of squares	df	Mean Squares	F	Sig
Corrected model	56.575(a)	1	56.575	1.140	0.287
Error	11459.202		49.607		

Sig. 0.005*

Table 7: Anova Results for Differences among the levels (100-400/Yr 1-4)

Source	Sum of squares	df	Mean Squares	F	Sig
Between Groups	425.809	3	141.936	2.920	.035*
Within Groups	11459.202		48.616		
Total	11704.729				

Sig. 0.005*

Discussions

The study identified university undergraduate lifestyles categories in the use of the smartphone in Nigeria. Factor analysis technique yielded seven dimensions to the demand and use of the smartphone using the psychographic measure of lifestyle. Psychographic measures of lifestyle measured lifestyle on the dimensions of activities, interest, opinion and values. These measures reflect on the outcome of the seven factors emanating from this study. Lifestyles disparity measures through Anova analysis showed significant impact in terms of gender classifications but a more interrelatedness in lifestyle factors.

The factors are relevant with the youth undergraduates' population and their lifestyle with high explanatory coefficient across the psychographic measures/coefficients. The results reveal outstanding factors in terms of Factor 1(Informatics/Information Access/Sharing), Factor 4 (Palees/Peer Group Pressure Oriented and Factor 6 (Techno-Savvy).

This depicts a proper association with the smartphone by the characteristics and lifestyles of the youth respondents. The results further illuminated particularly the theory of Diffusion of Innovations (Rogers, 1995) in explaining the conditions that necessitates the rate of adoption of the smartphone as a new product among the youth undergraduate subculture. The theory also emphasized on the role of the opinion leader and information as the likely determinant for the adoption of a new product such as the smartphone.

Conclusion

The study has identified seven salient factors that determine the university undergraduate population ownership and use of the smartphone based on psychographic lifestyle measures. The results have helped to indicate that these factors are critical to the university undergraduate ownership and purchase of the smartphone. The result will also help to relate the outcomes to evaluation of the youth's characteristics in the ownership and purchase of a new technology like the smartphone. The study results have salient marketing implications for marketing managers especially in the areas of market segmentation and targeting and also for product development in terms of features and quality.

References

Bennett, P. D., & Kassarjian, H. H. (1972). Consumer behavior. NJ: Prentice-Hall.

Berger, J. & Heath, C. (2007). Where Consumers Diverge from Others: Identity-Signaling and
Product Domains. *Journal of Consumer Research*, 34 (2), 121–34.

Costello, A.B. & Osborne, J.W. (2005). Best practices in exploratory factor analysis: four
recommendations for getting the most from your analysis. *Practical Assessment, Research and Evaluation, 10*, 1-9.

Demby, E. (1974). Psychographics and from where it Came', in W.D. Wells (ed.) Life Style and
Psychographics. Chicago, IL: American Marketing Association.

Ekwenchi, O. C., & Ewuzie, C. (2014) children and social media: should parents worry? *Global*
Journal of Applied, Management and Social Sciences, 7 (June 2014), 1 – 8,

Errit,G., Jõks,T. Lõhmus, R., & Mart Peling (2012). App & go public transport at the new level
– an example of Tallinn. Unpublished research paper in strategic management. Tallinn University of Technology. Tallinn School of Economics and Business Administration Department of Business Administration.

Field, A. (2009). Discovering statistics using SPSS. Sage: London.

Feldman, S.D., & Thielbar G.W., (1971). Life Styles: diversity in American society, Boston , Little, Brown & Co.

Folorunso,O., Vincent, R. O., Adekoya, F. A. & Ogunde, A. O. (2010). Diffusion of innovation in social networking sites among university students. *International Journal of Computer Science and Security (IJCSS)*, 4(3), 361-372.

Goswami, P. (2007) Psychographic Segmentation of College-goers of Kolkata. *IIMB Management Review*, 41-51.

Honkanen, A. & Mustonen, P. (2007). Tourism consumption revisited - an empirical study of Finnish consumers. *Research on Finnish Society* 1 (2007), 43–58.

http://www.businessdictionary.com/definition/lifestyle.html#ixzz379eR9zMp

Krishnan, J. (2011). Lifestyle – A Tool for Understanding Buyer Behavior. *Int. Journal of Economics and Management* 5(1): 283 – 298

Kucukemiroglu, O. (1997) Market segmentation by using consumer lifestyle dimensions and ethnocentrism: An empirical study. *European Journal of Marketing* 33, 5/6, 470-487.

Ma, Z., Yang, Z., & Mourali, M. (2014). Consumer Adoption of New Products: Independent Versus Interdependent Self-Perspectives. *Journal of Marketing* 78 (March 2014), 101– 117.

Malhotra, N.K. (2007). Marketing *research: an applied orientation*. NJ. Pearson Education.

Markus, H. & Kitayama, S. (1991). Culture and the self: implications for cognition, emotion, and motivation. *Psychological Review*, 98 (2), 224–53.

Miles, S. (2002). Consuming youth: Consuming lifestyles? In S. Miles, A. Anderson, & K. Meethan (Eds.), The changing consumer. London and New York: Routledge.

Mitchell, A, (1983). Nine American Lifestyles: Who We Are and Where We Are Going, New York: Macmillan.

Nunnally, C. J. (1978). Psychometric Theory. NY. McGraw-Hill.

Pagalea, A. & Steluta, D. V. (2012). Romanian consumer lifestyle and attitude towards bio products purchase. *Social and Behavioral Sciences* 62 (2012) 1308 – 1312

Plummer, J. T. (1974). The Concept of Life Style Segmentation, *Journal of Marketing*, 38, 33-37.

Rogers, E.M. (1995). *Diffusion of innovations (4th edition)*. The Free Press. New York.

Rogers, E.M. (2003). *Diffusion of innovations (5th edition)*. New York: Free Press.

Smartphone (2012). Phone scoop. http://www.phonescoop.com/glossary/term.php?gid=131 (09.12.2012).

Smith, M., & Kelly, C. (2006). Holistic tourism: journeys of the self? *Tourism Recreation Research,* 31, 15-24.

Stanford Research Institute (SRI) (1989) ref Schiffman and Kanuk, Consumer Behaviour.

Tade, O. & Aliyu, I. (2011). Social organization of internet fraud among university undergraduates in Nigeria. *International Journal of Cyber Criminology*, 5 (2): 860–875.

Ziamou, P. & Ratneshwar, S. (2003). Innovations in product functionality: when and why are explicit comparisons effective? *Journal of Marketing*, 67 (April), 49–61.

Entrepreneurial Education for Sustainable Development

Frank Alaba Ogedengbe[1],
Clement Osigwe Okhakhu[2] &
Simon Ayo Adekunle[3]***,**
[1,2]Department of Business Administration and Management,
Auchi Polytechnic, Auchi.
[3]Department of Business Administration,
Faculty of Management Sciences, P.M.B. 1154,
University of Benin, Benin City.
*simon.adekunle@uniben.edu

pp 97-106

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.

References

Abdullahi, S. A. (2009). Entrepreneurship skills development as an economic empowerment and poverty reduction strategy in Nigeria. *Nigerian Academy of Management Journal,* 3(1), 46-65.

Ahiauzu, A. (2009). Entrepreneurship and economic development in Nigeria: The way forward. *Nigerian Academy of Management Journal,* 3(1), 1-18.

Bateman, T. S., & Snell, S. A. (2011). *Management: Leading and Collaborating in the Competitive World* (9th Edition). New York: McGraw-Hill, Irwin Companies, Inc

Brown, C. (2000). *Entrepreneurship education teaching guide*. Kansas City: Kauffman Centre for Entrepreneurial leadership Clearing House on Entrepreneurship Education.

Garba, A.S. (2010). Refocusing education system towards entrepreneurship development in Nigeria: A toll for poverty eradication. *European Journal of Social Sciences,* 15(1), 140-150.

Gorman, G., Hanlon, D., & King, W. (1997). Some research perspectives on entrepreneurship education, enterprise education and education for small business management: A ten-year literature review. *International Small Business Journal,* 15(3).

Inegbenebor, A. U. (1999). Selected readings in entrepreneurship. Unpublished lecture note. Department of Business Administration, University of Benin, Benin City.

Inegbenebor, A. U. (2006). Education for entrepreneurship: Experience of the

University of Benin, Benin City, Nigeria. *Nigerian Academy of Management Journal*.

Inegbenebor, A.U. (2012). *Entrepreneurship development as a strategy for enhancing private sector led growth in Nigeria.* Unpublished manuscript. University of Benin, Benin City.

Inegbenebor, A.U. (Ed). (2006). You can be an entrepreneur. In *The Fundamentals of entrepreneurship* (Pp. 1-14). Lagos: Malthouse Press Limited.

Inegbenebor, A.U., & Igbinomwanhia, O.R. (2010). Entrepreneurship in a developing society. In F.C. Okafor, P. A Isenmila, A.U. Inegbenebor and P.A. Donwa (Eds.), *Entrepreneurship: A practical approach* (Pp. 1-10). Benin City: Mindex Publishing Co. Ltd.

Izedonmi, P. F., & Okafor, C. (2010). The effect of entrepreneurship education on students' intentions. *Global Journal of Management and Business Research,* 10(6), 49-60

Kuratko D. (2009). *Introduction to Entrepreneurship* (8th Edition). USA: South-Western Centregate Learning.

Mandara, B. M. (2012). Entrepreneurship education: A panacea to economic development. *Journal of Business and Organizational Development,* Vol. 4

Okhakhu, C.O., & Adekunle, S . A. (2012). Entrepreneurship education and development. Unpublished M.Sc Seminar Paper. Department of Business Administration, University of Benin, Benin City.

Paul, E. O. (2005). Entrepreneurship education. In N. P. Ezema, E. O. Paul, B. O. Anioke, A.G.O. Godwin, A. Eheli, & U. A. Henri (Eds). *Entrepreneurship in Vocational Education*. Enugu: OZYBEL Publishers.

Siaka, M. (2010, October 3). Passion for entrepreneurship. *BusinessDay Newspaper* Retrieved from http://businessdayonline.com/NG/index.php/family/14991-passion-for-entrepreneurship-

Yomere, G.O. (2009). Cultivating entrepreneurship mindset through education. *Nigerian Academy of Management Journal,* 3(1), 107-115.

Effect of Total Quality Management (TQM) on the Performance of Small and Medium Enterprises (SMEs) Performance in Nigeria

Onu, A. J. C. [1] Ph.D
Kabiru, J. R. [1] Ph.D
Isa, M. K. [2] Ph.D
Hanmaikyur, T. J.[1]
[1] Department of Business Administration,
Ahmadu Bello University, Zaria, Nigeria
[2]Department of Local Government,
Ahmadu Bello University, Zaria, Nigeria
Email:tyoapinehan@gmail.com or +2347031059281

pp 107-114

Abstract

This study investigated the effect of TQM practices on the performance of Small and Medium Enterprises (SMEs) in Makurdi Metropolis of Benue State, Nigeria. A cross-sectional survey design was adopted by the study. The unit of analysis was organizations while the owners/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 exist 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 at 5% level of significance an increase in TQM practice will lead 35.3%. Increase in SMEs performance. Based on the research findings, it is recommended (among others) that SMEs managers and operators should always employ appropriate TQM 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.

Introduction

Total Quality Management (TQM) has been among the most popular universal marketing practices for survival and growth of many organizations in the current competitive environment (Almansour, 2012). The quest for quality has become the mindset of various organizations around the world with the hope that the application of quality management principles will aid in solving organizational problems. Quality has become the prototype for positioning and differentiation; according to which, businesses are expected to deliver and will deliver a unique need satisfying offering that will enhance organizational performance and success in the global market space. Because of their strategic importance, TQM have been attracting a growing attention by both academics and practitioners during the last few decades (Carter, Lonial, &Raju, 2010). As opined by Garvin (1984) firms that employ TQM have a unique advantage of competing on a number of product quality dimensions including: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. For Small and Medium Enterprises (SMEs) is a type of business that play an important role in a economic development of nations, there is need to put in place a TQM practice to become robust, competitive and resilient to face the challenges that arise, including pressure and competition from the local, domestic and global market (Perreault, Cannon, and McCarthy 2012). It is against the above background that this study is put in place to assess the effect of TQM on the performance of SMEs in Nigeria.

Hypothesis

This study will test the following hypothesis which is presented in its null form as presented below:

H_o: Total Quality Management (TQM) has no effect on the performance of Small and Medium Enterprises (SMEs) in Nigeria

Literature Review

Conceptual definition

Quality

Quality is one of the most misunderstood issues in business today, and yet it is central to the survival of even the most successful company. The American National Standards Institute and American Society of Quality Control, (1978) defines quality as the totality of features and characteristics of a product or Service that bears on it the ability to satisfy given needs. Quality can therefore be summed to mean the degree of conformance of all the relevant features and characteristics of the product to all of the aspects of a customer's need, limited by the price and delivery he or she will accept.

Quality is defined by the customer, no longer by the company. In the past, the company defined quality for its customers. Now, customer requirements must be determined factually and the company must produce what its customers want, within the required time frame, at minimum cost. It is both a user-oriented and a production-oriented expression, having a variety of uses and meanings. From the user's point of view, Quality relates to excellence, reliability, dependability, predictability, consistence etc of products or services. Most people associate quality with defects in products. It therefore stands for elimination of wastes, or absence of error and therefore meeting perceived customer requirements at the lowest internal price (Abdulsaleh& Worthington 2013). From the production point of view, according to Abdulsaleh& Worthington (2000), the quality of a product is measured by the quality of its performance with regards to its design and conformance. Experts therefore believe that quality programmes begin with a corporate culture. Quality is therefore defined by the customer, no longer by the company. In the past, the company defined quality for its customers. Now, customer requirements must be determined factually and the company must produce what its customers want, within the required time frame, at minimum cost.

Quality experts distinguish between two general types of output quality — the degree to which a good or service provides key customer requirements, or customization, and how reliably these requirements are delivered, or reliability (Ali &Alolayyan, 2013).

Total quality management (TQM)

Total quality management is a managerial philosophy that aims to provide customers with products and services that satisfy their needs. TQM incorporates the concepts of product quality in addition to process control, quality assurance, and quality improvement. It involves all functional areas (i.e., total company effort) in the firm that embraces a total quality culture and aims to satisfy customer needs at profit (i.e., the marketing concept, Perreault, Cannon, and McCarthy 2012). Reed et al., (1995) opine that majority of the proposed definitions are built on the fact that TQM covers the entire organization. For example, Flynn et al. (1994) defined TQM as the integrated approach that employs and sustain a continuous improvement approach that results in high quality outcomes to meet the customers' demand go beyond their expectations. Kumar et al. (2009) defined the TQM as the holistic management philosophy that integrates all the organizational activities to satisfy customers' needs and meet their expectations culminating in achieving overall organizational objectives.

El Shenawy et al. (2007) and Escrig-Tena (2004) argues that the unique characters of TQM can not only generate a better performance for an organization but also allow for a competitive advantage creation. The importance of TQM strategy can be explained from two perspectives. The first perspective is that TQM strategy can help in establishing an effective direct contact with the customers and thus resulting in satisfied and hence loyal customers. The second perspective is the ability of TQM to help in nurturing employees' problem-solving capabilities, continuous improvement, and empowered and then committed employees (Wruck and Jensen, 1994). Essentially, TQM strategy with its combination of soft and hard critical factors can be flexible and able to withstand in the face of many challenges.

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 TQM practices are an important contributor to performance in business. To this end, Jegede, (2014) indicates that TQM 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 TQM practices and SMEs performance.

Small and Medium Enterprises

A proper definition of SMEs is important to distinguish between the different categories of the production units in terms of factors like; number of employees, the value of fixed assets, production capacity, basic characteristics of the inputs, level of technology used, capital employed, management characteristics, etc. (Eniola, Entebang, and Sakariyau, 2015). Scholars have argued that there is no general accepted definition of small or medium businesses because of the classification of businesses into large, medium or small scale is a subjective and qualitative judgment (Eniola, 2014). It is hard to develop a general definition of a small concern because the economies of countries differ, and people take on particular standards for special uses. Different institutions and nations use different standards to define SMES. Because, a lot of their bodily processes depend on the industry in which they operate, also, the personalities and ambitions of those in charge of these businesses.

Despite the lack of consensus on the definition of SMEs, Scholars surmise that SME performance is the lifeblood of the economic scheme by contributing to the economic growth of the country. Small and medium-sized businesses (SMEs) play a vital role in the economic growth of countries (Taticchi, Balachandranand &Tonelli, 2014). Consequently, the performance of the SME sector is closely associated with the performance of the nation. For the purpose of this study, SMEs is conceptualise as any business with at least from 10 staff with a capital base of from 5 million naira.

In Nigeria, the contribution performance of the SMEs is considered as the spinal column. SMEs are extremely important and contribute significantly to the economic growth in the country. These classes of enterprises comprise about 70% to 90% of the business establishment in the manufacturing sector in Nigeria (Eniola&Ektebang, 2014). Moreover, the potential of SMEs is to serve as an engine for wealth creation, employment generation, entrepreneurial skills development, and sustainable economic development. SMEs is the creativity and ingenuity of entrepreneurs in the utilization of the abundant non- oil, natural resources of this nation will provide a sustainable platform or springboard for industrial development and economic growth as is the case in the industrialized and economically developed societies (Eniola&Ektebang, 2015, Dzisu, Smile &Ofosu, 2014). SME provides over 90% of employment opportunities available in the manufacturing sector and account for about 70 % of aggregate employment created per annum (Ediri, 2014, Eniola&Ektebang, 2015).

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

Relationship between TQM and Business Performance

The relationship between quality and performance has been empirically studied by a good number of researchers. Abdulrahman, (2014) researched on Barriers to TQM Implementation within a Private Medical Services Organizations in Saudi Arabia. The research study concluded that in small and medium enterprises entrepreneurs are facing large number of implementation related obstacles such as customer management, supply chain management, production management, lack of financial resources to implement TQM and quality leadership etc. Although the modern era is technology based but till now the entrepreneurs of small and medium enterprises are unaware the modern approach of total quality management, they have not proper understanding about statistical approach and quality assurance related to quality management practices. Foregoing analysis suggest that implementation of total quality management is significant problem in these enterprises then government should provide proper training for entrepreneurs of small and medium enterprises. Professional and business schools which are providing entrepreneurial education should give proper training in the field and related principles of total quality management.

Kanji and Yui (1997) took a different approach in his research work on quality and compared corporate cultures of Japanese companies and UK subsidiaries of Japanese companies that have implemented TQM. The authors defined the range in the characteristics of companies that have effectively implemented TQM in the two countries. Alolayyan, Ali &Idris, (2013) added to this view by exploring the impact of cross-cultural differences on the facilitating effects of corporate culture on the implementation of TQM. They studied 133 manufacturing companies in the USA, Switzerland and South Africa, and concluded that the principles were robust but must be adapted to take into account ethnological and cultural differences.

Garvin (1987) suggested that the dimensions of quality affect quality practices. Thus Zu, , Robbins &Fredendall (2010) argued that quality must be viewed from different perspectives to address diverse quality dimensions effectively, since managers‟ quality perspectives expand or limit their practices. The theoretical framework of the Douglas and Judge's (2001) study was based on the assumption that the actual practices of quality are clearly associated with their perspectives of quality. Hence the successful firms are more associated with an integrated implementation of quality concept (i.e. integrated quality dimensions, perspectives, and practices). In summary, the reviewed literature indicates that TQM is a potential source of competitive advantage.

Here in Nigeria, Fakokunde, (2010) studied “Quality Control and Improvement Practices among Fast Food Retail Outlets in Southwestern Nigeria”.This study focused on the formal fast food industry in the six states of Southwestern Nigeria. A pilot study was conducted to identify the nature and categories of fast food service providers (small, medium and big) and customers (low, middle and high income) in the zone. A total of 59 outlets were selected for the study, out of 365 outlets operating in the zone representing 16.2%, using quota sampling technique. About 41% of the outlets were small (24), 35% medium (21) and 24% big (14). In addition, 324 members of staff of the sampled outlets and 2,506 of their customers were selected, using quota sampling technique, for questionnaire administration drawn on a 5-point Likert scale. The analytical methods used are stepwise multiple regression analysis, factor analysis and ANOVA. While the stepwise regression analysis was used to analyse data obtained from members of staff, factor analysis was used to analyse customers' responses. ANOVA was used to identify differences in opinions of respondents. The study concluded that prospects for a reliable and productive fast food culture are most likely to be feasible when a total overhaul of the industry is initiated through a pragmatic total quality control approach.

It is clear from findings of different studies that a positive relationship exists between TQM and Business performance.

Methodology

The survey method was employed for this study. The method is considered more appropriate to realize the goal of the research exercise. The area of coverage for this study is Makurdi metropolis of Benue state, Nigeria. The population of this study consisted of the entire Small businesses from all sectors that operate in the study area. Most of the Small businesses existing in the study area operate as family/sole proprietorship businesses and are generally classified into commercial, industrial and agricultural categories depending on their activities. This study employed 401 samples from a total population of 1100 SMEs that exist in the study area. The simple random sampling and systematic sampling processes were adopted to select 285 respondents. Data needed for this study was collected from the primary sources which Valos and Bednall, (2010)defined as data collected and assembled for a research project at hand while the questionnaire was the instrument used to collect the primary data. 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.

Percentages descriptive statistics are used for the analysis of the research questions while the hypotheses testing were done with Regression analysis. The Statistical package for social sciences (SPSS) was employed to run the analysis. The study hypotheses were tested at 0.05 % level of significance. The decision rule was to reject the null hypothesis for test with probability estimate is lower than 5% (0.05) and conclude that they are statistically significant. Otherwise, we accept 0.05 (when probability estimates are above and conclude that there is no overall statistically significance).

Results and discussion

Test of Hypothesis

The hypothesis for this study formulated earlier on is as presented below (in its null form) is hereby tested as below.

H_O: Total Quality Management (TQM) has no effect on the performance of Small and Medium Enterprises (SMEs) in Nigeria

Table 1: Effect of TQM practices on SMEs performance Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	12.911	4.083		.738	.465
	TQM	.387	.139	.353	.226	.002

a. Dependent Variable: Performance

$PRF = 12.911 + 0.579MKP$
$S(b_i)$: [0.139]
P-value: {0.002}

From the regression equation above we have,
b = 0.353
Standard deviation of $b_3 = 0.139$
$H_{0:} b_3 = 0$
$H_{0:} b_3 \neq 0$
½ b equals 0.1765

Using the standard error test, $S(b_2) > 1/2b_2$ above, 0.139 < 0.1765. We reject the null hypothesis. That is, we have no option than to accept the alternative hypotheses since the estimate b is statistically significant at the 5% level of significance. This implies that TQM has a significant effect on Performance of SMEs in the study area. It also means that a unit increase in TQM will result to a corresponding increase in Performance (PRF) of SMEs by a margin of 35.3%. Thus, we reject the null hypothesis. That is, we have no option than to accept that the estimate b_3 is statistically significant at the 5% level of significance. This implies that Quality (QLT) has a significant effect on Performance of SMEs (PRF).

The above finding is in line with similar studies including those of Buzzell and Gale, (1987), Flynn, Schroeder &Sakakibara, (1994), Khairul, Rushami&Zakaria, (2001), Madu, Kuei& Lin, (1995), Phillips, Chang and Buzzell, (1983), Powell, (1995), Zeithaml, Berry and Parasuraman, (1996), Rust, Zahorik and Keiningham, (1995). The findings of this study however contradict those of Singh and Smith (2003) andTerziovski and Samson (1998) whose studies found no empirical evidence that TQM promotes better performance in business. Such differences may be attributed to factors like government interference, economic condition, influence of technology, political factors and other regulatory measures.

Conclusion

This study investigated the Effect of TQM on the Performance of SMEs in makurdi metropolis of Benue state Nigeria. The study sought to find out how the performance of SMEs in Nigeria is affected by TQM practices in Makurdi Metropolis, It aimed at assessing whether TQM practices are a good predictor of SMEs performance in the study area. This also represents the research hypothesis that; TQM *has no effect on the performance of SMEs in Makurdi metropolis*. To this end, multiple linear regressions were used to test this hypothesis. Result of the regression equation clearly shows that a positive relationship exists between TQM the Performance of SMEs in Makurdi metropolis and the relationship is statistically significant ($p<0.05$) and in line with a priori expectation. Based on the above empirical and statistical proof, we have no option than to accept the null hypothesis that, there is a relationship between sales promotion and the performance of SMEs in Makurdi metropolis since the estimate b_2 is statistically significant at the 5% level of significance. This also means that a unit increase in TQM will result to a corresponding increase in Performance of SMEs by a margin of 35. 3%.

Recommendations

Based on the research findings, the following recommendations are made as presented below:

I. The successful working of any organization irrespective of its size of operation depends on the people working there. SMEs Managers should make the training of their staff regular so that they will know and ascertain the cost benefit analysis of every marketing practice they employ at any point in time. They should also put in place regular inspection and rectifying measures to correct marketing problems, matching their marketing practices with the target markets need and correct discrepancies (if any) if they must ensure sustainable success and high performance.

ii. SMEs' TQM practices can work if they are based on clearly formulated marketing programmes and strategies to reach the potential and existing customers appropriately and timely. SMEs operators and managers should always formulate their goals clearly and then evaluate the various sales promotion practices on the basis of their capabilities and resources.

iii. Since business environment is not static, SMEs's TQM practices should be regularly and effectively evaluated so that those that are no longer relevant are replaced with relevant ones while those that are still relevant should be given a greater attention to cope with competition trends in the market.

References

Abdulrahman, A. (2014), “Barriers to TQM Implementation within a Private Medical Services Organizations in Saudi Arabia”, International Journal of Business Administration, Vol. 5, No. 3, pp. 117-122.

Abdulsaleh, A. M., & Worthington, A. C. (2013). Small and Medium-Sized Enterprises Financing: A Review of Literature. International Journal of Business and Management, 8(14), 36–55.

Adrian, P. (2004). Introduction to Marketing Theory and Practice. 2nd Edition, United State: Oxford University Press Inc.

Ahuja, R.D., Michels, T.A., Walker, M.M. and Weissbuch, M., 2007. "Ten perceptions of disclosure in buzz marketing". Journal of Consumer Marketing, 243,151-159.

Ali, K. A. M., &Alolayyan, M. N. (2013). The impact of total quality management (TQM) on the hospitals performance: An empirical research. International Journal of Services and Operations Management, 15, 482-506.

Aliyu M. S. and Rosli M. (2014) An Empirical Analysis of Market Orientation and Business Performance Relationship in the Context of Developing Economy. *International Journal of Academic Research in Business and Social*

Almansour, Y. (2012). "The Impact of Total Quality Components on Small and Medium Entrprises' Financial performance in Jordan," Researchers World, vol. 3, no. 1, pp. 87-91.

Alolayyan, M. N., Ali, K. A. M., &Idris, F. (2013). Total quality management and operational flexibility impact on hospital performance: A structural modeling approach. International Journal of Productivity and Quality Management (11): 212-227.

Carter, R., Lonial, S., and Raju, P. (2010). "Impact of Quality Management on Hospital Performance: An Empirical Examination," The Quality Management Journal, vol. 17, no. 4, pp. 8-24.

Chen, W., Elnaghi, M., &Hartzakis, T. (2011). Investigating knowledge management factors affecting Chinese ICT firms performance: An integrated framework. *Information Systems Management, 28, 19-29.*

Chinedu, I.O. (2013) Practical Guide to Research Methodology in Management. Onitsha – Nigeria: *Good Success Press*

DelVecchio, D., Henard, D. and Freling, Traci H. (2006)."The Effect of Sales Promotion on Post-Promotion Brand Preference: A Meta-analysis", Journal of Retailing, 82 (3), 203–213.

Dzisu, Smile and Ofosu Daniel (2014).Marketing Strategies and the Performance of SMEs in Ghana. *European Journal of Business and Management*. 6, 5

Ediri E.A. (2014) Entrepreneurship Development in Nigeria. Makurdi – Nigeria. *SOHA Production*

El Shenawy E, Baker T, Lemak DJ (2007). A meta-analysis of the effect of TQM on competitive advantage. Int. J. Qual. Rel. Manag., 24(5): 442-471.

Eniola, A. A. (2014) The Role of SME Firm Performance in Nigeria. *Arabian Journal of Business and Management Review (OMAN Chapter*) 3, 12

Eniola, A. A., Entebang, H. and Sakariyau, O. B. (2015). Small and medium scale business performance in Nigeria: Challenges faced from an intellectual capital perspective. International Journal of Research Studies in Management 4 (1), 59-71

Escrig-Tena AB (2004). TQM as a competitive factor: A theoretical and Empirical Analysis. Int. J. Qual. Rel. Manag., 21(6): 612-637.

Fakokunde, T. O. (2010) Quality Control And Improvement Practices Among Fast Food Retail Outlets In Southwestern Nigeria. A Ph.D Thesis Submitted to University of Ilorin, Ilorin, Nigeria.

Garvin, D., (1984). "What Does Product Quality Really Mean?", Sloan Management Review, Fall, pp. 25-43.

Garvin, D., (1987). "Competing on the Eight Dimensions of Quality," Harvard Business Review, November-December, pp. 101-109.

Hair, J.F., Wolfinbarger, M.F. and Ortinall, D.J. (2008) Essential of marketing Research. Boston: McGraw. Hill/Irwin

Ibojo .S. and Ogundele, O.J.K (2013) Competition in Marketing: Survival Yardstick for Small and Medium Enterprises in Nigeria. *Mediterranean Journal of Social Sciences Vol. 4 (1)*

Kolabi, M.A., Hossein, H.K. and Farsi, J.Y. (2012) Identification and Verifying the Entrepreneurial Promotion Mix via Innovative Approach in Iranian Entrepreneurial Enterprises.*Research Journal of International Studies* ISSN: 1453-212X Issue 23

Krejcie, R.V., and Morgan, D.W., (1970). Determining Sample Size for Research activities. *Educational and Psychological Measurement.* Small-Sample Techniques (1960).*The NEA Research Bulletin*, 38.

Moody, D. (2012). Empirical Research Methods, Australia :*Monash University Press.*

National Bureau of Statistics (2010). Labour Force Survey March, 2009. ISSN 0794-1954. NO.476 13th May.

Osotimehin, K.O., Jegede, C. and Akinlabi, B. H. (2012) An Evaluation of the Challenges and Prospects of Micro and Small Scale Enterprises Development in Nigeria. *American International Journal of Contemporary Research*. 2.4

Perreault, W., Cannon, J., and McCarthy, E. (2012)."Essen tials of Marketing," McGraw-Hill, New York, NY.

Reed R, Lemak DJ, Mero NP (2000). Total Quality Management and sustainable competitive advantage. J. Qual. Manag., 5: 5-26.

Rotimosho (2003).Practice of Marketing.1st Edition. Lagos: Global Annuals.

Taticchi, P., Balachandranand, K. &Tonelli, F. (2014). Performance measurement and management systems: State of the art, guidelines for design and challenges. *Measuring Business Excellence*, 16 (2), 41-54.

Valos, M.J. &Bednall, D.H. (2010), 'The alignment of market research with business strategy and CRM', *Journal of Strategic Marketing*, 18 (3), 187-199

Zu X, Robbins TL, Fredendall LD (2010). Mapping the critical links between organizational culture and TQM/Six Sigma practices. *International Journal of Production Economics*, 123: 86-106.

Effect of Personnel Management Policies on Organizational Effectiveness

Ayogu D. U
Department of Business Administration
College of Management Sciences
Michael Okpara University of Agriculture,
Umudike, Abia State- Nigeria.
Email:uchedbrh@yahoo.com

Ihemeje, J. C.
Department of Business Administration
College of Management Sciences
Michael Okpara University of Agriculture,
Umudike, Abia State- Nigeria.
Email: ihemejejecinta@gmail.com

pp 115-122

Abstract

This study is aimed at determining the effect of personnel management policies on organizational effectiveness using the mobile telecommunication company located in Umuahia and Aba in Abia state as a study. The identified personnel management policies include recruitment policy, disciplinary policy, health policy, housing policy etc. To achieve these objectives, Likert scale and correlation analysis were used. The Result of data analysis shows that personnel management policies have a significant relationship with the organizational effectiveness. There were also observed to have significant relationship with the perceived level of organizational effectiveness. The study therefore recommends that the management should ensure the effectiveness of these management policies for enhanced organizational effectiveness.

Key Words: Recruitment, Disciplinary policy, Health policy, Housing policy

Introduction

The effort by Price (2004) to distill some propositions about organizational effectiveness from empirical studies illustrates the popularity of this goal model. The indicators of effectiveness summarized by Price (2004) all could be interpreted in terms of the accomplishments of goals such as high productivity, morale, conformity, and institutionalization.

However, most organizations generally are seeking to accomplish several different goals at the same time, and the accomplishment of one of these goals often may inhibit the realization of another. For example, high productivity may well be achieved at the expense of high employee morale or low environmental pollution. Therefore, the goal model of effectiveness raises the possibility that an organization really cannot be effective if it means attainment of all or even most of its goals. A further difficulty with the goal model is that it has limited use for comparing the relative effectiveness of different organizations, since their salient goals may differ substantially. This may be true even for organizations which seem to have similar goals, such as business firms, some of which, for example, may emphasize profit or sales growth more than others. Perrow (2004) makes a useful distinction between an organization's "official" and "operative" goals. Operative goals indicate what the organization is really trying to accomplish, as opposed to its officially stated aims. Any assessment of the organization's effectiveness must focus on its operative goals. Assuming that operative goals can be identified (which may be quite difficult), they will tend to be unique to a given organization. (Etzioni, 2001).

This, of course, would make the comparison of the effectiveness of a number of complex organizations practically impossible. Yuchtman and Seashore (2006) attempt to deal with this problem by abandoning the goal model of organizational effectiveness in favor of a "system-resources" approach. Organizational effectiveness is seen as the "ability of the organization, in either relative or absolute terms, to exploit its environment in the acquisition of scarce and valued resources".

According to Richard *et al*. (2009) organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility. An organization's effectiveness is also dependent on its communicative competence and ethics. The relationships between these three are simultaneous. Ethics is a foundation found within organizational effectiveness. An organization must exemplify respect, honesty, integrity and equity to allow communicative competence with the participating members. Along with ethics and communicative competence, members in that particular group can finally achieve their intended goals. "Organizational effectiveness starts with each person's sphere of control and influence. Effectiveness is particularly about how well and quickly innovation surfaces and is executed."

Foundations and other sources of grants and other types of funds are interested in organizational effectiveness of those people who seek funds from the foundations. Foundations always have more requests for funds or funding proposals and treat funding as an investment using the same care as a venture capitalist would in picking a company in which to invest. Organizational effectiveness is an abstract concept and is difficult for many organizations to directly measure. Instead of measuring organizational effectiveness directly, the organization selects proxy measures to represent effectiveness (Lepak et al 2006);. Proxy measures may include such things as number of people served, types and sizes of population segments served, and the demand within those segments for the services the organization supplies. This study adopts this approach to ascertain the relationship between personnel management policies and the effectiveness of telecommunication outfits in Umohia, Abia state.

Review of related literature

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.

Forms of Personnel Policies in most Corporate Bodies

The Health & Safety Policy:

The policy statement should be a declaration of the intention of the employer and the health and safety of his employees. It should emphasize fundamental points as thus (Drucker, 2004)

Recruitment Policy:

In order to maintain consistency throughout an organization, it is necessary to lay down certain principles as guidelines for both management and staff. The basic principle is the organizations attitude towards filling vacancies, whether from within or outside. If the organization is strongly unionized it is probable that a policy or promotion from within wherever possible is agreed with the unions. It takes care of providing the right man for the right job at the right time. Recruitment policy takes into consideration the government's reservation policy, policy regarding sons of the soil etc. Personnel policies regarding merit, internal sources, social responsibility in absorbing minority sections, women etc.

Working conditions and rules policy:

It defines the work load, use of materials, equipment and machines and also with the hours of work, shift, holidays, and retirement and also the benefits attached to any of these conditions which require benefit like the retirement benefit.

Pay Allowances & Deductions Policy:

It defines the rules and eligibility for payment of different allowances to members in the organization and also states the heads of deductions applicable.

Leave Policy:

The Leave policy defines the sickness rules, the leave allowed every year which includes casual, special, earned, holiday leave. This policy should include the benefits entitled to the individual embarking on the leave example of this is The Maternity Leave benefits.

Disciplinary Policy:

This policy defines the code of conduct to be followed by every employee in his workplace. It defines the business ethics that are expected to be followed by every employee. It clearly states the consequences to for violating such rules.

Housing Loan Policy:

Some managers take care of their employees housing needs too. They give them subsidiary in interest on housing etc. Or they provide them with a house too. The eligibility and deduction of HRA etc., if the manager provides the house etc. is all defined.

Promotion policy:

This is one of the most important policies. A well-defined promotion policy will keep the employees motivated and achieve the company's goals for the betterment of the company and themselves too. Promotion policies should reconcile the demands of employees for growth and the organization's demands for fresh and much more promising talent. Promotion policy should be fair and just to all.

Transfer Policy:

The guidelines for transfer within or out of an organization are defined here. This policy becomes a very important document of reference in banks and corporate bodies where transfers are done on a frequent basis.

Employment policy:

Provision of equal employment opportunities involves –selecting the candidates based on job requirements and encouraging them to put in their 100%.

Development policy:

Policies should cover the kind of employees to be trained, the span of training programs, techniques, rewarding and awarding system, qualifications and experience of the trainer, encouraging the employees for self-advancement, etc. These policies also cover areas like career planning and development, performance appraisal, organizational change and organizational development.

Relations policies:

Relations policies cover different aspects of human relations like: policies regarding motivation, morale, communication, leadership styles, grievance procedure, disciplinary procedure, employee counseling etc. These policies also cover the areas of industrial relations like union recognition, union representation, collective bargaining, prevention and settlement of industrial disputes and participative management. In order to be effective they must be written on the basis of authentic information available from different sources.

Research Methodology

The study is conducted in Umuahia and Aba metropolis of Abia State, Nigeria. Umuahia is capital the Abia state in southeastern Nigeria and the major commercial city is Aba. The state 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 the both locations. The study 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 organization 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.

To achieve the objective one of this study descriptive statistics such percentage and frequency distribution was used, and objective two was achieved with the aid of correlation analysis.

The correlation analysis model used is thus:

$$r_{xy} = \frac{\Sigma xy}{\Sigma x^2 \Sigma y^2}$$

Where,
y= staff perception to personnel policies.
x=organizational effectiveness.

Result and Discussions

The Various Personnel Management Policies Adopted by the Mobile Telecommunication Network Organization

The below table 2 shows the various human resource management policies which are applicable in the organization (mobile) telecom network from the perspective of workers in the organization & that bring about organizational effectiveness.

Table: 2

Policies	SA	A	IN	D	SD	TOTAL	MEAN	RANK
Recruitment policy	34	44	5	0	1	84	0.9333	4
Disciplinary policy	45	4	7	2	10	68	0.7556	1
Development policy	72	12	0	2	0	86	0.9556	1
Health policy	55	35	1	2	1	94	1.0444	2
Transfer Policy	14	17	4	7	1	43	0.4778	1
Payment & deduction policy	47	28	18	0	0	93	1.0333	2
Housing policy	45	23	0	1	3	82	0.9773	6
Promotion policy	47	18	7	7	9	88	0.9778	3
Human relating policy	12	34	7	1	7	61	0.6778	6
Mobility policy	34	12	4	5	8	63	0.7	9
Working condition policy	54	13	5	1	0	73	0.8111	6

Source: Survey Data, 2013

The data as presented in the table 2 above indicates the various personnel management policies adopted by mobile telecommunication network organization that effectively drive organizational effectiveness.

The table 2 above revealed that health policy ranked 1st, this reveals that the respondents strongly agree that the policy is adopted and that it actually motivates them to work better there by serving customers efficiently & adequately. This could be as a result of the fact that the health policy emphasizes four fundamental points such are:

Safety of employee and public

Safety will take precedence over expediency

Involvement of all staff irrespective of cadre in the health scheme

The health & safety legislation will be compiled within the spirit as well as the letter of the law.

The result of from the table shows that the 2nd ranking is deduction and payment of allowances; this may be as a result of the fact that the rules and eligibility for payment of different allowances to members in the organization & deductions is adequately applicable.

The 3rd in the ranking is the promotion policy from the table 2 above. This policy rank 3rd because most human resources scholars like Maslow (1943) opinioned that promotion of workers will help the worker achieve the need to be self actualized.

Training and development policy in the table 2 above ranks 4th followed by recruitment policy ranking 5th. This could be because the organization uses well-established head hunters to search for their workforce thus; this organization mobile telecommunication network is finding that diversity that can be a source of competitive advantage (Onah, 2008).

Working condition policy ranks 6th followed by housing policy ranking 7th in the table 2 above.

Disciplinary policy ranks 8th in the table 2 above this means that workers do not actually think it is being adopted in the organization.

Mobility policy in the table ranks 9th and the human relations policy ranks 10th as a result of this, it can be said that it is not adequately adopted thereby cannot effectively drive the organizational in serving large amount of customers.

11th ranking from the table 2 above is promotion policy and it is the least ranked with mean 0.4778. The reason for its low ranking from the table 2 could be that the worked below that transfer of workers to new environment on frequent basis might lead to low producing thus poorly influence organizational effectiveness.

Data Presentation and Interpretation on the Relationship between Staff Perception of Personnel Policies of Mobile Telecommunication Network Organization and the Effectiveness of the Organization.

Table 4: Correlation Analysis

Factors	**Number of customers**
Experience	-0.229*
Education	-0.185*
Income	-0.425***
Cadre	0.389***
Allowance	0.329**
Discipline	0.286**
Condition	0.210*
Training	0.247*
Motivation	0.192*
Communication	0.293**
Job security	0.314**
Transfer	-0.112
Relation	-0.192*
Number of customers	1.00

Source: Survey Data, 2013
*** Significant at 1%, ** Significant at 5%, * Significant at 10%.

Organization effectiveness's an abstract concept and it is difficult for many organizations to directly measure. Instead of measuring organizational effectiveness directly, the organization can select proxy measures to represent effectiveness.

Proxy measures may include such things as number of people served, sizes of population segments served, attainment of specific goals etc.

For the course of this objective, number of customers served was be used as a proxy to measure organizational effectiveness.

Table 4 (four) here represents correlation analysis to determine the relationship between perception of personnel policies of the organization and how effective the organization is, using number of customers served as the proxy.

Working experience from the table is significant at 10% and is positively correlated to the number of customers served, though this relationship is weak. This corresponds to the a-priori expectation that working experience tend to improve a workers ability to relate and serve wider population (customers) (Friedlander et al 2006).

Based on the table 4 above, level of education has been found to be statistically significant at 10% and it is weakly negatively correlated to number of customers served by the organization. This may be as a result of the fact that one can be highly educated but still does not have the technical know-how involving serving customers better.

Income in this table 4 has been found to be weakly negatively correlated to the number of customers served by the organization and it is also statistically significant at 1%.

Organizational cadre from the above table is statistically significant at 1% and it is positively correlated to the number of customers served by the organization and just like working experience its relationship is weak. The reason behind this may be because the higher the cadre of a worker the better the worker understands the ethics involving customers' behaviors.

Allowance from the above presented analysis has been discovered to be statistically significant at 5% and it's correlation with number of customers served is weak but positive and the positivity can be based fact workers like to gain extra bonuses like allowance so they tend to work hard in order to serve more customers.

Disciplinary policy is positively correlated to the number of customers served by the organization, and it is statistically significant at 5%. This could be because workers do not want to face any disciplinary consequences so they therefore tend to be up and doing in serving customers better.

According to the table 4, working condition is statistically significantly at 10% and in as much as it is weak it is also positively correlated to the number of customers served.

Training and motivation from the above table 4, have been both discovered to be statistically significant at 10%, and are both weak in its positive correlation to the number of customers served by the organization. The reason behind the positive correlation of training and motivation to number of customers served is that workers are trained to be able to overcome various challenges they might encounter in dealing with customers through acquisition of skills from either formal or informal training. Motivation can also be said to be a central force & strong factor in employee performance, this is to say that if employees are motivated they tend to perform better their activities thereby aiding the organization to serve increased number of customers.

From the above table 4 it is shown that job security and communication are both statistically significant at 5% and are positively correlated to the number of customers served by the firm though weakly. This could be as a result of the fact that adequate communication or effective communication tend to make employees in any organization to have a positive view towards the organizations objective there by enhancing its actualization.

Conclusion

This study focused exclusively on determining the effect of personnel management policies on organizational effectiveness at Umuahia and Aba branches of Mobile Telecommunication Network in Abia state. The general conclusion on this study based on the relationship between 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.

References

Chandler Alfred (2000) Strategy and Structure: Chapters in the History of Industrial Enterprise Cambridge: The MIT Press.

Cole, G.A. (2002), 'Personnel and Human Resource Management' 5th Edition London continuum.

Comrey, A. L., J. M. Pfiffner, and Helen P. Beem (2002): "Factors Influencing Organizational Effectiveness," Personnel Psychology, Vol. 5307-328. New York: Wiley

Mathias, R.L. and Jackson, J.H. (2001), Human resource management 8th edition, New York west publishing company.

Onah F.O. (2006), Public Enterprises and the Nigerian worker. Nsukka Fulladu Publishing company

Onah, F.O (2008) Human Resource management 2nd Edition, John Jacob's classic publishing LTD Enugu Nigeria.

Perrow, Charles (2004): "The Analysis of Goals in Complex Organizations," American Sociological Review, Vol. 26, 854-866,

Pfeffer, Jeffrey, and Huseyin Leblebici, (2003) "Executive Recruitment and the Development of Interfirm Organizations," Administrative Science Quarterly, Vol. 18 New York.

Price James (2004), Organizational Effectiveness: An Inventory of Propositions (Homewood Irwin, publications.

Richard E. T. (2010) measuring organization performance towards methodological best practice; journal of management. , Vol. 9; page 187-192

Richard H (2002) Organizations: Structure and

Process (Englewood Cliffs N J Prentice-Hall,

Seashore, Stanley E,, and Ephraim Yuchtman, (2005), "Factorial Analysis of Organizational Performance," Administrative Science Quarterly, London: Oxford University Press,

Sree, R.R. (2010) “formulation of personnel management policies'' Citeman publications New York.

Stoner, F.L. and Gilbert F. (2000) Management 6Th Edition Harvard University Press,

Ubeku, A.K.(2007), Personnel Management in Nigeria Benin city; Ethiopic publishing company.

The Effect of Rebranding on the Brand Awareness and Purchase of Beverages in Abia State, Nigeria

Akuwudike Hilary C.
Department of Business Administration
Imo State University Owerri, Imo State.
Larrychinedum@yahoo.com

Eigbiremhon Ighedosa I.
Department of Entrepreneurship
College of Management Sciences
Michael Okpara University of Agriculture Umudike, Abia State.

pp 123-129

Abstract

Branding is essential as it distinguishes a product, service or enterprise from others. Branding ensures the market sustainability of a product and enhances the profit through increased sales of similar but brand differentiated products such as beverages. This study analyzed the effect of rebranding on the brand awareness and purchase of beverage products in Abia State, Nigeria. The research was carried out in Abia State of Nigeria, The high presence of beverage consuming households in Umuahia and Aba informed the choice for the selection of the State as the study area. A random sample of 90 beverage consumers was selected from Umuahia and Aba respectively, to make a sample, size of 180. This was done by visiting the Ariaira Market of Aba and the Ubani market of Umuahia to select the purchasers from the point of purchase at the beverage sales outlet in the markets. The data for this study was collected from the consumers using a well structured interview schedule. To achieve the objectives of this study and test the hypothesis of this study, descriptive statistics and probit regression analysis was adopted. The findings also reveal that there is a high level of rebranding and brand awareness of the beverage products purchased within the location. The study further revealed that factors influencing the level of brand awareness of purchasers include: competition, ability to meet target group, willingness to pay, company objectives and resources available. Thus it is believed that effective effort made towards realising optimum rebranding and brand awareness will enhance sale and purchase of products.

Introduction

The American Marketing Association (AMA) defines a brand as a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.

Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your prospects to see you as the only one that provides a solution to their problem.

Branding has become one of the most important strategic tools since its inception and adaptation. Branding has been applied to all kinds of products, institutions, personalities, and pets among others due to its effectiveness and contribution to the bottom line (Kaplerer,, 2004). Over a period of time most brands lose, its relevance in the eyes of their consumers in particular and market in general. This brings to bear the role of rebranding either the product 'or organization. Rebranding is basically changing a products name, pack, targeting and repositioning the organisation's offer to its customers and other publics. It is usually done to assign new meaning to an existing product or organization (Hakinson *et al*, 2006). A beverage is defined as a drink that is prepared for human consumption. Most beverages consist of water as water is a requirement in our bodies. Some of the beverages include water, juices, soft drinks, carbonated drinks, sports drinks, frozen diary drinks, alcohol and hot drinks, such as tea and coffee.

In recent times consumers choose their favourable and familiar brands due to the rise in their consciousness. Consequently the businesses in order to compete with others must create love for their brands in the minds of consumers.

According to Lomax *et al* (2006) despite consumers are the familiar and willing to buy the product, another factor that still influences the purchase decision is brand awareness. Whenever a customer is willing to buy a good or service the first brand name that clicks in his mind shows that this product has higher brand awareness. According to Keller (2000) higher level of brand awareness can influence the purchase decision of the consumers. Same was proved true by Morphew (2000). This is one of the reason that why a product having higher level of brand awareness will result in higher share in market and superior evaluations of their quality. On the other hand businesses must create brand loyalty. Hakinson *et al* (1006) suggested that it takes 5 times more cost to attract the new customer than maintaining the old one. Lomax *et al* (2006) also indicated that cost of attracting new custoftier is higher than that of maintaining the customer loyalty. It means that less cost will be incurred on the product with higher brand loyalty.

While studying the business world one can come to know that most of the business's objective is to enhance their sales as well as their profits. For this purpose organizations try to encourage people towards its products and services for purchase and customer lifetime value means isteam of purchases over the life time period. Brand awareness passes on that how to aware current and potential customers towards your product and service (Melewar *et al,* 2005). *Brand awareness is the probability that, consumers are familiar about the availability and accessibility of a company's product and service.* If an organization has a successful brand awareness it means that the products and services of the organization have a good repute in the market and simply acceptable (Kaczyish *et al,* 2004).

Consumers in Nigeria are conscious about their income due to the current economic trends whenever they make a purchase decision. However, no matter how a product completely meets the requirements of the consumers, its existence has to be made known to the consumers in a unique, hence, the need for branding which serves as an awareness creation.

Equally, the multiplication of beverage producing companies implies that for a firm in the industry to survive, grow or improve its markets share, it must control its market share, -it must direct its energies towards some form of product high quality development, fair pricing, effective promotional, activities, and wide distribution network (Keller, 2000). Besides competitors, the growth of this industry creates other problems which include that by presenting a variety of choice to the customers, the management of the company face the.problem of identifying which of these varieties that exert greatest influence on consumer preference on one brand of beverage product over the other. This has led to the policy of most companies marketing department investing so heavily in branding as the surest means of achieving product competitiveness. It is based on the above premise that it is imperative to analyze the effect of rebranding on the brand awareness and purchase of beverage products in Abia State, Nigeria.

The study will investigate the effect of rebranding on the brand awareness and purchase of beverage products. The research problem is to establish the difference between the perceptions in brand, namely the brand image (reality) and brand identity the company wishes to establish. Also researchers have noted that it is imperative to take a closer look at how consumers develop relationship or interaction with brands and be able to form communities of brand in their own personal lives (Bole, 2002).

Maintaining brand purchase of beverage product in service firms is challenging. Researchers have recommended that firms will always need to take opportunities to change a brand imorder to sustain the accuracy of brand equity (Keller, 2000). Many firms extensively practice rebranding in order to increase their brand awareness. From past studies, rebranding has been identified as a solution to respond to the challenge. Although rebranding constitutes one of the most spectacular aspects of brand management, it is one of the most risky (Kapferer, 2004). Rebranding is costly and time-consuming, and as the number of corporate rebranding practice increases, the failure rate is high compared to the successes (Causon, 2004; Stuaj and Muzellec, 2004). Kapferer (2004) also agreed that transfers of a brand would cause danger such as loss of choices, loyal customers, and market share. However, this strategy is still practised widely by firms to modify the brand (Stuart and Muzeller, 2004). The phenomenon of rebranding often occurs in the service industry, and is specifically crucial for universities and colleges (Koku, 1997a). In order to create reputations in the local and international market, rebranding of beverage products by manufacturers in Nigeria have been practiced intensively in the recent years. In Abia state beverage products are consumed by every household and the brand of the products, the uniqueness of the brand influences the willingness for the purchase of such brand. It is therefore imperative to study the effect of rebranding on the brand awareness and purchase of beverages in Abia State. The broad objective of this study is to analyze the effect of rebranding on the brand awareness and purchase of beverages in Abia State, Nigeria. The specific objectives of this study include to examine the socio economic characteristics of the purchases; determine the types of beverages purchased; evaluate the level of rebranding and brand awareness of the beverage products and to determine the factors influencing the level of brand awareness of the purchasers

Methodology

The research was carried out in Abia State of Nigeria. The climate of the state is tropical and with a relative humidity all the year round. It has an annual rainfall averaging between 2000mm up to 2500 mm. Abia State is bounded by Akwa Ibom and Cross River States in East, River State in the South, Imo State in the north and Enugu and Ebonyi States in the west.

The state has mineral deposits such as petroleum, salt, limestone etc. The state shares population density with other states in the region of 173 persons per square kilometre. The inhabitants engage in various trades and occupation, like arable and tree crop production, sheep and oil palm rearing. Other trades and occupation include food processing, namely restaurant operations, cassava and palm oil processing, bakery, fast food enterprises etc. The high presence of beverage consuming households in Umuahia and Aba informed the choice for the selection of the State as the study area. A random sample of 90 beverage consumers was selected from Umuahia and Aba respectively, to make a sample, size of 180. This was done by visiting the Ariaira Market of Aba and the Ubani market of Umuahia to select the purchasers from the point of purchase at the beverage sales outlet in the markets.

The data for this study was collected from the consumers using a well structured questionnaire. This was done by visiting the Ariaira Market of Aba and the Ubani market of Umuahia to select the purchasers from the point of purchase at the beverage sales outlet in the markets.'

Data analysis

To achieve the objectives of this study and test the hypothesis of this study, descriptive statistics and probit regression analysis was adopted.

Model specification

For the probit regression analysis the model is implicitly stated as The model is implicitly stated as

$Y= f(xj,x_2X3\ x_4x_5)+e/$

The explicit form of the model is stated as (p/ (i-p)) $y^=$ $bo+biXi+b_2X2+b3X3+b4X4+b_5X5$ +e/Where

Y = level of brand awareness (high=l, otherwise=0) Xi = level of education measured in years X2= gender (male=l and female=0),

X3 = experience measured in years

X4 = household size measured in numbers

X_5= price

X_6= location

B_i = the parameter

E_i = the error term

Results

The study analyzes the effect of rebranding on the brand awareness and purchase of beverages in Aba Abia State. The researcher focused the study on purchasers who patronize beverage products in Aba. The sample size of the population studies is 90 people resident in Aba. The study tend to show the relevance and impact of effective branding as it affects the rate of consumer consumption and sales. The study will make use of simple percentage and other statistical tool which include

The Types of Beverages Purchased

Table 6: Response of respondent to type of beverage

Respondent	F	%
Alcoholic	60	*67*
Non Alcoholic	30	33
Total	90	100

Source: Survey data, 2014

From the illustration in table 6, the researcher observed that 67% of the sample size studied representing co people purchase alcoholic beverage while 33% of the sample size representing 3kQ people purchase Non alcoholic beverage. Therefore we can agree that majority of the purchasers purchase alcoholic beverage.

Level of Rebranding of Beverages

Table 7: Response of respondent to the level of rebranding

Respondent	F	%
High level	50	56
Law level	30	33
Average level	10	11
Total	90	100

Source: Survey data, 2014

From the illustration above in table 7 the researcher observed that 56% of tjie sample size studied representing 50 people are of the opinion that the level of rebranding of the beverage products purchased are of high level, 33% of the sample size representing 30 people are of the opinion that the level of rebranding of the beverage products purchased are of low level while 1% of the sample size representing 10 people commented that it or of average level.

The Level of Brand Awareness

Table 8: Response to the level of brand awareness

Respondent	F	%
High level	60	*66.7*
Low level	10	11.1
Average level	20	22.2 -
Total	90	100

Source: Survey data, 2014

From the data presented in table 8, it was evident that 66.7% of the respondent are high aware of the different brands, 11.1% ,have low level of awareness of the different brands while 22-2% have an average level of awareness. This result implies that the therefore we agree that the level of branding and brand awareness of beverage products purchase within the location is of high level considering the response of respondent

Factors Influencing the Level of Brand Awareness

Question 9 what are the factors influencing the level of brand awareness of the purchaser

Table 9: Response of respondents to factors influencing brand awareness

Respondent	F	%
Competition	11	12
Target group	35	39
Willingness to pay	10	11
Company objectives	22	24
Resources available	12	13
Total	90	100

Source: Survey data, 2014

From the illustration in table 8, the researcher observed that 39% of the sample size representing 35 people mentioned the target group as factor influencing the level of brand awareness of the purchasers, 24% representing 22 people mentioned company objectives 13% representing 12 people mentioned resources available as a factor, 12% representing 11 people mentioned competitions as a factors while 11% of the sample size studied presenting 10 people mentioned willingness to pay as a factor influencing the level of brand awareness of the purchasers therefore considering the response of the purchasers we can agree that ability to meet target group is a major factors influencing the level of brand awareness of the purchasers.

The Probit regression analysis of the factors influencing the level of brand awareness

The probit regression analysis on the factors affecting the brand awareness of the purchasers is present in table 10.

Table 10: The result of the probit regression analysis

Parameter	Estimate	S.E	Rvalue
Intercept	0.88	0.112	7.86***
Education	2.29	0.104	22.02 ***
Gender	0.22	0.090	2.44*
Experience	0.92	0.110	8.36***
Household size	0.54 .	* 0.12	4.50***
Price	-0.08	-0.560	-0.14
Location	0.02	0.003	6.67***

Chi- square value 42.667***

Source: Survey data, 2014

*, **, *** statistically significant at 10% , 5% and 1% respectively from the result of the probit regression analysis education, gender, experience, household size and location were the significant factors that influence brand awareness.

Education was "statistical significant at 1% and positively related to the level of brand awareness. This implies that as the purchasers is more enlightened about the product through his education; the level of brand awareness grows.

Gender was statistically significant at 10% and positively related to level of brand awareness to the beverage purchasers.

The experience of the purchaser was statistically significant at 1% and positively related to the purchase of the beverages. This implies that the improved experience of purchasers will increase the level of brand awareness. Household size and location were significant as 1%,. This implies that with increase in house size in a location where beverage is sold will increase the level of brand awareness.

Summary of Findings:

This study focused on the analyses of the effect of rebranding on the brand awareness and purchase of beverage in Aba, Abia State Nigeria. The study based its analysis on purchasers locate within Aba in Abia state as the sample size studied was 90 purchaser. The researcher made use of questionnaires as major instrument of data collection, percentage and other statistical tools to give validity to the study as it concerns the specific -objectives of the study.

The findings revealed that purchasers of beverage located at Aba are mainly people within the age limit of 18-25 yrs and are mainly single people. It went further to give validity to the fact that purchasers purchase more of alcoholic beverage more than non alcoholic beverage- which includes both non carbonated and carbonated beverage.

The findings also revealed that there is a high level of rebranding and brand awareness of the beverage products purchased within the location. The study also revealed that factors influencing the level of brand awareness of purchasers include: competition, ability to meet target group, willingness to pay, company objectives and resources available. Thus it is believed that effective effort made towards releasing optimum rebranding and brand awareness enhances sale and purchase of products.

Conclusion

Based on the findings of the study, the following conclusions were drawn:

Purchasers of beverage are mainly youths who fall within the age bracket of 18-25 yrs and thus should be the target group when rebranding and creating brand awareness.

Purchaser purchase more of alcoholic beverage within the location studied, thus through enhanced rebranding and brand awareness more sale of alcoholic beverage could be made and also emphasis can shift to non alcoholic beverage through effective rebranding and brand awareness to meet consumer need.

High level of rebranding and brand awareness will directly increase the appetite of the consumer population towards a product. Hence it will increase sale and maximize profit margin of firms as it pertains to a product

Factors influencing the effect of rebranding on the brand awareness and purchase of beverage will include competition, ability to meet target group, resources available, company objectives and willingness to pay. As such, if these factors are considered via branding and awareness creation, it will yield required result optimally.

Recommendations

Based on the major findings and conclusions of this study, the following recommendations were made.

Firms should make required effort to focus their rebranding and brand awareness to capture specific target group which patronize product as a way of enhancing sales and increasing profit margin of firms in Abia state.

If adequate rebranding of product and awareness can be embarked upon, emphasis will shift from alcoholic beverage to non alcoholic beverage thereby creating a balance

If more resources and expertise is engaged to actualize high level of rebranding and product awareness it will optimally influence the rate of sales and will also increase profit margin of firms in Abia state.

Entrepreneurs should observe factors which tend to influence the effect of rebranding on the brand awareness and purchase of beverage in order to convert them to an advantage which will enhance productivity, profit and maximized sales.

References

Aaker, D.A. (1991), *Managing Brand Equity: Capitalizing on the valued of a brand name.* New York, The Free Press.

Aurand, T.W., Gorchels, L, & Bishop, TR, (2005). "Human Resource Management's Role in Internal Branding: an Opportunity for Cross-functional Brand Message Synergy", *Journal of Product & Brand Management"#* vol. 14, no. 3, pp. 163-169.

Braun, K.A. (1999), "Postexperience advertising effects on consumer memory", *Journal of Consumer Research ",* vol. 25, no.4, pp. 319-334.

Boyle, E. (2002), "The failure of business format franchising in British forecourt retailing: a case study of the rebranding of Shell Retaif's forecourts", *International Journal of Retail & Distribution Management",* vol. 30, no. 5, pp. 251-263.

Causon, J. (2004), "The internal brand: successful cultural change and employee empowerment", *Journal of Change Management",* vol. 4, no. 4, pp. 297-307.

Chu, J. (2001), "The renaming of library schools in China and the effects", *New Library World",* vol. 102, no. 7/8, pp. 274-277.

Daly, A. & Moloney, D. (2004), "Managing corporate rebranding", *Irish Marketing Review",* vol. 17, no. 1/2, pp. 30-36.

de Chernatony, L., & Cottam, S. (2006). "Internal brand factors during successful financial services brands", *European Journal of Marketing",* vol. 40, no. 5/6, pp. 611-633.

de Chernatony, L., & Segal-Horn, S. (2004), "Identifying and sustaining services brands" values", *Journal of Marketing Communication",* vol. 10, pp. 73-93.

Eccles, G. (2004), "Marketing the corporate university or enterprise academy", *The Journal of Workplace Learning",* vol. 16, no. 7, pp. 410-418.

Gambles, B. & Schuster, H. (2003), "The changing image of Birmingham libraries: marketing strategy into action", *New Library World",* vol. 104, no. 1192, pp. 361-371.

Harris, F. & de Chernatony, L. (2001), "Corporate branding and corporate brand performance", *European Journal of Marketing",* vol. 35, no. 3/4, pp.441-456.

Hankinson, P., Lomax, W., & Hand, C. (2007), "The time factor in re-branding organizations: its effects on staff knowledge, attitudes and behaviour in UK charities", *Journal of Product and Brand Management",* vol. 16, no. 4, pp. 236-246.

Hankinson, P. & Lomax, W. (2006), "The effects of re-branding large UK charities on staff knowledge, attitudes and behavior", J*Int. J. Nonprofit Volunt. Sect. Mark.,* vol. 11, pp. 193- 207.

Kaczynski, A.T., & Cromption, J.L. (2004), "An operational tool for determining the optimum repositioning strategy for leisure service departments", *Managing Leisure",* vol. 9, pp. 127-144r

Kaikati, J.G., & Kaikati, A.M. (2003), "A rose by any other name: rebranding campaigns that work", *The Journal of Business Strategy",* no. 24, vol. 6, pp. 17-23.

Kapferer, J. (2004), *The new strategic brand management,* Kogan Page, London.

Keller, K.L. (2000), "The brand report card", *Harvard Business Review",* January-February, 3-10.

Kilic, C. & Dursun, T. (2006), "The effect of corporate identity changes on firm value an empirical investigation", *Journal of American Academy of Business ",* vol. 10, vol. l, pp. 234-240.

Kotler, P. & Fox, K.F.A. (1995), *Strategic marketing for education institutions,* 2nd edn, Prentice Hall, New Jersey.

Lampo, S.S. (2001), „An exploration of services branding", Doctoral Dissertation, Texas A&M University.

Lomax, W. & Mador, M. (2006), "Corporate re-branding: from normative models to knowledge management", *Journal of Brand Management",* vol. 14, no. 12, pp. 82-95.

Lomax, W., Mador, M., & Fitzhenry, A. (2002), *Corporate rebranding: learning from experience*, Occasional Paper Series No 48, viewed 20 November 2005, <http://business.Kingston.ac.uk/papers/opres48.pdf->

Melewar, T.C., Hussey, G, & Srivoravilai, N. (2005), "Corporate visual identity: The re-branding of France Telecom'[4], *Journal of Brand Management",* vol: 12, no. 5, pp. 379-394.

Morphew, C.C. (2000), "A rose by any other name: explaining why colleges become universities", *The Review of Higher Education ",* vol. 25, no. 2, pp. 207-224.

Impact of Entrepreneurial Training on Economic Development: An Empirical Study in North Central Nigeria

Tende, Sam Baba, Ph.D
Entrepreneurial Development Centre
Nasarawa State University, Keffi.
tende_sam@yahoo.com

Adigizey, John Dollay, CNA
Department of Business Administration
Nasarawa State University, Keffi.
adigizey@yahoo.com

pp 130-143

Abstract

This study undertook an empirical analysis for the purpose of examining the impact of entrepreneurial training on economic development in Nigeria between 2001 and 2014 usingstates in North Central region as a case. Ordinary Least Square (OLS) regression method of analysis was employed to examine howtechnical entrepreneurial skills training,business management entrepreneurial skills trainingand personal entrepreneurial skills training would potentially impact on employment creation/generation and business expansion (productivity).Findings from the study revealed thattechnical entrepreneurial skillstraining had positive and significant relationship with the level of job creation in Nigeria; likewise,personal entrepreneurial skillstraining had positively and significantly reduced the level of poverty in the country; both with an overall inducement to the dispersal and diversification of economic activities and even development.

Keywords: Entrepreneurial training, skills training, economic development, North Central Nigeria

Introduction

The fact that entrepreneurship education acts as a catalyst in engendering entrepreneurial activities cannot be denied, and even beyond this it serves as a source ingredient for sustainable economic development of any nation. It is perhaps valid to say that many countries in the world, particularly the developing nations have not given the necessary stimulus to entrepreneurship education. Many studies in different parts of the world have revealed a general lack of critical skills among graduates thus pre-disposing them to unemployment. The report from Hwa and Tiew (2009) for example indicates that most institutions in China were trying to expand students' knowledge towards acquiring employability skills, serves as one example. Thus, entrepreneurship education arises as a crucial tool in the development of the competences needed to creating new businesses, and several countries have been promoting the creation of curricula and right courses to provide entrepreneurship knowledge, skills, and attitudes. It is believed that the development of entrepreneurial talent is important to sustain competitive advantages in an economic system driven by innovation. This portends that, encouragement and support of start-up of new ventures is a major public policy concern because of their possible impact on economic growth, particularly in job creation, (Raposo and Paço, 2011). This concern is especially legitimate in a crises period where new challenges arise in relation to economic development. In fact, as stated by Rae (2010) the international financial and economic crisis in 2008 produced a new economic era with significant implications for enterprise and entrepreneurship education. Several calls have been made (such as from Bawuah, Buame and Hinson (2006) on less developed nations especially Sub-Sahara African (SSA) countries (like Nigeria), to develop more (robusttraining) strategies to capture and reflect the importance of entrepreneurship to the economic development, though some national programmes have been developed for the purpose of increasing entrepreneurial activity through various reforms, but with negligible benefits. It is thus a wake-up call to reduce laxity on entrepreneurship training so as to also reduce the above implications that will affect the outcomes and applications of learning and the power balance between learners, institutions and educators, taking into full account that there are great difficulties in developing an integrative process model of entrepreneurship education, which in turn lies in the fact that the lines between actor roles are not always clear, (Wood, 2011). Wood further elucidates that entrepreneurship education is not a single event, but rather a continuous process comprised of a series of events, (Wood, 2011). In consequence, the role of education and training in entrepreneurship and in the identification of endowment of entrepreneurial potential at a young age, are becoming evident for students, politicians and educators (Rasheed, 2000).

One of the critics in entrepreneurship courses, pointed by Neck and Greene (2011), is the fact that they are focused in the exploitation of opportunities assuming that the opportunities have already been identified. Thus, very little time and attention is given to creativity and idea generation process. Accordingly, Jusoh (2011) in the analysis of the training needs of entrepreneurs found that, in entrepreneurial skills training there is a lack in areas, such as, how to enhance creativity and innovation.

In Nigeria, entrepreneurship training has not been adequately perceived as a catalyst to increasing the rate of economic growth; creating job opportunities; reducing importation of manufactured goods; and decreasing the trade deficits that currently result from imports (Osiagwu, 2002). The country has not properly recognized and harnessed the importance of its indigenous entrepreneurs and their contributions to its economy to attaining its full potential in economic and social development (Ariyo, 2008). Still offering a similar position, Matanmi and Awodun (2005) maintain that Nigeria must give adequate attention to the growth of entrepreneurship in order to move out of the disturbing high level of unemployment and ravaging level of poverty. The purpose of this paper, thus is to evaluate the effect of entrepreneurial training on economic development in Nigeria, using North Central region as a case study. This means that our conclusion will be limited to the findings of this study, as the entire country study is certainly a huge task that cannot be handled without limiting the scope.

It has consistently been argued that for developing nations (Nigeria inclusive) to grow and catch up with other developing nations, there is the urgent need for a viable entrepreneurship training model that would help tackle hydra-headed poverty, unemployment, illiteracy, chronic diseases, maternal mortality, infant mortality, crimes, conflict, terrorism/insurgency, while at the same time promote growth of SMEs, wealth creation, enhance value reorientation, preserve the ecosystem from abuse and in the final analysis achieve sustainable economic development. Many studies in different parts of the world have revealed a general lack of critical skills among graduates thus pre-disposing them to unemployment. Hwa and Tiew (2009) reported that most institutions in China were trying to expand students' knowledge towards acquiring employability skills for rapid economic growth. A viable and directed training on the youth in North Central Nigeria remains a desire to fill in the area of attainment of economic development and self-sufficiency of the populace.

Literature Review

Empirical Review on the Impact of Entrepreneurial Training on Economic Development

Entrepreneurs as agents of social and economic change were focused upon by Ogundele and Olayemi (2004) in a call for Nigeria education curricula to concentrate on developing entrepreneurial capabilities in Nigerians, in all Nigerian educational institutions. The objective is to ensure that Nigerian is not left behind in the global competition that is knowledge managed. Such Entrepreneurship Training will equip the people with skills for constant improvement and innovation in their undertaken. The entrepreneurship development program in Nigeria is designed to help an individual in strengthening his/her entrepreneurial motivation and in acquiring skills and capabilities necessary for playing his/her entrepreneurial role effectively. Wiklund and Shepherd (2003), Luthje and Frank (2002), Charney and Liecap (2000) all put forward that a positive correlation exists between education and business creation. Based on Timmons and Spinelli (2004) and others who are of the opinion that entrepreneurship can be learnt, Kuratko (2003) observes the decision by many tertiary institutions in Nigeria to design and implement relevant entrepreneurship teaching programme. Entrepreneurial training and education encourages Nigerian to become jobs creator rather than job seekers. It also equips them with skills for constant improvement and innovations in their undertaken. Ogundele (2004) observes that for the success of National Economic Empowerment and Development Strategy (NEEDS), Nigeria requires a new development approach which will release the best in the nation human capital for the economic development effort. This Ogundele (2004) calls spiritual capitalism, which will involve among others calling out the best from every Nigerian. It will also involve individual self-development where individuals are the key drivers in developing themselves. These will be capped by leadership with vision. One of the major thrusts of NEEDS is, growing the private sector, and this calls for massive training and development of indigenous entrepreneurs in Nigeria, hence the demand for refocusing on training programme more importantly on entrepreneurship. It is commonly believed that Entrepreneurship education is an absolute imperative that would make a positive contribution to improving the entrepreneurial orientation of the people. Wiklund (1999) postulated that entrepreneurial orientation consists of two components—action orientation, which results in actual entrepreneurial behaviour; and mental orientation or way of thinking of the small business manager, (as emphasized by Tende, 2011) which is not necessarily put into action. According to Alberti (2004), for effective Entrepreneurship education there should be a relationship between the goals of Entrepreneurship programme, the audiences to which the programme is delivered, the contents of the Entrepreneurship courses or modules, the method of delivery or pedagogy, and finally, the assessment that will be used.

The Concept of Entrepreneurial Education and Training

According to Ricardo, Anabela, Arminda, João., and Mário (2014), education is vital in creating understanding of entrepreneurship, developing entrepreneurial capabilities, and contributing to entrepreneurial identities and cultures at individual, collective and social levels. More, the role of education is to shape ideas of what it means to be an entrepreneur, not to promote an ideology of entrepreneurship, and to create critical alertness that contributes to the responsibility of entrepreneurs to society.

To Bakotic and Kruzic (2010), entrepreneurship educational programmes contribute to increase the perception of important entrepreneurship aspects, as well as create a real vision of entrepreneurship problems. For this, the authors advocate the need for students' permanent education which should be focused on additional development of their competences and required skills needed later in the market context.

Although the alleged benefits of entrepreneurship education have been much celebrated by researchers and educators, there has been little rigorous research on its effects (Peterman & Kennedy, 2003). In fact, entrepreneurship education ranks high on policy agendas in Europe and the US, but little research is available to assess its impact and their effects are still poorly understood. Several previous studies find a positive impact of entrepreneurship education courses or programmes (Peterman and Kennedy, 2003; Fayolle, 2006; Raposo, Paço and Ferreira, 2008; Raposo et al. 2008; Rodrigues, 2010). Other studies find evidence that the effects are negative, (Oosterbeek, 2010; von Graevenitz, 2010). There may be methodological reasons why the literature has not generated consistent assessments as of yet.

There is some evidence that entrepreneurship education has a positive role to play in student entrepreneurial intention, (Pittaway and Cope, 2007; Florin, 2007; Raposo, 2008; Nabi, 2010). Henry (2003) concludes that entrepreneurship programmes can be effective and yield significant benefits for aspiring entrepreneurs. However, the impact of university education on entrepreneurship has been questioned, especially with regard to impact on the transition from intentionality to entrepreneurial behaviour or impact on entrepreneurial success (Nabi, 2010).

According to Pittaway and Cope (2007) entrepreneurship education has had an impact on student propensity and intentionality. However, what is unclear is the extent to which such education impacts on the level of graduate entrepreneurship or whether it enables graduates to become more effective entrepreneurs.

According to Nabi (2010) the entrepreneurial intention research tells us very little about: (i) the process of personal change in relation to attitudes towards entrepreneurship brought about by higher education; (ii) the transition from student to entrepreneur; and (iii) it fails to explain the low follow-up on entrepreneurial intent.

In spite of the fact that there are a number of studies on several aspects of start-up activities, one aspect that is also not very clear is whether the activities that lead to the possibility of starting a new business or venture correspond to the content of course work in entrepreneurship classes. Because of this, it is necessary to reflect about the relevance of what educators are teaching in the classroom, and more particularly, if start-up activities are effectively reflected in entrepreneurship course content and delivery (Edelman, 2008).

Garavan and Barra (1994) state that the most commonly referred aims of entrepreneurship education and training programmes are the following: i) to get useful knowledge of entrepreneurship; ii) to acquire skills in the use of techniques, in the analysis of business atmospheres, and in the synthesis of action plans; iii) to identify and stimulate entrepreneurial skills; iv) to develop empathy and support for all aspects of entrepreneurship; v) to develop attitudes towards change and uncertainty; and vi) to encourage new start-ups.

These entrepreneurship training programmes will contribute to the stimulation of entrepreneurial abilities. Hisrich and Peter (1998) say that the various skills required by entrepreneurs can be categorized as: technical skills, business management skills and personal entrepreneurial skills. Henry (2005) refer that the development these personal skills differentiates an entrepreneur from a manager. Thus, very different skills, abilities and knowledge may be required to fulfill these different aims of entrepreneurship education programmes. Therefore, while many of the aspects of entrepreneurship can be taught, it also needs a certain attitude towards taking risks.

Some of these programmes however only connect the entrepreneurship to new venture creation and business management and educate about entrepreneurship and enterprise, rather than educating for entrepreneurship, and only rarely the focus is in the development of their students' skills, attributes and behaviours, (Kirby, 2004).

Review of Entrepreneurial Theories

Opportunity–Based Entrepreneurship Theory

An opportunity-based approach provides a wide-ranging theoretical framework for entrepreneurship research (Fiet, 2002; Shane, 2000). Entrepreneurs do not cause change(as claimed by the Schumpeterian or Austrian School) but exploit the opportunities that change (in technology, consumer preferences etc.) creates (Drucker, 1985). He further says, "This defines entrepreneur and entrepreneurship, the entrepreneur always searches for change, responds to it, and exploits it as an opportunity". What is apparent in Drucker's opportunity construct is that entrepreneurs have an eye more for possibilities created by change than the problems. Stevenson (1990) extends Ducker's opportunity-based construct to include resourcefulness. This is based on research to determine the difference between entrepreneurial management and administrative management. He concludes that the hub of entrepreneurial management is the "pursuit of opportunity without regard to resources currently controlled".

Resource-Based Entrepreneurship Theories

The Resource-based theory of entrepreneurship argues that access to resources by founders is an important predictor of opportunity based entrepreneurship and new venture growth (Alvarez and Busenitz, 2001).This theory stresses the importance of financial, social and human resources (Aldrich, 1999). Thus, access to resources enhances the individual's ability to detect and act upon discovered opportunities (Davidson and Honing, 2003). Financial, social and human capital represents three classes of theories under the resource –based entrepreneurship theories.

Human Capital Entrepreneurship Theory

Underlying the human capital entrepreneurship theory are two factors, education and experience (Becker, 1975). The knowledge gained from education and experience represents a resource that is heterogeneously distributed across individuals and in effect central to understanding differences in opportunity identification and exploitation (Anderson and Miller, 2003, Gartner, 2005, Shane and Venkataraman, 2000). Empirical studies show that human capital factors are positively related to becoming a nascent entrepreneur, increase opportunity recognition and even entrepreneurial success.

Methodology

This study employed descriptive research design. Primary data was used for the study with questionnaire as a research instrument. Questionnaire was administered to raise data meant for the regression analysis and the results are analyzed to establish the impact of entrepreneurship training on economic development in Nigeria, Using north central Nigeria as study. The study is hinged on human capital entrepreneurship theory propounded by Becker (1975) the underlying assumptions of the human capital entrepreneurship theory are hinged on two factors; which are education and experience. The Population of the study is 3786 which consists of individuals who have had NDE-entrepreneurship training, out of which the desired sample (s = 304)was obtained from the popular Yamane formula reproduced by Umaru (2013) as:

$$s = \frac{N}{3 + N(ME)^2}$$

where, s = desired sample size

N = population of study = 3786

ME= allowed margin of error = 5% or 0.05

That is, $$s = \frac{3786}{3 + 3786(0.05)^2} = \frac{3786}{12.465} = 304 \text{ (approx.)}$$

Table 1: Selected NDE-TrainedPersonnel Sampled in North Central Nigeria, Nigeria

S/N	STATES	POPULATION	SAMPLED ACROSS STATES
1	Kaduna	726	$\frac{304 \times 726}{3786} = 58$
2	Plateau	462	$\frac{304 \times 462}{3786} = 37$
3	Benue	693	$\frac{304 \times 693}{3786} = 56$
4	Nasarawa	804	$\frac{304 \times 804}{3786} = 65$
5	Niger	633	$\frac{304 \times 633}{3786} = 51$
6	Kogi	468	$\frac{304 \times 468}{3786} = 38$
Total		**3786**	**304**

Source: Field Survey, 2015

Quantitative analysis was used for the purpose of this study. This is because quantitative analysis results provide support for anticipated directions of the association between independent and dependent variables, therefore the study used regression analysis (OLS) to address the three hypotheses of this study since the study is addressing relationship between the various variables. This was achieved by the use of E-view 7.0. The major statistical analysis that was used in this study is the ordinary least square (OLS) regression analysis- the simple regression analysis. This analysis was used in order to find the linear relationship between the independent variables.

Model Specification

The model specifications here are the regression models formulated to test the three hypotheses and they are as follows:

$EMP = \beta o + \beta i \ TES + \mu_t$ .... (1)

$PT = \beta o + \beta i \ BMT + \mu_t$ .... (2)

$POV = \beta o + \beta i \ PET + \mu_t$ .... (3)

where:

TES= Technical entrepreneurial skills training (and Entrepreneurship course training).

EMP= Employment or job creation

PET = Personal entrepreneurial skills training.

BMT= Entrepreneurial Business management skills training

POV= Poverty levels

PT = Productivity

βo = Intercept or Constant

βi = Slope of the regression line with respect to the independent variable

μ_t = Error Term

Results and Discussion

The data collected from the questionnaires were analyzed using descriptive statistics and OLS regression method. To this effect it evaluates, entrepreneurial training (proxied by entrepreneurial Technical skills training, Business management training, and Personal entrepreneurial skill training) impact on Poverty, employment generation and profitability in Nigeria using OLS simple regressions.

Table 1: Data Summary

Variables	Items	Agreement scale				
		SD(%)	D(%)	U(%)	A(%)	SA(%)
Employment or job creation(EMP)	Technical entrepreneurship training does encourage employment generation	4.4	4.6	5.4	25	60.7
	Entrepreneurship training enhances self-reliance	6	3.7	7.1	44.6	37.5
	The clear understanding of personal entrepreneurial skills and correct application has greatly influenced employment generations	5.3	6.1	2.7	55.5	28.5
Personal entrepreneurial skills training (PET)	Personal entrepreneurial skill improves social welfare.	12.4	2.7	15.2	43.8	25
	A catalyst to social welfare is personal entrepreneurial knowledge.	6.3	7.1	2.7	54.5	29.5
	Entrepreneurship training helps to bring out the best in workers.	11.6	7.1	9.8	45.2	26.2
	Efficiency and effectiveness in an organization can be improved by entrepreneurship training.	11.6	8.1	8.8	48.2	23.2
	innovations for expansions and management skills aids entrepreneurial growth	13.4	8.9	10.7	53.6	13.4
Poverty levels(POV)	Entrepreneurs' operation transcends to social welfare packages.	11.6	8.1	8.8	48.2	23.2
	The standard of living of the people can be improved through entrepreneurship education.	5.3	3.7	5.4	24	61.7
	Increasing training budget will allow more people to benefit to reduce poverty levels	6.3	7.1	2.7	54.5	29.5
Technical entrepreneurial skills training(TES)	Technical education enhances youth empowerment.	5.4	3.6	5.4	25	60.7
	My technical skills improved after each training program I attended.	8	2.7	7.1	44.6	37.5
	Youths are developed when they attend technical schools.	12.4	2.7	15.2	43.8	25
	Vocational training organized by private individuals is of immense advantage to the youth.	13.4	2.7	15.2	43.8	25
Productivity(PT)	Entrepreneurship training enhances workers? productivity.	7.3	6.1	2.7	55.5	28.5
	Efficiency and effectiveness in an organization can be improved by entrepreneurship training.	11.6	7.1	9.8	45.2	26.2
	Organization's output can be increased through continuous entrepreneurship education.	5.4	3.6	5.4	25	60.7

Source: Authors Computation, 2015 (SPSS, 17.0)

Normality Statistics (Descriptive Statistics)

The normality statistics for the variables: EST, EMP, PET, BMT, POV, and PT are as shown in Table 2 below. The mean for TES, EMP, PET, BMT, POV, and PT are all different. This indicates that the variables exhibit significant variation in terms of magnitude, suggesting that estimation of the variables in levels will not introduce some bias in the results. The Jarque-Bera statistic for all the variables is significant; hence we reject the null hypothesis and conclude that the data set is normally distributed (or have a normal distribution).

Table 4.2: Summary of Normality Statistics

	TES	EMP	PET	BMT	POV	PT
Mean	3.485455	3.363636	3.363636	3.120000	4.970000	5.726364
Median	5.670000	4.330000	4.330000	4.000000	4.000000	2.670000
Maximum	5.000000	5.000000	5.450000	4.670000	4.670000	3.670000
Minimum	4.000000	3.330000	3.330000	3.330000	3.330000	2.000000
Std. Dev.	0.431656	0.505851	0.460071	0.342783	0.482721	0.534458
Skewness	-0.044120	-0.524245	-0.891663	-0.776666	0.162312	0.458901
Kurtosis	1.383027	2.601193	3.377642	3.902620	1.769856	1.942901
Jarque-Bera	1.201928	0.576757	1.522981	1.479301	0.741874	0.898250
Probability	0.038283	0.039478	0.026970	0.017281	0.040087	0.006186
Sum	49.34000	48.00000	48.00000	45.32000	43.67000	29.99000
Sum Sq. Dev.	1.863273	2.558855	2.116655	1.175000	2.330200	2.856455
Observations	304	304	304	304	304	304

Source: Authors Computation, 2015 (E-views 7.0)

Test of Hypotheses

Hypotheses One

H_0: There is no significant relationship between technical entrepreneurial skills training and employment creation

Model one: EMP $\beta o + \beta i$ TES $+ \mu t$ ……. (4)

Table 3: Regression Result on technical entrepreneurial skills training and employment creation

Dependent Variable: EMP;
Method: Least Squares
Date: 07/10/15 Time: 17:03
Sample: 304
Included observations: 304

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.121826	0.567090	7.835567	0.0000
TES	2.147386	0.218067	2.708356	0.0067

R-squared	0.852808	Mean dependent var	4.120000
Adjusted R-squared	0.652436	S.D. dependent var	0.342783
S.E. of regression	0.351655	Akaike info criterion	0.910633
Sum squared resid	1.112951	Schwarz criterion	0.982978
Log likelihood	-3.008481	Hannan-Quinn criter.	0.865030
F-statistic	12.501769	Durbin-Watson stat	2.010508
Prob(F statistic)	0.006659		

Source: Authors Computation, 2015 (Eview-7.0)

EMP = 2.12 + 2.14TES ………… (5)
SEE = 0.56 0.21
t^* = 7.83 2.70
F^* = 12.50; Prob (F-statistic) =0.0066
R^2 = 0.85; *Adj.* R^2=0.65
DW = 2.01

From the regression result in Table 3, the calculated t-value for TES is 2.70 is greater than the critical value of 1.96. It falls in the rejection region and hence, we reject the first null hypothesis (Ho_1). The conclusion here is that there is significant relationship between technical entrepreneurial skills training and employment creation.

The F-statistics which is used to examine the overall significance of regression model equally showed that the result is significant, as indicated by a high low value of the *F*-statistic, 12.50 and it is insignificant at the 5.0 per cent level. That is, the F-statistic value of 0.0066 is less than 0.05.

The $_2R$(R-square) value of 0.85 shows that the ***TES***has a very good impact on employment creation. It indicates that about 85 per cent of the variation in employment creation is explained by technical entrepreneurial skills training, while the remaining 15percent is captured by the error term. The model also indicates that there is no auto-correlation among the variables as indicated by Durbin Watson (DW) statistic of 2.01. This shows that the estimates are unbiased and can be relied upon for policy decisions.

Hypotheses Two:

$H_{0:}$ Entrepreneurial business management skill training has not significantly influenced the level of productivity.

Model two: PT = βo + βi BMT + μ_t ……. (2)

Table 4: Regression result on BMT and the level of productivity

Dependent Variable: PT
Method: Least Squares
Date: 07/10/15 Time: 17:10
Sample: 304
Included observations: 304

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.977549	1.595040	2.493698	0.0342
BMT	2.016075	0.354115	2.243072	0.0134

R-squared	0.006522	Mean dependent var	4.363636
Adjusted R-squared	-0.103864	S.D. dependent var	0.460071
S.E. of regression	0.483374	Akaike info criterion	1.546912
Sum squared resid	2.102850	Schwarz criterion	1.619256
Log likelihood	-6.508014	Hannan-Quinn criter.	1.501308
F-statistic	0.059084	Durbin-Watson stat	2.118277
Prob(F-statistic)	0.813399		

Source: Authors Computation, 2015 (Eview-7.0)

PT = 2.97 + 2.01*BMT*- - - - - - - - - - - - - - - *7*
SEE = 1.59 0.35
t^*= 2.49 2.24
F^* = 14.05; Prob(F-statistic) =0.001
R^2 = 0.6045; *Adj.*R^2 = 0.5657
DW = 2.25

From Table 4, the calculated t-value for BMT is 2.01(PT model) and the tabulated value is given as ±1.96, under 95% confidence levels. Since the calculated t-value is greater than the tabulated value (2.01 > 1.96), we therefore, reject the null hypothesis (Ho_2). We conclude that entrepreneurial business management skills training has significantly influenced the level of productivity.

Also, by examining the overall fit and significance of the productivity model, it can be observed that the model does have a good fit, as indicated by the relatively high value of the *F*-statistic, 14.05 and it is significant at the 5% level. That is, the F-statistic value of 0.001 is less than

0.05 probability levels.

More so, the R^2(R-square) value of 0.6045 shows that the model does have a good fit too. It indicates that about 60.45% of the variation in level of Productivity is explained by BMT, while the remaining 39.55percent is captured by the error term. Durbin Watson (DW) statistics which is also used to test for the presence of autocorrelation indicates that there is no autocorrelation among the variables as captured by (DW) statistic of 2.11. This shows that the estimates are unbiased and can also be relied upon for policy decisions.

Hypothesis three:

$H_{0:}$ Personal entrepreneurial skills training have no significant relationship with poverty reduction

Model three: $POV = \beta o + \beta i\ PET + \mu t$ .... (3)

Table 5: Regression Result on Personal Entrepreneurial Skills Training and Poverty Reduction

Dependent Variable: POV
Method: Least Squares
Date: 07/10/15 Time: 17:06
Sample: 304
Included observations: 304

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.197406	0.886535	4.107300	0.0000
PET	-2.737322	0.201935	-2.641293	0.0043

R-squared	0.596990	Mean dependent var	3.970000
Adjusted R-squared	0.552211	S.D. dependent var	0.482721
S.E. of regression	0.323023	Akaike info criterion	0.740779
Sum squared resid	0.939094	Schwarz criterion	0.813123
Log likelihood	-2.074284	Hannan-Quinn criter.	0.695176
F-statistic	13.33194	Durbin-Watson stat	2.165979
Prob(F-statistic)	0.005307		

Source: Authors Computation, 2015 (Eview-7.0)

$$POV = 3.19 - 2.73PET \ldots\ldots\ldots\ldots\ldots \quad (9)$$
$$SEE = 0.88 \quad 0.20$$
$$t^* = \quad 4.10 \quad 2.64$$
$$F^* = \quad 16.33; \text{Prob(F-statistic)} = 0.0001$$
$$R^2 = 0.6942; Adj.R^2 = 0.6521$$
$$DW = 2.16$$

The calculated t-value for personal entrepreneurial skills training (PET) was found to be -2.64 and also by rule of thumb, the tabulated value is -1.96 under 95% confidence interval levels. The calculated value of personal entrepreneurial skill trainingis found to be greater than the tabulated value (that is, absolute value of -2.64 > -1.96), we thus, reject the third null hypotheses (Ho_3). Hence, the personal entrepreneurial skills training have significant relationship with poverty reduction.

Also, by examining the overall fit and significance of the poverty model, it was found to have a good fit, as indicated by the high *F*-statistic value of 16.33 and it is significant at the 5% level; that is, the F-statistic value of 0.0001 is less than 0.05.More so, the R^2(R-squared) value of 0.6942 showed that the model had a very good fit also. It showed that about 69.42% of the variation in poverty reduction is explained by personal entrepreneurial skill training, while the remaining 30.58% unaccounted variation is captured by the error term. The Durbin Watson (DW) statistics which is also used to test for the presence of serial correlation indicates that there is no auto-correlation among the variables as captured by (DW) statistic of 2.11, and thus the estimates are unbiased and can further be relied upon for sound policy decisions.

Discussion of Research Findings

Based on the result found in Table 3, it could be observed that technical entrepreneurial skills training have positive and significant relationship with the level of job creation in Nigeria. It shows that the higher the level of entrepreneurial skills acquired, the higher the level of job opportunities created for the unemployed**.** The result as found here is in agreement with the works of Ogundele (2010) who found out that entrepreneurship technical training had created gateway to sustainable wealth creation in Nigeria. In the view of Matanmi and Awodun (2005), Nigeria's desire to move out of the disturbing high level of unemployment and ravaging level of poverty, adequate attention has been given to the growth of entrepreneurship technical training. They concluded however that Nigeria still remains in the doldrums because of the combination of ignorance, low capacity building and lack of encouragement of entrepreneurship. The function thus shows that a one percentage change in technical entrepreneurial training, on the average, had increased the level of job creation by 2.14%.

Moreso, it was observed from the analysis (in Table 4) that entrepreneurial Business management skills training had positively and significantly influenced the level of production embarked upon. It shows that, the higher the level of trainings acquired in form of entrepreneurial Business management skills, the higher the level of productivity. Wiklund & Shepherd (2003), Luthje& Frank (2002), Wood (2000) also put forward that a positive correlation exists between entrepreneurial business creation trainings and the level of growth in an economy. The development of entrepreneurial skills, effective and efficient application of the skills in management of business creates a significant difference from other business venture and allowing it to function effectively. In addition, Acs (2006) and Ahiauzu (2010) assert that there is a positive relationship between entrepreneurship and economic growth while Henderson (2007) explained that entrepreneurship is increasingly being recognized as a primary engine of economic growth. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs, and the building of new firms. The function thus shows that a one percent change or increase in entrepreneurial Business management skills training, on the average, increases the level of productivity in an economy.Finally, it was observed from Table 5 that personal entrepreneurial skill training had positively and significantly reduced the level of poverty reduction in the country. The result showed that the higher the level of personal entrepreneurial skills training, the lower the level of poverty. This is in-line with the findings of Ogundele (2007) who found out that the successful contribution of personal entrepreneurship training to poverty alleviation and economic development in Lagos State was due entrepreneurship training and orientation. Also, most of the government efforts to reduce poverty in the country had been tailored towards entrepreneurship education and organization of training for the unemployed people in the society. The function thus shows that, a one percent increase in personal entrepreneurial skills training, on the average, had reduced the poverty rates by 2.73%.

Conclusion and Recommendations

Developing entrepreneurship has been identified as a means of providing employment and a powerful weapon of fighting poverty in the country. Entrepreneurship development is crucial in boosting productivity, increasing completion and innovation, creating employment and prosperity and revitalizing economies. Our country must therefore urgently promote and develop entrepreneurship education that will aid the dispersal and diversification of economic activities and induce even development in it. Entrepreneurship education and training of youths in entrepreneurial skills therefore remains one of the most promising strategies for rescuing the nations appalling unemployment rate and to appropriately re-engineer the teaching of business studies in tertiary institutions. To encourage entrepreneurship training and education for sustained economic development, the following recommendations are made:

I. Entrepreneurship development should be inculcated into the school's curriculum to promote human empowerment and development through personal entrepreneurial skill acquisition and training. More so, there should be collaboration between small business entrepreneurs and research institution for exploitation and research findings of those institutions to achieve technology development.

ii. Technically skilled acquisition entrepreneurship training should be part of programmes of National Youth Service Corps (NYSC) in Nigeria to make the fresh graduates self-employed after a year mandatory programme to serve their father land. The National Universities Commission (NUC) should mandate all Universities in Nigeria to create and promote Entrepreneurship development centres or Technical incubator centres to put in place courses on Entrepreneurship for all undergraduate students of universities, Polytechnics and Colleges of Education irrespective of their discipline; this will give birth to passionate entrepreneurs, as well as technopreneurs (Aruwa, 2006).

iii. The federal government of Nigeria should provide enabling environment conducive for the smooth operation of both indigenous entrepreneur and foreign investors in order to boost the economy. Securities of life and Properties, Provision of Infrastructural facilities like constant power supply, good road, good health care services, and drinkable water among others should be guarantee by the federal, states and local governments in Nigeria for better performance of entrepreneurs at reduced cost also to prevent them from migrating to neighboring countries. Governments at all levels could intervene in postulating good policies to reduce the problems of entrepreneurs through the supply of needed technological and business information and advices. This would further enhance the level of production of goods and services carried out by small business firms.

Limitations and future research

The survey was conducted only within the North Central region of Nigeria; therefore the responses may not reflect the views of respondents in other five regions of the country**.** Thus, there is a need for a large scale survey (perhaps to cover the entire country) to identify whether there is stronger validation of the results. The main implications of this research for scholars and policy makers are concerned with how to improve and revolutionize entrepreneurial education in the areas of technical entrepreneurial skills training, business management entrepreneurial skills training and personal entrepreneurial skills training. The role of marketing education and financial education are also very essential or critical for the success of entrepreneurs, which were not considered in this study; this can be investigated in future research.

References

Acs, Z. (2006). How is entrepreneurship good for economic growth? Innovations. IMT Press Journal Innovation, Governance and Globalization Winter. Vol.1 No 1. Page 97-107.

Ahiauzu, A. (2010). Entrepreneurship and economic development in Nigeria: The way forward. In A. Ahmed and S. Nwankwo (Eds.). Achieving sustainable development in Africa (pp.278-296). London: WASD.

Alvarez, S. and Busenitz, L. (2001).“The entrepreneurship of resource based theory”, *Journal of Management*, *27,*755-775.

Anderson, A. & Miller, C. (2003).“Class matters: human and social capital in the entrepreneurial process”,*The Journal of Socio-Economics*, *32,* 17-36. 1(5)

Aldrich, H. E. & Zimmer. (1986). “Entrepreneurship through social networks”, In Donald Sexton and Raymond Smulor. ed. *The Art and Science of Entrepreneurship*. New York: Ballinger, 3-23.

Aruwa, S. A. S. (2006). *The Business Entrepreneur – Entrepreneurial Development, Small and Medium Enterprises*. 2 ed. Nigeria, Kaduna: Entrepreneurship Academy Publishing. p295.

Ariyo, D. (2008). Students' perceptions and intentions towards entrepreneurship: the empirical findings from Nigeria, *The Business Review*, 14(2): 209-215.

Bakotic, D. and Kruzic, D. (2010). Students' perceptions and intentions towards entrepreneurship: the empirical findings from Croatia, *The Business Review*, 14(2):209-215.

Bawuah, K., Buame, S. and Hinson R. (2006).*"Reflections on Entrepreneurship Education in African Tertiary Institutions Acts Commercial* 1-8.

Davidson, P., & Honing, B. (2003). "The role of social and human capital among nascent entrepreneurs", *Journal of Business Venturing*, *20*,121.

Drucker, P.F. (1985). *Innovation and Entrepreneurship*. New York: Harper &Row Publishers.

Edelman, L.(2008), "Entrepreneurship education: correspondence between practices of nascent entrepreneurs and textbook prescriptions for success", *Academy of Management Learning & Education*, 7(1), 56–70.

Fayolle, A. (2006), Assessing the impact of entrepreneurship education programmes: a new methodology. *Journal of European Industrial Training*30, 701–720.

Fiet, J.O. (2002). *The Systematic Search for Entrepreneurial Discoveries*, Westport, CT: Quorum Books

Florin, J., Karri, R.; Rossiter, N. (2007), "Fostering Entrepreneurial drive in business education: an attitudinal approach", *Journal of Management Education*, 31 (1), 17-42.

Garavan, T. N. and Barra, O' Cinneide (1994), "Entrepreneurship education and training programmes: a review and evaluation - Part I', *Journal of European Industrial Training*,18(8), 3-10.

Gartner, W.B., (2004). *Handbook of Entrepreneurial Dynamics.* Thousand Oaks, CA: Sage Publications

Henderson, J. (2007). Understanding rural entrepreneurs at the country level: Data challenges. Paper presented at the Frameworks for Entrepreneurship Research in Food, Agriculture, and Rural Development Workshop, Kansas City, October 18.

Henry, C.(2005), "Entrepreneurship education and training: can entrepreneurship be taught? Part I", *Education & Training*, 47(2/3), 98-111.

Hisrich, R. D.; Peters, M. P. (1998), *Entrepreneurship*, 4th edition, Irwin McGraw-Hill, Boston, MA.

Hwa, M and Tiew, W (2009), "Differences in psychological characteristics between entrepreneurially-inclined and non-entrepreneurially inclined accounting graduates in China", *Entrepreneurship, Innovation and Change: An International Journal*, 1, 243-54.

Jusoh, R. (2011), Entrepreneur training needs analysis: implications on the entrepreneurial skills needed for successful entrepreneurs, *The International Business &Economics Research Journal*, 10(1): 143-148.

Kirby, D. (2004), "Entrepreneurship education: can business schools meet the challenge?", *Education + training*, 46 (8/9): 510-512.

Lüthje, C. and Frank, N. (2002). Fostering Entrepreneurship through university education and training: lessons from Massachusetts Institute of Technology. Proceedings of the European Academy of Management, Stockholm, Sweden. 9-11 May.

Matanmi, S. and Awodun, M.(2005).An assessment of competitive strategies and growth patterns of new enterprises in Nigeria used in the developing model. *Lagos Organisation Review,* 1, 1.

Nabi, G. (2010) Entrepreneurial intentions among students: towards a re-focused research agenda, *Journal of Small Business and Enterprise Development*, 17(4): 537-551.

Neck, H. M. and Greene, P. G. (2011), Entrepreneurship education: known worlds and new frontiers, *Journal of Small Business Management*, 49(1): 55-70.

Nweze, N.J. and Ojowu, O. (2002) Poverty, well-being and wealth Generation in Benue State of Nigeria, Unpublished Material.

Ogundele, O.J. and Olaniyi, K (2004). Entrepreneurship Development: Vehicle of people change Approach to Self-Actualization and Sustainability, Conference Paper, 10th Annual National Conference, National Association of Curriculum Theorists, Federal College of Education, Asaba, 18th – 22nd October.

Oosterbeek, H. (2010). The impact of entrepreneurship education on entrepreneurship skills and motivation. *European Economic Review,* 54, 442–454.

Osiagwu, L.(2002). Entrepreneurship in a developing economy. Empirical evidence from Nigeria Business Organizations. *International Journal of Entrepreneurship*, 6.

Osuagwu, L. (2006). *Small Business and Entrepreneurship Management*. Lagos: Grey Resources Limited.

Peterman, N. E.; Kennedy, J. (2003). "Enterprise education influencing students' perceptions of entrepreneurship", *Entrepreneurship Theory and Practice*, Winter, 129-144.

Pittaway, L. and Cope, J. (2007). Entrepreneurship education: asystematic review of the evidence, *International Small Business Journal*, 25 (5): 479–510. DOI: 10.1177/0266242607080656.

Raposo, M. and Paço, A. (2011) "Entrepreneurship education: relationship between education and entrepreneurial activity", *Psicothema*, 23(3):453-457.

Rasheed, Howard S. (2000), *Developing Entrepreneurial Potential Youth: The Effects ofEntrepreneurial Education and Venture Creation*, University of South Florida.

Ricardo G, R., Anabela D, Armindad, P., João, F and Mário Raposo (2014). The effect of an entrepreneurial training programme on entrepreneurial traits and intention of secondary students, *NECE Research Centre, University of Beira Interior Portugal*

Rodrigues, R., Raposo, M., Ferreira, J. and Paço, A. (2010) "Entrepreneurship education and the propensity for business creation: testing a structural model", *International Journalof Entrepreneurship and Small Business*, 9(1):58-73.

Shane, S.A. and Venkataraman, S. (2000). "The promise of entrepreneurship as a field of research", *Academy of Management Review.*

Stevenson, H.H and Jarillo J.C. (1990). "A Paradigm of Entrepreneurship: Entrepreneurial Management", *Strategic Management Journal*, *11,* 17-27.Students in Scandinavia and in the USA. *Enterprise and Innovation Management Studies, 2(2),* 145-160.

Tende, Sam B. A. (2011). *Entrepreneurship Theory and Practice*. Abuja: Koyabi Nigeria Limited.

Umaru, I. Gerarh (2013). Research Methodology in Social and Behavioural Science: Principles and Application. 2 ed. Nigeria: Olive de l'Afrique Consult.

Von Graevenitz, G., Harhoff, D. and Weber, R. (2010).The effects of entrepreneurship education. *Journal of Economic Behavior and Organization* 76 (1): 90-112.

Wiklund J. and Shepherd D. (2003). "Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses," *Strategic Management Journal* 24: 1307–1314.

Wood, M. S. (2011), A process model of academic entrepreneurship, Business Horizons,54(2):153-161.

Forecasting the Entrepreneurial Assertiveness of University Students in Nigeria

Oladotun Larry, Anifowose
Department of Entrepreneurship Management Technology,
Federal University of Technology, Akure, Ondo State, Nigeria,
Email: anifowosedotun@yahoo.com
Phone: +234 8025845959, 8171879003

pp 144-150

Abstract

This paper set out to provide explanation to behaviors towards business startup and entrepreneurship among Nigerian university students. This is to cover the gap that had existed over the years despite several researches on this matter. However, searching into this matter in details is akin to probing into the psychology of the individual by trying to figure a person and his/her personality all together, which is still merely impossible. Based on the impossibility issue of this subject and lack of resources, the study has developed models to simplify the behavioral factors and to make them more understandable. Based on these models, factors such as family background, demographics and personality traits where focused on. The models were made to give answers to how graduates of Federal University of Technology (FUTA) would behave towards entrepreneurship and business startups. General Enterprising Tendency (G.E.T.) test was used to determine the behavior of hundred students towards starting a business. All the evidence and the test results show that assertive of Nigerian universities graduates towards acquiring and practicing right entrepreneurial skills is below the expected average level. It was then recommended that entrepreneurial curriculum should be modified or strengthened to involve activities that will motivate and instigate long lasting entrepreneurial spirit and attitude among students.

Keywords: Entrepreneurship, GET test, FUTA

Introduction

The ever rising rate of unemployment, especially among university graduates, is one of the major challenge Nigerian government is grappling with. But if successfully tackled, it will lead to wealth creation and poverty reduction and foster socio-economic development. However, the problem of unemployment among graduates of the Nigerian tertiary institutions have been constantly blamed on the unfortunate trend in which the dysfunctional education system adopted by these tertiary institutions, which has structurally failed to capture the dynamic nature of education as agent of transformation and a catalyst as such making Nigerian graduates to loose self-reliance but rather hope on the government or other establishment for jobs. In an attempt to curb this menace, federal government of Nigeria in 2007 revised the curricula of university education to include entrepreneurship education in order to equip the Nigerian graduates in an effort to reduce the growing unemployment and to create more jobs as well as wealth. By this, entrepreneurship education centre can be found in almost all Nigerian universities.

Therefore, by the acquisition of entrepreneurial skill, a student should be able to make the right decision, after graduation, of starting a business, becoming self-employed with bright new ideas. To be an entrepreneur means to be able start and own a business and/or manager of one, taking risks and initiatives with the aim of making monetary returns. The term *entrepreneur*, which originates from a French loanword and was first used Richard Cantillon, implies a person who is willing to start or help launch a new business and takes full responsibility of the outcome, hence the risk taking. That is someone who undertakes an enterprise, acting as an intermediary between capital and labor.

To be an entrepreneur is therefore an act and science. It is an act if one freely has the innate to exercise the skills of an entrepreneur; and it is a science if s/he can have such skills by means of acquired knowledge. As such, not everyone has the required skills to be an entrepreneur, but many can learn to practice it. This explains why most people find it hard to start a new organization or business and handle it; as such most newly start-up businesses usually fail before the fifth year. It is also worthy to bear in mind that entrepreneurial activities differ significantly depending on the type of the business and organization that is being started.

However, given the growing emphasis on the need for graduates to engage in entrepreneurship activities the following question comes to mind: how assertive are Nigerian graduates to involve in creating and establishing new job opportunities also? That is, how willing and capable are Nigerian graduate to convert an idea into innovation, creating new products, and manage a business to grow, compete with and even eradicate others in markets? This paper, therefore, took an analytical approach to forecast the entrepreneurial assertiveness of university students in Nigeria.

Literature Review

Conceptual Clarification

The concept *entrepreneurship*, like most terms, lacks a generally accepted definition. As such, there are varying definitions as scholars and practitioners tend to conceptualise it to suit their purpose. The term entrepreneurship is used broadly in connection with innovative and creative modern industrial business leaders (Gibson, 2008). It is often defined in respect to the functions of an entrepreneur as the man who perceives business opportunities and takes advantage of the scarce resources to use them profitably (Baumol, 1968). Franke, (2003) contended that an entrepreneur is believed to be someone who possess some traits like; boldness, confidence, personal leadership and force. An entrepreneur is also taken to mean a person who has an inclination to foresee uncertain events in pursuit of profit rather than bringing about a change in the economy. Loasby (2007) further defined an entrepreneur as someone who is alert to opportunities for profit and someone who specializes in taking judgmental decisions about the coordination of scarce recourses.

Describing what entrepreneurship education means, Nicole & Peterman (2003) states that it is a programme or part of a programme that prepares individuals to undertake the formation and or operate small business enterprises which also includes franchise operations for the purpose of performing all business functions relating to a product or service with emphasis on social responsibilities, legal requirement and risks for the sake of profit involved in the conduct of private business enterprises. It then follows that entrepreneurship education is a lifelong learning process, starting as early as elementary school and progressing through all levels of education, including adult education.

Effect of family role model on a person's life towards entrepreneurship

Teenage age, as viewed by many, is period in which the person's identity is being formed. At the same time as the nature of relations is changing in these days, the continuousness of family connections and a secure responsive base is vital for young people to develop positively. An individual is believed to build up his/her personality inside a family unit. Thus, how a person becomes to behave and how they end up in life is mostly depending on their family life. We have to note that psychologists believe that the main knowledge building is directly related to family life. The way that our families behave upon us or society has a long life effect on our personality. Keeping in sight all these evidences prove the importance of our family life cannot be denied. Family unit is the most role player in our growing years (Llewellyn, 2003). Children tend to be closer to their parents and their siblings as compared to any other person in the world. As the children grow up they find good friends, spouses, their own kids and colleagues to share their lives with. Even though all these happen in time, still family would keep its importance. Individuals who have an inclusive family setting and who belong to a family with strong family ties are happier. Which eventually leads to a better and stronger self-awareness and knowledge becomes a habit; learning and education become a matter so parents overcome this issue easier.

Family income

Research shows that a family with higher income does not always give out a good entrepreneur as a result. But yet still keeps the stakes higher for future manners and need such as the subjects education. Which is a very important matter for most culturally developed families to have their children go to well-known schools, so that the better (more expensive) the school, the brighter the future. Well this allegation is not 100 % true but acceptable, because we do have several examples of subjects with no good family income and not even a good school in their vicinity, but yet still they have turned out to be bright and innovative entrepreneurs.

Family education

Let us define the true meaning of education in this section and what we seek to accomplish by this section of the model. *Education*is the process of gaining knowledge throughout a series of information handling and absorption. For a person to be educated on the right track, past education of the family members play a vital role. By vital we do not mean 100% but a reasonable amount of it. Another important matter is the past education of one's family, usually as we reckon a family of back to back doctors the future generations also become doctors. This allegation again is not hundred percent accurate but still close to reality.

Family Occupation

As we have discussed the family education issue , occupation more or less plays the same effective part too, it has been mentioned before that a long line of doctors continue to be doctors in the family, This was just an example but it seems to be true.

Demographical indicators

The developed model for demographic issues may defer from what the demographic norm suggests, we have tried to develop a model with relevant factors effecting a decision, this decision being entrepreneurship tendency of University graduates, mainly from Akure. Based on our research the factors creating an importance are, age, ethnicity, sex (gender).

Age Factor

Minimum age to get into a university is to be 18 in FUTA, and by that age students are still basing their entrepreneurial tendencies on dreams which are still not yet developed into sense. What if this age gap passes and the individual becomes, let us say around 30 years old after finishing masters! Is it too late now to be thinking of starting a business all from zero and be self-employed? A very subtle example of entrepreneurship would be Silicon Valley, Dell, gates, Yang and much more where that came from, they all built and established industry changing companies, they were all in their twenties.

Table 2: Answer Table of GET Test

46 A D	37 A D	28 A D	19 A D	10 A D	1 A D
47 A D	38 A D	29 A D	20 A D	11 A D	2 A D
48 A D	39 A D	30 A D	21 A D	12 A D	3 A D
49 A D	40 A D	31 A D	22 A D	13 A D	4 A D
50 A D	41 A D	32 A D	23 A D	14 A D	5 A D
51 A D	42 A D	33 A D	24 A D	15 A D	6 A D
52 A D	43 A D	34 A D	25 A D	16 A D	7 A D
53 A D	44 A D	35 A D	26 A D	17 A D	8 A D
54 A D	45 A D	36 A D	27 A D	18 A D	9 A D

When the transfer of the scores for the respondent for each row is finished, the results will be written for each box as below Figure 7.

ROW 1 …………	ROW 2 …………	ROW 3 ………… .
ROW 4 …………	ROW 5 …………	ROW 6 …………
ROW 7 …………	ROW 8 …………	ROW 9 …………

Figure 7: Transfer of Scores

There are five sections formed by the questions asked in the questionnaire. These sections are as 1) Need for achievement 2) Need for autonomy/independence 3) Creative tendency 4) Moderate/calculated risk taking and 5) Drive and determination Scores for each section is obtained as follows:

Now we have to add the row 1 and 6 to get the answer for first section, , Row 3 by itself will conclude the answer for section two, adding scores in rows 5 and 8 will give score for Section 3, adding scores in rows 2 and 9 will conclude our 4th section and 4 and 7 rows scores will give the score for Section 5.

Discussion

The GET Test has been applied to 178 students at Federal University of Technology, Akure, Ondo State. Scores have been calculated for five sections, as discussed in the methodology part. Scores for each respondent had been found and then for each row. After calculating the scores for each respondent mathematical average was taken to find for the sample.

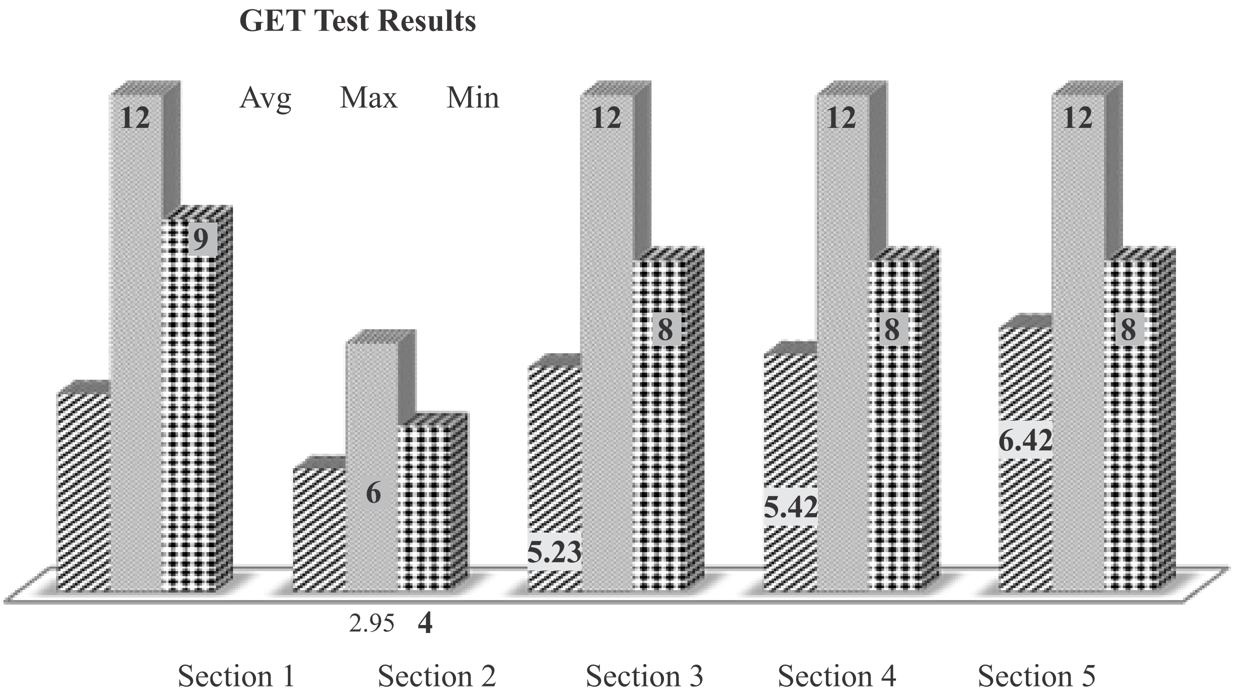
Table 3: Table of Results Calculated for each Row

	Average Score		Average Score		Average Score
ROW 1	2.80	ROW 2	2.34	ROW 3	2.95
ROW 4	3.08	ROW 5	2.05	ROW 6	1.99
ROW 7	3.29	ROW 8	3.37	ROW 9	3.38

Scores for each section have been provided in Table 4.

Table 4: Section Scores

			MAX	AVER
score rows 1 and 6 for	Section 1	**4.79**	12	9
Row 3 alone will give you a score for	Section 2	**2.95**	6	4
scores in rows 5 and 8 for	Section 3	**5.42**	12	8
scores in rows 2 and 9	Section 4	**5.73**	12	8
Add your scores in rows 4 and 7 for	Section 5	**6.38**	12	8



Section 1: Need for achievement **Section 2:** Need for autonomy/independence **Section 3:** Creative tendency **Section 4:** Moderate/calculated risk taking and **Section 5:** Drive and determination.

Figure 8: Bar chart of the results for each Section.

Figure 9 above shows the summary of the GET Test results carried out at Federal University of Technology, Akure among students.

First column is the result of the sample, second column is the maximum and the third column is the minimum number. As can be seen from the figure, result obtained from the sample is lower than the minimum number.

Conclusion

The aim of the study was to measure the entrepreneurial tendency of the students by using GET test. Table 4 gives the numerical results obtained for each section with the maximum and the average results for each section. Figure 7 shows the GET test results as bar chart giving the reader the opportunity to see at a glance, the results for each section. GET Test result obtained from the survey shows us that the overall entrepreneurial tendency and also for each section is lower than the expected average level.

Recommendation

Results for each section should be considered by the academic units of the university. Curriculums should be over viewed and modified according to the results. Curriculums should either be modified or courses to motivate the entrepreneurial attitude should be added.

References

Abu Elanain, H. M. (2008). An Investigation of Relationship of Openness to Experience and Organizational Citizenship Behaviour. *Journal of American Academy of Business 13(1)* , 72-78.

Austin, J. H.-S. (2006). Social and Commercial Entrepreneurship: Same, Different or Both? *Entrepreneurship Theory and Practice 30(1)* , 1-22.

Baumol, W. J. (1968). Entrepreneurship in Economic Theory. *The American Economic Review 58(2)* , 64-71.

Baycan-Levent, T. *Diversity and ethnic entrepreneurship: Dialogue through exchanges in the economic arena" t,* . Istanbul, Turkey: Istanbul Technical University.

Baycan-Levent, T. G. (2002). Diversity and ethnic entrepreneurship: Dialogue through exchanges in the economic arena. *Sustainable Development in a Diverse World (SUS.DIV)* , 1-52.

Crant, J. M. (1996). *Small Business Management, Vol.34* .

Davidsson, P. (1995). DETERMINANTS OF ENTREPRENEURIAL INTENTIONS. *the RENT IX Workshop* , 23-24.

Development plan. (2012). Retrieved July 2012, from http://www.devplan.org/Frame-eng.html

Ethem, D. (Feb 2008). Institutional Profiles and Entrepreneurship Orientation: A Case of Turkish Graduate Students. *Munich Personal RePEe Archive (MPRA) No.7247*, 1-17.

Famous Izedonmi, C. O. (2006). Assessment of the Entrepreneurial Characteristic and Intentions Among Academics. *Ife PsychologIA* , 153-168.

Franke, C. L. (2003). The 'making' of an entrepreneur: testing a model of entrepreneurial intent among engineering students at MIT. *R&D Management 33, 2,* , 135-147.

Gibson, M. L. (2008). Examining the entrepreneurial attitudes of US business students. *Education+ Training Vol. 50 No. 7* , 568-581.

Grazina Startiene, R. R. (2009). The Influence of Demographical Factors on the Interaction between Entrepreneurship and Unemployment. *Inzinerine Ekonomika-Engineering Economics* , 60-71.

Hollingshead, A. B. (1975). Four Factor Index of Social Status. *Yale University* , 1-23.

Joyce Koe Hwee Nga, G. S. (2010). The Influence of Personality Traits and Demographic Factors on Social Entrepreneurship Start Up Intentions. *Journal of Business Ethics* , 259-282.

Koh, H. C. (1996). Testing hypotheses of entrepreneurial characteristics A study of Hong Kong MBA students. *Journal of Managerial Psychology Vol. 11 No. 3* , 12-25.

Kor, Y. Y. (2007). Resources, Capabilities and Entrepreneurial Perception. *Journal of Management Studies 44(7)* , 1187-1212.

Llewellyn, D. J. (2003). The Controversial Role of Personality Traits in Entrepreneurial Psychology. *Education + Training 45(6)* , 341-345.

Loasby, B. J. (2007). A Cognitive Perspective on Entrepreneurship and the Firm. *Journal of Management Studies 44(7)* , 1078-1106.

Maximilian Goethner, M. O. (2011). Scientist' transition to academic entrepreneurship :Economic and Psychological Determinants. *Transition to Academic Enterpreneurship*, 2-19.

Muuss, R. (1996). *adolescence development 2012, Theories of Adolescence.* New York: McGraw Hill. Sixth Edition.

N.F. KRUEGER, J. M. (2000). COMPETING MODELS ENTREPRENEURIAL INTENTIONS. *Journal of Business Venturing 15*, 411–432

Nicole E. Peterman, J. K. (2003). Enterprise Education : Influencing Students' Perceptions of Entrepreneurship. *ENTREPRENEURSHIP THEORY and PRACTICE*, 129-144.

Olson, D. E. (Sep 2000). The Role of Entrepreneurial Personality Characteristics on Entry Decisions in a Simulated Market. *The Changing Face of the Entrepreneur: Diversity and the Role of Woman Entrepreneurs* (pp. 1-13). USA: United State Association of Small Business & Entrepreneurship (USASBE) , Small Business Institute Director's Association (SBIDA).

Panchanatham, G. T. (2010). An Empirical Study of Demographic Variables on Entrepreneurial Attitudes. *International Journal of Trade, Economics and Finance, Vol.1, No. 2*, 215-220.

Rasheed, H. S. (2001). Developing Entrepreneurial Characteristics in Youth: The Effects of Education and Enterprise Experience. *International Journal of Entreperneurship Education*, 4-24.

Robert H. Brockhaus, S. (1980). Risk Taking Propensity of Entrepreneurs. *The Academy of Management Journal, Vol. 23, No. 3* , 509-520.

Role of adolescence development. (2012). Retrieved June 2012, from role of adolescence development: www.role of adolescence development. htm

Stewart, W. W. (1998). A proclivity for entrepreneurship: a comparison of entrepreneurs, small business owners, and corporate managers. *Journal of Business Venturing, Vol. 14*, 189-214.

Thomas, I. (2004). Sustainability in Tertiary Curricula: What is Stopping it Happening? *International Journal of Sustainability in Higher Education 5(1)*, 33-47.

Volery, T. (2006). Ethnic entrepreneurship: a theoretical framework. *Handbook of research on ethnic minority entrepreneurship*, 30-42.

Yonca Gurol, N. A. (2006). Entrepreneurial characteristics amongst university students. *Education + Training Vol. 48 No. 1*, 25-38.

Yong, L. (2007). *Emotional Intelligence in the Workplace: Leonard Personality Inventory.* Malaysia: Leonard Personality Incorporate

Does Gender Matter in the Board Room of Non-Financial Companies in Nigeria

Paul Aondona Angahar. Ph.D
Department of Accounting
Benue State University, Makurdi, Nigeria
E-mail: angahar63@yahoo.co.uk. Tel:+2347068010515.

Theresa Ekpe Ede
Department of Accounting
Benue State University, Makurdi, Nigeria
E-mail: modaedetes@gmail.com Tel:+2348065368173

pp 151-162

Abstract

The study attempts to ascertain the effect of gender diversity in the Boards of listed non-financial companies on corporate financial performance in order to determine whether gender matters in the board room. Data was collected from the annual Financial Statements of thirty (30) non-financial companies listed on the Nigerian Stock Exchange (NSE) over a period of nine (9) years from 2003-2011. The study adopted an ex-post facto research design and used Gender (the number of female directors) as explanatory variable to represent board diversity. It used Return on Assets (ROA), Return on equity (ROE) as the response variables to represent firm performance. Multiple regression analysis and correlation analysis were used to analyse the data. The study found out that gender diversity has an insignificant negative relationship with the performance of non-financial companies in Nigeria. The study recommends that Nigerian firms in seeking for a diverse board of directors that will improve performance should ignore the issue of gender and should concentrate on other qualities of the board members such as educational background, experience, values and perception.

Key words: Board diversity, Gender diversity, Firm performance, corporate governance, Non-financial companies.

Introduction

The Code of best corporate governance in Nigeria (2003) sees the Board of directors as a group responsible for the affairs of the company in a lawful and efficient manner in such a way as to ensure that the company is constantly improving its value creation as much as possible.

Board of directors (BOD) are one of the most important corporate governance mechanisms that monitors and advises management in carrying out the responsibility to protect shareholders interests (Fama & Jensen, 1983), as such investors place high level of trust in the strategic decision making capabilities of diverse boards (Hagendorff & keasey, 2008) and a heterogeneous board compared to a homogenous board is able to have a better understanding of the market place of the firm and increases innovation and creativity (Smith, Smith & Verner, 2005).

The concept of board diversity is an important aspect of corporate governance. Board diversity comprises of different characteristics of the board of directors in terms of gender, educational background, ethnic, race, age, knowledge, values and perception.

Gender diversity is the percentage of female directors sitting on company's board of directors.

The structure of a firm's board of director can influence the formation of intellectual related strategies and policies and ultimately performance and this will enable a firm to respond more quickly to changes in the dynamic and uncertain business environment (Williams 2012). The diversity of thought and ideas from different genders and diverse backgrounds is important to the board. Diversity can also offer greater possibility for innovation in terms of the crossing of boundaries of ideas (The British Psychological Society 2012).

Marimuthu, Rahman & Kolandaisamy (2009) posits that heterogeneity in boards of directors would further enhance the quality of corporate decisions as the members on the board are directly involved in making strategic decisions that affects the firm performance. A diverse board can also enhance the quality of a board's decision and monitoring functions because diverse groups are likely to take extreme positions and more likely to engage in higher-quality analysis. Rhode & Packel (2010) believes that diverse board may solve problems more quickly and effectively than homogeneous teams and a group that lacks diversity. They also believe that when diversity is well managed, it can improve decision making and can enhance a corporation's image by conveying commitments to equal opportunity and inclusion.

Board diversity affects the value creation process. This is to say that board diversity in terms of gender may create negative or positive impact on performance. This is evidenced in the works of Kotiranta, Koralaninen and Rouvinen (2007) that found a positive relationship between female leadership and firm profitability.

The effect of Gender diversity can be captured by the percentage of female directors sitting on a company's board of directors. This paper examines the relationship between gender diversity as measured by the percentage of female directors sitting on a company's board of directors with the performance of non-financial companies listed on the Nigerian Stock Exchange (NSE) in order to ascertain whether gender matters in the board rooms of non-financial companies in Nigeria.

Several studies around the world including Nigeria have examined the relationship between board diversity and corporate financial performance but the results showed mixed and inconclusive findings. Some of the researchers found a positive impact of board diversity on firm performance (Cabo, Gimeno & Nieto, 2009; Erhardt, werbel & Shrader, 2003; Farrel & Hersch, 2005; Kajola, 2008; Marimuthu, Rahman & Kolandaisamy, 2009; Kumar & Singh, 2012; Ranasinghe, 2010; Sanda, Garba & Mikailu, 2008; Shukeri, Shin & Shaari, 2012; and Uadiale, 2010.) while other studies found a negative relationship between board diversity and firm performance (Adams & Ferreira, 2009; Dobbin, Jung & Kalev, 2011; Frick & bermig, 2009; Mentes, 2011; MiOgbulu & Emeni, 2012 and Verboom and Ranzijn, 2004.) and other studies like Campbell & Minguez-Vera, 2008; Hagendorff & keasey, 2008; Letting, Aosa & Machuki, 2012; and Schwizer, Soana & Cucinelli, 2011 found no significant relationship between board diversity and firm performance.

The above studies examined different characteristics or components of the board of directors. There is no known study to the researchers in Nigeria that included gender as one of the board components studied and other studies outside Nigeria have mixed and inconsistent findings on the relationship between gender diversity and firm performance and as such, there is a growing need to expand current literature on whether gender matters in the board room in Nigeria and to provide recent empirical evidence that are still not widely covered by past researchers. Consequently, this study seeks to investigate the effect of gender on firm performance with emphasis on non-financial firms listed on Nigerian Stock Exchange (NSE).

Review of Related literature

There has been an increasing focus on gender diversity in research, political and economic world. Female directors are considered to be hard working and have better communication skills and capability which contribute to problem solving and decision making ability of the board (Pethan, 2010). Women are also proven to be more risk averse than men with regards to investment and other financial decisions. Given this lower appetite for risk, women could have the potential to add new features to the business environment, which today is highly male-dominated, and thereby outweighed by the risk taking behaviour of their male counter parts (Wahlsten and Wahlin 2010). The percentage of women in corporate board of so many countries is very low and insufficient, countries like Norway; Sweden introduced law of gender composition of private firms. Norway was the first to introduce a quota for women on company boards. Since its introduction in 2003, the number of women on board has reached 40 percent as required by law for large Norwegian firms to appoint at least 40% women on their board (Storvika and Teigen, 2010). The percentage of women directors on major companies' boards in Australia, France, Europe, Sweden, Norway is 8.3%, 7.6%, 9.7%, 26.9% and 44.2% respectively (Man and Kong, 2011). Given the current low share, a higher percentage of women in boards is often regarded as desirable (Hoogendoorn, Oosterbeek and Praag, 2011)

Cabo, Gimeno and Nieto (2009) examined gender diversity on European banks' board of directors using annual data of banks from 1998 to 2004 using Poisson regression; they found that presence of women on the European banks board of director has positive effect on performance. Similarly, the study of Smith, Smith and Verner (2005) on women in top management and firm performance using data of 2500 largest Danish firms observed that during the period of 1993-2001, the proportion of women in top management jobs have a positive effects on firm performance even after controlling for numerous characteristics of the firm and direction of causality.

Erhardt, werbel and Shrader (2003) evaluated the relationship between demographic diversity on boards of directors with financial performance using regression and correlation analyses on data of 127 US companies found a positive relationship between gender diversity and financial performance of US companies. The study of Walsten and Wahlin (2010) investigated the effect that female directors and top managers have on the risk levels of a company and the effect that gender diversity brings to firm performance. They performed cross-sectional regression analyses on a data set consisting of 83 companies included in the NASDAQ OMX large Cap and Mid Cap between 2004 and 2008, using the fraction of female directors and the board (FFD) and management dummies as regressors. Their result revealed a significant risk measures proving women to be more risk averse than men and the performance measures, Tobin's Q clearly shows that gender diversity enhances firm performance.

Other studies like Johansen (2008); Kotiranta, Kovalainen and Rouvinen (2007); Pathan (2010); and Schnake, Williams and Fredenberger (2006) also found a positive relationship between gender diversity and firm performance. Also Wahlsten and Wahlin (2010) found that women are more risk averse than men and that gender diversity enhances firm performance and Kulik (2011) thinks that women who are appointed to boards of directors are more likely to have experience in professional fields and are likely to come from a business background. In addition, women's social networks tend to be wider and more women on their boards introduce a broader range of perspective in their decision making. Ding and Charoenwong (2004) studied Singapore firms and found a positive relationship between board diversity and firm performance. Also the study of Ryan and Hasslam (2005) found that when a female director is appointed during a general economic meltdown, the share price of companies increases even if the economic performance remains unchanged.

On the contrary, some studies suggest that gender diversity does not necessarily improve firm financial performance. Man and Kong (2011) investigated the relationship between Gender diversity in the board and firm performance in Hong Kong. Financial performance was measured by Tobin's Q with a sample of 138 companies listed on Hong Kong Stock exchange for the financial year 2009. Also, Eklund, Palmberg and Wiberg (2009) explored the relationship between ownership structure, board composition and firm performance of Swedish listed firms. The panel study using regression analysis showed that gender diversity has a small but negative effect on investment performance.

The study of Peni and vahamaa (2010) examined the association between earnings management and the gender of the firm's executive, panel regression of discretionary accruals on a set of female executive dummies and firm specific controls were used and the result provide considerable evidence to suggest that firms with female chief financial officers (CFOs) are associated with income-decreasing discretionary accruals, thereby implying that female CFOs are following more conservative earnings management strategies. The findings indicate that gender-based differences in conservatism, risk-aversion, and managerial opportunism may have important implications for financial reporting and corporate governance

Smith, Smith and Verner (2005) explored the relationship in the case of women in top executive jobs and on boards of directors using data of 2500 largest Danish firms from 1993-2001 and found that the proportion of women in top management jobs tends to have positive effects on firm performance. The result point towards a positive influence on firm performance of the staff representation in the supervisory board of the firm but more women representing the shareholders in the supervisory board of the firm seems unimportant. Similarly, Johansen (2008) also examined gender diversity and firm performance of 401 companies around the world, using regression analysis, the result shows a positive relationship between gender diversity and firm performance.

The study of Campbell and Minguez-Vera, (2008) on the influence of gender on Spanish boards of directors argued that firms with board diversity increases a firms competitive advantage relative to firms with less diversity, also diversity increases creativity and innovations, and diversity can enhance problem solving as a variety of perspectives that emerges from a more diverse boards that more alternatives are evaluated. They also argued that a more diverse board may improve the quality of the directors if selected without prejudice or bias from both genders. These findings are in line with the study of Kotiranta, Kovalainen and Rouvinen (2007) that also found a positive relationship between female leadership and firm profitability. Also the studies of Ali, Metz and Kulik (2011); Cabo, Gimeno and Nieto (2009); and Farrel and Hersch (2005) also found a positive relationship between board diversity and firm performance. The study of Kochan, Bezrukova, Ely et.al. (2003) examined the effect of diversity on business performance and their results showed no significant direct effects of racial or gender diversity on performance. Gender diversity had positive effects on group processes while racial diversity had negative effects. The negative relationship between racial diversity and group processes was however largely absent in groups that had received high levels of training in career development and diversity management.

In contrast, the studies of Adams and Ferreira (2009) examined women in the board room and their impact on governance and performance using a sample of US firm from 1996-2003. Performance was measured using Tobin Q and ROA and the result revealed that the average effect of gender diversity on firm performance is negative; the negative effect was believed to be driven by companies with fewer takeover defences and suggest that mandating gender quotas for directors can reduce firm value for well governed firms.

Dobbin, Jung and Kalev (2011) also evaluated the relationship between corporate board gender diversity and stock performance using pooled cross sectional time series model for the period of 1996-2007 of US firms. They found that institutional investors do promote gender diversity on boards through shareholder proposals on board diversity and increases in board gender diversity do not affect profitability, suggesting that firms that add women to boards do not experience losses in board efficacy but increases in gender diversity on boards are followed by marginally significant decreases in stock value.

Letting', Aosa and Machuki (2012) explored the relationship between board diversity and financial performance of the 47 firms listed in the Nairobi Stock Exchange, Kenya. Board diversity was measured by age, gender, educational qualifications, study specification and board specialisation while performance was measured by ROA, ROE, Price Earning (PE) and Dividend Yield (DY) from 2006-2009 and the result revealed a negative relationship between board diversity and firm performance.

Verboom and Ranzijn (2004) studied corporate performance and gender diversity using a sample of 80 Dutch companies for the period of 1996-2003 and found no significant relationship between company financial performance and the percentage of women on the board of directors and the higher management layer. Similarly, Rose (2007) examined the relationship between female board representation and firm performance using a sample of listed Danish firms from 1998-2001 in a cross sectional analysis. The study found no significant relationship between firm performance as measured by Tobin's Q and female representation. This finding is similar to that of Schwizer, Soana and Cucinelli (2011) on board diversity on financial performance and risk. They analysed a sample of Italian listed companies during the period of 2006-2008 and found no statistical significant relationship between the number of female directors on the board of directors and firm performance.

From the literature reviewed above, the literature on board diversity is limited as previous Nigerian works did not consider gender diversity and also existing literature revealed mixed findings. There is a need to expand current literature on other board of directors' characteristics in Nigeria and provide recent empirical evidence that is still not widely covered by past researchers considering the mixed findings. Consequently, this study has investigated whether gender matters in the board room of non-financial companies in Nigeria.

Methodology

Ho_1: Gender does not significantly matter in the board room of non-financial companies listed on the Nigerian stock Exchange

The population used for this study is made up of all the 100 non-financial companies quoted or listed on the floor of the Nigerian Stock Exchange as at 2011 (The Nigerian Stock Exchange 2011 Market Review). Through a purposive non-probability sampling, 30 non-financial companies were selected based on the following criteria:

i. The company must be listed on the floor of the Nigerian Stock Exchange and must remain listed throughout the study period.
ii. The company must have complete data throughout the study period to ensure reliability of data collected
iii. The company must remain in operation within the study period to ensure that all the required data are collected without distortion.

Secondary data was collected from the published annual reports and accounts of the sampled companies from 2003-2011. The tools used for data analysis were regression analysis and correlation analysis. This study adopted the regression model used by Marimuthu (2009) with modifications to the objective of the study. The model is as follows:

$$Y= a+B_1X_1+B_2X_2+B_2X_3...+B_nX_n+e$$
$$CORPERF= a+B_{gender}+B_{Bsize}+F_{Bsize}+e$$
$$CORPERF= f(ROA, ROE)$$

Using multi regression analysis, two models are constructed for the study as follows:

$$ROA= a+B_{gender}+B_{Bsize}+F_{Bsize}+Levg+e$$
$$ROE= a+B_{gender}+B_{Bsize}+F_{Bsize}+Levg+e$$

Where CORPERF= corporate financial performance of the firm

F= function

ROA= Return on Assets

ROE= Return on equity

a= Constant

B= coefficient for each of the independent variables

e= error term used in regression model

Gender= percentage of female directors on the board

Bsize=Total numbers of directors on the

board

F_{Bsize} = Total asset of the firm

Levg = Percentage of total debt to total assets

To test the hypothesis, a confidence level of 95% (alpha -0.05) was used at the degree of freedom (df) of N-2 (where N is the number of years).

Data Presentation and analysis

Table 1: Descriptive statistics for ROA and ROE

	N	Mean	Std. Deviation
ROA	270	.096899	.2397900
ROE	270	.236239	.5246447
GENDER	270	.071357	.0859976
BSIZE	270	.955271	.1453055
FSIZE	270	.69237E0	.7960954
LEVG	270	.165909	.30369152

Source: Researchers' computation using SPSS version 17

The result from table 1 shows that there is a very low mean of ROA 9.68% for the sampled non-financial firms in Nigeria with a fluctuation of just 0.23979.ROE shows a mean of 2.36 % with a fluctuation of 0.5246447, this figure shows how low there are variations in the ROE of the sampled companies. The mean of GENDER is 0.71357 with little variation of 0.0859976 which implies a very low representation of women on the board of directors. Most of the sampled firms (Appendix 1) have one or zero female as director and a maximum of five (5) only in UNTL.

It can also be deduced from the value of BSIZE, the control variable that the companies have a mean of 0.955271 with variation of 0.1453055 while the mean of FSIZE is 6.9237 with variation of 0.7960954 inferring that the companies are large in terms of assets

Correlation results: The correlations obtained from data processing are presented below:

Table 2: Correlation results

		GENDER	BSIZE	FSIZE	LEVG
GENDER	Pearson Correlation	1.000	0.210	0.270	0.003
	Sig. (1-tailed)		0.000	0.000	0.482
	N	270	270	270	270
	Pearson Correlation	-0.358	-0.043	-0.061	0.042

**. Correlation is significant at the 0.01 level (1-tailed).

Source: Researchers' computation using SPSS version 17

Table 2 above presents the correlations of the entire variables using the partial method of correlation. From the table, there are low correlations among the variables under study. If correlations between variables are more than 0.80, they are highly correlated and there may be problem with the results (see Berenson and Levine, 1999). Some of the variables are negatively correlated while others are positively correlated.

Regressions of the estimated model summary: This section presents the result produced by the model summaries for further analysis:

Table 3: Model summary for ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson
					R Square Change	F Change	Sig. F Change		
1	.624[a]	.390	.378	.1890983	.390	33.711	.000		1.974

a. Predictors: (Constant), FSIZE, GENDER, LEVG BSIZE

b. Dependent Variable: RO A

Source: Researchers' computation using SPSS version 17

Table 3 presents the summary result between gender diversity and ROA. It shows that there is a strong relationship between board diversity and ROA (62.4%). It also shows that only 39.0 % of the variations in ROA are accounted by FSIZE, GENDER, LEVG and BSIZE while 61% is accounted by factors outside this study. It further shows an adjusted r^2 of 37.8% giving a difference of 1.2% suggesting that this result has a 1.2% deviation from that which makes use of the entire population. This shows a strong relationship between the variables under investigation.

Table 4: Model summary result for ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Durbin-Watson
					R Square Change	F Change	Sig. F Change	
1	.499[a]	.249	.234	.4590785	.249	17.465	.000	1.290

a. Predictors: (Constant), FSIZE, GENDER, BSIZE , LEVG

b. Dependent Variable: ROE

Source: Researchers' computation using SPSS version 17

Table 4 presents the model summary that shows the strength of the relationship between gender diversity and ROE. It also shows that, a weak association (49.9%) exist between these variables. The co-efficient of determination is 24.9% and shows that 24.9% of the variation in ROE is caused by board diversity while 75.1% is caused by factors outside this study. The adjusted r^2 is 23.4`% and shows that if a study of the entire population is carried out, this will deviate from it by 1.5%. This illustrates that, the ROE of the sampled companies in Nigeria is not very responsive to gender diversity. This is why other factors account for most of the variations in ROE.

Regression results: The main tool used for data analysis in this work is regression analysis which shows how one variable relates with another. The results of regression analysis are presented:

Table 5: Regression result for ROA

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.014	.108		.128	.898		
GENDER	.082	.150	.029	.548	.584	.804	1.244
BSIZE	.038	.098	.023	387	.699	.651	1.536
FSIZE	-.006	.018	-.019	-.310	.757	.620	1.612
LEVG	.492	.039	.623	12.565	.000	.940	1.064

a.Dependent variable: ROA

Source: Researchers' computation using SPSS version 17

Table 5 presents the regression result to determine the relationship between gender diversity and ROA. The result indicates an insignificant positive relationship between GENDER and ROA and this is consistent with the findings of Cabo, Gimeno & Nietoe (2009); Smith & Verner (2005); Erhardt, werbel & Hrader (2003); Johansen (2008); Kotiranta, Kovalainen & Rouvinen (2007); Pathan (2010); and Schnake, Williams & Fredenberger (2006) and in contrast with the studies of Adams & Ferreira (2009), Campbell & Minguez-Vera, (2008) and Fitri (2009) who found a negative relationship between gender diversity and firm performance. The implication of this is that, for the sampled firms, if gender is increased by one, performance will increase insignificantly by 2.9% . This result agrees with the study of Schwizer, Soana & Cucinelli, (2011) but is in contrast with the studies of Carter, D'Souza, Simkins and Simpson (2007); Marimuthu (2009); Marimuthu, Rahman & Kolandaisamy (2009); Miller & Triana (2009.) who found a positive relationship between ethnic diversity and performance.

Table 6: Regression result for ROE

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-.071	.262		-.270	.788		
GENDER	-.227	.363	-.037	-.625	.532	.804	1.244
BSIZE	-.687	.239	-.190	-.2879	.004	.651	1.536
FSIZE	.110	.045	.166	2.454	.015	.620	1.612
LEVG	.753	.095	.436	7.921	.000*	.940	1.064

* sig at 1% and ** sig at 5%
a.Dependent variable: ROE
Source: Researchers' computation using SPSS version 17

Table 6 presents regression result of gender diversity and its impact on ROE. The result reveals an insignificant negative relationship between GENDER diversity. The implication of this is that, an increase in the number of female directors on the board by one will insignificantly increase the performance of the sampled firms by 3.7%. For the control variables, an increase in the BSIZE by one director will significantly reduce the ROE by 19% while an increase in FSIZE will significantly increase ROE by 16.6% and an increase in total debt by one will significantly increase ROE by 43.6%. The result shows that GENDER diversity and BSIZE are negatively or inversely related to ROE while FSIZE and LEVERAGE are positively or proportionally related to ROE.

Conclusion

The study made use of two financial ratios (ROA and ROE) as proxies to represent firm's financial performance while gender was used as proxy for board diversity. The results demonstrated that a negative association exist between gender diversity and firm performance. This means that gender does not matter in board room of non-financial companies listed on the Nigerian Stock Exchange and the stated null hypothesis is accepted.

Recommendations

Based on the findings of the study highlighted above, it is recommended that Nigerian firms in seeking for a diverse board of directors that will improve performance should ignore the issue of gender and should concentrate on other qualities of the board members such as educational background, experience, values and perception and so on.

References

Adams, R. B. and Ferreira, D. (2009). Women in the Boardroom and their Impact on Governance and Performance. *Journal of Financial Economics,* 94, 291-309.

Ali, M., Metz, I. and Kulik, C. (2011). Workforce Gender Diversity: Is it a Source of Competitive Advantage? *A paper presented at the 21st ANZAM Conference, Sydney, Australia,* 1-12.

Berenson, I. and Levine, M. (1999). *Basic Business Statistics: Concepts and Applications.* New Delhi: Prentice Hall of India Pvt Ltd.

British Psychological Society (2012). Consultation on gender imbalance in corporate boards in the European Union. British Psychological Society's response to the European Commission.

Cabo, R. M., Gimeno, R. & Nieto, M. J. (2009). Gender Diversity on European Banks' Board of Directors: Traces of Discrimination. Retrieved on March 1, 2013 from http://www.alde.es/encuentros/anteriores/xiiieea/trabajos/pdf/094.pdf

Campbell, K. and Minguez-Vera, A. (2008). The Influence of Gender on Spanish Boards of Director: An Empirical Analysis. *WIE Working paper.* Retrieved on March 1, 2013 from http://www.ivie.es/downloads/docs/wpasec/wpasec-2007-08.pdf

Carter, D. A., D'Souza, F., Simkins, B. J. and Simpson, W. G. (2007). The Diversity of Corporate Board Committees and Financial Performance. Retrieved on March 1, 2013 from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1106698

Casper, R. (2007). Does Female Board representation Influence Firm Performance? The Danish Evidence. *Blackwell Publishing Ltd,* 15(2), 320-331.

Ding, D. and Charoenwong, C. (2004). Women on Board: is it Boon or Bane?, working paper presented at the 2004 FMA European Conference, Zürich, June.

Dobbin, F., Jung, J. and Kalev, A. (2011). Corporate Board Gender Diversity and Stock Performance: The Competence Gap or Institutional Investor Bias? Retrieved on March 1, 2013 fromhttp://www.wjh.harvard.edu.

Eklund,J.E., Pamberg. J., and Wiberg .D.(2009).Ownership structure, Board Composition and Investment Performance. Centre of Excellence for Science and Innovation Studies(CESIS),Electronic working paper series 172,1-28.

Erhardt, N. L., Werbel, J. D., and Shrader, C. B. (2003). Board Gender Diversity and Firm Performance. *Corporate Governance*, 11(2), 102-111.

Fama, E. F. And Jensen, M. C. (1983). Seperation of Ownership and Control. *Journal of law*

Farrel, A. K. and Hersch, P. L. (2005). Additions to Corporate Boards: The Effect of Gender. *Finance Department Faculty Publications.* Paper 18. Retrieved on 6th June 2014 from http://digitalcommons.unl.edu/financefacpub/18

Fitri, H. R. (2009). Women on Board and Firm Performance. A Master's Thesis Submitted to Hotma Rahma College of Business, Universiti Utara, Malaysia.

Frick, B. and Bermig, A. (2009). Board Size, Board Composition and Firm Performance: Empirical Evidence from Germany. *Working Paper September, 2009.* Retrieved on March 1, 2013 from http://staff.cbs.dk/kbechmann/Papers/Conference/Fernau.pdf.

Hagendorff, J. and Keasey, K. (2008). The Value of Board Diversity in Banking: Evidence from the market for Corporate Control. Retrieved on March 1, 2013 from http://www.efmaefm.org.pdf.

Hoogendororn, S., Oosterbeek, H. and Praag, M.V. (2011). The impact of Gender Diversity on the Performance of business Teams: Evidence from a Field Experiment. *Tinbergen Institute.* Armsterdam School of Economics, university of Amsterdam.

Johansen, E. R. (2008). Gender Diversity and Firm Performance- An Empirical Approach. *A Diploma Thesis in Finance, Swiss Bank Institute, University of Zurich.* Retrieved on March 1, 2013 from http://www.bf.uzh.ch/publikationen/pdf/publ_1912.pdf

Kajola, S. O. (2008). Corporate Governance and Firm Performance: The Case of Nigerian Listed Firms. *European Journal of*

Economics, Finance and Administrative Sciences, 14, 25-33.

Kochan, T., Bezrukova, K., Ely, R., Jackson. S., Johnson, A., and Jehn, K. (2003). The effect of Diversity in Business Performance: Report of the Diversity Research Network. Human Resource management 42 (1), 3-21.

Kotiranta, A., Kovalainen, A. and Rouvinen, P. (2007). Female leadership and Firm Profitability. *EVA Analysis,* 3. Retrieved on March 1, 2013 from http://www.europeanpwn.net/files/eva_analysis_english.pdf

Kulik, C. (2011). Women on Boards: Glass Ceiling or Glass Cliff? *Unisabusiness,* 1, 8-11. Retrieved on March 1, 2013 fromhttp://www.unisa.edu.au

Kumar, N. and Singh J. P. (2012). Outside Directors, Corporate Governance and Firm Performance: Empirical Evidence from India. *Asian Journal of Finance and Accounting*, 4(2). 10-25.

Letting, N., Aosa, E. and Machuki, V. (2012). Board Diversity and performance of Companies listed in Nairobi Stock Exchange. *International Journal of Humanities and Social Science,* 2(11), 110-124.

Man, C. S. and Kong T.T. (2011). Gender Diversity in board and Firm Performance: evidence from Hong Kong. A dissertation Submitted to Hong kong Baptist University Hong Kong

Marimuthu, M. (2009). Ethnic Diversity on Boards of Directors and its Implication on Firm Financial Performance. *The Journal of International Social Research,* 1(4), 1-9.

Marimuthu, M.,Rahman .E and Kolandaisamy, I. (2009). Ethnic and Gender Diversity in Boards of Directors and their Relevance to Financial Performance of Malaysian Companies. Journal of Sustainable Development, 2(3), 139-148.

Mentes, S. A. (2011). Gender diversity at the Board and Financial Performance: A Study on ISE (Istanbul Stock Exchange). *Middle Eastern Finance and Economics,* 14, 15-22.

Miller, T. and Triana, M. D. C. (2009). Demographic Diversity in the Boardroom: Mediators of the Board Diversity- Firm Performance Relationship. *Journal of management Studies,* 46(5), 755-786.

MiOgbulu, O. M. and Emeni, F. K. (2012). Corporate Governance and Bank Performance in Nigeria: A Correlation Analysis. *Economics and Finance Review,* 2(4), 35-44.

Pathan (2010). Does Board Structure in Banks Really affect their Performance? Retrieved on 21st October 2012 from www. http://www.europeanpwn.net/files.

Peni, E. and Vahamaa (2010). Female executives and earnings management, *managerial Finance*, 36(7), 629-645.

Ranasinghe, D. N. (2010). Composition and Configuration of the Board and Firm Performance. Retrieved on March 1, 2013 from http://www.dsmbusinessreview.com

Rhode, D. L. and Packel, A. K. (2010). Diversity on corporate Boards: How Much Difference Does Difference Make? *Working Paper Series No 89.* Rock Centre for Corporate Governance.

Ryan, M. K. and Haslam, S. A. (2005). The glass cliff: exploring the dynamics in the appointment of women to precarious leadership positions, *Academy of Management Review* 32 (2), 1-11.

Sanda, A. U., Garba, T. and Mikailu, A. S. (2008). Board Independence and Firm Financial Performance: Evidence from Nigeria. *A paper Submitted to the Centre for the Study of African Economics (CSAE).for presentation at the CSAE Conference 2008.*

Schnake, M. E., Williams, R. J. and Fredenberger (2006). Women on Board of Directors: effects of Firm Social Performance in the Basic material and Financial Services Sector. *Journal of Applied Business research,* 22(1), 1-11.

Schwizer, P. Soana, M. G., and Cucinelli, D. (2011). The relationship between Board Diversity and Firm Performance: The Italian Evidence. Retrieved on March 1, 2013 from http://www.adeimf.it/new/images/stories/Convegni/Novara/Soana Schwizer.

Shukeri, S. N., Shin, O. W. and Shaari, M. S. (2012). Does Board of Directors Characteristics Affect Firm Performance? Evidence from Malaysian Public Listed Companies. *International Business Research*, 5(9), 30-42.

Smith N., Smith V and Verner M.(2005). Do Women in Top management Affect Firm Performance? A panel Study of 2500 Danish Firms. Discussion paper Series. Retrieved on March 1, 2013 from http://ftp.iza.org/dp1708.pdf.

Storvik, A. And Teigen, M. (2010). Women on Board: The Norwegian Experience. *International Policy Analysis* 1, 1-18.

Uadiale, O. M. (2010). The Impact of Board Structure on Corporate Financial Performance in Nigeria. *International Journal of Business and Management,* 5(10), 100-115.

Verboom, S. and Ranzijn, M. (2004). Connecting Corporate Performance and Gender Diversity. Retrieved on March 1, 2013 from http://www.europeanpwn.net.

Wahlsten, J. and Wahlin (2010). Risk Taking and Performance, a question of Gender? Master Thesis, department of finance, Stockholm School of Economics.

Williams, S. M. (2012). Diversity in Corporate Governance and its Impact on Intellectual Capital performance in an emerging Economy. *Corporate Governace and Intellectual capital Archive,* 12-25.

Appendix I
The List of Companies and Industries Sampled NoIndustryCompany

1	Cement	Ashaka Cement Plc
2	Agriculture	Livestock Feeds plc
3	Breweries	Guniness Nigeria Plc.
4	Breweries	Nigerian Breweries Plc.
5	Chemical and Paints	Berger Paint Plc.
6	Conglomerate	Unilever Nigeria
7	Conglomerate	P Z industries Plc.
8	Conglomerate	UAC of Nigeria Plc.
9	Computer & Office Equipment	Thomas Wyatt Nig Plc
10	Food/Beverages & Tobacco	Flour Mills Nigeria Plc
11	Food/Beverages & Tobacco	Nestle Nigeria Plc
12	Food/Beverages	Dangote Sugar Refinery Plc.
13	Health care	GlaxoSmithKline Cons. Nigeria Plc
14	Health care	Neimeth International Pharm. Plc.
15	Indusrial/Domestic Products	BOC Gases Nigeria Plc.
16	Indusrial/Domestic Products	First Aluminium Nigeria Plc.
17	Petroleum	ConOil Nigeria Plc.
18	Petroleum	Mobil Oil Nigeria Plc.
19	Leasing	C & I Leasing Plc
20	Food/Beverages	Cardbury Nigerian Plc
21	Indusrial/Domestic Products	Cutix Plc
22	Pharmaceutical	May and Baker Nigerian Plc
23	Indusrial/Domestic Products	Nigerian Ropes
24	Chemical and Paints	Premier paints
25	Textile	United Nigerian Textiles plc
26	Indusrial/Domestic Products	Avon Crown Caps and Containers Nig plc
27	Indusrial/Domestic Products	Nampak Nigerian Plc
28	Indusrial/Domestic Products	Nigerian Enamelware Plc
29	Indusrial/Domestic Products	Chellarams Nigerian Plc
30	Textile	Afriprint Nigerian Plc

Role of Organisational Culture in the Choice of Budget System and its Effects on Organisational Performance in Public Universities Across Nigeria

Akinniyi, Kehinde Opeyemi
Dept of Accountancy, University of Maiduguri, Maidiguri, Nigeria
peeyemi@yahoo.com

Fagbemi, Temitope Olamide (Ph.D., ACA)
Department of Accounting, University of Ilorin, Ilorin, Nigeria.
olamidefag@yahoo.com
&
Ajibolade, S.O (Ph.D., FCA)
Department of Accounting, University of Lagos, Lagos, Nigeria
soajibolade@yahoo.com

pp 163-176

Abstract

The study aimed at ascertaining the role of organisational culture in choice of budget system as well as on organisational performance in federal universities across Nigeria. Ten universities were sampled from a population of twenty three eligible universities. A total sample of 272 heads of departments was sampled in the ten universities. Primary was extensively relied upon using validated instruments through a self administered questionnaire. Both descriptive and inferential statistical tools of analysis were used. Test of association provided evidence at level of $p< \alpha$ for H_1, H_2 and H_3. For the overall role of organisational culture on choice of budget system and organisational performance, MANOVA results ($F = 18.51$, $P< \alpha$; Wilk's $A= 0.302$) suggested that strong organisational culture promotes the adoption of modern budget system as well as secure enhanced organisational performance.

Keywords: organisational culture, budget system, organisational performance

Introduction

There has been a noticeable concern for the increasing competition for funding, between institutions of higher learning, and other branches of the public sector (Johnes & Taylor, 1987). Continuous explosions in higher education enrolment and persistent scarcity of public funding have increased assessments on the productivity and efficiency of public tertiary institutions (Salerno, 2003). This may be why institutions of higher learning, especially those funded by government are compelled to ensure efficient and effective utilisation of available resources in order to produce world-class graduates (Wang, Wang & Liu, 2003). Government owned universities particularly in developing economies like Nigeria are compelled to realize a balance between external pressures and internal integration in order to achieve their objectives.

The need to engage in budgeting activities by resource managers in universities has been observed to be borne out of a need to balance inadequate funding with accountability for available resources (Mahd'd et al., 2013). Studies on higher education management in Africa have shown that apart from poor funding, effective use and management of limited resources is compromised through poor accountability practices (Kariuki, 2008; Wayne, 2010). Consequently, budgeting which is deeply embedded in organisational culture (Scapens, 1999), and a component of management accounting control systems, promotes efficient use of available resources (Kaplan, 1991; Castro, 2010).The reality of scarce resources and unlimited demands reflects an economic phenomenon that has caught the attention of researchers and managers in all types of organisations. Federal Universities in Nigeria are also not alienated from the problem of achieving their missions and objectives in the face of dwindling resources. In the efforts of these universities to optimally utilise available resources, budgeting may offer critical opportunities. Evidence from literature has shown budgeting as the foundation of management control (Jackson, Swayers & Jenkins, 2009). Abundance of literature is available on the possible relationship between participation in the budget process and organisational performance (Hoque, 2005, Kren 2006, Yahya, Ahmad & Fatima, 2008, Silva & Jayamaha, 2012, Noor & Othman, 2012). Owing to conflicting outcomes of the relationship between participation in the budget process and performance, other studies have attempted to evaluate possible roles of endogenous and exogenous variables (Linnenluecke & Griffiths, 2010; Ajibolade & Akinniyi, 2013). Despite the importance of these studies to the field of management accounting, there appears to be paucity of empirical evidence to support why organisations adopt a particular budget system, and how the budget system adopted can predict level of performance.

Premised on the position of Shields and Shields (1998) that a combination of theories from social sciences will afford better understanding of the concept of budgeting and the agitations on the need to enrich researches in management accounting control systems like budgeting and the influence of organisational culture (Anderson & Lillis,). Therefore, his study looks at budgeting as an element of organisational life which can be manipulated in order to achieve competitive advantage. Organisational culture (OC) as a driver for competitive advantage (Reed and DeFillippi, 1990; Barney, 1991) has been observed to influence budgeting (Etemadi, Dilami, Bazaz & Parameswaran, 2009) as well as organisational performance.

From a sociological perspective, organisational culture is an important aspect of organisational life that has been observed to have a significant impact on work behaviours, practices and ultimately. efficiency of an organisation (Furnham & Gunter, 1993). However, Sejjaaka (2010), have noted, that despite the observed ability of OC to influence work behaviours and practices, there is paucity of empirical work, relating OC to accounting information systems including budgeting. Consequently this study adopts role theory from the field of sociology to proffer an explanation for the effect of choice of budget system on organisational performance, with reference to organisational culture.

Role theory in budgeting is observed as a micro-level theory which recognises that roles are temporarily stable and developed in a systematic and evolutionary manner which is capable of generating a predictable pattern of behaviour (Cox, Hager & Lowery, 1993). This theory was developed by Linton in 1936. “The basic idea of this theory is that social interactions (such as budgeting) are observed in terms of actors who play their assigned roles or functions in accordance with a script specified by culture” (Wiggins, Wiggins & Vander Zanden, 1994 : 202). This theory observes budgeting as a social process, while people like heads of department have responsibilities imposed upon them by virtue of the office they occupy. In the view of Blatner (2006), roles are learnt and culturally conditioned. Consequently, heads of responsibility centres are often saddled with the responsibility of providing budget estimates (Anthony & Govindarajan, 2001; Herman, 2005). This gives them the power to select a preferred system for allocating available resources (i.e. budget system) (Kinnersley & Magner, 2008, Langevin & Mendoza, 2010).

The remaining part of the paper is organized as follows: the next section reviews relevant literature associated with budget system, organisational cultural and organisational performance, as a bases for the conceptual framework of this study as well as research hypotheses. Research methodology is presented in section three. Section four presents analysis of data and discussion of results. Conclusion drawn from the study is presented in section five. The final section presents practical implications of the paper.

Conceptual framework and formulation of research hypotheses

Studies investigating the role of organisational culture into different aspects of management accounting control systems, have suggested that the relationship between control systems and levels of performance will vary under different cultural settings (Van der Stede, 2003; Ekanayake, 2004; MacArthur, 2006). Though many of these studies have focused on participation in the budget process as an element of control, Etemadi et al (2009) was of the opinion that organisational culture has a far reaching effect on the design and implementation of control systems.

Budgeting system as a type of formal management accounting control system in organisation (Carneys, 2012) is known to influence organisational performance. This study extends findings of previous studies to ascertain the connection between OC and choice of budget system, and its consequential effect on observed organisational performance. The conceptual framework for this study is presented in Figure 1 below.

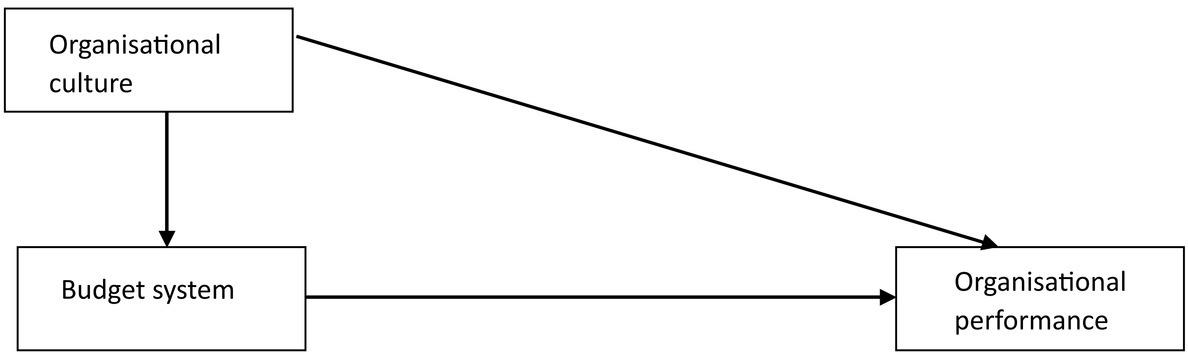


Figure 1:Conceptual framework showing relationships between organisational culture, budget system and organisational performance

Organisational culture

According to Schein (1993), organisational culture is a pattern of shared basic assumptions and values among members of a group. In terms of strength, organisational culture is either strong or weak (Shahzad, Luqman, Khan, & Shabbir, 2012). Strong organisational culture are characterised by team spirit which encourages group cohesion, less regulation and enforcement mechanisms, and more internal focus (Kaufman, 2002). According to Dileep (2006), a strong organisational culture exerts more influence on work related performance of employees. On the other hand weak organisational culture is characterised by formalization, competitiveness, external focus, monitoring, regulation and bureaucracy (Dubkevics & Barbars, 2010). On the bases of these values, strong organisational culture is characterised by clan and adhocracy organisational culture values, while weak organisational culture is characterised by hierarchical and market organisational culture values (Henri, 2006; Linnenluecke & Griffiths, 2010). In this study organisational culture is considered as either strong or weak.

Budget system

A budget system relates to how organisations define the distribution of available resources to meet organisational objectives. Budget system is described as a combination of information flows and procedures, which is part of long term planning and control systems of an organisation (Merchant, 1981, Hilton, 1999, Warren, Reeve & Duchac, 2008). Budget systems based on their nature can either be traditional or modern. Each of these classifications has distinct features, which makes them relevant under different circumstances when making decisions about bases for resource allocation.

Traditional budgeting System

Traditional budgeting systems exist in both private and public sector organizations since time immemorial (Johnson, 2005). These systems of budgeting are characterized by a focus on input and centralized control systems (Diamond, 2006). They also rely on historical information and involve a proportionate increase approach, to resource allocation (Marginson, Ogden & Frew, 2006).

Approaches to traditional budgeting system include; fixed/static budgeting, incremental budgeting, rolling and flexible budgeting (Porche, 2004; Harvard Manage Mentor, 2007). *Fixed budgeting* is concerned with allocating expenditures based on a one-time allocation of resources (Maher, Stickney & Weil, 2007; Dubrin, 2008). This system of budgeting is applicable and appropriate in financially stable environments (Ray, 2005). In a static budgeting system, a budget is rigid since it is not modified once the actual volume of sales or revenue (resource) is ascertained (Guilding, 2002). A static system of budgeting is most likely to be applied to discretionary costs, because they do not have observable relationship with volume or activity measures (Scarlett & Scarlett, 2007). Once a budget is prepared it is adopted throughout the year and does not recognize changes in activity level; rather it shows expected results of a responsibility centre for only one level of activity (Serge, 2010; Thibodeaux, 2011). The benefit derivable from this system of budgeting is that it is well suited for administrative departments (Warren, Reeve & Duchac, 2008).

Incremental budgeting system, unlike the fixed/static budgeting system, is a system whereby the budget is prepared by taking the current period's budget or actual performance as a base upon which increases are added for the new budget period (Drury, 2008; Irons, 2010). Under this system, the distribution of resources among organizational sub-units is fairly stable as attention is focused on allocating incremental resources without challenging historical budgets (Ezzamel, 1994). This system of budgeting has been recognized to be simple, appeals to common sense and forms the basis of some important base line decisions (Penner, 2003; Thompson, Wood & Crampton, 2008).

The rolling budget system is continuous in nature and more dynamic than incremental budgeting. It is amenable in nature and relatively responsive to changes in the organisational environment. It is prepared for a predetermined time horizon, and constantly modified when predetermined milestones are achieved. This system of budgeting is suitable in volatile business environments (Horváth & Sauter, 2004; Daum, 2005).

The flexible system of budgeting focuses on categorising costs according to how they respond to changes in activity level. It is recognised as a good tool for planning and controlling operations (Smith, 2002; Hansen, Mowen & Guan, 2009). With this traditional system of budgeting, adjustments are made to original budget estimates to accommodate new levels of activities (Wolper, 2005). Unlike rolling budgets, which are time bound, flexible budgets are prepared based on activity level (Zelman, McCue & Glick, 2009).

In spite of observed reasons for adopting traditional budgeting system, some limitations associated with its use include its inability to project future expenditure levels and a barrier to efficient resource allocation and utilisation (Dean, 1990, Libby & Lindsay, 2003). Similarly this system of budgeting is short term focused

(Diamond, 2006) and encourages bureaucracy (Cokins, 2008). These limitations have inspired the need for advanced and alternative budgeting system (Holtkamp, 2011).

Modern budgeting system

A modern budgeting system according to Bowsher (1990) focuses on differentiating operating costs from capital expenditure, sorting out priorities and fostering accountability. In the view of Diamond (2006), the transitional movement from traditional budgeting system to a modern budgeting system is necessitated by the need to move from a centralized input-oriented system to a performance-based system. This system of budgeting promotes political priorities, economical priorities and management productivity (Diamond, 2002; Jadranka & Marina, 2009). It is argued, that modern budgeting systems can only thrive in decentralized organizations (Martinez–Vazques & Boex, 2000). Significant modern budgeting systems include; Zero Base Budgeting (ZBB), Priority Based Budgeting (PBB), Activity- Based Budgeting (ABB), Performance Budgeting System (PBS)

Zero Base Budgeting (ZBB)

Zero Base Budgeting system is based on rationality and promotes flexibility (Wildavsky, Swedlow, & White, 2006). Apart from discouraging unproductive use of resources, it as a technique for planning and making decisions (Valdez, 2010). This system of budgeting operates by casting out all old assumptions and preparing a budget as if the functions had never existed (Plewa & Friedlob, 1995; Graham, 2010). This system of budgeting is widely adopted by not-for-profit organizations and governmental units (Ishikawa & Sudit, 1981; Hayes & Cron, 1988). It is also regarded as a better alternative to incremental budgeting (Irons, 2010).

Priority Based Budgeting (PBB)

Similar to ZBB, PBB re-evaluates all activities each time a budget is set (Atrill & McLaney, 1994). This system of budgeting allocates funds in line with strategy, such that if priorities change in line with the organization's strategic focus, budget allocations will change to reflect the change in priorities (Collier, 2003). Steine, Bekooij and Wiggers (2009) in line with this position also noted that it is a system, which associates priority with each task. This system of budgeting adopts a holistic approach to resource allocation, and is a natural alternative to incremental budgeting (Kavanagh, Johnson & Fabian, 2010).

Activity- Based Budgeting (ABB)

An ABB system involves identifying series of activities and building budgets for each activity (Hansen & Mowen, 2006). It is described as a system of budgeting that involves a quantitative expression of the activities or business processes of an organization, reflecting forecasts of workload and other financial requirements to achieve strategic goals or planned changes and to improve performance (Bengü, 2010).

This system of budgeting has encouraged many organisations to abandon traditional systems, because of the possibility of linking strategy to activities, forecasting revenue and effective management of capacity (Brimson & Antos, 1999). ABB allows managers and business owners to view the organization as whole rather than as individual departments, as well as fostering a customer-focused culture (Ryan, 2010).

Performance Budgeting System (PBS)

Performance budgeting (used synonymously with program budget system), has been described as a budget format that relates the input of resources and the output of services for each organisational unit individually (Robinson & Last, 2009). The fundamental objective of this system of budgeting is entrenched in enhancing the quality of public spending, though many researchers have not proposed evidence of its effects on allocation decisions (Zaltsman, 2009). Carter (1994) suggested that performance budgeting system uses statements of mission, goals and objectives to explain why money is being spent. This system of budgeting is not only restricted to resource allocation decisions, but also to the way budgets are executed (Robinson & Brumby, 2005).

Segal and Summers (2002) identified the basic components of a performance budgeting system to include the result, the strategy and the activity or output. According to Mercer (2007), PBS provides meaningful indications of how money spent, is expected to turn into result. The focus of this system is to establish the relationship between money budgeted and results expected (Aleksander & Janko, 2009). This system of budgeting has been observed to exist in the public sector of Nigeria (Omolehinwa, 1989).

The dimensions of budgeting systems observed from literature provide evidence that budgeting takes place in both private and public sector organisations. The benefits derivable and associated limitations of each system and its respective components have also been identified. It can be deduced that decision makers within organisations are at liberty to choose one system over the other. Based on the provisions of role theory, heads of departments in the discharge of their responsibilities have control over budget estimates, using methods they consider suitable. In addition, they are at liberty to select a system that will sustain performance results capable of generating the type of result they aspire to achieve.

Organisational performance

In public sector organizations, where rewards of decision makers are not associated with levels of profit, or output, it becomes imminent to evaluate performance from an organisational perspective. In this study performance will be studied using the balanced scorecard approach. The balanced scorecard (BSC) is a comprehensive framework that can identify a range of distinct performance dimensions and indicators useful for managing diverse organisational goals (Hendricks Menor & Wiedman, 2004; Chongruksut, 2009). This approach of performance management measures both financial and non-financial parameters from internal and external perspectives (Kaplan & Norton, 2007; Farid et al., 2008).

Hypotheses

H_1: Strong organisational culture is not positively associated with higher levels of organisational performance.

H_2: Strong organisational culture does not promotes the adoption of modern budgeting systems

H_3: Choice of budget system by heads of departments does not influence observed level of organisational performance.

H_4: Observed variation in level of organisational performance and choice of budget system are not significantly affected by organisational culture.

Methodology

This study adopted a survey research design. The design was considered suitable for a study of this nature since it relies on opinion expressed in order to measure the variables used in the study. Primary data was also extensively relied upon. This was obtained through self administered questionnaire. Respondents were neither held against their will nor were any form of enticement given to solicit their cooperation.

The population used in this study comprised of heads of departments and units in federal universities across Nigeria. The Universities selected were those that have operated for a minimum of four academic sessions. This study adopted a cross-sectional survey methodology. A multi-stage sampling technique was adopted in selecting fifteen out of thirty-six federal universities. Random sampling technique was further adopted to select five hundred heads of departments in both academic and non-academic departments from sampled federal universities. Data gathering instruments were administered through personal administration. A total of 272 useable responses were retrieved from the data gathering exercise from ten universities out of the fifteen universities sampled. A response rate of 54% was considered satisfactory, based on the recommendations of Henry (2006). The real names of the universities in this study have not been used for reason of keeping them anonymous. A summary of sample drawn from the Universities is presented in Table 1:

Table 1: Summary of sample size distribution

University Code	Number of respondents
1	28
2	30
3	21
4	15
5	35
6	15
7	45
8	22
9	36
10	25
Total	**272**

Variables of the study

Organisational culture (OC)

This variable is measured using the Institutional Performance Survey (IPS) instrument. It has been used to measure organisational culture of universities and colleges (Smart, 1988; Quinn, 1988; Zammuto & Krakower, 1991; Smart & Hamm, 1993; Fjortoft et al., 1994). The validity has been ascertained by previous researchers in the field of organisational culture (Zammuto & Krakower, 1991; Frew 1996). This instrument has also been adopted in accounting based researches (Bhimani, 2003; Henri, 2006). In this study, this instrument had cronbach alpha of .70.

This study adapted the work of Henri (2006), to measure organisational culture in terms of two values on two extreme continuums. Value for the flexibility and control continuums comprises of the following values:-

Flexibility value score = (Group-culture score + developmental-culture score)

Control value scores = (Hierarchical-culture score + Rational-culture score)

In this study, flexibility value scores are used to measure strong OC, while control value scores are used to measure weak OC. An organisation will be deemed to exhibit a dominant strong OC when observed strong OC values are greater than observed weak OC values. Similarly, observed OC will be deemed to be weak when observed weak OC values are greater than observed strong OC values. Binary values (0, 1) were used to depict weak and strong organisational culture respectively.

Budget system

Budget system of an organisation was measured using descriptions of eight commonly adopted budget systems. Budget systems were assigned numbers 1,2,3,4,5,6,7, and 8 to represent fixed, flexible, incremental, zero based, priority based, activity based, performance based and rolling budgeting systems respectively. The Cronbach alpha of this instrument was .75. The budget systems were further classified as either traditional or modern using binary numbers (0, 1) respectively.

Organisational performance

The balanced scorecard is used to measure this variable. The version of DeBusk et al. (2003) is adapted for this study. The instrument used in measuring this variable had a Cronbach alpha value of 0.94. The balanced scorecard has four perspectives namely student, education & teaching, course development & human resources, and finance. For interpretation, an index of mean score was adopted as follows; 1 to 2.9- poor performance; 3 to 4.9- good performance; greater than 4.9 - very good performance. For statistical analysis these levels of performance were ascribed 0, 1, and 2 to denote poor, good and very good levels of performance respectively.

A combination of descriptive and inferential statistical tools was used to analyse the data gathered. Descriptive statistics include measurement values of the variables under study. For inferential statistics, Kendall tau correlation test and Multivariate analysis were used. This is because of the non-parametric nature of the data used. Correlation was used to ascertain the level of association between variables. In a correlation analysis the closer the value of r is to 1, the stronger the association. The essence of a multivariate analysis is to ascertain the extent of variation among different groups in a population.

Data analysis and Discussion of results

Results of variables measurements are presented in Table 1. Subsequently, test of hypotheses was performed using Kendall non-parametric correlation test and multivariate analysis. The correlation test is used to ascertain extent of variation between dependent and independent variables of the study. The Multivariate analysis is considered suitable because of the presence of two dependent variables (organisational culture and budget system) measuring organisational performance derived from ten different universities.

Measurement values of variables

Table 2: Results of measurement of variables

University identification Code	Dominant organisational culture			Dominant budget system in practice	Balance scorecard measure of performance				
	Values of strong OC	Values of weak OC	Prevailing OC		Internal dimension		External dimension		Overall average score of performance
	A	B	A - B		Education and teaching	Course development and human resources	Students	Academic management	
1	42.72	57.28	Weak OC	Incremental	3.9889	4.7556	4.3889	3.4074	4
2	42.24	57.76	Weak OC	Incremental	3.9048	4.4762	4.3095	3.7619	4
3	50.79	49.21	Strong OC	Zero	4.6833	5.0333	4.6833	3.7000	5
4	32.83	67.16	Weak OC	Incremental	4.5000	4.9333	3.6000	3.4889	4
5	59.50	40.50	Strong OC	Zero	4.8393	5.9335	3.4333	3.9899	5
6	44.98	55.02	Weak OC	Incremental	3.7000	4.3143	4.2857	3.5048	4
7	48.06	51.74	Weak OC	Incremental	4.5714	4.8214	3.4107	4.8810	4
8	41.25	58.75	Weak OC	Rolling	4.1364	4.8182	4.6136	3.9545	4
9	45.71	54.29	Weak OC	Incremental	4.0556	3.7222	4.0000	3.4444	4
10	43.97	56.03	Weak OC	Fixed	2.8400	3.4800	3.9000	3.0267	3

Table 2 depicts raw measurement values for organisational culture, type of budget system and level of organisational performance. From the data scores it that be observed that universities that exhibited weak organisational culture adopted traditional budgeting system. With regards to observed level of performance, universities with strong OC had very good overall performance score.

On the bases of values, it is observed that universities with weak OC which are characterised by relatively high level of bureaucracy and low level of performance (Dubkevics & Barbars, 2009) appear to adopt traditional budget systems. However, universities with strong OC which are characterised by high clan values and market orientation have higher levels of performance and tend to adopt modern budget systems.

These values provide support for previous studies where it was found that modern budget systems are the choice of decentralised organisations (Martinez–Vazques & Boex, 2000), and these organisations have high level of performance (Diamond, 2002; Jadranka & Marina, 2009). Related studies have also shown that organisations with weak organisational culture often settle for traditional budget systems and lower levels of performance than organisations with strong organisational culture (Diamond, 2006; Shahzad *et al.,* 2012).

Test of hypotheses

The purported hypotheses for this study are tested in this section. Results of correlations depicting possible relationships are presented in Table 3:

Table 3: Summary of correlation values

Hypothesis	Dependent variable	Independent variable	r	sig.	Decision
H_1	Organisational performance	Organisational culture	0.843	0.010	Supported
H_2	Budget system	Organisational culture	1.000	0.000	Supported
H_3	Organisational performance	Budget system	0.836	0.003	Supported

Based on values derived from correlation analyses, it can be observed that a strong and significant relationship exists among the dependent and independent variables. At $\alpha \leq$ 0.05, proposed hypotheses were supported.

The fourth hypothesis, H_4 was tested using Multivariate analysis. Summary of inferential values are presented in Table 4:

Table 4: Statistics for Multivariate Analysis Test of Variance (MANOVA)

Variable relationship			Homogeneity of Variance test		Multivariate Analysis of Variance Test Statistics				Decision
			Leven's test		Wilk's λ				
Independent	Dependent		F	Sig.	value	F	df	sig	
OC	BS	OP	1.244	0.297	0.302	18.514	1	0.003	Supported

Test of homogeneity using Leven's test where p>α, shows that variance of each dependent variable varies significantly. Using statistics of MANOVA, at α=0.05, Wilks's λ indicates that (1- 0.302) X 100 = 69.8% of the variance of dependent variables are accounted for by the difference between groups on the bases of their organisational culture. Similarly test of between subjects was statistically different in budget system adopted and organisational performance based on observed OC, where F (1, 8) = 18.51, P< α; Wilk's A= 0.302. Thus results provide support for H_4 that strong organisational culture promotes the adoption of modern budget system as well as secure enhanced organisational performance.

Conclusion

Observing budgeting from a system perspective rather than from a behavioural perspective, the primary aim of this study is to provide empirical evidence about the role organisational culture plays in choice of budget system as well as on organisational performance among federal universities in Nigerian. Primary data was extensively relied upon in order to explain proposed relationships of the conceptual model developed to study. Multi-stage sampling technique was used to sample the opinion of 272 heads of departments representing budget holders from ten federal universities across Nigeria. Primary data was obtained through self administered survey questionnaire.

Statistical indices provided support for all the hypotheses tested. Findings collectively organisational culture plays a significant role in the choice of budget system as well as observed level of organisational performance. Practical implication of this finding is that organisations should give importance to the nature of their organisational culture since it plays a significant role in the nature of their control system in terms of choice of budget system as well as level of organisational performance.

References

Ajibolade, O.S. & Akinniyi, K.O. (2013). The influence of organisational culture and budgetary participation on propensity to create budgetary slack in public sector organisations. *British Journal of Arts and Social Sciences* 13(1), 69-83

Aleksander, A., & Janko, S. (2010). Performance budgeting: selected international experiences and some lessons for slovenia. *Journal of Economics*, 58(3), 271-291.

Anderson, S. W. & Lillis, A. M. (2011). Corporate frugality: Theory, measurement and practice. *Contemporary Accounting Research*, 28(4), 1349-1387.

Anderson, S. W. & Lillis, A. M. (2011). Corporate frugality: Theory, measurement and practice. *Contemporary Accounting Research*, 28(4), 1349-1387.

Anthony, R. N. & Govindarajan, V. (2001).

Management control systems. New York, McGraw-Hill.

Atrill, P., & McLaney, E. (1994), *Management accounting: An Active Learning Approach*. Oxford: Wiley Blackwell.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17,* 99- 120.

Bengü, H. (2010). The role of activity based budgeting on target costing practices, Suleyman Demirel University, *The Journal of Faculty of Economics and Administrative Sciences,* 15(1), 213-233.

Bhimani, A. (2003). A study of the emergence of management accounting system ethos and its influence on perceived system success. *Accounting, Organizations and Society,* 28(6), 523–548.

Blatner, A. (2006). Enacting the New Academy: Sociodrama as a powerful tool in higher education revision. *A Journal of Consciousness and Transformation*, 29 (3), 30-35

Bowsher, A.C. (1990). Cooking the books is a bad recipe to cool deficit. *Journal of Accountancy*, February, 23-25.

Brimson, A.J., & Antos, J. (1999). *Driving value using acting-based budgeting*, Wiley, retrieved from http://eu.wiley.com on 10/02/2011.

Cameron, K.S. & Quinn, R.E. (1999). *Diagnosing and changing organizational culture- based on the competing values framework.* Reading MA, Addison Wesley.

Carneys, J. (2012). Management control systems: A historical perspective. *International Journal of Economy, Management and Social Sciences*, 1(1), 1-18

Carter, K. (1994). The *performance budget revisited: A report on state budget reform.* Legislative finance, Paper No. 91, Denver, national conference of state legislative, 2-3.

Castro, B.R. (2010). *Bigger bucks from your budget*. Retrieved from http://www.bukisa.com on 16/08/2010.

Chongruksut, W. (2009). Organisational culture and the use of management accounting innovation in Thailand. *RU International Journal,* 3(1), 113-124.

Cokins, G. (2008). Repairing the budgeting process: the budgeting process often gets in the Way of successful strategy achievements. *Financial Executive (December)*: 45-48

Collier, M.P. (2003). *Accounting for managers: Interpreting accounting information for decision-making.* England: John Wiley and Sons.

Cox, J., Hager, G., & Lowery, D. (1993). Regime change in presidential and congressional budgeting: Role discontinuity or role evolution? *American Journal of Political Science*, 37(1),88-118.

Daum, H. J. (2005). *Beyond budgeting a model for flexible enterprise control - Beyond fixed annual budgets and ineffective traditional management concepts.* Retrieved from http://www.juergendaum.com/bb.htm, on 24/07/2011

Dean, N. P. (1990). *Government budgeting in developing countries*. Retrieved from www.books.google.com.ng on 25/01/2011.

DeBusk, K.G., Brown, M.R. & Killough, N.L. (2003). Components and relative weights in utilization of dashboard measurement systems like the balanced scorecard. *The British Accounting Review*, 35(3),215-231

Diamond, J. (2002). The strategy of budget system reform in emerging countries. *Public finance and Management* 2(3), 358 – 386.

Diamond, J. (2006). *Budget system reform in emerging economies: The challenges and the reform agenda*. Retrieved from www.books.google.com.ng on 20/01/2011.

Dileep, K.M. (2006).Strong and Weak Organisational Culture and Behavioural Implications. Retrieved from, *http://www.indianmba.com/Faculty_Column/FC262/fc262.html*,

Drury, C. (2008). *Management and cost accounting*, (7th Ed.). London: Cengage Learning.

Dubkevics , l. & Barbars,.A. (2010). The role of organizational culture in human resource management, *Human resources management & ergonomics*, 4(1), 1-10

Dubrin, J. A. (2008). *Essentials of management.* Retrieved from http://www.books.google.com.ng on 25/01/2011.

Ehtesham, M., Masood, T., Shakil, M., & Muhammad, A. (2011). Relationship between Organizational Culture and

Performance Management Practices: A Case of University in Pakistan. *Journal of Competitiveness*, 4,78-86

Ekanayake, S. (2004). Agency theory, national culture and management weak systems. *The Journal of the American Academy of Business Cambridge,* 4.

Etemadi, H., Dilami, D.Z., Bazaz, S.M., & Parameswaran, R. (2009). Culture, management accounting and managerial performance: Focus Iran. *Advances in Accounting,* 25(2), 216-225

Ezzamel, M. (1994). Organizational change and accounting: Understanding the budgeting system in its organizational context. *Organization Studies* (Spring), 115(2), 213-241

Farid, D., Nejati, M., & Mirfakhedini, H. (2008). Balanced scorecard application in universities and higher education institutes: Implementation guide in an Iranian context. *Annals of University of Bucharest, Economic and Administrative Series*, 2, 31-45.

Fjortoft, N., & Smart, J. C. (1994). Enhancing organisational effectiveness: the importance of culture type and mission agreement. *Higher Education*, 27, 429-447.

Frew, B. (1996). *The assessment of organisational culture at the Sydney institute of technology. Some preliminary findings*. Retrieved from http://www.aare.edu.au on 14/08/2011

Furnham, A. & Gunter, B. (1993). *Corporate assessment: Auditing a company's personality.* London: Routledge.

Furnham, A. & Gunter, B. (1993). *Corporate assessment: Auditing a company's personality.* London: Routledge.

Graham, C. (2010). *The better budget approach: zero based, or result–based*. Retrieved from http://augustafreepress.com on 10/02/2011.

Guilding, C. (2002). *Financial management for hospitality decision makers*. Retrieved from www.books.google.con.ng on 25/01/2011.

Hansen, D. R., & Mowen, M. M. (2006). *Cost management: Accounting & control* (5th ed.). Southbank: Thompson.

Hansen, D. R., Mowen, M. M. & Guan, L. (2009). *Cost management: Accounting and control*, (6th ed.). South-Western: Cengage Learning

Hayes, B. R,. & Corn, R. W. (1988). Changes in task uncertainty induced by zero based budgeting: Using the Thompson and Hirst Models to predict dysfunctional behaviour, *ABACUS* 24(2), 145-161.

Hendricks, K., Menor, L., & Wiedman, C. (2004). *Adoption of the balanced scorecard: A Contingency variable analysis*. Retrieved from http://accounting.uwaterloo.ca/seminars/old_papers/hendricksmenorwiedman.pdf on 15/10/2008.

Henri, J. F. (2006). Organizational culture and performance measurement systems. *Accounting Organization and Society*, 30, 77-103

Herman, R. (2005). *The Jossey-Bass handbook of non-profit leadership and management.* San Francisco, CA: Jossey-Bass.

Hilton, W. R., (1999). *Managerial accounting*, (4th ed.). Boston: Irwin McGrawn-Hill.

Holtkamp, R. (2011). *Should we go beyond budgeting? a research into optimizing the budgetary process*. Retrieved from oaithesis.eur.nl/ir/repub/asset/9331/M887-Holtkamp_290976.docx, on 12/08/2011.

Hoque, Z. (2005). *Handbook of cost and management accounting* (1st. ed.). London: Spiramus Press Ltd.

Horváth, P., & Sauter, R., (2004). *Why budgeting fails: One management system is not enough. management synergies*. Retrieved from http://www.bscol.se/_wcm/documents/Why%20Budgeting%20Fails.pdf, on 23/07/2011

Irons, A. (2010). *Comparing budgeting techniques*. Retrieved from http://www.accagobalstudnets.com on 16/02/2011.

Ishikawa , A. & Sudit, F.E., (1981). Selective sequential zero-base budgeting procedures: Based on total factor productivity indicators. *Management Sciences,* 27(5), 534 – 548.

Jackson, S., Swayers, R. & Jenkins, G. (2009). *Managerial accounting: A focus on ethical decision making*. Mason, OH: South-Western

Jadranka, D., & Marina, D. (2009). The Importance of public expenditure management in modern budget systems. *Economics and Organization,* 6(3), 281 –

294.

Johnes, J., & Taylor, J. (1987). Degree quality: An investigation into differences between UK, universities. *Higher Education* 16, 581-602.

Johnson, B. (1995). *Resource dependence theory: A political economy model of organizations*. Retrieved from http://search.ebscohost.com.ezproxy.library.unlv.edu, on 12/08/2011

Kandula, S. R. (2006). *Performance Management*. New Delhi: Prentice Hall of India private limited.

Kaplan S. R., & Norton, P. D. (2007). Using the balanced scorecard as a strategic management system. *Harvard Business Review*, (July- August), 1-15

Kaplan, R.S. (1991). New systems for measurement and control. *Engineering Economist*, 36(3), 201-218

Kariuki, N. (2008). *The challenges of financing research in institutions of higher education in Africa*. Retrieved from http//gc.aau.org/papers/ngotho_wakriuki_full20.pdf

Kaufman, R. (2002). Prometheon *Builds* a *Company Culture* That *Serves*, *Sizzles* and *Succeeds*.New York: Houghton Mifflin

Kavanagh, C.S., Johnson, J. & Fabian, C. (2010). *Anatomy of a priority – based budget process*. *Government finance*. Review (April). Retrieved from http://www.gfoaconsulting.org/downloads/GFR-April10-PriorityBasedBudgeting.pdf, on 20/01/2011.

Kinnersley, L.R. & Magner, R.N. (2008). Fair governmental budgetary procedures: insight from past research and implications for the future. *Journal of Public Budgeting, Accounting and Financial Management,* 20, 355-374

Kren, L.C. (2006). *The role of accounting information in organisational control. the state of the art*. Retrieved from http://pantherfile.uw,.edu on 06/08/2011.

Langevin, P., & Mendoza, C. (2010). *How can organizational justice moderate the unethical behaviors induced by budgeting systems*? A Presentation at European Accounting Association 33rd Annual Congress.

Libby, T. & Lindsay, R. M. (2010). Beyond budgeting or budgeting reconsidered? A survey of North American budgeting practice. *Management Accounting Research*, 21, 56-75.

Linnenluecke, M. K., & Griffiths, A. (2010). Corporate sustainability and organizational culture. *Journal of World Business, 45* (4), 357-366.

MacArthur, J. B. (2006). Cultural influences on German versus U.S. management accounting practices. *Management Accounting Quarterly* ,10, (Winter, 7,(2)).

Mah'd, O., Alkhadash, H., Ramadan, A. & Idrees, M. (2013) The Impact of Budgetary Participation on Managerial Performance: Evidence from Jordanian University Executives, *Journal of Applied Finance & Banking*, 3(3), 133-156.

Maher, W. M., Stickney, P. C. & Weil, L. R. (2007). *Managerial accounting: An introduction to concepts methods and uses.* Retrieved from www.books.google.com.ng on 25/01/2011.

Marginson, D., Ogden, S., & Frew, N. (2006). *Research report on budgeting and innovation: complements or contradictions*. Retrieved from http://www1.cimaglobal.com/Documents/Thought_leadership_docs/MigratedDocsMarch2010/Resouces%20(pdfs)/Research%20full%20reports/Budgeting%20and%20innovation%20complements%20or%20contradictions.pdf, on 21/06/2011

Martinez-Vazquez, J. & Boex, J. (2000). *Budgeting and fiscal management in transitional countries.* Retrieved from http://yang.case.edu on 12/01/2011

Mercer, J. (2007). *Performance Budgeting*. Retrieved from http://www.john-mercer.com/pbb.htm. on 6/5/2011

Merchant, A. K. (1981). The design of the corporate budgeting system: influence on managerial behaviour and performance. *The Accounting Review*, 56 (4), 813 – 829.

Ng'ang'a, J.M. & Nyongesa, J.W. (2012). The Impact of Organisational Culture on Performance of Educational Institutions, *International Journal of Business and Social Science , 3(8)*:211-217

Noor, M.I. & Othman, R. (2012). Budget participation: How it affects performance and commitment. *Accountancy Business and the Public Interest:* 53-73.

Omolehinwa, E. (1989). PPBS in Nigeria: Its Origin, progress and problems. *Public Administration and Development*, 9, 395-404.

Penner, J. S., (2003). *Introduction to health care economics and financial management*. Retrieved from www.books.google.com.ng on 25/01/2011.

Plewa, J.F. & Friedlob, T. G. (1995). *Understanding cash flow (finance fundamentals for non-financial managers).* Toronto: John Wiley & Sons Inc.

Porche, J. D. (2004). *Public and community health nursing practice*: (Leadership and administration). Retrieved from www.books.google.com.ng on 24/01/2011.

Quinn, R. E. (1988). *Beyond rational management*, San-Francisco, Jossey-Bass.

Ray, R. (2005). *Management Strategies in athletic training*. Retrieved from www.books.google.com.ng on 25/01/2011.

Reed, R. and DeFillippi, R. J. (1990). Causal ambiguity, barriers to imitation, and sustainable competitive advantage. *Academy of Management Review, 15,* 88-102.

Robinson, M. & Last, D. (2009). *A basic model of performance-based budgeting, international monetary fund publication.* Retrieved from http://www.eastafritac.org on 13/02/2011.

Robinson, M., & Brumby, J. (2005). *Does performance budgeting work? an analytical review of the empirical literature.* IMF Working Paper 05/210. Retrieved from *http://*www.imf.org on 02/02/2011.

Ryan, L. (2010). Why *should businesses use activity based budgeting*. Retrieved from *http://www. associatedcontent.com* on 10/02/2011.

Salerno, C. (2003). *What we know about that efficiency of higher education institutions: The best evidence*. Retrieved from http://doc.utwente.nl/47097/1/bhw-99-bgo99.pdf, on 18/10/2011

Scapens, R. W. (1999). *Broadening the scope of management accounting: From a micro economic to a broader business perspective*. Working paper, university of Manchester and Groningen.

Scarlett, R. & Scarlett, B. (2007). *CIMA learning system management accounting performance evaluation*. Retrieved from www.books.google.com.ng on 25/01/2011.

Schein, E. H. (1993). How Can Organizations Learn Faster? The Challenge of Entering the Green Room. *Sloan Management Review*, 34, 85-92.

Segal, G., & Summers, A. (2002). *Citizen's budget reports: improving performance and accountability in government, reason public policy institute, Policy Study 292*. Retrieved from http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/8771.pdf

Sejjaaka, S. (2010). Work values and inductance of accounting information in an emerging market. *Makerere Business Journal*, 10 (1), 54-75

Serge, M. (2010). *What are the differences between static budgeting and flexible budgeting?* Retrieved from *http://*www.415-2.com on 25/01/2011.

Shahzad, F., Luqman, R. A., Khan, A. R., & Shabbir, L. (2012). Impact of Organizational Culture on Organizational Performance: An Overview. *International Journal of Contemporary Research in Business*, 3(9), 975-985.

Shields, J. F. & Shields, M. D. (1998). Antecedents of participative budgeting. *Accounting Organisation and Society*, 23(1), 49-76

Smart, C. J. & Hamm, E.R. (1993). Organizational culture and effectiveness in two-year colleges. *Research in Higher Education*, 34(1), 95-106

Smart, J. C. (Ed.) (1988) .*Higher education: Handbook of theory and research*, Volume IV New York: Agathon Press.

Steine, M., Bekooij, M., & Wiggers, M., (2009). *A priority-based budget scheduler with conservative dataflow model.* Retrieved from http://ieeexplore.ieee.org on 10/02/2011.

Thibodeaux, M. W. (2011). *The advantages of a static budget*. Retrieved from *http://*www.ehow.com on 25/01/2011.

Thompson, C. O. Wood, C. R., & Crampton, E. F. (2008). *Money and schools.* Retrieved from http://www.books.google.com.ng on

25/01/2011.

Tsamenyi, M., & Mills, J. (2003). Perceived environmental uncertainty, organisational culture, budget participation and managerial performance in Ghana. *Journal of Transnational Management Development,* 8(1 & 2), 17-17.

Valdez, A. M. K. (2010). *Zero based budgeting*. Retrieved from http://www.dbm.gov.ph on 12/02/2011

Van der Stede, A.W. (2003). The effect of national culture on management weak and incentive system design in multi-business firms: evidence of intra-corporate isomorphism. *European Accounting Review* 12(2), 263-285

Wang, H.Q., Wang, Q., & Liu, C.N. (2003). *Building world-class universities in China: Shanghai Jiao Tong university*. The road to academic excellence. Retrieved from http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/547670-1317659123740/Chapter2.pdf on 20/8/2011

Warren, S. C; Reeve, M. J., & Duchac, J. (2008). *Managerial Accounting*. Retrieved from http://www.books.google.com.ng on 19/01/2011.

Wayne, T.K. (2010). *Determinants of commercial innovation for university technology transfer*. Retrieved from http://www.aabri.com on 18/09/2011.

Weare, C., Elliot , M., Sithole, M. & Musso, J. (2007). *Implementing participating budgeting: the case of neighbourhood councils in Los Angeles.* A paper presented at the annual meeting of the Midwest political science association, Palmer House Hotel, Chicago. Retrieved from http://www.academic.com on 5/5/2011.

Wiggins, A. J., Wiggins, B.B. & Vander Zanden, J. (1994). *Social psychology*, (5th. ed). McGraw-Hill, NewYork

Wildavsky, A., Swedlow, B., & White, J. (2006). *Budgeting and governing*, Transaction. Publishers. Retrieved from http://books.google.com.ng on 07/12/2014.

Wolper, L.F. (2005). *Physician practice management. Essential operational and financial knowledge.* Sudbury, MA: Jones and Bartlett.

Yahya, M. N., Ahmad, N.N.N., & Fatima, H. A. (2008). Budgeting participation and performance: some Malaysian evidence. *International Journal of Public Sector Management*, 21(6), 658-673

Zaltsman, A. (2009). The effects of performance information on public resource allocations: a study of Chile's performance-based budgeting system. *International Public Management Journal*, 12(4), 450-483.

Zammuto, R. F., & Krakower, J. Y. (1991). Quantitative and qualitative studies of organisational culture. *Research in Organisational Change and Development*, 5, 83-114.

Zelman, W. N., McCue, M. J. & Glick, N. D. (2009). *Financial management of health care organizations: an introduction to fundamental tools, concepts and applications*, (3rd ed.). San Francisco: Jossey-Bass.

Effectiveness of Audit Committee Practices and the Value of Listed Deposit Money Banks in Nigeria

Dauda, Ibrahim Adagye M.Sc, CNA, CFIP
Email-daudaib22@gmail.com
Department of Accountancy
Nasarawa State Polytechnic, Lafia.
Nasarawa State, Nigeria.

pp 177-186

Abstract

This study examines the effectiveness of Audit Committee and as well explores the relationship between audit committee effectiveness and the value of deposit money banks in Nigeria. The followings were identified as audit committee characteristics (Internal control, the integrity of financial reporting, commitment of audit committee members and meeting) and were used in identifying the effectiveness of audit committee. Eight questions-survey questionnaires related to the four identified characteristics were administered to 55 respondents spread amongst the five sampled banks. The questionnaire enables the study to seek the perceptions of the respondents on the effectiveness of audit committee in deposit money banks in Nigeria. The Chi-square statistical tool was used to test the two study's hypotheses. The study finds that the characteristics of Audit Committee practices relates to the effectiveness of Audit committees' of the deposits money banks in Nigeria, hence portraying the committee's effectiveness in performing its functions, the effectiveness of audit committee does not necessarily improve or otherwise on the value of the deposits money banks and results also indicate that activities as relate meeting of the audit committees' of deposit money banks are not clearly stated in the annual accounts of the banks. It therefore recommends that detail issues of meetings of audit committees be clearly stated and or included in the annual reports of the banks.

Keywords: Corporate governance, audit committee, deposit money banks

Introduction

In response to worldwide corporate scandals, there was a significant increased regulatory demand for accountability in the world business environment. This, according to Sengur, (2007) has in the last decade, brought organizations' risk management and internal control systems into the public policy debates on corporate governance. Originated in the 19^{th} century, corporate governance came up in response to the separation of ownership and control, following the formation of common stock companies (Berle & Means, 1932) as cited in Tankiso (2008). The separation between ownership and control resulted in the agency relationship which refers to the situation where shareholders own the firm while managers control it.

Managers mostly do not always pursue the best interests of the company, but rather their own interests. This situation leads to the agency problem, which forms the theoretical framework for current corporate governance practices. The existence of the agency problem results from the owner's inability to run the company on a day-to-day basis. Managers are hired to manage the affairs of company owners, with the instruction of pursuing the owners' objective (Tankiso, 2008). Deviation from these objectives and instructions results in the agency problem.

Good corporate governance is used as a measure for solving the agency problem, where the board of directors is regarded as the focal point of the governance system and therefore is accountable to shareholders and responsible for the performance and the affairs of the company (IOD 2002). The practice of corporate governance is a combination of a number of mechanisms, amongst which is the audit committee. Audit committee effectiveness has been a focus of international corporate governance reform for many years. Kalbers and Fogarty (1998) asserted that the genesis of audit committees as a part of corporate governance structure is rooted in the reactions to the abuse of power by corporate management which led to financial scandals, financial reporting defalcations, and unjustifiable manipulation of accounting policies.

Audit committee is a key factor of efficient corporate control systems. Companies around the world have been required by their various corporate regulations to have audit committee which primarily is to ensure the integrity of financial reporting and the audit process by ensuring that the external auditor is independent, objective and does a thorough job. An effective audit committee practice is for good corporate governance. It ensures that the statement of affairs presented by the agent is accurate or rather that the report can be trusted and also to ensure that the performance reported is aligned with the goals of the principal. A lot of research has been carried out in the field of corporate governance looking at different ways an organisation is governed and managed to ensure that the interest of all stakeholders, most especially shareholders are been protected, however, the purpose of this paper is to examine the effectiveness of audit committee practices and its effect on the value of listed deposit money banks in Nigeria.

Literature and Conceptual Framework

Corporate governance

Although the focus of the paper is Audit Committee, there is need for the understanding of the concept of corporate governance. The vast amount of literature available on the subject matter ensures that there exist innumerable definitions of corporate governance. This paper however, has identified the following authors' perception of the meaning and concept of corporate governance.

Mayer (1997) looked at corporate governance as ways of bringing the interests of investors and managers into line and ensuring that firms are run for the benefit of investors. Deakin and Hughes (1997) viewed corporate governance as the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability. It has also been defined by Keasey, Thomas & Wright (1997) to include the structures, processes, cultures and systems that engender the successful operation of organizations. Robins & Coutler (2005) noted that the system used in corporate governance is to ensure that the interests of the corporate owners are protected. Kyereboah-Coleman (2007), opined that corporate governance is represented by the structures and processes lay down by a corporate entity to minimize the extent of agency problems as a result of separation between ownership and control.

Badejo-Okusanya (2011) however defines corporate governance in the context of public sector as an embodiment of processes and systems by which corporate entities are controlled and held to account, including the relationship amongst the many stakeholders involved in each corporation and the goals for which they were established. It must also be indicated that different systems of corporate governance will embody what are considered to be legitimate lines of accountability by defining the nature of the relationship between the company and key corporate constituencies.

In summary, the central idea in all these definitions is the position of the shareholder and the overriding objective of maximization of shareholders wealth. What is important is how to manage the organization to achieve shareholders objective of profit maximization. Thus, the key aspects of good corporate governance include transparency of corporate structures and operations; the accountability of managers and the boards to shareholders; and corporate responsibility towards stakeholders.

Audit committee

This is the committee of company's board of directors vested with important responsibilities to on behalf of the company shareholders, to oversee the financial reporting process, the integrity of companies' financial statement, the company's compliance with legal requirements, the external auditor's qualification, independence and performance and the internal audit function.

Audit committee has been understood by various authors as it relates to what they perceived of the committee. Birkett (1986), Cadbury Committee (1992) and Collier (1992) defines audit committee as a sub-committee of the main board comprised mostly of non-executive or independent directors with responsibility for oversight of auditing activities. Elaborately defined, Rezaee (2009) looked at audit committee as a committee composed of independent, non-executive directors charged with oversight functions of ensuring responsible corporate governance, a reliable financial reporting process, an effective internal control structure, a credible audit function, an informed whistleblower complaint process and an appropriate code of business ethics with the purpose of creating long-term shareholder value while protecting the interests of other stakeholders.

Although the later is elaborate, a common feature existed in all these definitions. They all described the status, composition and anticipated roles of the committee. Firstly, the committee is described as a sub-committee of the board who considers and takes decisions in the best interests of the shareholders. It then implies that the Audit Committee derives its existence, power, structure and terms of reference from the BOD acting on behalf of the shareholders. This according to Adelopo (2010) is partly comparable to the idea of delegated authority in politics and governance, except that BOD do not have to debate and vote on the decisions of the Audit Committees as is the case in the parliaments in politics and governance with respect to delegated authorities.

Secondly, definitions of the Audit Committee also focus on its composition. All the definitions mentioned above described the Audit Committee as a committee comprising of mainly independent non-executive directors. It is imperative that the membership of the committee is independent in order to be able to defend the interests of the shareholders and look at issues in a pragmatic and unbiased way. Lastly, the committee has been defined in terms of its anticipated roles and responsibilities which have changed significantly over time.

In Nigeria, the CBN code of corporate governance for banks post consolidation 2006, provide for the establishment of an audit committee which shall compose of at least two (2) non executive directors and one (1) ordinary shareholders appointed at AGM to review the integrity of the bank's financial reporting and oversees the independence and objectivity of the external auditors.

Deposit Money Banks

These are otherwise known as commercial banks, central in financing economic activity in any economy, most especially the developing countries like Nigeria. The Deposit money banks have played significant role through their crucial functions of financial intermediation, provision of an efficient payments system and facilitating the implementation of monetary policies. Governments the world over have evolved an efficient banking system, not only for the promotion of efficient intermediation, but also for the protection of depositors, encouragement of efficient, competition, maintenance of public confidence in the system stability of the system and protection against systemic risk and collapse.

For the industry to be efficient, it must be regulated and supervised in view of the failure of the market system to recognize social rationality and the tendency for market participants to take undue risks which could impair the stability and solvency of their institutions.

Theoretical Framework

The agency theory is used in this paper as such that underpins effective audit committee's function. It states that the separation of corporate management and ownership results in an agency problem: the management (agents) may not always act in the interests of the shareholders (principals) (Fama and Jensen, 1983). In order to solve the agency problem, boards of directors through it oversight role involves appointing the CEO, approving business strategy, monitoring control systems, liaising with external auditors, etc. Given its diverse responsibilities, the board of directors typically delegates its oversight activities to different committees. One of these committees is the audit committee vested mainly with the responsibility to oversee financial reporting.

In line with the agency theory, effectiveness of audit committee is associated with the monitoring and control need of that firm. For instance, the work of Klein (2002) finds that audit committee independence is negatively associated with growth opportunities. While we believe that independence of audit could be tight to its effectiveness, Klein (2002) interprets that investors in high growth firms rely less on financial statements, and therefore demand less monitoring functions from audit committee their by derailing its effectiveness. Similarly Beasley and Salterio (2001) find that voluntary increases in the number of outside audit committee members are positively associated with board size and the separation of the CEO and board chair roles. This also relates to how effective the audit committee will function. To buttress this, Matthew (2011) in determining the impact of more outsiders on the effectiveness of audit committee, has found that the more the number of outside directors, the better effective is the audit committee.

Methodology

This study examines the effectiveness of audit committee practices and its effects on the value of deposit money banks in Nigeria. Two hypotheses were formulated in null form and tested. Related studies have adopted varying methods of data analysis; Muhamad-Sori, Abdul-Hamid, Mohd-Saad, and Evans (2007) used the Mann Whitney test together with postal questionnaires in carrying out their survey research; Phuangthip and Phaproke (2010) applied the ordinary least square regression analysis (OLS) while carrying out their research. However, this study applies a simple percentage analysis tools to analyse responses from an eight questions survey questionnaire with a response options of Strongly Agreed, Agreed, Undecided, Disagreed, and Strongly Disagreed distributed to 50 respondents spread amongst the five sampled banks. The Chi Square statistical tool was used to test the study's hypotheses; this was adopted from the work of Austine, Edosa & Henry (2013) who examines Audit Committee Report in Corporate Financial Statements: Users' perception in Nigeria.

The sample procedure was judgmental, based on the following: that they are listed in the Nigeria stock exchange as 31st December 2013; that they have a minimum shareholder's fund of two hundred billion naira (N200bil) and that they have their 2013 annual accounts published on or before June 30, 2014. The following banks meets up the conditions: Zenith bank Plc, First bank Nig. Plc, United Bank For Africa Plc, Guarantee Trust Bank Plc and Access Bank Nigeria Ltd. (NDIC Annual Report, 2013). They are therefore considered as the sampled banks. However, for the purpose of data, each bank was conveniently administered ten (10) questionnaires to staff at the managerial level and as well one (1) to each of the sampled bank's auditor. This gives a total of 55 respondents.

The study Hypotheses

$Ho_{1:}$ The Characteristics of Audit Committee practices does not relate to the effectiveness of Audit committee.

$Ho_{2:}$ Effective Audit Committee practices does not significantly relate to the value of deposit money banks in Nigeria.

Results Analysis

The fifty five questionnaires distributed to the fifty five respondents were all returned completed and the analysis using a simple percentage is shown below.

Table 1: Audit Committee regularly reviews the integrity of financial statements, accounting policy change, disclosure and compliance with accounting standards.

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	4	7.27	7.27	7.27
Agreed	18	32.73	32.73	40.00
Undecided	28	50.91	50.91	90.91
Disagreed	4	7.27	7.27	98.18
Strongly Disagreed	1	1.82	1.82	100.00
Total	55	100.00	100.00	

Source: Field Survey, 2014.

Analysis from the table above indicates that 50.91% of the respondents are not sure if the audit committees regularly review the integrity of financial statements, accounting policy change, disclosure and compliance with accounting standards. Although 7.72% strongly agreed and 32.73% agreed with the assertion, it is not enough to convince the study to accept it. Were as 7.24% and 1.82% respectively disagreed and strongly disagreed.

Table 2: Audit Committee regularly reviews auditor's report and financial highlights of your bank

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	6	10.91	10.91	10.91
Agreed	20	36.36	36.36	47.27
Undecided	26	47.27	47.27	94.54
Disagreed	2	3.64	3.64	98.12
Strongly Disagreed	1	1.82	1.82	100.00
Total	55	100.00	100.00	
Total	55	100.00	100.00	

Source: Field Survey, 2014.

Analysis from the table above has shown no significant difference with the result from table 1 which did not fully support the fact that Audit Committee regularly reviews auditor's report and financial highlights of the bank. Confirming from the fact that strongly agreed (10.91%) and agreed (36.36%) are combined to give a total response of 47.27% which is equal to the 47.27% responses for undecided. 3.64% and 1.82% respectively disagreed and strongly disagreed with the assertion. From the above, we can therefore deduce that it is not certain that Audit Committee regularly reviews auditor's report and financial highlights of the bank.

Table 3: Audit Committee monitors the effectiveness of internal control function in your banks

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	20	36.36	36.36	36.36
Agreed	26	47.27	47.27	83.63
Undecided	3	5.46	5.46	89.09
Disagreed	4	7.27	7.27	96.36
Strongly Disagreed	2	3.64	3.64	100.00
Total	55	100.00	100.00	

Source: Field Survey, 2014.

From table 3 above, analysis has shown that the combination of strongly agreed (36.36%) and agreed(47.27) has given an 83.63% overwhelming support to the fact that Audit Committee monitors the effectiveness of internal control function in the banks. the percentage response for undecided is 5.46% while disagreed and strongly disagreed is 7. 27% and 3.64% respectively.

Table 4: Management of your bank usually responds to the internal auditor's findings and recommendations when observed by the audit committee?

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	22	40.00	40.00	40.00
Agreed	28	50.90	50.90	90.90
Undecided	1	1.82	1.82	92.72
Disagreed	2	3.64	3.64	96.36
Strongly Disagreed	2	3.64	3.64	100.00
Total	55	100.00	100.00	

Source: Field Survey, 2014.

Analysis of responses from Table 4 above, agreed that Management of the bank usually respond to the internal auditor's findings and recommendations when observed by the audit committee as shown. Strongly agreed (40.00%) and agreed (50.90%) while the percentage response for undecided is 1.82%, disagreed and strongly disagreed is 3.64% and 3.64% respectively.

Table 5: Audit Committee members in your banks have shown willingness to be effective in their responsibilities.

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	10	18.18	18.18	18.18
Agreed	12	21.82	21.82	40.00
Undecided	18	32.73	32.73	72.73
Disagreed	10	18.18	18.18	90.91
Strongly Disagreed	5	9.09	9.09	100.00
Total	55	100.00	100.00	

Source: Field Survey, 2014.

From table 5 above, analysis has shown that 18.18% strongly agreed and 21.82 agreed to give a combination of 40.00% of the respondents supporting the fact that Audit Committee members in the bank have shown willingness to be effective in their responsibilities. However, 32.73% are undecided, 18.18% disagreed while 9.09% strongly disagreed.

Table 6: Audit Committee members are devoted to affairs of the Committee.

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	10	18.18	18.18	18.18
Agreed	15	27.27	27.27	45.45
Undecided	18	32.72	32.73	78.18
Disagreed	12	21.82	21.82	100.00
Strongly Disagreed	0	0.00	0.00	
Total	55	100.00	100.00	

Source: Field Survey, 2014.

Analysis from the table above has shown a similar response to that of table 5 where about 45.45% respondent has strongly agreed (18.18%) and or agreed (27.27%) to the fact that Audit Committee members are devoted to affairs of the Committee in the bank. While 32.73% are undecided and 21.82% disagreed. However, it shall be deduced that there are indications that the audit committee members devote to the affairs of the committee in the bank.

Table 7: Audit Committee in your bank holds meetings as at when due.

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	5	9.09	9.09	9.09
Agreed	15	27.27	27.27	36.36
Undecided	26	47.27	47.27	83.63
Disagreed	8	14.55	14.55	98.18
Strongly Disagreed	1	1.82	1.82	100.00
Total	55	100.00	100.00	

Source: Field Survey, 2014.

Table 7 shows that majority of the respondents 26(47.27%) have no idea whether audit committee meets as at when due or not, a total of 20(36.36%) covering strongly agreed 5(9.09%) and agreed 15(27.27%) believed the fact that audit committee meets as at when due. 8(14.55%) and 1(1.82%), disagreed and strongly disagreed respectively. This implies that audit committee meetings may not be regular.

Table 8: Audit committee members express their views freely and independently during meetings

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agreed	8	14.55	14.55	14.55
Agreed	12	21.82	21.82	36.37
Undecided	25	45.45	45.45	81.82
Disagreed	8	14.55	14.55	96.37
Strongly Disagreed	2	3.63	3.63	100.00
Total	55	100.00	100.00	

Source: Field Survey, 2014.

While 8(14.55%) strongly agreed that audit committee members express their views freely and independently during meeting, 12(21.82%) agreed, 8(14.55%) disagreed and 2(3.63%) strongly disagreed. However it is deduced that audit committee members are not freely allowed to express their view during meetings, hence 25(45.45%) of the respondents are undecided on whether the audit committee members freely express their views during meetings.

Test of Hypotheses

This section relates to the testing of hypotheses earlier stated. For the sake of understanding, the hypotheses will be restated before presenting the result analyses. The decision rule is to reject the null hypothesis and accept the alternative if the X^2 calculated is greater than the critical value of X^2 at 5% significant level with degree of freedom of 4

$Ho_{1:}$ the characteristics of audit committee practices does not relate to the effectiveness of audit committee.

Table 9: Testing hypothesis 1

Responses	Q4.1.1	Q4.1.2	Total observations	Expected Observation	(o-e)	$(o-e)^2$
Strongly Agreed	4	6	10	22	-12	144
Agreed	18	20	38	22	16	256
Undecided	28	26	54	22	32	1024
Disagreed	4	2	6	22	-16	256
Strongly Disagreed	1	1	2	22	-20	400
Total			110	110		2080
X^2 Cal =? $(o-e)^2$/? e						18.909
X^2 0.95,4						9.488

From the above analysis, the null hypothesis is rejected and the alternate accepted since the X^2 calculated value 18.909 is greater than the critical value of 9.488 at 95% confidence interval. This therefore means that the effectiveness of audit committee is confined on the existence of its major characteristics

Ho_2: Effective audit committee cractices does not significantly relate to the value of deposit money banks in Nigeria.

Table 9: Testing hypothesis 2

Responses	Q4.1.5	4.1.6	Total observations	Expected Observation	(o-e)	$(o-e)^2$
Strongly Agreed	10	10	20	22	-2	4
Agreed	12	15	27	22	5	25
Undecided	18	18	36	22	14	196
Disagreed	10	12	22	22	0	0
Strongly Disagreed	5	0	5	22	-17	289
Total			110	110		514
X^2 Cal =? $(o-e)^2$/? e						4.672
X^2 0.95,4						9.488

From the above analysis, the null hypothesis is accepted since the X^2 calculated value of 4.672 is lower than the critical table value of 9.488 at 95% confidence interval. This therefore means that, effective audit committee practice does not significantly relate to the growth of the value of deposits money banks in Nigeria.

Discussion of Findings

Having presented the statistical analysis, sorting to examine the effectiveness of Audit committee as well as its effect on the value of deposit money banks, the following findings were discovered:

i. The Characteristics of Audit Committee practices relates to the effectiveness of Audit committees' of the deposits money banks in Nigeria, hence portraying the committee's effectiveness in performing its functions.

ii. That the effectiveness of audit committee does not relates to the value of deposit money banks in Nigeria, it therefore does not necessarily improve or otherwise on the value of the deposits money banks.

iii. Meeting of audit committee has been rated as one of those basic characteristics of audit committee (Ojulari, 2012). Results indicate that activities as relate meeting of the audit committees' of deposit money banks are not clear.

Although result has shown that effectiveness of audit committee has no significant relationship with the value of the deposit money banks in Nigeria, Ojulari (2012) proved that the characteristics of audit committee influences the performance of firms, Ibrahim and Saidin (2009) found that audit committees' effectiveness do impact on the quality of unaudited financial reports, this study have also proved that the audit committees' effectiveness is positively related to firms performances and Brown and Caylor (2007) on the general note have identified that corporate governance can lead to better performance clearly indicating a link between the two. This disagreement could result from the fact that this study specifically concerns the deposits money banks, whose value mostly is dependants on the quality of services rendered to customers (Ojunwa, 2013).

Conclusion/Recommendations

The paper however concludes that audit committees' of deposits money banks are effective in their functions and responsibilities and that the effectiveness of the committees' will not impact positively and or negatively on the value change of the banks in Nigeria. The study haven also noted that activities as relate meeting of the audit committees' of deposit money banks are not clear, concludes that meetings are not held by the committee as expected. The paper therefore recommends that detail issues of meetings of audit committees be clearly stated and or included in the annual reports of the banks.

References

Adelopo, I., (2010). The impact of corporate governance on auditor independence: A study of audit committees in UK listed companies (Ph.D thesis). De Montfort University.

Austine, O. E., Edosa, J., A & Henry, S., A. (2013). Audit committee report in corporate financial statements: users' perception in Nigeria. *European Journal of Accounting Auditing and Finance Research*, 1(*1*), 16-28.

Badejo-Okusanya O. (2011), Corporate Governance in the Public Sector: Challenges and Prospects, A paper presented at the *35th Conference of the Institute of Chartered Secretaries and Administrators (ICSAN)*, Ikeja Sheraton Hotels and Towers, October 26th-27th, 2011.

Beasley, M. S., & Salterio, S. E., (2001). The Relationship between board characteristics and voluntary improvements in Audit Committee Composition and Experienced. *Contemporary Accounting Research,* (*18*), 539–570.

Birkett, B. S., (1986). The recent history of corporate audit committees. *The Accounting Historians Journal,* 13 (*2*), 109-124.

Brown, L., & Caylor, M., (2006). Corporate governance and firm valuation. *Journal of Accounting and Public Policy,* (*25*), 409 - 434.

Cadbury Committee (1992). Report of the committee on the financial aspects of Corporate Governance, Gee Publishing Ltd: London.

Collier, P. (1992). —Audit Committees in Large UK Companies, London: ICAEW.

Deakin, S., & Hughes, A (1997). Comparative Corporate Governance: An Interdisciplinary Agenda, in *Enterprise and Community: New Directions in Corporate Governance*, Deakin, S. and Hughes, A. (Eds.), Blackwell Publishers, Oxford, UK.

Fama, E. F., & Jensen, M., (1983). Agency Problems and Residual Claims, *Journal of Law and Economics*, (*26*), 327–349.

Institute of Directors. (2002). *King II Report on corporate governance*, Institute of Directors in Southern Africa. Johannesburg.

Kalbers, L., & Fogarty, T., (1998). Organizational and Economic Explanations of Audit Committee Oversight, *Journal of Managerial Issues,* 10(*2*), 129-50.

Keasey, K., Thompson, S., & Wright, M. (1997). Corporate governance, *economic, Management and Financial Issues.* Oxford University Press.

Klein, A., (2002). Audit Committee, Board of Director Characteristics, and Earning Management. *Journal of Accounting and Economics,* 33(*3*), 375-400.

Kyereboah-coleman, A., (2007). Corporate governance and firm performance in Africa: a dynamic panel data analysis. A Paper Prepared for the International Conference on Corporate Governance in Emerging Markets Organized by the Global Corporate Governance Forum (GCGF) and Asian Institute of Corporate Governance (AICG) 15th -17th November, Sabanci University, Istanbul, Turkey.

Meyer, J. P., (2007). The rise and fall of WorldCom: The world's largest accounting fraud. Retrieved from: www.cte.rockhurst.edu/s/945/images/editor.... (14th May 2013)

Muhamad-Sori, Z., Abdul-Hamid, A. I., Mohd-Saad, S. S., & Evans, J. E. (2007). Audit committee authority and effectiveness: The perceptions of Malaysian senior managers. *International Research Journal of Finance and Economics,* (*8*), 41-56

Ojulari, O. (2012). Corporate governance: the Relationship between Audit Committee and firm values. Management departmental series, Kwara State University, Malete, Nigeria. Working paper (1)

Phuangthip, A., & Phapruke, U. (2010). Audit committee effectiveness and firm credibility: An empirical investigation of Thai-listed firms. *International Journal of Business Research,* 10 (*2*)

Robbins, S. P. & Courtler, M. (2005). Management, 8th ed. Upper Saddle River: NJ: Printice Hall.

Saren, G. (2007). The role of internal auditing in corporate governance: Qualitative and quantitative insights on the influence of Organisational characteristics. (Ph.D Dissertation). Ghent University, Belgium.

Sengur, E. D. (2011) Do corporate governance index companies outperform others ? : evidence from turkey. *International Journal of Business and Social Science 2(14), 254-260.*

Tankiso, S. M. M. (2008), Assessment of corporate governance reporting in annual reports of South Africa listed companies (Master's thesis). The University of South Africa.

Fair Value Versus Historical Cost Accounting: An Assessment of Financial Accounting Standards Board and International Accounting Standards Board

Mr. Fanen Anande-Kur.
Department of Accounting,
Benue State University, Makurdi
gberwuadi@yahoo.com

pp 187-191

Abstract

The choice between fair value and historical cost accounting has been a source of contention among accounting academics and regulators. However, the market based evidence on this subject is very limited. Since the 2008 global financial crisis, the fair value measurement has acquired a controversial position both within the accounting regulatory committees and the accounting theory. Qualitative methodology was adopted in reviewing extant literature on the issues under consideration. The difference between historical cost accounting and fair value accounting was analysed, the most suitable situations to apply them and their effects on US GAAP and IFRS was critically examined. The study observed that there cannot be one assertion that a particular measurement base (historical cost or fair value) is preferable over the other. But the question that needs to be resolve is which measurement base is most suitable for a particular situation be it portfolio assets, pension assets, investments in insurance company, real estate's measurements, investment in subsidiaries, inventory measurements, assets, liabilities and fixed assets among others. The paper also observed that despite its conceptual merits, fair value is unlikely to become the primary valuation method for illiquid non-financial assets on a voluntary basis. The paper contributes to the policy debate by documenting the market solution to one of the central questions in the accounting literature.

Introduction

Issues as to the most appropriate technique in which to record assets and liabilities in the balance sheet and how to reflect changes in these measurements in periodic income statements have been integral to financial reporting since the development of financial statements in the nineteenth century and the emergence of the income statement in the twentieth century Hermann et al (2005). In the United Kingdom (UK), rules introduced in 1981 companies act where different bases of valuation of different classes of assets which allow all assets with the exception of goodwill to be valued at the market value (fair value). The joint working group (JWG) of all major standard setting bodies (Financial Accounting Standards Board (FASB), Accounting Standard Board (ASB), Australian Accounting Standard Board (AASB) and International Accounting Standard Board (IASB)) produced a draft standard which unequivocally recommended the use of market valuation in respect of financial instruments with changes in value reflected in the income statement Benston and Hartgraves (2002).

Fair value has been mandated for some assets and liabilities under FASB and IASB Penman (2006). In the United States of America (US), it was common practice to value assets by writing them up or down to reflect current value Fabricant (1938 in Choy 2005). However, after the Securities and Exchange Commission (SEC) was established in 1934, it discouraged this practice by issuing a letter of deficiency requesting registrants to provide additional information about asset revaluations. Since the request often led to costly delays in the registration process, most firms therefore reported their assets at historical cost. Due to this, historical cost became the default financial reporting metric in the US.

In the 1960s and 1970s, the supporters of current cost shifted to measurement from recognition and disclosure. They suggested different current cost measures for fixed assets Edward and Bell (1961). Supporters of current cost measures (for example Spouce and Moonitz (1962) and Sterling (1970) were in support of the use of market prices in valuations owing to the verifiability and objectivity of market prices. However, this measure does not exist for all assets or liabilities thus the use of fair value became favoured by supporters of a more useful metric because it use of market information as input Choi (2005).

This study will critically analyze the difference between historical cost accounting and fair value accounting, attempt to determine the most suitable situation to apply fair value accounting and historical cost accounting. The study will further look at the effects of fair value accounting on accounting standards by FASB and IASB.

Differences between Fair Value and Historical Cost Accounting

FASB published concept statement No1 states that the main function of a published financial statement is to provide relevant and useful information for decision making. Concepts statement No2 adds the concept of relevance and reliability as the two cornerstones of financial reporting. Krumweide (2008) is of the view that historical cost accounting produces reliable and verifiable information. However, Choy (2005) argues that historical cost is neither relevant in terms timeliness nor not reliable in terms of verifiability. Proponents of Fair Value accounting however believe that it provides more timely and relevant information despite its increased use of estimates and judgment. However Dietrach et al (2000) argues that the reliability of property, plant and equipment valuations increases when fair values are obtained from external appraisers and are audited by one of the large accounting firms. Krumweide (2008) is of the view that a more traditional view as contained in SFAC 1 is that the primary focus of financial reporting is information about earnings and its components. He contends that the view of Statement of Financial Accounting Standards (SFAC) 1 is consistent with the view that the traditional income statement approach (which uses historical cost accounting) should be emphasized. He moves further to argue that fair value measurements often not grounded in market observations, can result in information that is potentially unreliable and not easily verifiable. Krumweide (2008) also points out that even well intentioned management estimates of fair value will be wrong to the extent various predictions and assumptions are wrong. Secondly, opportunistic and dishonest management can take advantage of the judgments and estimates used in the process to manipulate numbers to result in desired earnings numbers a view supported by Dietrich (2000). With a discounted cash flow model, estimates of cash flow can be managed to overstate or understate values based on the desires of management. Lastly, the use of level 1 and level 2 fair value inputs results in numbers that are hard to verify.

According to Penman (2006) fair value accounting conveys information about equity value and managements stewardship by stating all assets and liabilities on the balance sheet as their value to shareholders. With all the assets and liabilities recorded at fair value. The book value of equity reports the value of equity. The income statement reports the economic income because it changes its value over a period. Volatility in earnings is informational for the valuation of risk. Income reports the Managements stewardship in adding value to shareholders. Under the historical cost accounting, the income statement is the primary means of providing information about the value to shareholders and not the balance sheet. Fair value accounting reports a book value that is sufficient to value a firm but earnings that are useless for the purpose. Historical cost accounting on the other hand, produces a balance sheet that does not report value but earnings that are sufficient to value a firm as demonstrated empirically by Penman (2006).Reis et al (2007) believe that a financial report using historical cost valuation measure does not always reveal a firms inventory level. They argue that the financial statements lack information. In a setting where firms study their competitors' financial statements, the firms are less capable of anticipating each others behaviour which leads to less manufacture of fewer inventories and thus become less profitable. When firms on the other hand use fair value, their financial statements completely reveal their inventory level. Here, the accounting report enables firms anticipate each others behaviour therefore, they believe that firms manufacture more inventories, earn higher expected profits and generate larger social welfare when they use fair value than when they use historical costs. Reis et al (2007) also contend that reports prepared using fair value are more useful for valuing the firm than those prepared using historical cost. Fair value has been criticized for its lack of objectivity in estimating future cash flows (for example Hendricksen and Van Breda 1992). Enria et al (2004) suggests that fair value reporting will likely increase the volatility of income. It is believed that volatility provides relevant information and should be recognized in statements. However, profound reliance on fair values inclusive of assets not actively traded on secondary markets run the risk that the information disclosed will contain artificial volatility, driven by short term fluctuations in the financial markets. For assets held to maturity, the volatility reflected in the financial markets can be misleading. Enria et al (2004) also believes that fair value may lead to better insight into the risk profile of a financial institution. Also in the light to move many relevant off-balance-sheet items into the balance sheet, financial stability could be benefited if shareholders, debt holders and uninsured depositors are in a position to readily identify a deterioration in the safety and soundness of the firm. According to Walker (1992) fair value supporters claim that fair value reflects the underlying economic condition of a firm and can provide investors insight into prevailing market values and has a predictive advantage over historical cost.

Most Suitable Situation for the Application of Fair Value and Historical Cost Accounting

According to Penman (2006) Fair value accounting is most suitable when the value to shareholder is determined solely by exposure to market prices such that the shareholder value is one-to-one with market prices. In this case value is added strictly from fluctuations in market prices. Examples of such cases include firstly, Investments in a trading portfolio and derivative instruments on such securities. Secondly, pension assets where the firm has no influence on the performance of the fund and shareholder value is added or reduced by changes in market value of the fund. Thirdly, fair value is also suitable for investments in an insurance company. Then real estates held for speculation with no intention of developing or utilizing them. Lastly, options that give the counter party the call rights. In terms of Historical cost accounting, Penman (2006) suggests that it is most suitable when the firm arbitrages market price or adds value to the shareholders by buying inputs at market prices and selling outputs at market prices. Examples include firstly, investments in a subsidiary where the firm has influence. Secondly inventory the firm adds value through a process. Thirdly, assets and liabilities whose price changes as interest rate changes like commercial loans, mortgages held by originating banks and core deposits. Next, receivable allowances and warranty liabilities. Lastly, performance obligations. Botoson et al (2005) believes that reporting assets and liabilities at fair value is appropriate where markets for assets and liabilities are sufficiently deep that supportable valuations are available. Secondly where markets are deep and transactions cost are low (for example markets for some type of government securities) then it is open to firms holding such securities to convert the current value to historical cost. Thirdly, fair values obtained from actively traded markets are more reliable associated with share prices than those derived from thinly traded markets or internal estimated models. Reis et al (2007) believes that firms using fair value accounting participate in an imperfectly competitive market where they do not behave as price takers.

Effects on the Development of Present and Future Accounting Standards

The use of fair value as a measurement attribute in accounting is increasing. Both the DASB and the IASB boards consider fair value as a possible measurement attribute in almost every standard setting project such as business combinations, revenue recognition, insurance contracts, financial instruments, liabilities, equity and conceptual framework in which the FASB and the IASB will consider weather the framework should specify a single measurement attribute and if so weather that attribute should be fair value. In the light of this the JWG developed a proposal to use fair value measurements for all financial instruments Enria et al (2004).

Conclusion

From the evidence presented by the essay, there can not be one assertion that a particular measurement base (historical cost or fair value) is preferable over the other. But the question that needs to be asked is which measurement base is most suitable for a particular situation be it portfolio assets, pension assets, investments in insurance company, real estates measurements, investment in subsidiaries, inventory measurements, assets, liabilities and noncurrent assets among others.

References

Benston, G., and Hartgraves, H. (2002) 'Enron What Happened and What Can We Learn from it', *Journal of Accounting and Public Policy,* 21, p105-127

Botoson, C., Ashbaugh, H., Beatty, A., Davis-Friday, P., Hopkins, P., Nelson, K., Ramesh, K., Uhl, R.., Venkatachalan, M., and Vrana, G. (2005) 'Response to the FASB's Exposure Draft on Fair Value Measurements', *accounting Horizons,* 19 (3), p187-196

Choy, A.K. (2006) 'Fair Value as a Relevant Metric: A Theoretical Investigation' *Working Paper Series,* [Online], Available at http:// ssrn.com/abstract=878119 [Assessed: 23 December, 2008]

Deitrich, J.R., Harris, M.S. and Muller, K.A. (2000) 'The reliability of Investment Property Fair Value Estimates', *Journal of Accounting and Economics,* 30 (2): p125-158

Edwards, E.O., and Bell, P.W. (1961). *Theory and Measurement of Business Income.* Berkeley, University of California Press

Enria, A., Cappiello, L., Deirick, F., Grittini, S., Haralambous, A., Maddaloni, A., Molitor, P.A.M., Pires, F., Poloni, P. (2004) 'Fair Value Accounting and Financial Stability' *ECB Occasional Paper No. 13*

Hendicksen, E., and Van Breda, M. (1992), *Accounting Theory,* 5th Edition, Burr ridge, Il: Irwin

Hermann, D., Saudagaran, M.S., and Thomas, W.B (2005) 'The Quality of Fair Value Measures for Property, Plant and Equipment' *Working Paper Series,* Available at http:// ssrn.com /abstract =312150 [Assessed: 23 December, 2008]

Fabricant, S. (1936) 'Revaluation of Fixed Assets, 1925-1934', *National Bureau of Economic Research,* Bulletin 62

Krumweide, T. (2008) 'Why Historical Cost Makes Sense', *Strategic Finance, Vol. 90, Issue 2, p 33-39,6p; (AN33443311)*

Penman, S. (2006) 'Financial Reporting Quality: is Fair Value a Plus or Minus' Paper

Presented at the Information for Better Markets Conference Institute of Chattered Accountants in England and Wales, [Online], Available at http://www.studynet2.herts.ac.uk/crs/08/MBSP01710908.nsf/Teaching+Documents/7B948CE7E9C63BFF802574F8002FA1AD?OpenDocument [Assessed: 23 December, 2008]

Reis, R.A., and Stocken, P. (2007) 'Strategic Consequences of Historical and Fair Value Measurements', *Contemporary Accounting Research*, [Online], Available at http://ssrn.com/abstract=975445 [Assesed: 23 December, 2008]

Sprouse, R..T., and Moonitze, M. (1962) *A Tentative Set of Broad Accounting Principles For Business Enterprise.* AICPA Accounting Research Study No. 3

Sterling, R.R. (1970). *Theory of the Measurement of Enterprise Income.* University Press of Kansas

Walker, R.G. (1992) 'Sec's Ban on Upward Asset Revaluations and the Disclosure of Current Values', *Abacus,* 28 (1):pp3-35

Bank Recapitalization and the Asset Quality of Commercial Banks in Nigeria

Edirin Jeroh[1], (ACA) and Prof. Emma I. Okoye[2],
[1]Department of Accounting and Finance,
Delta State University, Abraka, Nigeria.
e-mail: jeroh4laff@yahoo.com Phone No: +2348028336086
[2]Department of Accountancy,
Nnamdi Azikiwe University, Awka, Nigeria

pp 192-198

Abstract

This study examined bank recapitalization as it affects the asset quality of commercial banks in Nigeria. In order to achieve this, secondary data were obtained from the statistical bulletin of the Central Bank of Nigeria (CBN) as well as the annual accounts of the Nigerian Deposit Insurance Corporation (NDIC) for a period of 13 years spanning from 2000 – 2012. The Ordinary Least Square (OLS) technique was employed to analyze the data obtained for the study. From the analysis of the data, we found that the recapitalization of banks had significantly impacted on the asset quality of banks in Nigeria. We also found that bank recapitalization had significant positive impact on the capital to asset ratio of banks in Nigeria. On the basis of the above findings, we recommend that regulatory bodies must put in place a mechanism that would not only monitor compliance and implementation of the provisions of the recapitalization policy, but also enforce sanctions on banks that fail to comply with policies designed to position the banking sector in a state that would guarantee the confidence and trust that the public is expected to have on the industry.

Keywords: Recapitalization, commercial banks, Nigeria, non-performing loans, capital base.

Introduction

In terms of institutional and ownership structure, depth of operations, efficiency of the intermediation function in addition to the adoption of modern technologies aimed at serving customers better as well as boosting the public confidence on the industry, one may argue that the banking sector in Nigeria has undergone remarkable changes over the years. These changes according to Oladele, Abosede and Akeke (2012), calls for a considerable interest in the measurement of the efficiency of the evolving institutions. This is because creditors and investors, as noted by Oladele, Abosede and Akeke (2012), use such efficiency to judge past performance and current positions of banks.

It is on record however, that prior to the introduction of the recapitalization policy in 2004, the Nigerian banking sector was saddled with problems of undercapitalization/weak capital base, mis-management, poor corporate governance, gross insider abuse, over dependence on public sector deposits, sharp practices and insolvency (CBN, 2004, Umar, 2009; Donwa and Odia, 2011). A clear evidence of this assertion is revealed in the views of Gunu and Olabisi (2011) who pointed that the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) had reported that as at 1997, a total of 115 banks were in operation; of this number, Gunu and Olabisi (2011) further pointed that about 47 banks, were already having signs of distress, as the average ratio of non-performing loans stood at about 82%.

It must be noted however that the problems of under-capitalization, mismanagement and poor corporate governance have continued to be sources of instability and contagion in successive banking crises in Nigeria over decades. Banks were found to be unable to meet up with credit requirements of certain customers thereby making it difficult for credit to be made available to private investors who probably were not 'connected persons' (Adegbaju and Olokoyo, (2008). This situation made not fewer than 36 banks in the country to close shops between 1994 and 2003, due to issues revolving around insolvency, with the year 1998 having a historic record of 26 banks collapsing (Gunu, 2009).

It is in her effort to prevent the frequent failures and crises in the banking sector that the CBN on July 6, 2004 announced a major reform programme that would transform the banking landscape of Nigeria (Aregbeyen and Olufemi, 2011).

However, the main thrust of the new reform programme was the prescription of a minimum capital base of N25 billion for all commercial banks in Nigeria. Banks were therefore expected to increase their capital base through fresh injection of fund where applicable. The CBN also encouraged banks to embark on mergers and acquisition as an option to meeting up with the new minimum requirement of banks. The option of mergers/acquisition according to Aregbeyen and Olufemi (2011) would enable banks to take the advantage of economies of scale thereby reducing the cost of doing business and enhancing competitiveness internationally and locally. Like any new CBN policy, Recapitalization and Merger and Acquisition was undoubtedly a bitter pill for many banks to swallow, as heated debates both within and outside the financial circle began to emerge over the appropriateness of the policy in relation to Nigerian banks and the current state of the banking industry.

The question that now comes to mind borders around whether the recapitalization of the banking sector had brought about any material improvement in the asset quality of commercial banks generally in Nigeria. It is on this ground that this study is designed to investigate the extent to which the recapitalization carried out in the Nigerian banking sector had affected the asset quality of banks in the country.

In view of the above, the following research questions and hypotheses have been developed to guide this study

Hypotheses of the Study

In view of the research questions above, the following hypotheses were formulated and tested:

H_{O1}: The recapitalization of banks does not have positive significant impact on the asset quality of banks in Nigeria.

Literature Review and Conceptual Framework

It is on record however that prior to the introduction of the recapitalization policy in 2004, the Nigerian banking sector was saddled with problems of undercapitalization/weak capital base, mis-management, poor corporate governance, gross insider abuse, over dependence on public sector deposits, sharp practices and insolvency (Umar, 2009; Donwa and Odia, 2011). After the recapitalization of banks in 2005, the expectation was that issues of weak capital base and incessant liquidity problems associated with failed banks in the past would totally be eroded from the banking industry in Nigeria.

Notwithstanding, by the year 2009, stress tests were conducted by the CBN to ascertain the state of the 24 banks that existed in the country. A revelation from the test was that huge amounts of money was said to have been held in toxic loans, thereby affecting the quality of assets of the said banks (Sanusi, 2010). Accordingly, Sanusi (2010) is of the view that among the factors that gave rise to the poor state of the assets (huge Non Performing Loans) in these banks were failures in corporate governance, gaps in regulatory framework, uneven supervision and enforcement etc.

On a recovery mission of the huge amount of NPLs believed to be predominant in the Nigerian banking industry, Jeroh (2013) pointed that the Assets Management Company of Nigeria (AMCON) was established in 2010 with the hope of buying up all the non-performing loans that were in existence in the country's banking system. Quoting Sanusi (2012) and Bebeji (2013), Jeroh (2013) asserted that the CBN also helped to bail out eight (8) fragile banks out of the twenty four banks by injecting a whole sum of N620 billion in 2009 in a bid to prevent distress in the banking industry. By the last quarter of 2011, AMCON had, in a series of tranches, issued 3-year bonds valued at N4.7 trillion towards the purchase of toxic assets in the books of banks (Sanusi, 2012). By 2012, AMCON had already purchased a total of about N4.2 trillion toxic assets. In addition to the above, Sanusi (2012), pointed that by 2012, AMCON had injected N739.0 billion to recapitalize three banks such that depositors' funds were secured and no bank was reported to have collapsed and at the same time, no deposit of customers was reported to have been lost.

Non-Performing Loan Defined

In recent times, the level of Non Performing Loans in major banking systems, the world over, have assumed the crux in every discourse on issues affecting the survival and stability of financial markets in general as well as the viability of the banking industry in particular (Nor, Irwan and Maizura, 2009; Saba, Kouser and Azeem, 2012; and Jeroh, 2014). Despite the growing interest in researches aimed at analyzing the factors influencing NPLs in banks (Jeroh, 2014), to date, no single definition exist for the concept, rather, the convergence in the specification of what NPLs mean is that they are loans/assets that have not generated income for a relatively long period of time either because the principal and/or interest on these loans have been left unpaid for at least 90 days (Patil, 2011 and Shingjergji, 2013). NPL could also occur when according to Somoye (2010), the amortization schedules of bank credit or loans are not realized as at when due resulting in over-bloated loan interest due for payments. In whatever case however, one must not fail to realise that huge amounts of NPLs in banks may have negative impact on banks particularly in the area of liquidity, asset base and the overall financial performance of banks in any country.

Methodology

Unlike most works in the area of bank consolidation and/or recapitalization in Nigeria to date, this paper utilized secondary data. The Ordinary Least Square (OLS) with its Best Linear Unbiased Estimate (BLUE) Property was employed in analyzing the data obtained for the study. This is aimed at making inference from statistical analysis, the extent to which the recapitalization exercise had impacted on the asset quality of banks in the Nigerian banking industry. The Ordinary Least Square (OLS) was used to analyse the data obtained for this study. This is because regression models establish relationships between variables such that we can measure the extent to which the recapitalization exercise had impacted on the asset quality of commercial banks in Nigeria. The data used by the researchers covered before and after the recapitalization exercise in Nigeria (2000 -

2012).

Model Specification

A regression model was estimated by linking asset quality as a function of bank recapitalization and bank capital to asset ratio. The model to be estimated in this study is thus stated below:

$$ASQ = b_0 + b_1BRECAP + b_2BCAR + U_t$$

Where:

ASQ = Asset Quality (proxied by Non – Performing Loans)

BRECAP = Bank Recapitalization (proxied by the minimum capital base (MCB) of banks for the relevant years/period.

BCAR = Bank Capital to Asset Ratio

b_0, b_1 b_2 = Regression Coefficient

U_t = Error Term

Results and Discussion

In this section, we present the analyses of the data obtained for the study. First, we used the standard deviation, minimum and maximum values obtained from the Ordinary Least Square results as our statistical indicators to make a comparative analysis of the sensitivity of movements in the dependent and independent variables during the period, before and after recapitalization. This was done in order to establish whether the recapitalization of banks result to any material change in the asset quality of banks in Nigeria. The results of the data analyses are presented along with the statistical tests of the hypotheses.

Sensitivity Analysis

The result from the preliminary analysis of the sensitivity of the dependent variable to movements in the explanatory variable is presented below:

Table 1: Sensitivity of Asset Quality to Movements in Bank Recapitalization

Sensitivity	Std. Value		Minimum Value		Maximum Value	
	Before	After	Before	After	Before	After
Sensitivity Coefficient(s)	12.36699	10.14285	18.0834	8.7700	21.0568	11.8317

Source: SPSS Output

Table 1 showed the sensitivity of Asset Quality of banks (proxied by Non-Performing Loans) to movements in Bank Recapitalization (proxied by Minimum Capital Base). A closer look at the result suggests that on the aggregate, the Asset Quality of banks was more sensitive to movements in bank recapitalization in the period after the recapitalization era. The period before recapitalization recorded a standard deviation, minimum and maximum values of 12.36699, 18.0834 and 21.0568 respectively and the period after recapitalization recorded a standard deviation, minimum and maximum values of 10.14285, 8.7700 and 11.8317 respectively. With these outcomes, it implies that the Asset Quality of banks (which was proxied by Non-Performing Loans) was better off in the period after the recapitalization exercise.

We also provided a comparative analysis of the sensitivity of Bank Capital to Asset Ratio (BCAR) to movements in Bank Recapitalization (proxied by Minimum Capital Base) during the period before and after recapitalization using the standard deviation, minimum and maximum values in order to establish whether recapitalization of banks result to any material change in the BCAR after the recapitalization of banks. The results are as shown in Table 2.

Table 2: Sensitivity of Bank Capital to Asset Ratio to Movements in Bank Recapitalization

Sensitivity	Std. Value		Minimum Value		Maximum Value	
	Before	After	Before	After	Before	After
Sensitivity Coefficient	1.91772	6.91400	8.7688	10.4000	12.5131	16.0000

Source: SPSS Output

Table 2 showed the sensitivity of Bank Capital to Asset Ratio to movements in Bank Recapitalization (proxied by Minimum Capital Base). A closer look at the result suggests that on the aggregate, Bank Capital to Asset Ratio was more sensitive to movements in Bank Recapitalization after the recapitalization period. The period before recapitalization recorded a standard deviation, minimum and maximum values of 1.91772, 8.7688 and 12.5131 respectively and the period after recapitalization recorded a standard deviation, minimum and maximum values of 6.91400, 10.4000 and 16.0000 respectively. With these outcomes, it implies that Bank Capital to Asset Ratio was better off in the period after the recapitalization exercise.

Test of Hypothesis

Table 3: Regression result for Asset Quality of Banks

R^2	R^2 adjusted	Std. Error of the estimate	t-cal	t-crit	Dw	Level of Sig.
0.233	0.042	2.31713	18.835	2.365	2.382	0.05%

Source: SPSS Output

The variable of recapitalization as noted earlier, was proxied by the minimum capital base of banks for the relevant years and asset quality was measured by the percentage of non-performing loan of banks. As shown in Table 3 above, the value of R^2 adjusted is 0.042, indicating that the independent variables in the model are explaining about 4.2% variation on the dependent variables. Again, as indicated in Table 3 above, the t-calculated (18.835) is greater than the critical value (2.365), a suggestion that we reject the null hypothesis. By implication, our decision is that the alternative hypothesis is validated; thus our conclusion is that recapitalization of banks has significant positive impact on the asset quality (non-performing loans) of banks in Nigeria.

Table 4: Regression result for Capital to Asset Ratio of Banks

R	R^2	R^2 adjusted	Std. Error of the estimate	t-cal	t-crit	Dw	Level of Sig.
.751	.564	.455	1.41624	12.805	2.365	2.382	0.05%

Source: SPSS Output

The variable of recapitalization was again, proxied by the minimum capital base of banks for the relevant years and capital to asset ratio was measured by percentage of bank capital to asset ratio as reflected in the CBN statistical bulletin for the relevant years. As shown in Table 4 above, the value of R is 0.751, R^2 is 0.564, while R^2 adjusted is 0.455, indicating that the independent variable in the model well explained variations on the dependent variable. Thus, we can understand that the model of the study is providing a good fit to the data.

From Table 4 however, the t-calculated (12.805) is greater than the critical value (2.365), a suggestion that we reject the null hypothesis and accept the alternative hypothesis. This simply implies that recapitalization of banks has a significant positive impact on the capital to asset ratio of banks in Nigeria.

Discussion of Results

From the results of the sensitivity of movement in the variables as well as the test of hypotheses in this study, one would notice that on the aggregate, asset quality as well as the capital to asset ratios of banks were more sensitive to trend of the minimum capital base of banks after the recapitalization in which the MCB of banks was raised to N25 billion. The period after recapitalization recorded the highest standard deviation, minimum and maximum values and with these outcomes, it implies that the indicators of ASQ and BCAR were better off in the period after the recapitalization exercise. The results from our test of hypotheses also revealed that a significant relationship exist between the recapitalization of banks and the asset quality of banks in Nigeria. In addition, we found that the recapitalization of banks had significant positive impact on the capital to asset ratio of banks in Nigeria.

Conclusion and Recommendations

This study explored the concept of bank recapitalization as it has affected the asset quality of commercial banks in Nigeria. The data gathered for this study as well as the results emanating from our test of hypotheses shows that the capital base of banks is a very important variable to the quality of asset, as well as the capital to asset ratio of banks generally in the country. From the results of the hypotheses tested in the course of this study, we were able to confirm that the recapitalization of banks significantly affected asset quality as well as the capital to asset ratios of banks in Nigeria.

Based on the above, the following recommendations have been put forth:

i. The management of banks in Nigeria must strive to adequately mobilize and allocate the required financial resources as well as pursuing policies that would help in achieving the desired growth in the sector and the economy at large. This is one of the essences of increasing the capital base of banks.
ii. There is need for all stakeholders to partner with the CBN to ensure a smooth and effective implementation of policies designed to improve the performance of the industry.
iii. Efforts should be made to improve the recovery procedures of the amount of credit granted by commercial banks so that the capital base of banks wont be eroded by the level of non performing loan in the industry.
iv. Regulatory bodies must put in place a mechanism that would not only monitor compliance and implementation of the provisions of the recapitalization policy, but also enforce sanctions on banks that fail to comply with policies designed to position the banking sector in a state that would guarantee the confidence and trust that the public is expected to have on the industry.

References

Adegbaju, A. A. and Olokoyo, F. O. (2008) "Recapitalization and Banks' Performance: A Case Study of Nigerian Banks. *African Economic and Business Review*. 6(1): 1 -17.

Aregbeyen, O. and Olufemi, J. (2011) the Impacts of Recapitalization and Consolidation on Banks Cost of Equity In Nigeria" *International Business Management.* 5(3): 159 – 165.

Bebeji, A. (2013) "Consolidation And Asset Quality Of Banks In Nigeria" *International Journal of Business And Management Invention*. 2(2):12-20

CBN (2004): *Guidelines and Incentive On The Consolidation in the Nigeria banking Industry*. Abuja: CBN

Donwa, P. and Odia, J. (2011). "Effects of the Consolidation of the Banking Industry On the Nigerian Capital Market" *Journal Of Economics* 2 (1): 57 – 65.

Gunu, U. (2009) "The Impact of Banking Industry Recapitalization On Employment In Nigerian Banks" *European Journal of Social Sciences*. 11(3): 486 – 495

Gunu, U. And Olabisi, J. O. (2011) "Impact of Bank Mergers and Acquisition on their Staff Employment" *The Journal tf Commerce*. 3(2): 35 – 44.

Jeroh, E. (2013) "Credit Risk Management and The Stability of Commercial Banks In Nigeria" *Journal of Social and Management Sciences*. 8(4): 65-71.

Jeroh, E. (2014) "Assessing The Relationship Between Non Performing Loans And The Financial Soundness Of Banks In Nigeria (2003 – 2012)" Journal of Arts and Social Science. 1(3):

Nor, F. B. A. A., Irwan, B. I. and Maizura, B. I. K. (2009) The Impact of Non-Performing Loans (NPL) Towards Profitability Performance (ROA,ROE & NPM) *Being A Research Paper submitted to The Faculty of Business Management, Universiti Teknologi Mara (UiTM), Shah Alam*

Oladele, P. O., Abosede, A. J. and Akeke, N. I. (2012) "A Post Consolidation Assessment of Profitability In Nigerian Banks" *Journal of Social and development Sciences.* 3(1): 1 – 5.

Patil, R. D. (2011) "An Analytical Study of Weaker Section Finance and NPAs" *Asian*

Journal of Management 2(1): 14-19.

Saba, I., Kouser, R. and Azeem, M. (2012) "Determinants of Non Performing Loans: Case of US Banking Sector" *The Romanian Economic Journal*. 15(44): 125-136.

Sanusi, S. L. (2010). The Nigerian Banking Industry: What Went Wrong And The Way Forward. *Convocation Lecture Delivered at the Convocation Square, Bayero University, Kano*, on Friday, 26.

Sanusi, L. S. (2012) "Banking Reform And Its Impact On The Nigerian Economy" *CBN Journal Of Applied Statistics*. 2(2): 115-123.

Shingjergji, A. (2013) "The Impact of Bank Specific Variables On The Non Performing Loans Ratio In The Albanian Banking System". *Research Journal of Finance And Accounting*. 4(7): 148-152.

Somoye, R. O. C. (2008) "The Performances of Commercial Banks in Post-Consolidation Period in Nigeria: An Empirical Review" *European Journal of Economics, Finance and Administrative Sciences*. Issue 14: 62-73

Umar, G. (2009) "The Impact of The Banking Industry Recapitalization On Employment In Nigerian Banks" *European Journal of Social Sciences*. 11(3): 486 – 495.

The Determinants of the Demand for Commercial Banks' Deposits in Nigeria

Bernhard O. Ishioro,Ph.D
Department of Economics
Delta State University,
Abraka, Nigeria
E-mail:ben_ishioro@yahoo.co.uk

pp 199-207

Abstract

This paper investigates the determinants and nature of the demand for currency and commercial banks deposits in Nigeria from 1970 – 2013. Using the Two Stages Least Squares (2SLS) regression estimation technique, we found that the demand for commercial banks deposits in Nigeria is a function of their respective lagged values (lagged by one period), alternate financial assets, their rate of returns (except the rate of returns on savings deposit), and regime/political upheaval dummy variable. These factors account for the variations (differences) in the determinants of the demand for currency and commercial banks' deposit in Nigeria. The results suggest to both the regulatory authorities and the managers of the Nigerianfinancial institutions that, only the rates of returns on the deposits are not potent enough to stimulate the demand for them (bank deposits).

Keywords: Bankdeposits, deposit demand, rates of return, 2SLS, Nigeria.

Introduction

The study of the demand for commercial banks' deposits in most macroeconomic framework establishes a relationship akin to the one between the demand for money and its determinants. This serves as a fundamental building block for understanding what Nwaobi (2000) described as the rich institutional detail of the financial sector often ignored by researchers in attempts to capture financial determinants via the demand for and supply of money. Furthermore, commercial banks deposits being major components of the demand for money are also critical components in the formulation of monetary policy and a stable function for money.

The economic literature is replete with the studies (both theoretical and empirical) on different aspects of the demand for money in Nigeria. But the analysis of the determinants and impact of the deposits of commercial banks on financial sector policy formulation and implementation has been lacking and where available, it is scanty and old. The study on the demand for commercial banks' deposit is important for the following reasons: First, commercial banks' deposits are potent instruments in execution of the regulatory and supervisory roles of the monetary authorities. The monetary authorities use the ratio of the aggregate net credits to deposits as one of the benchmarks for assessing the banking industry's performance. Commercial banks' deposits also constitute a major variable in the assessment of the profitability of commercial banks. Even the money creation process of commercial banks is predicated mainly on deposits(see Jha, 2003 for the role of deposits in the money creation process of commercial banks).

Second, the deposits of commercial banks aid and facilitate the realization of the intermediation role of commercial banks that serve as the tools for the mobilization of the idle funds (described as a superstructure created on which the real wealth of community is built).Apart from the above features, deposits possess a unique quality of reversibility of value. This means that the value of-in-payment of the deposit should be equal to its value-in- receipt. Besides, the role of commercial banks' deposits forms the major part of the aggregate resource mobilization by various economic agents like government, households and other members of the real economy.

Third, commercial bank deposits form the largest and most patronised proportion of domestic financial assets and this is used as one of the pivots for the evaluation of exchange rates behaviour in terms of exchange rates expectations formation (Ishioro, 2014).

Finally, commercial banks' derive majority of their funds from deposits. It is these essentials characteristics and functions of commercial banks' deposits which have necessitated this research. This implies that a study of the determinants of the demand for commercial banks' deposits would help the commercial banking industry in market share decisions and branch networking strategies. Furthermore, the study seeks to answer the following questions: what factors are the determinants of the demand for bank deposits in Nigeria? What importance does deposits have on the banking sector, financial sector and the Nigerian economy?

Based on this microcosm, the major objective of this paper is, therefore, to identify the determinants of the demand for commercial banks' deposits in Nigeria and suggest ways of enhancing their use in order to achieve optimal efficiency in terms of their regulatory manipulations. The rest of this paper is structure into the following sections: section two contains the overview of commercial banks' deposits in Nigeria. Section three provides the analytical basis for the identification and assessment of the determinant of the demand for commercial banks' deposits in Nigeria. Section four provides the methodology of the study while section five presents the results of our estimated equations. Finally, the last section presents the summary and conclusion of the study.

Commercial Banks' Deposits in Nigeria

Commercial banks accept and keep deposits on behalf of the depositors, that is, commercial banks are deposit-accepting institutions, Langmead *et al.,* (1999) and Bolodeoku (2005).The above description of the function of commercial banks is not only traceable to the ancient Assyrians, Babylonians, and Athenians but also to the Bank of Venice (1171), the Bank of Genoa (1320), the Bank of England (1560s) and the Bank of Amsterdam (1609). These banks started the deposits mobilization process at different dates

(Bolodeoku, 2005).

Today, commercial banks in Nigeria receive three types of deposits in line with the Keynesian macroeconomic framework on the motives for holding money. These include: savings deposits, demand deposits and time deposits. Demand deposits(current accounts) do not yield returns to their holders and are liabilities (debts) of commercial banks. However, it is interesting to note that, the holding of demand deposits by the government, the Central Bank of Nigeria(CBN) and commercial banks are not included in the money stock, since these are the institutions that create money). Demand deposits have two main characteristics. First, the holder can withdraw cash on demand and; second, the bank can transfer such deposits from one person to another when ordered to do so. The first characteristic makes demand deposits a satisfactory store of value, since they are as good as cash. The second characteristic portrays demand deposits as medium of exchange. Consequently, demand deposits can be defined as money because they satisfy some of the conditions to be so defined and they perform some of the functions of money (Vaish,2003). In Nigeria, demand deposits constitute the largest component of all the deposits portfolio of commercial banks.

Savings deposits are fixed price domestic financial assets which are used as medium of exchange. Savings deposits attract returns but such returns are usually paid on the fluctuating balance in the deposit. This category of deposit is designed to encourage savings and mobilization of what has been described as the real wealth of the community into the banking sector. In Nigeria, savings deposits constituted the second largest type of deposits available to the commercial banks.

Finally, time deposits differ from demand deposits because the holder cannot use it for transactionary purposes. Hence, it is described as fixed and high interest bearing, Lipsey (1989). In Nigeria, time deposit was the least held deposit. Deposit holders may tend to hold less of this kind of deposit as the expected time-based- high returns are often depleted by inflation.

Theoretical Framework

Jha (2003) assumed that in the statement of account of the domestic financial system there are bank deposits (money), alternative domestic financial instruments (ADI) and foreign instruments (FI). The nominal wealth (NW) of the portfolio holder can be specified as:

$$NW = CBD + ADI + FI \qquad 1$$

where NW, CBD, ADI and FI are as defined above. We assume CBD, ADI and FI are imperfect financial assets (hence imperfect substitutes). Also, we assume that the portfolio assets holder is rational. Since CBD, ADI and FI are imperfect substitutes and the portfolio assets holder is rational, his portfolio will contain all three assets. Furthermore, we assume that the income of financial assets holder is fixed in the short-run.

If the income of the portfolio holder is fixed in the short-run so that the demand for assets depends on nominal interest rate and total nominal wealth, we can write the demand for commercial banks' deposits(DCBD) as:

$$DCBD = L(NW, I);\ I, NW > 0 \quad (2)$$

where I is nominal interest rate and other variables are as previously defined. Equation (2) posits that a rise in wealth increases the demand for commercial banks' deposits and a rise in the rates of returns of deposits also increases the demand for them.

Therefore, that a rise in the rate of returns on commercial banks' deposits raises the demand for them and lowers the demand for alternative foreign financial instruments(assets). By Walras law, then, the fall in ADI and FI must exactly equal the rise in the demand for CBD. Therefore, the only effect is on wealth. This points to another major determinant of the demand for commercial banks' deposits. But these are no data on wealth and permanent income for the Nigerian economy; therefore, we used the real GDP as a proxy for income of the depositor. The use of the real GDP is further hinged on the fact that income is a measure of the domestic level of economic activity or the level of transactions in the economy. It is expected that the demand for deposits will be positively related to income. But a negative relationships could exist if on the assumption that the income of the depositor is fixed in the short run, and the portfolio assets holder shows preference for alternative returns(with less risks involved).

The Determinants of the Demand for Commercial Banks Deposits in Nigeria

The analytical basis of the demand for commercial banks deposits in economic theory is akin in terms of the conceptual underpinning of the demand for any commodity. Hence, its theoretical background is derived from the conventional theory of demand in which the quantity demanded is assumed, *ceteris paribus*, to be positively related to the income of the depositor (or portfolio asset holders); but negatively related to the demand for alternative financial assets (both foreign and domestic).

But the determinants of the demand for commercial banks deposits can be classified into financial or monetary determinants. The financial determinants of the demand for commercial banks deposits include the rate of return on alternative domestic financial assets ranging from the different categories of deposits to treasury bills. For instance, Ikhide (1988) observed that the holding of treasury bills act as an opportunity cost for the holding of commercial banks deposits. In a period of attractive returns on treasury bills, the demand for commercial banks deposits is then hypothesized to fall. On the other hand, the macroeconomic, determinants of the demand for commercial bank' deposits include the rate of inflation, exchange rate and income of the depositor etc.

Methodology

The annual time series data used for this study was sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin (for various years).This study covers the period 1970 to 2013.The series used for the empirical testing of the models include:

The volume of deposits: This is defined as the total (savings, demand and time) deposits of the banking sector; it is divided into three(3) major categories-the volume of savings deposits(SVD);the volume of demand deposits (DMD) and the volume of time deposits(TMD) of the banking sector. We used the volume of deposits in line with Ahiswede and Schildbach (2012)

Rate of Returns on Deposits: Three rates of returns were identified in this study viz: The rate of returns on the demand deposits (*rDMD*) defined as three (3) months deposits rate. The rate of returns on savings deposits (*rSVD*) is defined as six (6) months deposits rate and; rate of returns on time deposits (*rTMD* is defined as twelve (12) months and above twelve (months) deposit rate.

Exchange Rate: The exchange rate (ErD) is defined exchange rate in terms of the Naira cross exchange rate for the US Dollar as in Ishioro (2014).

Demographic Variables: The proportion of the population that is urban; proportion of the population that is rural and proportion of the population that is 16 years and above. These are the three definitions of the demographic variables used in this study.

The Two Stage Least Squares(2SLS) has been applied in this study as the major estimation technique for the following reasons: it eliminates the simultaneous equation bias since we are using endogenousvariables. It is appropriate for over-identified equations; it yields consistent estimates under the conditions in which other related techniques fail; and it assumes relatively fair knowledge of the predetermined variables in the system of equations coupled with its simplicity in terms of application (Koutsoyiannis,1972).

Model Specification

Following Theil (1953), Basmann (1957) and Ikhide (1988) we specified our linear and dynamic Two Stage Least Squares(2SLS) equation using a deposits demand function as:

$$z_i = \sum_{j=1}^{g} \varphi_{ij} z_{jt} + \sum_{j=1}^{g} \phi_{ij} z_{jt-1} + \dots + \sum_{j=1}^{g} \psi_{ij} z_{jt-p} + \sum_{k=1}^{z} \alpha_{ik} x_{kt} + \dots + \sum_{k=1}^{z} \beta_{ik} x_{kt-q} + \varepsilon_i \qquad 3$$

where i =1,2,3,...,n ; $j_{ij}, f_{ij}, y_{ij}, a_{ik}, b_{ik}$ represent the coefficients of the endogenous and predetermined variables z_j and x_k We assume that $j_{ij} = 1$ and $ij=$, and it is similar to a system of n simultaneous equations. With n =4, we have the following equations:

$$SVD_t = s_0 + s_1 PCG_t + s_2 rDMD_t + s_3 rINF_t + s_4 rTRB_t + s_5 rSVD_t + s_6 SVD_{t-1} + s_7 ErD_t + s_8 DMV_t + s_9 rTMD_t + s_{10} DUM + e_t$$

s و,s ي,s ي,s ي >0   s هو,s لآ,s ي,s ى,s ى,s و <0   4

$$DMD_t = w_0 + w_1 PCG_t + w_2 rDMD_t + w_3 rINF_t + w_4 rTRB_t + w_5 rSVD_t + w_6 DMD_{t-1} + w_7 ErD_t + w_8 DMV_t + w_9 rTMD_t + w_{10} DUM + e_t$$

$$w_{\text{ى}}, w_{\text{ى}}, w_{\text{ي}}, w_{\text{يـ}}, w_{\text{لا}}, w_{\text{هـ}} < 0 \quad w_{\text{و}}, w_{\text{و}}, w_{\text{ي}}, w_{\text{يـ}} > 0 \qquad 5$$

$$TMD_t = a_0 + a_1 PCG_t + a_2 rDMD_t + a_3 rINF_t + a_4 rTRB_t + a_5 rSVD_t + a_6 TMD_{t-1} + a_7 ErD_t + a_8 DMV_t + a_9 rTMD_t + a_{10} DUM + e_t$$

$$a_{\text{و}}, a_{\text{ي}}, a_{\text{يـ}}, a_{\text{لا}} > 0 \quad a_{\text{هـ}}, a_{\text{يـ}}, a_{\text{ي}}, a_{\text{ى}}, a_{\text{ى}}, a_{\text{و}} < 0 \qquad 6$$

Equation(4) was formulated to test the relationship between savings deposit and income (PCG); the rate of returns on treasury bill rate(rTRB), demand (rDMD) and time deposits (rTMD) as alternative financial instruments, own rate of returns and one period lagged value of savings deposit (SVDt-1), inflation rate (rINF), the demographic variables, exchange rate and dummy variable for political upheaval. We expect savings deposit to be negatively related to the rate of returns on treasury bills, demand and time deposits, rate of inflation, exchange rate and dummy variable for political crises.

Equation(6) was designed to assess the level of explanatory relationship between the demand for time deposit (TMD) and its own lagged value (TMDt-1) and own rate of returns (rTMD), income(PCG); the rate of returns on savings (rSVD) and demand deposits (rDMD), the rate of inflation (rINF), the rate of return on treasury bills (rTRB), exchange rate (ErD), demographic variables and dummy variable for political upheaval. A positive relationship is posited to exist between the demand for time deposits and its lagged value, income, rate of time deposits, demographic variables but an inverse relationship is expected between demand for time deposits and the rate of return on savings, demand deposits and treasury bills, exchange rate, dummy variable and rate of inflation.

Different models were specified for the demand for savings, time and demand deposits because they are not perfect substitutes and they unlikely to react to the same monetary and macroeconomic variables (see Claassen, 1997). But, if they react to the same variables, it is expected that the magnitude and frequency of their reactions would be different and their real behaviour will be concealed if they are estimated in the same equation(Ikhide,1988). The substitutability of commercial bank deposits (rate of returns of alternative deposits) is also a major determinant of the demand for them; hence alternative deposits rates of returns were included in each model. A common feature of all the demand for money theories is the inclusion of income, interest (rate of returns) and prices of alternative financial assets either domestic or foreign, as in Ikhide (1988).

But according to Nyong (2001) the Friedman's restatement of the quantity theory and other theories of the demand for money attempt to explain the characteristics of money, essentially the function as a store of value, and as a medium of exchange (transactionary functions of commercial banks' deposits).

However, given the open nature of the Nigerian economy, Nyong (2001) is of the view that external factors are expected to act as major determinants of the demand for commercial banks' deposits. Exchange rate therefore is an important determinant in the analysis of the demand for commercial banks' deposits. In the case where domestic financial assets (commercial banks' deposits) are less attractive, domestic portfolio holders are expected to adjust their portfolio in favour of foreign financial assets. Consequently, it is expected that the demand for foreign financial assets (such as exchange rate) will have a negative impact on the demand for commercial banks' deposits (Nyong) (2001); Arize (1989, 1992), Darrat (1984, 1986,1988).

Inflation as a determinant of the demand for bank deposits stems from the fact that the basic purpose for holding commercial banks' deposits is compromised during (high) inflation. Deposits like money essentially serve three purposes. First, it is a medium of exchange; second, deposits act are unit of account and third, deposits are a store of value to the holder. During high inflation, deposits serve all three purposes badly. Since the value of deposits are eroded during high inflation, depositors have to make more trips to the banks to make withdrawals (Jha, 2000).As a result, the financial sector must therefore contend with a serious liquidity crisis due to deposit runs. Besides, inflation also lead to the cost of mobilizing deposits in the face of liquidity squeeze thereby making the pricing of loanable funds very outrageous.

Empirical Results

Table 1: Results of the Two Stages Least Squares using Savings Deposit as Regressand

REGRESSAND: SVD										
REGRESSORS										
C	SVD_{t-1}	rSVD	GDP	rDMD	rTRB	rINF	RPL	URP	ErD	DUM
20.95	0.813	-0.215	0.0004	-1.417	-0.007	-0.003	9.103	0.302	0.326	-0.0014
(0.93)	(17.24)	(-10.59)	(3.02)	(0.05)	(0.03)	(10.42)	(4.35)	(0.113)	(3.140)	(6.132)
R^2= 0.89,			Adjusted R^2=0.79				D.W.=1.79		F-stat(0.0000)	

Source: Author's Computation

NOTE: Standard Errors are in parentheses.

Most of the signs of the coefficients of the variables conformed to our *a priori* expectations. From the signs of the coefficients, the rate of returns on savings deposit had a converse sign (negative sign).The negative sign of the rate of returns on savings deposit implies that it supports the substitution hypothesis. It is also means that the holders of savings deposits respond to and demand other more attractive deposits and financial assets. Of all the variables, the one with highest degree of explanatory power is the lagged value of the demand for savings deposit. It is surprising to note that, the rate of return on savings deposit is negative and is not a major determinant for the demand and holding of this deposit category. This means that the demand for savings deposit is not sensitive and responsive to its own rate of returns and as such the demand for this deposit category does not support Walras law.

Although, the demand for savings deposit was not responsive to its rate of return, the actual demand for savings and its lagged value yielded good results in the explanation of the holding of this deposit category.

The results presented in table(1) above show the income is determinant of the demand for savings deposits in Nigeria (although it is weakly significant).The coefficients of the rates of returns on treasury bills and demand deposits had negative signs; signifying that financial assets substitutability hypothesis hold for these deposit categories. The coefficient of political upheaval shows that the demand for savings deposits is significantly affected by political unrest (such as June 12, 1993).

The R squared (R^2) shows that 89percent of variation in the demand for savings deposit is accounted for by the changes in the regressors. The F-statistic (global statistical significance) is quite high for this deposit model and at one (1) percent level of significance which means the model is statistically significant. Finally, the result of the savings deposit model does not to support the popular belief that the demand for savings deposits is principally motivated by its rate of returns.

Table 2: Results of the Two Stages Least Squares using Demand Deposit as Regressand

REGRESSAND: DMD										
REGRESSORS										
C	DMD_{t-1}	rDMD	GDP	rSVD	rTRB	rINF	RPL	URP	ErD	DUM
54.75	0.716	-0.0536	0.00832	-0.0399	-0.0644	-0.0391	-11.401	0.00114	1.103	-0.325
(7.003)	(0.0543)	(4.401)	(0.0029)	(1.238)	(0.117)	(2.380)	(0.079)	(0.43)	(0.431)	(3.76)
R^2= 0.97			Adjusted R^2=0.93				D.W.=1.79			

Source: Author's Computation

The signs of the coefficients of our parameters conform with the *a priori* expectations except for the rate of returns on demand deposit that came out with a different sign. Our expectation is that during the time of inflation the demand for the demand deposits will fall because as the rate of inflation heightens, the demand for demand deposits becomes less attractive as the economic value of deposits is eroded. The positive sign of the income variable implies that income (PCG) level of the deposit holder will enhance the demand for demand deposits because during the period of high economic performance, the level of income found in the economy and deposited in the banks is likely to be substantial. The value of the coefficient of the income variable is very low showing the high level of its weak impact on the demand for demand deposits. The rate of returns on savings deposit had a negative sign which means that as the rate of return on savings deposit increases, the demand for demand deposits is expected to be reduced (because they are alternative assets). This is chiefly because the savings deposits are seen as a measure of the opportunity cost of holding demand deposits. The holders of demand deposits take short excursions into the money market to earn some rate of returns rather than keep demand deposits which do not yield a rate of returns. The rural population (RPL) variable had a negative sign connoting the negative response of the proportion of the population that is rural to the rural banking scheme. Also, it means that the rural population in Nigeria is so poor that they cannot afford hold demand deposits. Our results are quite robust and highly statistically significant. Urbanisation proxied by the proportion of the population in the urban area is not a determinant of the demand for demand deposits.

The F- statistic was quite high for the demand for demand deposits. It shows a high global test of statistical significance of the model. The high statistical significance of the model could be linked to the statistical efficiency of the model.

Table 3: Results of the Two Stages Least Squares using Time Deposit as Regressand

REGRESSAND: TMD										
REGRESSORS										
C	TMD_{t-1}	rTMD	GDP	rSVD	rTRB	rINF	RPL	URP	ErD	DUM
30.230	0.651	-0.3801	0.0042	-0.126	-3.762	-0.0396	-0.0004	-0.761	0.000031	-0.162
(2.41)	(0.139)	(-0.190)	(4.88)	(0.040)	(2.011)	(0.025)	(12.14)	(0.043)	(10.142)	(7.043)
R^2 = 0.94	Adjusted R^2= 0.90					D-W.= 2.03				

Source: Author's Computation

NOTE: Standard errors are presented in parentheses.

The sign of the coefficient of the rate of return on time deposit is counter-intuitive.The negative and converse sign of the rate of return on time deposits shows that time deposits are insensitive to their own rate of returns. This is line with the findings of previous studies that found that interest rates in most less developed countries' financial systems were insensitive to the demand for financial assets (including deposits). It further shows that the holding of the time deposits is not solely induced by its rate of returns. Thus, our results did not support the assumption that people hold time deposits because of the rate of returns. This may also be associated with the irregularities involved in the management and administration of the various deposits in the Nigerian financial systems. This means that the demand for time deposits in Nigeria is not demand-led. Finally, the negative relationship exhibited by the rate of returns on time deposit connotes that the income effects has a direct effect on the level of time deposits and overwhelms the substitution effects. This is in line with the findings of Haron and Azmi (2006). The political upheaval dummy was statistically significant.

The sign of the coefficient of the rate of inflation shows the ability of the rate of inflation to significantly explain the holding of time deposits in the Nigerian financial system. It further shows that the results do support the fact that in a period of rising inflation people hold less of time deposits because the expected income from this source may have been depleted by the rising inflationary rate and / trend.

The sign of the coefficient of the lagged value of the demand for time deposits like other lagged values demand and savings deposits show that the behaviour of the holders deposits is induced by the past experiences and/or trends of the demand for deposits. Thus, it is the past trends that determines and motivates the demand and holding of deposits and not their rate of returns.

The coefficient of multiple determination

R^2= (0.94) shows that 94percent of the variation in the demand for time deposit is explained by the regressors. The F-statistic is significant at 1percent level of significance implying that the regression model is globally statistically significant.

Conclusion

This study investigated the determinants of the demand for bank deposits in Nigeria from 1970 to 2013.The study applied the 2SLS regression estimation technique and found that the rates of return on deposits are not significant in explaining the demand for banks deposits in Nigeria. This means that Walras law is not supported by the demand for banks deposits in Nigeria. The followings are the determinants of the demand for bank deposits identified by this study: Income, past values of the deposit, rate of inflation, the rate of returns of more attractive financial assets amongst others. The study also found that both the income and substitution effects hold in the evaluation of the determinants of the demand for bank deposits. Financial assets substitutability holds among domestic financial assets but between domestic and foreign financial assets. The proportion of the population that is rural shows that the rural banking scheme was not effective in explaining the deposits holding behaviour of the rural dwellers. The study found that poverty at rural level inhibits effective demand for bank deposits. This study has contributed to knowledge because it included the demographic dimension to the analysis of the demand for bank deposits. This is important because although Nigeria has launched the rural banking scheme for decades, most emerging towns and cities are either without banks or are under-banked. Forinstance, in 2013, Nigeria had 24 commercial banks with about 5,606 branches for over 170 million people. The study recommends that the monetary authorities should go beyond rates of returns approach in the management of bank deposits in Nigeria. A more holistic approach that includes demographic indicators should be adopted.

References

Ahiswede, S. & J. Schildbach (2013).Global Financial Market: Poised for a Comeback on Bank Deposits, *Deutsche Bank Special Paper*, May 2, 2012

Arize, A.C. (1989). Exchange Rates, Foreign Interest Rates, and Money Demand Function in an Open Economy: An Empirical Investigation in Korea, *Journal of Savings and Development*,237-252.

Arize, A.C. (1992). An Econometric Analysis of Money Demand in Thailand. *Journal of Savings and Development*,83-100.

Basmann, R.L. (1957). A Generalised Classical Method of Linear Estimation of Coefficients in a Structural Equation,*Econometrica*,25:77-83.

Bolodeoku, V.O.K (2005). A Catastrophe Theory of Bank Failure, *The Nigerian Journal of Economic and Social Studies(NJESS)*, 47(1):95-122.

Claassen, E. M. (1997), *Global Monetary Economics*, Oxford University Press, New York.

Darrat, A.F. (1984).The Money Demand Relationship in Saudi Arabia: An Empirical Investigation, *Journal Economic Studies*, Vol.11 (3): 43-50.

Darrat, A.F. (1986).The Demand for Money in Some major OPEC Members: Regression Estimates and Stability Results, *Applied Economics*, Vol.18 (2):127-142.

Darrat, A.F. (1988). The Stability of the Indian Money Demand Function: Some Further Results, *Journal of Savings and Development*, XII(1):89-97.

Finger, H.& H. Hesse (2009).Lebanon: Determinants of Commercial Bank Deposits in a Regional Financial Centre, *IMF Working Paper WP/09/195*,Middle East and Central Asia Department.

Haron, S. &W. N. Azmi (2006). Deposits Determinants of Commercial Banks in Malaysia. *Finance India*, 20(2):2-17.

Ikhide, S.I. (1988).Simulating an Econometric Model of the Nigerian Financial Sector, *The Nigerian Journal of Economic and Social Studies (NJESS)*, 30(1):1-26.

Ishioro, B.O. (2014). The Dynamics of Exchange Rate Expectation Formation: The Nigerian Experience. *Ekon Misao Praksa*, Vol.23{2):431-460.

Jha, R. (2003), *Macroeconomics for Developing Countries*, 2nd Edition, Routledge Publishers, London.

Koutsoyiannis, A (1972). *Theory of Econometrics*. ELBS Series,London,3rd

Edition.

Langmead, J. ,Khan, B.& P. Hardwick (1991). *An Introduction to Modern Economics*, ELBS Series,London,3rd Edition.

Lipsey, R.G. (1989). *Introduction to Positive Economics*, Seventh Edition, New York, ELBS Series

Theil, H. (1953).*Estimation and Simultaneous Correlation in Complete Equation Systems*. The Hague Central Planning Bureau (mimeo)

Nyong, M. O. (2001), The Demand for Money under Rational Expectations of Inflation: The Nigerian Experience, *The Nigerian Journal of Economic and Social Studies(NJESS)*, 43(1),125-144.

Nwaobi, G. C. (2000). A Vector Error Correction and Non-nested Modeling of Money Demand Function in Nigeria. *The Nigerian Journal of Economic and Social Studies (NJESS)*, 42(3),353-381.

Vaish, M. C. (2003). *Monetary Theory*, Fifteenth Edition, Vikas Publishers, New Delhi, India

Corporate Governance and Equity Ownership Clause for Banks in Nigeria: An Empirical Performance Assessment

Eleje, Edward Ogbonnia. Ph.D
Management Science Department,
College of Management and Social Sciences,
Salem University, Lokoja, Kogi State, Nigeria
eddieelyg@yahoo.com
Tel: 08030674738 / 08124840835

Olopade, David Oyeyemi. Ph.D
Management Science Department,
College of Peace and Social Sciences,
Salem University, Lokoja, Kogi State, Nigeria
Tel: 08062459906

pp 208-221

Abstract

Recent global debates on the raison d'être for the high profile corporate failures have put banks in the policy agenda and intensified arguments on the efficiency of corporate governance mechanisms as a means of increasing bank performance. While the arguments hold, the equity clause in the new code of corporate governance for banks in Nigeria has not received adequate attention despite its expected role on bank sustainability. To cover the gap, this paper compared the possible effect of government equity ownership on bank performance before and after the CBN code of corporate governance in 2006. The paper utilized returns on total asset (ROTA) as proxy for bank performance to regress government, private and foreign ownerships via a computer-based multiple linear regression models. Although on the aggregate, result showed no significant positive effect of government equity ownership in banks on bank performance in Nigeria either before or after the CBN code of corporate governance in 2006, descriptive outcome of hypothesis one indicated that prior to the initiation of the CBN code of corporate governance for banks in Nigeria, more government shareholding in banks exacerbated rather than enhanced banks' corporate performance. The study therefore recommends among others that Nigerian government should massively divest in banks and rather focus on the provision of enabling regulatory environment as well as infrastructure for private and foreign operators to thrive unfettered.

Keywords: Banks, Equity holding, Corporate Governance, Government Ownership

Introduction

The increasing rate of high profile corporate failures around the world has sparked off a lot of enquiry as to the reasons why well-established and respected companies fail. Corporate failure today is a global issue. On the international scene, it has witnessed, the collapse of large companies like Enron, World Com, Rank Xerox, Parmal at, Bank of Credit and Commerce International (BCCI) and large-scale crisis that rocked the Asian Financial Institutions. In Nigeria, corporate failure was very rampant in the financial service sector some years back. Cases of corporate debacle in Nigeria abound in the death of Abacus Merchant Bank Nigeria Limited, African Continental Bank Limited, Royal Merchant Bank Limited, Rims Merchant Bank Limited, Financial Merchant Bank Nigeria Limited, Progress Bank Plc to mention but a few (Al Faki, 2006). Soludo (2005) documented that by 1998 a total of 26 banks had been liquidated and at the time of consolidation in 2005, 11 banks were already dead literally. With this prevailing high rate of corporate failures in mind in both local and international corporate companies, one wonders what then could be the causes. John Clutterbuck in Al-Faki (2006) highlighted that companies that failed shared some common characteristics:

> Leadership of the company is vested in an individual who combines the office of Chairman and Chief Executive with domineering tendency. There exist persistent violation and non-compliance with internal control of the company by the Chief Executive. There is also the presence of optimistic (or even distorted) rather than prudential financial reporting. There are irregular board meetings, often without adequate information given in advance; and, there is often minimal disclosure in the accounts of the company.

It is the combination of these factors that undermined the ability of companies to withstand economic downturns thus leading to a collapse. In the Nigerian banking scenario, issues such as lack of probity, transparency, integrity and accountability, inflation of balance sheet with unearned income, weak capital base, unskilled and inefficient management contributed to death of many banks. The above issues constituted the platform of the recent banking legislations. However, the issue of adequacy of the banking legislations in controlling and regulating banking practices still remained questionable in the light of further failures and distresses which were still recorded in the sector.

In an attempt to design code that will be appropriate to quell these irregularities; a global phenomenon termed Corporate Governance came into being. Corporate governance connotes the processes involved in the discharge of the mandate of governance in corporate entities (Okafor, 2011). Today it has become a contemporary issue, which has dominated the interest of all businesses, legal and government circles worldwide. In Nigeria, the provisions in the code of corporate governance was designed to augment the provisions of Company and Allied Matters Act (CAMA) 1990, Bank and Other Financial institutions Decree (BOFID) 1991, Failed Banks and Financial Malpractices in Banks Decree 1994, Nigeria Deposit Insurance Corporation Decree 1988, Money Laundering Decree 1995, among others. The ultimate objective of corporate governance is to achieve defined corporate objectives and in the process maximize shareholders' value while satisfying the legitimate expectations of other stakeholders. Good corporate governance is therefore important in the banking sector because the integrity of bank management defines the quality of banking service delivery and influences the overall performance of the sector.

Meanwhile, persistent fraud and unethical issues are the indices of weak corporate governance. Poor banking culture, centralized ownership, and incompetence in management were emerging cases of infractions of standard corporate governance practices among Nigerian banks which became manifest after the CBN banking consolidation of 2004/05. To address the lapses and other challenges facing the banking sector, the CBN issued a comprehensive code to guide corporate governance practices in banks on March 1, 2006 which became effective from April 3, 2006 (CBN, 2006). Among the six core elements prescribed in the code is 'bank equity ownership'. Specifically, the code provides that government's direct and indirect equity holding in any bank shall be limited to 10% by the end of 2007. Secondly, all equity holding of above 10% by any single investor in a bank shall require the approval of the CBN (Okafor, 2011).

Apparently, some studies have recently appeared in the fore concerning the possible relationship between corporate governance, equity ownership and bank performance. While this topic is rich in studies, researchers concur on the fact that there is no agreement on the precise nature of the relationship. The empirical evidence emerging from various studies about the effect of bank equity ownership on bank performance has so far yielded mixed and inconclusive results. Therefore, the question of whether equity ownership structure improves or worsens bank performance is still worthy of further research. In Nigeria, precisely, majority of studies on bank ownership and bank performance as revealed in the literature measured performance directly from the standpoint of gross earnings and profitability. But the issue of bank performance does not end in earnings and profitability, it encompasses other parameters including total assets. This means that the issue of bank ownership and bank performance has not received adequate attention in Nigeria. Thus, there is still a major gap in the relevant literature on Nigeria, which has to be covered by research. This paper contributes to filling the gap by basically looking at bank performance through the lens of returns on total assets (ROTA) of banks in Nigeria. Specifically, the paper sought to determine and compare the possible effect of government equity ownership on bank performance before and after the CBN code of corporate governance in 2006.

Review of Related Literature

Conceptual Issues on Bank Equity Ownership and Corporate Governance

Equity ownership simply connotes the ownership stake by a single investor or a group in a number of shares of a corporation. It is a claim to share of company assets. As a claim, it is the right of a shareholder to a proportional share of a company's net assets once all of the company's prior ranking obligations have been discharged. From the foregoing definition therefore, bank equity ownership could be conceptualized as the ownership stake by a single investor or a group in a number of shares of a bank. The ownership structure of the early indigenous banks in Nigeria has severally been faulted basically on ground of monopoly. Available statistics indicate that 33 out of the then 89 banks in the country before CBN bank recapitalization reform of 2004 were wholly or substantially owned by one person or a family, 43 had multiple ownership, while 13 had no clearly identifiable form of ownership (Aniemena, 2005). This means that a higher percentage of banks in Nigeria had absolute single ownership before the restructure. Apparently, the syndrome of one man ownership of banks in Nigeria is argued to have caused the collapse of too many banks due to non adherence to the tenets of best practices by the owners (Uche, 2001). Default ownership structure of banks in Nigeria was made manifest in the leadership of many banks where leadership was vested in an individual who combined the office of Chairman and Chief Executive Officer (CEO) with domineering tendency. The exercise culminated into malpractices including but not limited to persistent violation of banking regulations, non-compliance with existing internal control, mismanagement, insider abuse and poor credit management. It also resulted in narrow knowledge base for the operation of the banks. This is because business ideas that drove these banks were restricted to only one individual and as such did not give room for injection of fresh ideas. To combat this unwholesome monopoly menace, the new code of corporate governance for banks became imperative to address non restrictive equity holding in Nigerian banks.

Corporate governance is a topical issue that gained prominence in United Kingdom towards the end of the last century. Many reports have been issued on this subject matter in UK and around the globe. Some of these reports include; Cadbury committee report, Greenbury report, Hampel report, Turnbell committee report, King 11 report (South Africa), Sarbanes-Oxley Act (USA) and the Organization for Economic Cooperation and Development (OECD) report. In Nigeria, we also have the Peterside report, Bankers committee report and CBN report. Each of these reports came up with different suggestions on the subject matter but shared almost similar definitions. The Cadbury report defined corporate governance as the system by which companies are directed and controlled. Greenbury code in 1995 went beyond Cadbury report to stipulate that directors' remuneration and detailed disclosures are to be given in the annual reports. The Turnbull committee report (1997) was again broader than Greenbury report. The report documents that corporate governance encompasses all the influences affecting the institutional processes, including those for appointing the controllers and/or regulators, and those involved in organizing the production and sale of goods and services. Described in this way, corporate governance activities include all types of firms whether or not they are incorporated under the civil law. In 1998, Hampel report made little modifications in the areas of duties of executive and non-executive directors, shareholders and AGM accountability, audit and reporting. In United State, the Sarbanes Oxley Act 2002 dealt specifically with core issues of transparency, integrity and oversight of financial market. Similarly in South Africa, King II addressed all ethical issues including transparency and integrity in the management of publicly owned companies.

In Nigeria, the Securities and Exchange Commission (SEC) in 2003 set up the Peterside committee on corporate governance for publicly owned companies. This committee submitted the very first code of corporate governance in Nigeria. The code defined corporate governance as “the way and manner in which the affairs of companies are conducted by those charged with the responsibility, and which has a positive link to national growth and development”. Specifically, the Peterside committee report recommended that the practice of corporate governance was for publicly quoted companies and all other companies with multiple stakeholders registered in Nigeria. Hence, by the virtue of banks having multiple stakeholders namely depositors, investors, government and creditors; they are obliged to abide by the principles of the code notwithstanding the fact that a bank may be private or public. But the need to amplify the report of the Peterside committee to address the peculiarities and fragility of the financial sector sooner became essential. Consequently, a special code of corporate governance for banks and other financial institutions in Nigeria was drafted by a sub-committee set-up by the Bankers Committee in 2003. By this code, corporate governance is conceptualized as the act of building credibility, ensuring transparency and accountability as well as maintaining an effective chain of information disclosure that would foster good corporate performance in a corporate entity. Again, upon consolidation of the banking industry in Nigeria, the Central Bank of Nigeria developed a new draft code to compliment the earlier Bankers committee code and enhance their effectiveness. The new code released in April 2006 is named 'Code of Corporate Governance for Banks in Nigeria Post Consolidation' (CBN, 2006).

Aside the foregoing working definitions, attempts have also been made by both foreign and local individual authorities to articulate a possible conception of corporate governance. For instance, Wolfensohn, the former President of the World Bank submits that corporate governance is all about promoting corporate fairness, transparency and accountability. According to Unegbu (2005), modern corporate governance relates to laws and regulations that affect the private ordering of corporate activities necessary for efficient competitive performance and fair treatment of those who depend on the corporation and are impacted by its action. To Al-Faki (2006), it is essentially the exercise of power over the modern large and small corporations, holding company and subsidiary, listed and private.

In summary, certain deductions are isolated from the preceding comprehensions. Corporate governance is all about the way and manner a corporate organization is to be directed and controlled - a role which is to be performed principally by the board and the management. It is concerned with how a company should be structured and controlled internally to ensure that the business is run lawfully and ethically with due regard to all stakeholders. It seeks to establish and moderate relationship between the board, shareholders, company regulations and other stakeholders. It also ensures a proper and efficient system of regulating directors so as to restrain them from abusing their powers. Corporate governance therefore is a concept which ensures that organizations are run in a responsible manner for the long run survival within the environment they operate and for the overall well being of the economic system.

Recent Empirical Studies on Corporate Governance and Bank Performance

Prior to the new Code of corporate governance for banks in Nigeria which became effective in 2006, a survey carried out by SEC in 2003 revealed that only about 40% of Nigerian quoted companies recognized code of corporate governance in place (CBN, 2006). By implication, most corporate bodies including banks initially did not appreciated the role of the code in the management of their corporations. Issues such as ownership structures which do not agree with best practices of corporate governance were still in practice among Nigerian companies. With the initiation of the new code and preceding reform in the banking industry, issue of whole or substantial ownership of bank by one person has been tackled. Accordingly, recent empirical literatures have tried to establish the possible link between corporate governance, bank ownership and bank performance in the new banking regime.

Uwuigbe (2011) examined the relationships between governance mechanisms and financial performance in the Nigerian consolidated banks. The Pearson Correlation and the regression analysis were used to find out whether there is a relationship between corporate governance variables and firms performance. With the aid of a disclosure index, the study found a negative but significant relationship between board size, board composition and financial performance of banks, and a positive and significant relationship between directors' equity interest, level of governance disclosure and firms' performance. Furthermore, the t- test result indicated that while a significant difference was observed in the profitability of the healthy banks and the rescued banks, no difference was seen in the profitability of banks with foreign directors and that of banks without foreign directors.

Jegede, *et. al,* (2013) evaluated the implication of corporate governance to banks performance in Nigeria. Source of data was secondary. A regression analysis of the latent variables was adopted to examine the impact of corporate governance on bank performance. The results of the study show that board size is statistically significant to bank performance while bank age and board committee have negative effect on bank performance with regression coefficients of 0.279, -0.138 and -4.055 respectively.

Akpan and Rimon (2012) examined the relationship between corporate governance and banks profitability in Nigeria. The study used Return on Assets (ROA), Return on Equity (ROE and Non-Performing loans (NPL) as the variables that measure bank performance. Borrowing from Berger *et. al,* (2004), corporate governance index was measured using the number/size of Board of Directors (SBOD) and the Number of Shareholders (CBOD) while total Assets and Total Equity served as control variables. Utilized both descriptive and correlation analysis, the study discovered that good corporate governance and not assets value determine the profitability of banks in Nigeria.

Ajala and Arulogun (2012) studied the effects of corporate governance on the performance of Nigerian banking sector. The secondary source of data was sought from published annual reports of the quoted banks. In examining the level of corporate governance disclosure of the sampled banks, a disclosure index was developed and guided by the Central Bank of Nigeria code of governance. The Person Correlation and the regression analysis were used to find out whether there is a relationship between the corporate governance variables and firms performance. The study revealed that a negative but significant relationship exists between board size and the financial performance of these banks while a positive and significant relationship was also observed between directors' equity interest, level of corporate governance disclosure index and performance of the sampled banks.

Fatimoh (2011) used both primary and secondary data to appraise the impact of corporate governance on banking sector performance in Nigeria. Secondary data obtained from the annual financial statement of the banks for a period of five accounting year was used in analyzing the financial ratios for the study while 158 retrieved questionnaires were analyzed using chi-square statistics. The study concludes that corporate governance positively and significantly contributes to performance in the banking sector.

Again, Fatimoh (2012) did similar work on corporate governance and bank performance in Nigeria but this time using purely 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. Consistently, the study supported the hypothesis that corporate governance positively affects performance of banks in Nigeria.

Cross Country Comparison

Ashenafi, *et. al.* (2013) appraised corporate governance mechanisms in Ethiopia and their impact on performance of commercial banks in the absence of organized stock exchange. The study assessed the relationship between selected internal and external corporate governance mechanisms, and bank performance as measured by ROE and ROA. The adopted technique was structured review of documents, and commercial banks financial data covering a period 2005 to 2011. The findings indicated that board size and existence of audit committee in the board had statistically significant negative effect on bank performance; whereas bank size had statistically significant positive effect on bank performance. Similarly, capital adequacy ratio, as a measure of external corporate governance mechanism, had statistically significant positive effect on bank performance. In addition, absence of organized stock exchange; high government intervention; lack of corporate governance awareness, absence of national standards of corporate governance, as well as accounting and auditing; and weak legal framework to protect minority shareholder rights are the major factors with adverse impact on corporate governance and bank performance in Ethiopia.

Shabbir (Undated) investigated the impact of corporate governance on banking performance in Pakistan. Efficiency of banks was measured using Cobb-Douglas production function for the year 2000-2002. It is evident from the results of the study that on average, overall efficiency remains about 82 percent throughout the period of analysis. However, the study also found that public ownership show lowest efficiency among all the groups i.e., 74 percent on average, which emphasizes on a competitive environment in the banking sector that may improve the efficiency of these institutions. Similarly, market share also affects the performance of banks negatively, suggesting that banks in a less competitive environment might feel less pressure to control their costs. Moreover, introduction of governance variables such as sound management and concentration have significant impact on banking efficiency.

Methodology

Empirical Design and Data: The study employed *ex-post facto* research design. Research data spanning a twelve-year period, (2000-2011) where basically secondary comprising returns on total assets (ROTA) of insured banks in Nigeria, government ownership in banks (GOWN), private investors' ownership in banks (POWN), and foreign investors' ownership in banks (FOWN) among others (*see appendix 1*). These data were observed in two phases of pre and post CBN corporate governance code, 2000 - 2005 and 2006 - 2011 respectively. Extracted data were analyzed and tested in that order using the models below with the aid of the statistical package for social science (SPSS) computer *version 17* to determine the effect of corporate governance on bank performance.

Research Hypotheses: Two major hypotheses were formulated in the null form to guide the study as follows:

H_{01}: There is no significant positive effect of government equity ownership in banks on banks' performance before the CBN code of corporate governance in 2006.

H_{02}: There is no significant positive effect of government equity ownership in banks on banks' performance after the CBN code of corporate governance in 2006.

Analytical Econometric Models and Justifications: It has been found that the analytical framework and testing procedures employed to measure the effect of corporate governance; bank ownership and performance often determine the conclusions thereof. Previous researches in this direction such as Uwuigbe (2011), Akpan and Rimon (2012), and Jegede, *et. al* (2013) have focused attention on the test of Cobb Douglas's model using governance disclosure index of board size, composition, and committee. Some of these previous studies recognized the dynamic nature of the Nigerian economy and the factors that influence corporate ownership and governance policy. They have often concurred that corporate ownership pattern is a cultural phenomenon that changes continuously in relation to environment and time. Rather than replicating in totality the methodology of these previous researches, this study utilized a more recently modified model employed by Eleje and Ani (2013) which captures some factors considered sensitive and relevant to the Nigerian economy in recent time. The study therefore differs from the previous studies in three respects. First, it utilized a model that has been recently modified and used in related study in Nigeria. Secondly, some of the disclosure variables used to the best of the author's knowledge have not so much been tested empirically in Nigeria compared to the advanced economies. One outstanding variable that satisfies this description is equity disclosure proxied by return on total asset (ROTA). Third, the period covered (2000 - 2011) is unique to the study and substantially encompasses the Pre and Post corporate governance period for insured banks in Nigeria. Patterning Eleje and Ani (2013), the adopted logged multivariate linear regression models for the two hypotheses are thus specified below as follows:

Hypothesis One Model

$$LROTA_{b4\ (c.gov)} = \beta_0 + \beta_1\mathbf{LGOWN}_{b4\ (c.gov)} + \beta_2\mathbf{LPOWN}_{b4(c.gov)} + \beta_3\mathbf{LFOWN}_{b4(c.gov)} + \ldots + \varepsilon_t$$

Where:

$\mathbf{L}ROTA_{b4(c.gov)}$ = Log of ROTA before Corporate Governance in Banks

$\mathbf{L}GOWN_{b4(c.gov)}$ = Log of Gov. Ownership before Corporate Governance

$\mathbf{L}POWN_{b4(c.gov)}$ = Log of Private Ownership b4 Corporate Governance

$\mathbf{L}FOWN_{b4(c.gov)}$ = Log of Foreign Ownership b4 Corporate Governance

Hypothesis Two Model

$$LROTA_{aft\ (c.gov)} = \beta_0 + \beta_1\mathbf{LGOWN}_{aft\ (c.gov)} + \beta_2\mathbf{LPOWN}_{aft(c.gov)} + \beta_3\mathbf{LFOWN}_{aft(c.gov)} + \ldots + \varepsilon_t$$

Where:

$\mathbf{L}ROTA_{aft(c.gov)}$ = Log of ROTA after Corporate Governance in Banks

$\mathbf{L}GOWN_{aft(c.gov)}$ = Log of Gov. Ownership after Corporate Governance

$\mathbf{L}POWN_{aft(c.gov)}$ = Log of Private Ownership after Corporate Governance

$\mathbf{L}FOWN_{aft(c.gov)}$ = Log of Foreign Ownership after Corporate Governance

Results and Discussions

Table 4.1 and 4.2: below are summary statistics of the result emanating from the SPSS computer output *(See appendix 2):*

Table (4.1) : Coefficients (@ 95% Confidence Interval for B)

INDEPENDENT VARIABLES	GOWN		POWN		FOWN	
CORPORATE GOVERNANCE STATUS	PRE	POST	PRE	POST	PRE	POST
Constant	0.194	3.943	0.194	3.943	0.194	3.943
Beta (Coeff.)	- 0.832	-1.074	0.106	0.064	0.025	0.568
T-stats.	-1.080	-1.612	0.378	0.136	0.173	0.988
T-sig.	0.393	0.248	0.742	0.904	0.879	0.427

Dependent Variable: ROTA

Source: Computed from SPSS Output in appendix 2

A cursory observation of table (4.1) summary statistics shows useful evidence for achieving the basic objectives of this paper. The constants of the three explanatory variables (GOWN, POWN, and FOWN) are 0.194 and 3.943 respectively for pre and post CBN's corporate governance code. Both values are positive but statistically not significant as their significant values *(See appendix 2)* are 0.994 and 0.940. These constant values are the intercepts of the two regression lines for the two hypotheses. They indicate that the return on total assets of banks in Nigeria would be approximately 0.2% and 3.9% respectively for pre and post corporate governance respectively if other explanatory variables were zeros. The coefficient of government ownership (GOWN) before the code was - 0.832 while it became -1.074 after. Both values are negative and not significant (0.393 and 0.248) at both 95% and 99% levels. The meaning is that for every 1% increase in government shareholding before 2006 corporate governance code holding other variables constant, the return on total assets of banks in Nigeria depreciated by approximately 0.8% and approximately 1.07% after indicating that more government shareholding depleted total assets of banks in Nigeria over the period. Meanwhile, the higher rate of depreciation (1.07%) of the return on total assets of banks in post corporate governance era falls below *a priori* expectation. This however is explainable. Evidence from literature reveals that there was a 100% takeover of four banks in 2011 by the federal government through the agency of the Asset Management Corporation of Nigeria (AMCON, 2012). This of course could be seen as a violation of the 10% maximum government equity and invariably, this must be contributory to influencing the post corporate governance result.

Conversely, private shareholding showed appreciation of total assets of banks but at a lesser proportionate in the post CBN code of corporate governance period. The coefficient of private ownership (POWN) before the code was 0.106 while it reduced to 0.064 after. Both values are positive but not significant (0.742 and 0.904) at both 95% and 99% levels. The meaning is that for every 1% increase in private shareholding before 2006 corporate governance code holding other variables constant, the return on total assets of banks in Nigeria appreciated by approximately 0.11% and approximately 0.06% after indicating that more private shareholding marginally depleted total assets of banks in Nigeria in post CBN corporate governance era. But foreign ownership revealed appreciation in the post CBN corporate governance period. The coefficient of foreign ownership (FOWN) before the code was 0.025 while it increased to 0.568 after. 1% increase in foreign shareholding before 2006 corporate governance code holding other variables constant appreciated return on total assets of banks in Nigeria by approximately 0.02% and magnified same by 0.56% afterward. Inferring from the above outcomes, one can justifiably assert that banks with more foreign ownership are better managed than those whose ownership are dominated by private Nigerians and the government. The above outcomes agree with traditional theory that government ownership and control of enterprise is often characterized by corruption, greed and ineptitudes. This submission is further confirmed using relevant descriptive statistics summarized in table 4.2.

Table 4.2: Relationship and Variance Statistics

INDEPENDENT VARIABLES			GOWN		POWN		FOWN
Pearson Corr. (H_{01})			-0.894		-0.666		0.820
Pearson Corr. (H_{02})			-0.666		0.370		-0.130
Hypo	**Variables**	**R**	**R^2**	**Adj. R^2**	**F**	**F-Sig**	**DW**
H_{01}	**GOWN, POWN, FOWN**	0.902	0.813	0.534	2.908	0.026	3.242
H_{02}	**GOWN, POWN, FOWN**	0. 855	0.731	0.528	1.815	0.037	2.927

Dependent Variable: ROTA

Source: Computed from SPSS Output in appendix 2

In testing for the acceptability our employed models from the statistical point of view, the Analysis of Variance (ANOVA) was employed. According to Gujarati and Porter (2009), ANOVA tests for the acceptability of models from statistical viewpoint by looking at the goodness of fit from the F-statistics. If the significant value of F-statistics is less than 0.05, the explanatory variables did a good job in explaining the variation in the dependent variable. Checking from the ANOVA table as summarized in table (4.2) are F-significant values of 0.026 and 0.037 for hypothesis one and two respectively. These values are less than 0.05, an indication that the two models employed in testing our two hypotheses did a good job.

Verifying further for the nature of the relationship between the variables measured in the models, the Pearson correlation coefficient was applied. The coefficients showed strong negative relationship (-0.894 and -0.666) between government shareholding and banks total assets both before and after the initiation of the CBN 2006 corporate governance code. 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. Larger value of R suggests strong relationship between the predicted and the observed values of the dependent variable. From the multiple correlation coefficients (R), the correlation between the predicted and the observed values of the dependent variable are 0.902 and 0.855. These indicate that there are strong relationships between the predicted and the observed values of the dependent variable both before and after CBN 2006 corporate governance code. The R^2 statistics are 0.813 and 0.731. These imply that 81.3% and 73.1% of the variations in the dependent variable before and after CBN 2006 corporate governance code are explained by the independent variables in the regression models. These were further strengthened by the adjusted R^2 and the Durbin Watson statistics both of which were still high. Precisely, the adjusted R^2 were 0.534 (53.4%) and 0.528 (52.8%) while Durbin Watson statistics were 3.242 and 2.927 respectively for pre and post CBN 2006 corporate governance.

Empirical Validation of Hypotheses and Implications

The t-statistics in table 4.1 for government ownership in Nigerian banks were used to validate our formulated hypotheses. The critical t-statistics value from the statistical table at 95% confidence interval is 1.7823. This value is greater than our computed t-statistics of -1.080, and -1.612 respectively for pre and post CBN 2006 corporate governance hypotheses. Meanwhile, the t-statistics decision rule on test of hypothesis 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. In line with this rule, our two null hypotheses were not rejected. We thus submit that there is no significant positive effect of government equity ownership in banks on bank performance in Nigeria either before or after the CBN code of corporate governance in 2006.

The above submissions have certain implications. The outcome of hypothesis one indicates that prior to the initiation of the CBN code of corporate governance for banks in Nigeria, more government shareholding in banks exacerbated rather than enhanced banks' corporate performance. This outcome is not far from deduction *a priori* and it is consistent with theory and earlier empirical studies (Ani, 2010; Ashenafi, *et. al.* 2013). However, the result of hypothesis two on the effect of government ownership in banks after the initiation of the CBN code of corporate governance for banks is disappointing. One would have expected that the imposition of 10% maximum government ownership in banks would improve performance significantly since that would mean 90% non government ownership and management. This was not so as the result still showed no significant positive effect. But the no significant positive result of hypothesis two is still very informative. Unarguably, the effectiveness of policy often times is felt in the long run of effective implementation. Corporate governance policy for banks in Nigeria is a recent innovation of less than ten years. Hence, our time frame appears somewhat narrow when compared with existing studies on corporate governance policy in other economies which showed positive and significant result.

Conclusions and Recommendations

Two conclusions are isolated from this study. First, higher government equity shareholding in banks worsens rather than improves banks' corporate performance. This conclusion is consistent with numerous existing findings including La Porta, *et. al* (2002), Ashenafi, *et. al.* (2013), among others who hold that government ownership and control of banking enterprises dampen performance and growth due to political interest, greed, ineptitude and corruption. The second conclusion is that corporate governance policy for banks in Nigeria going by the clause of lesser government equity participation could enhance banks' performance but the impact of the policy should be expected in the long run. A six-year evaluation could still be very young to unravel the effectiveness of the policy. The above conclusions have provoked two major recommendations for fast tracking and optimizing the value-added impact of corporate governance for banks in Nigeria as follows:

- To achieve a strong banking sector capable of playing an engine of growth role in the development of the Nigerian economy, Nigerian government should massively divest in banks. Banking business is not part of the government's core operations. They should rather focus on the provision of enabling regulatory environment and infrastructure for private and foreign operators to thrive unfettered.
- As a follow up from the above, there is urgent need for the government to speed up the process of divestiture and privatization of the four banks which the federal government under the agency of AMCON is currently having 100% equity stake. This move will result in more revenue to the government and guarantee more adherences to the dictates and principles of corporate governance in the banking industry.

References

Ajala, O. A., Amuda, T. and Arulogun, L. (2012), Evaluating the Effects of Corporate Governance on the Performance of Nigerian Banking Sector, *Review of Contemporary Business Research* Vol. 1(1);32-42

Akpan, E. S. and Rimon, (2012), "Does Corporate Governance affect Bank Profitability? Evidence from Nigeria", *American International Journal of Contemporary Research* Vol. 2 (7)

Al-Faki, (2006), "Trend in Corporate Governance in Nigeria", Retrieved Online 23/04/13 via *www.thetidenews/articleaspi*

ANI, Wilson Uchenna (2010), "Equity Ownership Structure and Operating Performance of Commercial Banks in an Emerging Market (evidence from the Nigerian Banking Industry)" *Defended Ph.D Thesis*, Banking and Finance Department, UNN, Enugu

Aniemena, U. (2005), "Good Corporate Governance in the Banking System", *A Conference Paper* Delivered at the 3rd Pan African Forum on Corporate Governance on Behalf of West African Bankers' Association, September 12

Ashenafi, B. F., Kelifa, S. K., and Yodit K. W. (2013), "Corporate Governance and Impact on Bank Performance", *Journal of Finance and Accounting,* Vol. 1(1): 19-26

Carse D. (2000) "The Ignorance of Corporate Governance in Bank" *Speech* Presented at the Year 2000 Millennium Dinner of the Association of International Accountants, Hong Kong Branch, Hong Kong Bankers' Club, Hong Kong

CBN (2006), *Central Bank of Nigeria Code of Corporate Governance for Banks in Nigeria Post Consolidation*, Government Printer

Eleje, E. O. and Ani, W. (2013), "Banks' Credit and Economic Performance in Developing Nations: Empirical Evidence from the Production Sector of the Nigerian Economy" *Nigerian Journal of Management Sciences* Vol. 3 (1)(2)

Fatimoh, M. (2011), "Impact of Corporate Governance on Banking Sector Performance in Nigeria" *International Journal of Economic Development Research and Investment,* Vol. 2 (2)

Fatimoh, M. (2012), "Impact of Corporate Governance on Banks Performance in Nigeria" Journal of Emerging Trends in Economics and Management Sciences (JETEMS) 3(3): 257-260

Gujarati, N. D. and Dawn, C. P. (2009), *Basic Econometrics,* New York, McGraw-Hill International, Fifth Edition

Jegede, C. A., Akinlabi, B. H. and Soyebo, Y.A. (2013), "Corporate Governance Efficiency and Bank Performance in Nigeria" *World Journal of Social Sciences* Vol.3(1):178-92

La Porta, R., Florencio L. and Andrei S. (2002), "Government Ownership of Banks", *Journal of Finance* 57, 265-301.

Okafor, F.O. (2011), "*50 Years of Banking Sector Reforms in Nigeria (1960-2010): Past Lessons and Future Imperatives*" Enugu, Ezu Books Nig. Ltd

Peterside Report (2003), *Code of Corporate Governance of Nigeria,* Government Printer

Shabbir, A. (Undated), "Corporate Governance and Performance of Commercial Banks in Pakistan", *IIIE, International Islamic university*, H-10

Soludo, C. (2006), "Liquidated Banks, Depositors, Others will Get Their Money" An *Interview* of CBN Governor by South African Broadcasting Corporation (SABC)

Uche, U. C. (2001), "Nigeria: Bank Fraud" *Journal of Financial Crime, Volume* 8, No.3

Unegbu, C. K. (2004) "Corporate Governance in the Nigerian Financial Sector" *Presidential Address*

Uwuigbe, O. R. (2011), "Corporate Governance and Financial Performance of Banks: A Study of Listed Banks in Nigeria", *A Ph.D. Thesis* Submitted to the Department of Accounting, School of Postgraduate Studies Covenant University, Ota, Ogun State

Appendix 1: Returns on Total Asset and Ownership Structure of Insured Banks in Nigeria (2000-2011)

YEAR	RETURNS ON TOTAL ASSET (ROTA) %	GOVERNMENT OWNERSHIP (GOWN) %	PRIVATE OWNERSHIP (POWN) %	FOREIGN OWNERSHIP (FOWN) %
2000	6.39	2.59	78.89	7.36
2001	7.05	2.59	81.6	7.36
2002	5.53	3.23	77.78	13.07
2003	6.64	3.23	76.97	12.58
2004	5.79	3.3	76.36	11.63
2005	4.45	4.68	74.65	9.73
2006	3.67	3.47	82.03	10.97
2007	4.8	2.66	81.12	10.97
2008	4.29	1.72	85.6	12.55
2009	9.28	2.26	83.63	14.12
2010	3.91	0.58	95.92	3.50
2011	0.04	9.76	72.84	17.40

Source: Computed from NDIC Annual Reports and Accounts (2000-2011 issues)

APPENDIX 2: Regression Result for Hypothesis One (Pre-CBN 2006 Corporate Governance)

Descriptive Statistics

	Mean	Std. Deviation	N
ROTA	5.9750	.93037	6
GOWN	3.2700	.76381	6
POWN	77.7083	2.37752	6
FOWN	10.2883	2.53974	6

Correlations

		ROTA	GOWN	POWN	FOWN
Pearson Correlation	ROTA	1.000	-.894	.820	-.294
	GOWN	-.894	1.000	-.856	.313
	POWN	.820	-.856	1.000	-.545
	FOWN	-.294	.313	-.545	1.000
Sig. (1-tailed)	ROTA	.	.008	.023	.286
	GOWN	.008	.	.015	.273
	POWN	.023	.015	.	.132
	FOWN	.286	.273	.132	.
N	ROTA	6	6	6	6
	GOWN	6	6	6	6
	POWN	6	6	6	6
	FOWN	6	6	6	6

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	FOWN, GOWN, POWN[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.902[a]	.813	.534	.63532	.813	2.908	3	2	.266	3.242

a. Predictors: (Constant), FOWN, GOWN, POWN

b. Dependent Variable: ROTA

ANOVA [b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.521	3	1.174	2.908	.026[a]
	Residual	.807	2	.404		
	Total	4.328	5			

a. Predictors: (Constant), FOWN, GOWN, POWN

b. Dependent Variable: ROTA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	.194	24.844		.008	.994	-106.701	107.090			
	GOWN	-.832	.771	-.683	-1.080	.393	-4.149	2.484	-.894	-.607	-.330
	POWN	.106	.281	.271	.378	.742	-1.101	1.313	.820	.258	.116
	FOWN	.025	.143	.067	.173	.879	-.590	.639	-.294	.121	.053

a. Dependent Variable: ROTA

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.4633	6.8817	5.9750	.83913	6
Residual	-.55452	.65354	.00000	.40181	6
Std. Predicted Value	-1.801	1.080	.000	1.000	6
Std. Residual	-.873	1.029	.000	.632	6

a. Dependent Variable: ROTA

APPENDIX 3: Regression Result for Hypothesis Two (Post-CBN 2006 Corporate Governance)

Descriptive Statistics

	Mean	Std. Deviation	N
ROTA	4.3317	2.95774	6
GOWN	3.4083	3.25810	6
POWN	83.5233	7.48520	6
FOWN	11.5850	4.63239	6

Correlations

		ROTA	GOWN	POWN	FOWN
Pearson Correlation	ROTA	1.000	-.666	.370	-.130
	GOWN	-.666	1.000	-.860	.738
	POWN	.370	-.860	1.000	-.909
	FOWN	-.130	.738	-.909	1.000
Sig. (1-tailed)	ROTA	.	.075	.235	.403
	GOWN	.075	.	.014	.047
	POWN	.235	.014	.	.006
	FOWN	.403	.047	.006	.
N	ROTA	6	6	6	6
	GOWN	6	6	6	6
	POWN	6	6	6	6
	FOWN	6	6	6	6

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	FOWN, GOWN, POWN[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.855[a]	.731	.528	2.42389	.731	1.815	3	2	.375	2.927

a. Predictors: (Constant), FOWN, GOWN, POWN

b. Dependent Variable: ROTA

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.991	3	10.664	1.815	.037[a]
	Residual	11.750	2	5.875		
	Total	43.741	5			

a. Predictors: (Constant), FOWN, GOWN, POWN

b. Dependent Variable: ROTA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	3.943	46.267		-.085	.940	-203.014	195.129			
	GOWN	-1.074	.666	-1.183	-1.612	.248	-3.940	1.792	-.666	-.752	-.591
	POWN	.064	.471	.162	.136	.904	-1.961	2.089	.370	.096	.050
	FOWN	.568	.575	.890	.988	.427	-1.908	3.044	-.130	.573	.362

a. Dependent Variable: ROTA

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.1308	7.0124	4.3317	2.52945	6
Residual	-2.53626	2.26760	.00000	1.53300	6
Std. Predicted Value	-1.661	1.060	.000	1.000	6
Std. Residual	-1.046	.936	.000	.632	6

a. Dependent Variable: ROTA

Determinants of the Adoption of Internet Banking among Private University Students in Oyo State, Nigeria

Onaolapo, A.R. Ph.D
Department of Management and Accounting,
Ladoke Akintola University of Technology, Ogbomoso,Nigeria.
adeonap4real@gmail.com

Akanbi, Paul A.
Department of Business Administration,
AJayi Crowther University, Oyo State, Nigeria.
paulayobami2013@gmail.com
+234-8034813651

pp 222-229

Abstract

This study investigated the impact of service quality, trust, loyalty and technophobia on the adoption of internet banking. The objectives of this study were to determine the relationship between service quality and adoption of internet banking as well as assessing the relationship between loyalty and adoption of internet banking by the customers. The study employed survey research with questionnaires as research instruments. The subjects were five hundred and seventy three students of Ajayi Crowther University, Oyo who were customers of Sterling bank, UBA, Fidelity bank, First bank, Zenith bank and GTB. The hypotheses formulated for this study were tested using Pearson's correlation, multiple regression and analysis of variance with the aid of Statistical Package for Social Sciences (SPSS). The findings of the study revealed that service quality, trust, loyalty and technophobia were predictors of the adoption of internet banking. The study also indicated significant association between service quality, trust, loyalty, technophobia and the adoption of internet banking. Based on the findings of this study, recommendations were made that banks should design friendly website to attract both student customers and the general public. Efforts should be geared towards reducing the complexity in the operations of internet banking. The banks investment should not stop at the initial costs of setting the system up, they should go further to educate customers to make the system more attractive.

Keywords: service quality, trust, loyalty, technophobia and adoption of internet banking.

Introduction

Online banking or e-banking can be defined as online systems which allow customers to plug into a host of banking services from a personal computer by connecting with the bank's computer over the telephone wires. Technology continues to make online banking easier for the average consumer. Banks are using a variety of names for online banking services, such as PC banking, home banking, electronic banking (e-banking) or Internet banking. Regardless of the given name, these systems certainly offer specific advantages over the traditional banking methods (Adeyinka, 2007). Technology in banking has been used in four major ways:

1. To handle a greatly expanded customer base
2. To reduce substantially the real; cost of handling payments
3. To liberate the banks from the traditional constraints on time and place
4. To introduce new products and services.

Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing macroeconomic policy.

Electronic banking has been around for some time in the form of Automatic Teller Machines (ATM) and telephone transactions. More recently, it has been transformed by the Internet, a new delivery channel for banking services that benefits both customers and banks. Access is fast, convenient, and available around the clock, whatever the customer's location is, banks can provide services more efficiently and at substantially lower costs. Electronic banking also makes it easier for customers to compare banks' services and products, it increases competition among banks, and allows banks to penetrate new markets and thus expand their geographical reach. Some even see electronic banking as an opportunity for countries with underdeveloped financial systems to leapfrog developmental stages. Customers in such countries can access services more easily from banks abroad and through wireless communication systems, which are developing more rapidly than traditional "wired" communication network. E-banking includes familiar and relatively mature electronically-based products in developing markets, such as telephone banking, credit cards, ATMs, and direct deposit. It also includes electronic bill payments and products mostly in the developing stage, including stored-value cards (e.g., smart cards/smart money) and Internet-based stored value products.

E-banking in developing countries is in the early stages of development. Most banking in developing countries is still done the conventional way. However, there is an increasing growth of online banking, indicating a promising future for online banking and Nigeria banks are taking good advantage of it.(Adesina and Ayo,2010) .

The introduction of Internet banking has prompted many banks to emphasize on information technology strategies in order to stay competitive (Akanbi, et al. 2011). Internet banking has revolutionized the way that we manage banking. Banks naturally have very tough hours for working adults to fit into their schedule. With internet banking, you can do your banking several day of the week at several hour of the day.

In Nigeria, electronic banking products are increasingly gaining ground as many customers received them as panacea to problems of poor service delivery that has been bedeviling many banks for a long time. However, experts posit that the rate at which Nigerians accept the products is far below expectation. This can be attributed to lack of awareness about the products, inadequate legal framework and low technology. Hence, for the new delivery channels to succeed, both e-banks and the regulatory authority in Nigeria have to sensitize the public of the benefits of the e-products. This study therefore, examines some selected factors that may be responsible for the adoption of internet banking among undergraduate students in Nigeria.

Literature Review and Theoretical Framework

Banks and other businesses alike are turning to IT to improve business efficiency, service quality and attract new customers (Kannabiran and Narayan, 2005). Technological innovations have been identified to contribute to the distribution channels of banks and these electronic delivery channels are collectively referred to as electronic banking, (Goi, 2005). The evolution of banking technology has been driven by changes in distribution channels as evidenced by automated teller machine (ATM), Phone- banking, Tele-banking, PC-banking and most recently internet banking (Chang, 2003).

E-banking is the term used for new age banking system. E-banking uses the internet as the delivery channel by which to conduct banking activity, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages and purchasing financial instruments and certificates of deposits (Mohammed, *et al,* 2009). It is difficult to infer whether the internet tool has been applied for convenience of bankers or for the customers' convenience. But ultimately it contributes in increasing the efficiency of the banking operation as well providing more convenience to customers. Without even interacting with the bankers, customers transact from one corner of the country to another corner. Electronic banking has experienced explosive growth and has transformed traditional practices in banking (Gonzalez, 2008). As per prediction of Maholtra and Singh, (2007) the e- banking is leading to a paradigm shift in marketing practices resulting in high performance in the banking industry.

Delivery of service in banking can be provided efficiently only when the background operations are efficient. An efficient background operation can be conducted only when it is integrated by an electronic system. The components like data, hardware, software, network and people are the essential elements of the system. Banking customers get satisfied with the system when it provides them maximum convenience and comfort while transacting with the bank. Internet enabled electronic system facilitate the operation to fetch these result.

Technophobia has been observed to affect various societies and communities throughout the world. This has caused some groups to take stances against some modern technological development in order to preserve their ideologies. In some of these, cases the new technologies conflict with new beliefs, such as the personal values of simplicity and modest lifestyle.

According to Christopher, *et. al.,* (2006), E banking has become an important channel to sell the products and services and is perceived to be necessity in order to stay profitable in successful. There is a growing interest in understanding the users' experience (Pyun, 2002), as e-banking is observed to be a larger concept than user satisfaction. From this perspective, assessing the user experience is essential for many technology products and services (Salehi, *et. al.,* 2008). Customers have started perceiving the services of bank through internet as a prime attractive feature than any other prime product features of the bank.

Customers have started evaluating the banks based on the convenience and comforts it provides to them. According to Egwali (2009) the major factors responsible for e-banking security in Nigeria based on respondents' perception on various internet applications, participant's perception about e-banking and whether the user and non-user perception differs. The three critical factors of interest are convenience and flexibility, transaction related benefits, and demographic variables (gender, location, etc.). Mattila and Mattila (2005) asserted that electronic banking services offered by banks using the internet include: Mobile banking (m banking), video banking, fund transfers, e-payments and ATM cards. Of all e-banking services on offer, ATM is by far the most popular in Nigeria.

However, technological advancements keeps broadening the frontier of possibilities in all human endeavors and thus more e-banking services are being developed and introduced. Technology has created 'paradigm shift' in the client servicing (Kamakodi *et al,* 2008). This amongst other reason has perhaps informed the large number of literature and research into the critical success factor in e-banking security. It is generally accepted that increases in income and education have been found to be positively related to the adoption of an innovation (Lee, *et al.,* 2002).

Online banking also forms part of what is generally known as new products/services in the Nigerian banking industry. This is given the overwhelming success of online banking in other developed societies of the world. It is on this wise that, banks in Nigeria are gradually embracing the product/service and radical changes are taking place in the Nigerian financial landscape (Ovia, 2003). The growth of this product/service has been unprecedented especially immediately after the consolidation exercise of the Nigerian banking system. This according to Arua (2007) is in line with the CBN directives of 2005, that banks must have a global reach and be competitive at the international level.

Many studies have acknowledged the importance of loyalty in the electronic context and have analyzed this aspect in detail (Lynch et al., 2001; Reichheld et al., 2000; Srinivasan et al., 2002; Reichheld and Schefter, 2000). Customer loyalty has been defined as a deeply held commitment to repurchase or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999). Subsequently Ribbink et al. (2004) stated that this general definition applies to online loyalty as well. With internet banking, opportunities are also created for small banks to compete on more equal footing with other larger banks in the world (Akingbola, 2006). Customers who are increasingly raising the stake of expectations for quality products and customers service can quickly find it at a click of the mouse. Banks and customers could engage in dialogue and learn from each other through this service. Kayode (2008) found that with this service, customers can also access the balance and transactions on their account and perform other banking services such as transfer of funds from one account to the other, carry out transactions with other bank customers etc.

Two of the most common models used in investigating factors determining the role critical success factor on e-banking security are Technology Acceptance Model (Davis, 1989) and Roger's Diffusion of Innovation (DOI) Theory (Rogers, 1983). Using the DOI theory, Hogarth *et al* (2008) discovered that 'the more observable, compatible, simple, useful, and the more advantages the technology offers, the more likely are the consumers to adopt that technology'. Using the Technology Acceptance Model, Pikkareinen *et al* (2004) opined that perceived usefulness and perceived ease of use among other factors significantly affects the use of e-banking, other factors being: Perceived Enjoyment, Information on Online Banking, Security and Privacy, Quality of Internet Connection. Using the DOI theory, Lee and Lee (2000) investigated the factors influencing the adoption of various banking technologies.

Lasser *et al* (2005) in an investigation into factors influencing the use of e-banking discovered that consumer innovativeness and personal characteristics are the key determinants of online banking adoption. Security issues top the list of factors limiting the acceptance of e-banking services by customers. Using the DOI theory to determine the underlying factors determining the adoption of ATM cards by bank customers in Nigeria, Olatokun *et al* (2009) found out that the constructs Relative Advantage, Complexity, Observeability, Compatibility, and Trialability were positively related to attitude to the use of ATM cards.

Methodology

The variables for this study consist of independent and dependent variables. The independent variables are service quality, trust, loyalty and technophobia and the dependent variable is the adoption of internet banking.

A total of about four thousand constituted the population of the study, which included three faculties of the university; faculty of Humanity, faculty of Social and management sciences, and faculty of natural Sciences of the university. A sample size of six hundred was drawn for the purpose of this research work. This study was limited to Ajayi Crowther University, Oyo.

The sample of this study comprises six hundred students of a private university in Oyo state, Nigeria. The samples were selected based on stratified sampling across different faculties and departments namely faculty of social and management sciences, faculty of humanities, and faculty of natural sciences. A total of six hundred questionnaires were distributed, with a number of five hundred and seventy three found usable and were analysed. The subjects consist of two hundred and fifty seven males and three hundred and sixteen females with age ranged between 15 and 39.

The study made use of questionnaire which was divided into 3 sections. The first section measures demographic information, B measures service quality, trust, loyalty and technophobia. using a 7 scale Likert format ranging from Strongly Agree (SA) =7, Agree (A) =6, somewhat agree (SWA) =5, Neither agree/disagree (NA/D) =4, Somewhat disagree(SWD)=3, Disagree (D) =2, to Strongly disagree (SD) =1. The scales of service quality, trust, loyalty and technophobia were adapted from a scale developed by Amefloh and Trieiblmier (2006), Oliver and Svan, (1989) Delgodo Ballaster and Munuera Alemern,(2001) Homburg and Giering (2001) sinkovice etal. With reliability coefficients of 0.87, 0.80 and 0.70 respectively. And Section C measured adoption of internet banking which was a four item scale using a 7-point Likert scoring format ranging from Strongly Agree (SA) =7 to Strongly Disagree (SD) =1. The scale on the adoption of internet banking was based on prior work by Davis (1989) and Cheng et. al. The instruments were revalidated, and the reliability coefficients gave the following results: service quality .840, loyalty .786 trusts .878 technophobia .788 and adoption of internet banking .840

Data analyses

The demographic information was analyzed using a frequency count and sample percentage. Also, the hypotheses for this research were analyzed with multiple regressions, ANOVA and Pearson's correlation. Hypothesis 1 was tested with multiple regression, hypotheses 2, 3, 4 and 5 were analyzed with Pearson's correlation while hypothesis 6 was tested with Analysis of Variance (ANOVA).

Test of Hypotheses

The hypotheses formulated for this study are analyzed in this section

H_{01}: Service quality, trust, loyalty and technophobia will not jointly and independently predict adoption of internet banking.

Table 1: Multiple regression analysis among service quality, trust, loyalty, and technophobia on the adoption of internet banking.

Variables	F- Ratio	Sig of P	R	R^2	Adj R^2	B	t	P
Technophobia	68.950	.000	.572	.327	.322	.235	6.524	.000
Trust						.516	9.259	.000
Loyalty						.231	4.414	.000
Service quality						.127	2.071	.039

Table 1 showed the linear combination of the impact of Service quality, trust, loyalty and technophobia on adoption of internet banking. F = 68.950; R = .572, R^2 = .327, Adj. R^2 = .322; P <. 05). The independent/predictor variables jointly accounted for a variation of about 32.7% in adoption of internet banking. The following shows the various *relative contributions* and levels of significance of the independent variables: Technophobia (β = .235, P <.05), Trust (β = .516, P <.05), Loyalty (β = .231, P <.05) and service quality (β = .127, P <.05) respectively. It can de concluded that trust, loyalty and technophobia and service quality were significant and jointly independently predicted adoption of internet banking.

H_{02}: There is no significant relationship between service quality and adoption of internet banking.

Table 2: Pearson's correlation between service quality and adoption of internet banking.

Variable	Mean	Std. Dev.	N	R	P	Remark
Adoption of internet banking	4.7839	1.55244	573	.240**	.000	Sig
Service quality	5.7228	1.06750				

It is shown in table 2 that there is a significant relationship service quality, and adoption of internet banking (r = .240**, N= 573, P < .05). Hence, it could be deduced that service quality influenced the adoption of internet banking in the study.

H_{03}: There is no significant relationship between trust and adoption of internet banking.

Table 3: Pearson's correlation between trust and adoption of internet banking

Variable	Mean	Std. Dev.	N	R	P	Remark
Adoption of internet banking Trust	4.7839 5.67422	1.55244 1.17972	573	.219**	.000	Sig

It is shown in table 3 that there is a significant relationship trust and adoption of internet banking (r = .219**, N= 573, P < .05). Hence, it could be deduced that trust influenced the adoption of internet banking in the study.

H_{04}: There is no significant relationship between loyalty and adoption of internet banking.

Table 4: Pearson's correlation between loyalty and adoption of internet banking.

Variable	Mean	Std. Dev.	N	R	P	Remark
Adoption of internet banking Loyalty	4.7839 5.6910	1.55244 1.06830	573	.296**	.000	Sig

It is shown in table 4 that there is a significant relationship loyalty and adoption of internet banking (r = .296**, N= 573, P < .05). Hence, it could be deduced that loyalty influenced the adoption of internet banking in the study.

H_{05}: There is no significant relationship between technophobia and adoption of internet banking.

Table 5: Pearson's correlation between technophobia and adoption of internet banking.

Variable	Mean	Std. Dev.	N	R	P	Remark
Adoption of internet banking Technophobia	4.7839 4.50145	1.55244 1.49846	573	.310**	.000	Sig

It is shown in table 5 that there is a significant relationship Technophobia t and adoption of internet banking (r = .219**, N= 573, P < .05). Hence, it could be deduced that Technophobia influenced the adoption of internet banking according to the study.

H_{06}: There is no main and interactive effect of loyalty and technophobia on adoption of internet banking.

Table 6: Analysis of variance (ANOVA) Between loyalty and technophobia on adoption of internet banking.

Variables	F- Ratio	Sig of P	R	R^2	Adj R^2	B	t	P
Loyalty	43.099	.000	.362	.131	.128	.196	4.804	.000
Technophobia						.252	6.169	.000

Table 6 displayed the result of the analysis of the interactive effect of loyalty and technophobia on adoption of internet banking. The analysis reveals that both service quality and trust have a positive effect on adoption of internet banking. Both loyalty (ß= 0.196, t= 4.804, p < 0.05) is significant and technophobia (ß= 0.252, t= 6.169, p < 0.05) are statistically significant. With these, it can be concluded that there is main and interactive effect of loyalty and technophobia on the adoption of internet banking.

Conclusion

This study concentrated on the role of service quality, trust, loyalty and technophobia on the adoption of internet banking among undergraduate bank customers in Oyo town. It is evident in this study that service quality, trust, loyalty and technophobia were predictors of the adoption of internet banking. These factors were also significant and positively correlated with the adoption of internet banking.

It is therefore concluded that the success of the adoption of internet banking among undergraduate bank customers depends to a large extent on the perception and attitude of customers to these factors. Banks should tailor their internet banking services to bring about better service quality, mutual trust, loyalty and reduction in the incidence of technophobia.

Based on the findings from this study, it is recommended that banks should design friendly website to attract both student customers and the general public. Efforts should be geared towards reducing the complexity in the operations of internet banking. The banks investment should not stop at the initial costs of setting the system up, they should go further to educate customers to make the system more attractive.

References

Adesina, A. A. & Ayo, C. K. (2010). An Empirical Investigation of the Level of Users' Acceptance of E-banking in Nigeria, *Journal of Internet Banking and Commerce,* 15(1):

Al- Sukkar, A. & Hasan, H. (2005). Toward a Model for The Acceptance of Internet Banking in Developing Countries. *Information Technology for Development*, 11(4): 381-398.

Ayo, C. K., Ekong, O. U, Fatudimu, I.T., & Adebiyi A. A. (2007). M-Commerce Implementation in Nigeria: Trends and Issues. *Journal of Internet Banking and Commerce*, 12(2):

Ayo, C. K., Adewoye J. O., & Oni A. A. (2010). The State of e-Banking Implementation in Nigeria: A Post-Consolidation Review. *Journal of Emerging Trends in Economics and Management Sciences* (JETEMS) 1 (1): 37-45

Business Day, *ATM machines yet to smoothen ebanking,* Retrieved 23rd August, 2010 from http://www.businessdayonline.com/.

Cheng, T. C. E., Lam, D. Y. C. & Yeung, A. C. L. (2007). *Adoption of Internet Banking: An Empirical Study in Hong Kong.* The Hong Kong Polytechnic University, Department of Logistics, the Hong Kong Polytechnic University. Working paper series.

Davis, F. D., Bagozzi, R. P., & Warshaw, P. R. (1989). User Acceptance of Computer Technology: A Comparison of Two Theoretical Models. *Management Science,* 35(8): 982-1003.

Davis, F.D. (1999). Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology, *MIS Quarterly*. 13(3): 318- 340.

Doll, W. J., Hendrickson, A. & Xiaodong, D. (1998). Using Davis's perceived usefulness and ease of use instruments for decision making: a confirmatory and multigroup invariance analysis. *Decision Sciences*, 29(4): 839-869

El- Kasheir, D., Ashour, A. S., & Yacout, O. M. (2009). Factors Affecting Continued Usage of Internet Banking Among Egyptian Customers. *Communications of the IBIMA,* 9.

Fishbein. M & Ajzen, I. (1975). *Belief, attitude, intention and behaviour: An introduction to theory and research.* Addison: Wesley

Gerrard, P.J, & Cunningham, J. B. (2003). The diffusion of Internet banking among Singapore consumers. *The International Journal of Bank Marketing,* 21(1): 16-28

Kamel, S., & Hassan, A. (2003). Assessing the Introduction of Electronic Banking in Egypt Using the Technology Acceptance Model, in *Annals of Cases on Information Technology,* M. Kosrow-Pour (Ed.), Idea Group Publishing, 1- 25.

Karahanna, E., Straub, D. W. & Chervany, N. L. (1999). Information Technology Adoption Across Time: A Cross-Sectional Comparison of Pre-Adoption and Post-Adoption Beliefs. *MIS Quarterly*. 23(2): 183-213

Karjaluoto, H., Mattila, M. & Pento, T. (2002). 'Factors underlying attitude formation towards online banking in Finland', *International Journal of Bank Marketing,* 20(6): 261-272.

Kerem, K. (2003). *From adoption to relationships: Internet banking in Estonia.* Ph.D Dissertation, Tallinn Technical University, Faculty of Economics and Business Administration.

Kolodinsky, J. M., Hogarth, J. M., & Hilgert, M.

(2004). The Adoption of Electronic Banking Technologies by US Consumers. *The International Journal of Bank Marketing,* 22(4): 238- 259.

Mathieson, K. (1991). Predicting user intention: comparing the technology acceptance model with the theory of planned behavior. *Information Systems Research*, 2: 173-191.

Minjoon, J. & Shaohan, C. (2001). The key determinants of Internet banking service quality: a content analysis. *International Journal of Bank Marketing,* 19(7): 276-291

Muniruddeen L. (2007). An Examination of Individual's Perceived Security and Privacy of the Internet in Malaysia and the Influence of This on Their Intention to Use E-Commerce: Using An Extension of the Technology Acceptance Model. *Journal of Internet Banking and Commerce,* 12(3):

Pikkarainen, T. Pikkarainen, K. Karjaluoto, H & Pahnila, S. (2004). Consumer acceptance of Online banking: an extension of the technology acceptance model. 14(3): 224–235. Available at www.emeralinsight.con/researchregister.

Reid, M. & Levy, Y. (2008). Integrating Trust and Computer Self-Efficacy with TAM: An Empirical Assessment of Customers' Acceptance of Banking Information Systems (BIS) in Jamaica. *Journal of Internet Banking and Commerce,* 12(3)

Salisbury, W.D., Pearson, R.A., Pearson, A.W. & Miller D.W. (2001). Perceived security and World Wide Web purchase intention. *Industrial Management & Data Systems*, 101: 165-176.

Vatanasombut, B., Igbaria, M., Stylianou, A. C. & Rodgers, W. (2008). Information Systems Continuance intention of web-based applications customers: The case of online banking. Information & Management, 45 (7): 419-428.

Venkatesh, V. & Morris, M.G. (2000). Why don't men ever stop to ask for directions? gender, social influence, and their role in technology acceptance and usage behavior. *MIS Quarterly*, 24: 115-139.

Zeithaml, V.A. & Bitner, M. J. (1996). *Services Marketing,* McGraw-Hill: New York

Small and Medium Scale Enterprises Financing and Socio-economic Development in Nigeria

Iorpev, Luper
Department of Accounting,
Benue State University, Makurdi, Nigeria.
Email:luperiorpev@yahoo.com
Phone: +2348030789299

pp 230-237

Abstract

This study examined the effect of financing SMEs on the socio-economic development of Nigeria. To achieve this, SMEs financing was measured by loans and advances made by Microfinance banks (MFinance), Deposit Money bank (DMBFinance) and total Microfinance and DMB loans and advances to SMEs (Bankfinance). Socio-economic development, on the other hand, was measured by economic growth, employment creation and the reduction in poverty. Data collected from Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics for the period of twenty one years (1992-2012) was analyzed using regression analysis. The finding shows that SMEs financing (DBMFinance and Bankfinance) significantly influence the level of employment creation but did not significantly influence improvement in economic activities and poverty reduction in Nigeria. The study recommends that more funds should be made available to microfinance banks to enable them contribute effectively to the financing of SMEs in the country so as to enhance improvement in economic activities, employment creation and poverty reduction in Nigeria. The banks should ensure that only actual SMEs owners benefit, such that the increase in finance to SMEs seen over the years will translate into improvement in economic activities, employment creation and poverty reduction in Nigeria.

Keywords: Small and Medium Scale Enterprises, Socio-economic Development, Nigeria

Introduction

Finance is the live wire of any organisation as it plays vital roles towards the growth and development of small, medium and large business enterprises globally. The availability of finance assists business owners and managers to achieve their goals through improved performance and effectively contribute to the development of not only the society but the world at large. Thus lack of access to finance is a constraint for organisation as it prevents its growth to full potential and contributions to the economy. This explains why whenever the needed finance is not available, business owners and managers of small, medium or large organisations may source for it from the capital market, banks and other forms of finance depending on their nature, size and accounting records maintained by the business. How effective an organization is able to maintain its accounting record will determine which source of finance they can be able to obtain. As many providers of finance use the accounting records to determine the level of risk and the ability of the business to pay back the loan facility.

The managers of Small and Medium Scale Enterprises (SMEs) in developing countries such as Nigeria may gain access to finance from friends and relatives, personal savings, traditional thrift and credit societies (Adashi, Esusu, Etibe) and banks. Though most a times the banks which suppose to facilitate economic growth and be the major source of finance to the SMEs in the country are not willing to finance their operations. This is due to their risky nature, poor accounting records, information asymmetry and lack of collateral. However, the federal government through the Central Bank of Nigeria (CBN) over the years has come up with measures such as the risk sharing on small business borrowings and establishment of micro-finance institutions, so as to improve the finance of SMEs in the country. This is due to their importance as one of the key drivers of economic growth and sustainable development in any nation (Iorpev, 2013).

SMEs all over the world play important role in the process of industrialisation, economic growth, and sustainable development of any economy (Ariyo, 2005). SMEs are critical to the development of any economy, as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forwards integration with large scale industries (CBN, 2011). Kpelai (2009) stressed that, SMEs are the engine room for economic growth. Though, they may look small or in-consequential but are actually the foundation of any economically stable nation (Azende, 2011).

Therefore, nations that effectively finance their SMEs are expected to enjoy the potential benefits of SMEs to their societies and economies. These include contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost; provision of a vehicle for reducing income disparities; and development of a pool of skilled and semi-skilled workers as a basis for future industrial expansion. This clearly shows that the extent of the benefits a society or nation can derive from small business enterprises is largely and depends on its level of financing. Since even if the SMEs have skilled and trained manpower, good infrastructure and investment climate, but there is lack of finance, SMEs will not be able to attain its full potentials and contribute effectively to the nation's economy. This explains why nations globally have given serious attention to the financing of SMEs so as to enjoy the benefit associated with it.

It is in view of this that the study seeks to examine the impact of SMEs financing on socio economic development in Nigeria. Specifically the study examines the influence of SMEs financing on economic growth, employment creation and poverty reduction. This study is significant as it will help the providers of SMEs finance, the government and other stakeholders to know whether the billions spent on financing of SMEs attract the desired result to the society and economy of Nigeria. This paper is structured into five sections as follows: section one (1) is introduction, section two (2) takes a brief review of related literature; section three (3) is the methodology; section four (4) data presentation, analysis and discusses of results; conclusion and recommendations are presented in section five (5).

Review of Related Literature

This section looks at the concept of Small and Medium Scale Enterprises, financing of

Small and Medium Scale Enterprises, Small and Medium Scale Enterprises financing and societal development.

Concept of Small and Medium Enterprises

There are various definitions of what constitutes a small or medium firm (Abor and Adjasi, 2007). SMEs is any enterprise with a total capital employed of not less than N1.5 million, but not exceeding N200 million (including working capital but excluding cost of land) and with the staff strength of not less than 10 and not more than 300 workers (Obamuyi, 2010; Iorpev, 2012).

SMEs refer to entities that may not have public accountability and, their debt or equity instruments are not traded in a public market; they are not in the process of issuing such instruments for trading in a public market; do not hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses; the amount of its annual turnover is not more than N500 million or such amount as may be fixed by the Corporate Affairs Commission; Its total asset value is not more than N200 million or such amount as may be fixed by the Corporate Affairs Commission; No Board members are an alien; No members are a government or a government corporation or agency or its nominee; and the directors among them hold not less than 51 per cent of its equity share capital (IASB, 2010).

SMEs all over the world assist in the process of industrialisation, economic growth and sustainable development of any economy. CBN (2011) argued that, SMEs are critical to the development of any economy, as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries. Kpelai (2009) stressed that, SMEs are the engine room for economic growth. These are depended on SMES access to finance, as lack of access to finance is an important constraint for their operation. Previous works has shown that there is a positive relationship between the accesses to finance

Financing of Small and Medium Scale Enterprise

There are various ways SMEs can be financed. However, the formal and informal forms of financing are the two fundamental financing options of SMEs, which have been identified by previous researchers, scholars and practitioners (Gelinas, 1998; Aruwa, 2004). The formal forms of financing are the ones regulated by the government, while the informal forms of financing are not so regulated by the government. To Gelinas (1998) and Aruwa (2004) among the most popular of the formal sources of financing, are the commercial banks and development banks for enterprises. The informal sources on the other hand comprise borrowing from friends and relatives, and cooperative credits.

This study reviews the formal sources of financing SMEs in Nigeria .The government over the years has put in place measures to address the problems of lack of access to external funds by establishing specialized institutions such as Bank of Industry, microfinance banks to complement what the deposit money banks are doing. The bank of Industry has the following schemes such as: $500 million Nigerian Small Growing Business Scheme Loan (NSBLS); N5 billion Micro and Medium Enterprises Business Development Fund on behalf of Dangote Foundation; Micro and Medium Enterprises Development Fund amounting to N3 billion on behalf of nine state government; N90 million Business Development Fund for women (BUDFOW) being managed on behalf of Federal Ministry of Women Affairs and Youth Development; N50 million pilot fund on behalf of the small and medium Enterprises Development Agency of Nigeria (SMEDAN); and other schemes have been established in the past such as the Small and Medium Industries Equity Investment Schemes (SMIEIS), World Bank 1 and 2, NERFUND, and NDE but have these arrangements affected the Nigerian economy positively?

The micro-finance banks also are established to help in providing the SMEs in the rural and urban areas with financial services to the poor and their trading is not served by conventional financial institutions. The government, through the deposit money banks, has come up with the Youth Enterprise with Innovation in Nigeria (You Win) programme to enable youth with good business ideas start and run businesses.

With the availability of these identified financing options, SMEs still have problem of financing and the impact of financing SMEs on economic growth, employment creation and poverty reduction. The formal financial institutions particularly banks that suppose to play vital role to economic development, are not willing to grant credit to SMEs due to its intrinsic characteristics. For example, high cost of transaction due to smaller amount borrowed by SMEs, many lack credit history, fewer asset and lack of collateral requirements, higher risk management costs due to their lower survival rates, high revenue volatility, low risk diversification and greater vulnerability to crises (IFC,2013). More so, banks prefer to lend to larger organisation because it is more profitable. The SMEs on their part may limit their access to finance due to the uncertainty of their growth rate and revenues will not be profitable enough, high cost and stringent bureaucratic procedures in the application process for the loans and advances, the fear of the possibility of not surviving.

SMEs Financing and Societal Development

The financing of SMEs if effectively carried out is expected to increase the number of start-ups, higher investment in capital, new technologies, research and innovation, support liquidity and leverage that can lead to improved returns , improved risk management and acquisition of more productive asset, thereby improving economic activities, employment creation and poverty reduction.

The expansion and growth of SMEs due largely to improve finance assist them to improve productivity and competition thereby enabling them to contribute more to the gross domestic product (GDP) of the country through new market and product development, innovations in product or management processes, stimulating competition, and knowledge. Abdullahi (2012) argued that SMEs Contribute to economic development through developing new markets, discovering new sources of materials, Introducing new technologies, new industries and new products, and creation of employment. The studies that examine the impact of SMEs on economic growth show a positive impact to economic growth (Onyeiwu, 2010). Oyelaran-Oyeyinka (2012) argued that the poor performance of SMEs in Nigeria relative to their counterparts elsewhere by revealing that although about 96 percent of Nigerian businesses are SMEs compared to 53 percent in US and 65percent in Europe, they contribute approximately 1percent of GDP compared to 40 percent in Asian countries and 50 percent in both United States (US) and Europe.

Financing of SMEs will lead to employment creation because of its labour intensive nature .This will also lead to development by boosting the standard of living, raise productivity, and enhance social cohesion. Anyanwu (2003) revealed that SMEs provide veritable means of large-scale employment, as they are usually labour intensive and can provide training grounds for entrepreneurs. Safiriyu and Safiriyu and Njogo (2012) indicated that SMEs and sustainable development of the Nigerian economy are related, just as promotion of SMEs and improvement in employment generation is related.

Employment creation will also assist people out of poverty through self employment (running their own business) and income from wages and salaries. The increase in income that is associated with the employment allows for the consumption of basic goods and services above the poverty thresholds. Agayong (2010) was of the view that increase micro, small and medium enterprises (MSMES) help to create jobs, and increase income of people in Ghana. Omolara (2012) appraise the performance of SMEs on poverty alleviation in Osun State of Nigeria and found that SMEs were making impact on alleviating the level of poverty in the State in spite of the non-cooperative attitude and excessive paper works of banks.

At the aggregate level, every employment created by SMEs can lead to economic value by reallocating resources to productive uses, by providing new opportunities for exchange of goods and ideas, contributing to common goods and services, and reduce income inequality. Ali (2013) showed that SMEs can play an important role in economic growth, employment generations and poverty reduction. Beck, Asli and Ross (2005) found strong positive relationship between SMEs and economic growth. They also found no evidence that SMEs alleviate poverty or decrease income inequality.

Methodology

This study adopts an ex-post facto research design to examine the effect of SMEs financing by all the Microfinance and commercial banks operating in Nigeria on the socio-economic development of the nation. To achieve this objective, SMEs financing was measured by loans and advances made by microfinance banks, Deposit Money bank (DMB) and the combination of micro-finance and DMB loans and advances to SMEs. Socioeconomic development was measured by economic development, employment creation and the reduction in poverty. Data on loans and advances of micro-finance and DMB to SMEs, growth rate of real gross domestic product and inflation rate were collected from the Central Bank of Nigeria's Statistical Bulletin, while poverty rate and unemployment rate were collected from National Bureau of Statistics for the period of 1992 -2012. The choice of the period is based on the birth of the concept of SMEs in Nigeria and the availability of requisite data on the variables of interest in the study. The data collected were analysed using regression analysis. The dependent variable is socio-economic development (proxied by improvement in economic activities, employment creation and reduction in poverty) and the independent variable is SMEs financing (proxied by Micro-finance bank, DMB and the total of Microfinance and DMB loans and advances to SMEs). The inflation rate is used as a control variable because the value of money is the function of the level of inflation rate at any point in time and it affects, to a large extent, the level of interest rate charged on loans and advances.

The model Specification used for this study is as follows:

EDev = f(loans and advances of Microfinance, DMB, bank finance, inflation rate)

EDev = α + b_1MFinance + b_2DMBfinance + b_3Bankfinance + $b_4$inflation +ei

where: EDev is socio-economic development proxied by unemployment rate, real GDP growth and rate of poverty. It is believed that once there is improvement in economic activities it will lead to real GDP growth; therefore, real GDP growth is used as a proxy for economic growth. If SMEs are actually creating jobs there will be a reduction in the unemployment rate and the poverty rate, therefore, unemployment rate is used as proxy for employment creation and poverty rate as proxy for reduction in poverty. The loans and advances of Micro-finance bank (MFinance), deposit money banks (DMBfinance) and the total of the micro-finance and deposit money bank (Bankfinance) as independent variable. Inflation rate is used as control variable.

α is regression constant b_1, b_2, b_3 and b_4 are the regression coefficient associated and e_i is random error term which takes care of the effects of other factors, which are not fixed in the model, on the dependent variable.

Results and Discussion

The result presented below is based on the data collected from CBN statistical bulletin.

Table 4.1: Descriptive Analysis of SMEs financing and Socio economic Indicators

Year	Total of Microfinance banks and DMB loans and Advance to SMEs (Millions)	Employment Rate	Rate of GDP	Rate of Poverty
1994	21,773.10	2.00	.10	54.70
2000	48,208.90	13.10	5.40	74.00
2006	42,163.90	12.30	6.20	54.00
2012	81,495.80	23.90	6.58	71.50

Source: CBN Statistical bulletin and NBS various edition.

Table 4.1 indicates that there is an increase in SMEs financing in Nigeria from 21,773.1 million in 1994 to 81,495.8 million in 2012, the rate of employment increase from 2 percent in 1994 to 23.90 percent in 2012, GDP increase from 0.10 percent in 1994 to 6.58 percent in 2012 and a corresponding increase in the rate of poverty from 54.70 percent in 1994 to 71.50 percent in 2012. It is only in year 2006 that there was a decrease in SMEs financing from 48,208.9 million in 2000 to 42,163.9 million, employment rate decrease from 13.10 percent in 2000 to 12.30

percent and decrease in the rate of poverty from 74 percent in 2000 to 54.00 percent in 2012. However, there is increase in the rate of growth in the GDP which has not translated into employment generation (proxy by unemployment rate) and reduction in the incidence of poverty. This means that SMEs financing, GDP and rate of poverty in Nigeria is on the increase on average, however there is slight reduction in employment and poverty rate at the time when there is a decrease in SMES financing in 2006. Surprisingly, it is seen that increase in SMEs financing translates to increase in unemployment rate and poverty rates while decrease in SMEs financing translates to decrease in unemployment rate and poverty rates. This may be that though SMEs financing is increasing but it is not enough to create enough jobs that will reduce the rate of unemployment and poverty, weak infrastructure which is the major driver of rising cost of doing business, poor supervision to ensure that funds reach the actual SMEs and corruption where fund meant for a specific purpose are diverted for other project and private use.

Table 4.2: Regression Analysis Results for the three Models

(1)	**B**	**t**	**Sig**	**Toler ance**	**VIF**	**R^2**	**R^2 adj.**	**Sig. F Change**
(Constant	-13.235	-.669	.514			.692	. 479	.035
Mfinace	2.705	1.225	.239	.112	8.942			
DMBFinance	1.044	.242	.812	.251	3.983			
BankFinance	.659	.081	.936	.120	8.349			
Inflation	.003	.068	.946	.548	1.826			
(2)								
(Constant	-53.974	-1.860	.083			.891	.793	.000
Mfinace	-.344	-.106	.917	.112	8.942			
DMBFinance	-15.775	-2.493	.025**	.251	3.983			
BankFinance	29.344	2.461	.026**	.120	8.349			
Inflation	-.055	-.979	.343	.548	1.826			
(3)								
(Constant	-63.458	-1.113	.283			.695	.483	.033
Mfinace	9.989	-1.570	.137	.112	8.942			
DMBFinance	-1.204	.097	.924	.251	3.983			
BankFinance	36.212	1.546	.143	.120	8.349			
Inflation	-.195	-1.778	.096	.548	1.826			

****Sig at 5%**

Dependent variables: Model 1 is Economic growth, Model 2 is unemployment rate; Model 3 is poverty rate.

The regression analysis was used to examine the effects of SMEs financing on the socio-economic development in Nigeria and the Variance Inflation Factor (VIF) and Tolerance level (TOL) statistics were used in attempt to ensure the validity of the results. Table 4.2 above shows that the VIF of all the independent variables in the three models were consistently smaller than ten (rule of the thumb) and the TOL level is consistently lower than 0.112 indicating absence of multicullinearity among the variables. The results show that the values of the coefficient of determination (R^2) are 47.9 percent, 79.3 percent and 48.3 percent for model 1, 2, and 3 respectively. This means that the identified variables account for 47.9 percent, 79 percent and 48 percent influence on economic activities (GDP), unemployment and poverty reduction in Nigeria. This clearly shows that the models are fit and significant at 5 percent levels. The analysis further shows that financing by Micro-finance bank, deposit money bank (DMB) and the total of micro-finance and DMB to SMEs did not significantly influence improvement in economic activities and poverty reduction in Nigeria. Micro-finance finance to SMEs did not significantly influence level of employment creation but only DMB, and total microfinance and DMB finances to SMEs significantly influence level of employment creation in Nigeria (see Table 4.2).

Conclusion and Recommendations

This study seeks to examine the effects of financing SMEs on the socio-economic development of Nigeria. Specifically, the financing of SMEs by microfinance bank, deposit money banks and the total of microfinance and deposit money bank on improvement in economic activities (GDP), unemployment and poverty reduction in Nigeria. The study findings show that SMEs financing (deposit money banks and the total of microfinance and deposit money bank) significantly influence level of employment creation but did not significantly influence the improvement in economic activities and reduce poverty in Nigeria.

The study recommends that more fund should be made available to microfinance bank to enable it contribute effectively to the financing of SMEs in the country so as to enhance improvement in economic activities, employment creation and reduce poverty in Nigeria. The banks should ensure that the finance is made available to the actual SMEs owners so that the increase in finance to SMEs seen over the years will translate into improvement in economic activities, employment creation and reduce poverty in Nigeria. The CBN should come up with guarantee scheme for all SMEs financing, so that banks are encouraged to finance SMEs to enable them grow and contribute to the improvement in economic activities, employment creation and reduce poverty in Nigeria.

References

Abor, A and Adjasi, C. K. D. (2007), Corporate Governance and the Small and Medium Enterprises Sector: Theory and Implications, *Corporate Governance*, 7 (2), 111-122.

Abdullahi, S.A (2012). Entreprenuership and Economic Growth: An Analysis of Impact of Public Policy On Entreprenuership Development in Nigeria. Paper presented at The 2012 International Conference on Business and Management 6 – 7 September 2012, Phuket - Thailand

Agyapong, Daniel (2010). Micro, Small and Medium Enterprises Activities, Income Level and Poverty Reduction in Ghana A Synthesis of Related Literature. *International Journal of Business and Management*, 5(12): 196 – 205.

Anyanwu, C.M. 2003. *The role of Central Bank of Nigeria in enterprises financing*. CBN seminar on small and medium industries equity investments scheme (SMIEIS), CBN Training Centre, Lagos, 15–28.

Ariyo, D.(2005). Small firms are the backbone of Nigerian economy, Retrieved January, 15, 2011 from www.africaneconomicanalysis.org.

Gujarati, D.N. & Sangeetha (2007).*Basic Econometrics*. 4th ed. New Delhi,Tata McGraw-Hill Pub. Co. Ltd.

Ali, S. (2013). The Small and Medium Enterprises and Poverty in Pakistan: An Empirical Analysis. *European Journal of Business and Economic* .Vol. 8, Issues 2, pp 25-30.

Aruwa, S.A.S (2004), 'Financing options for small and me-dium-scale enterprises in Nigeria', The Nigerian Journal of Accounting and Research, Department of Accounting, Ah-madu Bello University, Zaria. Vol.1, No.2, June.

Azende, T. (2011). Corporate Social Responsibility in Nigerian Banking System: The Development of Small and medium scale enterprises. World Journal of Social Sciences, Vol.1, No.5 pp 12-27. Published by World Business Institutes-Research for Growth.

Beck, T., Asli. D.K and Ross L (2005). SMEs, Growth, and Poverty: Cross-Country Evidence, Journal of Economic Growth. Vol 10, No 3 pp 199-229

Central Bank of Nigeria ,CBN (2011). Development Finance. Retrieved on 6th January, 2012 from http://www.cenbank.org/Devfin/smefinance.asp

Gelinas, J.B. (1998), Freedom from Debt: The re-appropriation of development through financial self-reliance. Dhaka-Ottawa: University Press.

Gujarati, D.N. & Sangeetha (2007).*Basic Econometrics*. 4th ed. New Delhi,Tata McGraw-Hill Pub. Co. Ltd.

Obamuyi, T.M. (2010). Firms' Performance and Lending Constraints in Nigeria. *Journal of Enterpreneureship*. 19 (2), 179-190.

Omolara, Fayomi Ikeoluwapo, (2012) An Appraisal of the Small and Medium Scale Enterprises on Poverty Alleviation in Southwestern State of Osun in Nigeria (November 8, 2012). OIDA International Journal of Sustainable Development, Vol. 05, No. 04, pp. 97-106, 2012. Available at SSRN: http://ssrn.com/abstract=2173045

Oyelaran-Oyeyinka, B. (2012): "SMEs: Issues, Challenges and Prospects". *International Conference on Financial Systems Strategy 2020*. United Nations, in (http://cenbank.org/fss/wed/SME_Issues-Challenges_and_Prospects_Oyeyinka_Banji.pdf). Accessed 12/09/2012.

International Accounting Standards Board (IASB). (2010, March). Available from: <http://www.iasb.org/Current+Projects/IASB+Projects/Small+and+Medium-sized+Entities/Small+and+Medium-sized+Entities.htm> [Reterived 2010-03-04 at 5pm6pm]

Iorpev, L. (2012). Banking Sector Reforms and SMEs Financing in Nigeria. Global Journal of Management Science and Technology. Vol.1, Issue 3, pp 5-12.

Iorpev, L. (2013). Rethinking Banks Corporate Social Responsibility in Nigeria. *International Journal of Finance and Accounting*, 2(1): 30-36.

IFC (2013). Assessing Private Sector Contribution to Job Creation and Poverty Reduction. IFC Job Study,January,2013.

Safiriyu, A.M., and Njogo, B.O. (2012). Impact of Small and Medium Scale Enterprises in the generation of Employment in Lagos State. *Kuwait Chapter of Arabian Journal of Business and Management Review Vol. 1, No.11;pp107-141.*

Commercial Banks and Economic Growth in Nigeria (1980 to 2010).

Tyona, Timothy
Department of Accounting and Finance,
Federal University of Agriculture Makurdi, Benue state.
psttimter@yahoo.com. 08061548253

Itodo, Idoko Ahmed
Department of Economics,
Federal University Lokoja, Kogi State
idgambit@yahoo.com, 08067182410

Ibrahim Yusuf Muye
Department of Economics,
Federal University Lokoja, Kogi State
07057446585, ibraehym.aol.com

pp 238-247

Abstract

This work examined the contribution of Commercial Banks to the growth of Nigerian economy using time series data from 1980 to 2012. Trends in the data were analyzed and the unit root properties of the data were analysed using the Augumented Dickey Fuller test. With the presence of unit detected in the data, the researcher proceeded to ascertain whether there exit long run relationships in the linear combination of the data by conducting a Cointegration test, and thereafter, estimated the Vector Error Correction Mechanism. Based on these results, the researcher concluded that Commercial Banks have made significant contributions to the growth of the Nigerian economy within the study period. It therefore recommends that Commercial Banks should endeavour to open more branches in rural areas where there are none to encourage banking habits among the people.

Keywords: Commercial Banks, Economic growth, Financial Intermediation, Banking Sector, Time Series Modelling.

JEL Classification code: C01, C32, O16, G17, G21, G28.

Introduction

It is a well known fact that the attainment and sustainability of economic growth requires a robust and stable financial system that is largely anchored on the banking sector. This is because the financial sector of any economy helps to accelerate economic growth and improve economic performance. In other words, the financial sector provides funds used as capital input by producers in other sectors of the economy as well as by the final consumers. Thus, the financial sector; especially the commercial banking system is important in the smooth functioning of the real sector of the economy. As Schumpeter (1911) cited by King and Levine (1993) aptly puts it "The services provided by financial intermediaries such as banks in mobilizing savings, evaluating projects, managing risk, monitoring managers and facilitating transactions are essential for technological innovation and economic development".

As intermediaries, banks vigorously seek to attract reservoirs of idle funds which are allocated to entrepreneurs for investment. Banks financial intermediation does not only entail creation of a pool of investible funds, but it also involves allocating such funds. The implication of this is that the banking system as a whole plays a major role in the economic growth and development of any nation. When the system is not functioning well, it leads to distortions in economic activities.

The commercial banking system in Nigeria has, since independence, witnessed a lot of challenges which affected its traditional roles of financial intermediation. These problems include weak corporate governance, insider abuse, lack of full disclosure etc, which led to system-wide distress especially in the 1990's. Soludo (2004) opines that though the banks have experienced significant growth in both breath and volume of trading since 1986, it still needs to be further deepened to achieve the required vibrancy that is expected of it. In Nigeria, the ability of the banking sector to play its role has been periodically punctured by its vulnerability to systematic distress and macroeconomic volatility, making policy fine tuning inevitable (Soludo, 2006). As a result, the Nigerian government has taken steps to address the situation by embarking on series of banking reforms which is on-going.

According to Soludo (2004), as at December 2003, there were eighty nine banks, dominated by the top 20-30 banks. Sixty nine (69) operated as marginal players. About seventy per cent of total deposits were short-term of between thirty to ninety (30-90) days. Only three to five per cent of total loans were advanced to agriculture and manufacturing sectors. The eighty nine (89) bank assets were just eighteen billion US dollars ($18 billion) compared with fifty eight (58) banks in South Africa with assets over one hundred and forty six billion US dollars ($146 billion).

Apart from these, it is widely believed that poor access to credit buy potential investors, remains a fundamental problem which has adversely affected economic growth and development in Nigeria. It is along this backdrop that this research seeks to examine the role of the Nigerian commercial Banking industry in growth of the Nigeria economy.

The broad objective of the study is to critically assess the contribution of commercial banks to economic growth in Nigeria between 1980 and 2010.

The specific objectives are to:

- Formulate and estimate a growth model of the Nigerian economy using selected commercial banks performance indicators.
- Examine the impact of Commercial Banks the growth of the Nigerian economy.

Theoretical Literature

According to Mckinnon (1973) and Shaw (1973) in their complementary hypothesis, financial markets play a pivotal role in economic growth and as such differences in economic growth across nations are due to the quality of services provided by financial institutions. According to them there is a complementarity between money and physical capital because *"The conditions of money supply have a first order effect on decisions to save and invest"*. Moreover, positive and high interest rates are necessary to encourage agents to accumulate money balances and the complementarity with capital accumulation will exist as long as real interest rates does not exceed the real rate of return on investment.

Empirical Literature

To support the hypothesis that financial performance enhances growth, several studies have been carried out using time series, cross sectional and panel data analysis. While some of these studies concluded that policies that lead to repression of financial systems reduce the incentive to save (McKinnon, 1973 and Shaw, 1973), other scholars concluded that financial development had little or no impact on growth (Robinson, 1952).

King and Levine (1993a, 1993b) used cross-sectional analysis on a sample of 80 countries. Their financial indicators included ratio of liquid liabilities to GDP, ratio of Deposit Money to Banks asset, credit issued to the private sector divided by credit issued to government and credit issued to private enterprises divided by GDP. They found that financial services are importantly linked to economic growth and productivity improvements. The level of financial development thus predicts future economic growth.

Roubini and Sala-i-Martin (1992) found that financial repression affects growth negatively and that inflation rates, banks reserve ratio and growth are negatively correlated. They therefore concluded that governments that choose to repress their financial sectors end up choosing high rates of inflation, lower interest rates and long run growth.

In a survey similar to that of King and Levine (1993), DeGregorio and Guidotti (1995) examined samples from 98 countries from 1960-1985, and 12 countries using cross-sectional analysis and panel data analysis respectively with ratio of bank credit to the private sector as the financial indicator. They concluded that, although the impact of banks performance on growth is broadly positive, it changes according to time periods and levels of income, and also that such growth is due mainly due to its impact on the efficiency rather than the volume of investment.

Using time series analysis on a sample of 17 countries with credit issued to private sector enterprises divided by GDP as financial indicator, Odedekun (1996) carried out a survey and concluded that financial intermediation promotes economic activities in roughly 85 per cent of the countries and the growth-promoting patterns of financial intermediation are practically invariant across various countries and regions.

Allen and Ndikumana (1998), using four indicators of financial intermediation and three panel techniques of simple ordinary least squares (OLS) regression, found a weak correlation between financial intermediation and growth of the real per capital GDP for the Southern African Development Community (SADC). They attributed this to the persuasive inefficiencies in the credit allocation and suggested the strengthening of financial sector legislation and banking system supervision as a way of enhancing financial sector efficiency.

Based on a sample of 13 OECD countries from 1970-1991 with time series analysis as the research method, Neusser and Kugler (1998), used gross profit of banks, savings to investment ratio and M2/GDP as financial indicators and concluded that there is a positive correlation between financial development and growth but the cause structure underlying this relationship varies widely across countries and points at the importance of historical and institutional factors.

Similarly, Levine (1998) in a study used cross-sectional analysis on a sample of 43 countries from 1976-1993 with financial indicators as credit allocated to the private sector divided by GDP, ratio of government consumption to GDP, efficiency of legal system and concluded that there is a satisfactory significant and economically large relationship between banking development and long-run rates of economic growth.

Analysing data from 25 countries from 1993-2000 and using panel analysis with interest rate margin and credit issued to the private sector as financial indicators, Koivu (2002) found out that there is no robust link between the amount of credit to the private sector and economic growth. Also causality seems to run mostly from economic growth to credit growth. Interest rate margin is negatively and significantly associated with economic growth

With the private sector credit to GDP, liquid liabilities to GDP and commercial bank divided by central bank loans as financial indicators and dynamic panel analysis as the research method on a sample of 74 countries from 1960-1995, Rioja and Valev (2004), in their study concluded that in countries with low financial development, additional improvements in the banking sector do not have a clear effect on growth, depending on the financial indicators used. In countries where financial performance has passed a certain threshold, it exerts a strong positive effect on economic growth.

Loayza and Ranciere (2005), used panel analysis with average ratio of credit to the private sector to GDP, frequency of systematic banking crisis, M2/GDP, savings ratio as financial indicators on a sample of 82 countries from 1960-2000 and concluded that in the long run, banking sector development supports and promotes economic growth. However, systematic banking crisis, cycles of booms and busts and overall financial volatility can harm economic growth.

Cross-country panel analysis was used as research methods on a sample of 72 countries from 1978-2000 by Demetiades and Law (2006) with liquid liabilities divided by GDP, private sector credit divided by GDP and domestic credit of the banking sector divided by GDP as financial indicators in a study. They found that improvements in institutions are likely to deliver much larger direct effects on economic growth than bank finance on its own, and that financial development is most potent in delivering real economic benefits in middle income countries.

Total financial intermediation by banks, private credit and volume of loans of deposit money banks and monetary authorities advanced to all residents divided by GDP were the financial indicators used by Fink, G. and Haiss, P. (2005) on a sample of 9 developing countries from 1996-2000. Using panel analysis as research methods, they observed that there is some evidence that total financial intermediation contributed to economic growth in accession countries. Stock market capitalisation turned out to be insignificant as well as private credit, while bond markets and domestic credit played an important role in promoting economic growth.

A sample of 84 countries was chosen by Rouseau and Wachtel (2007), using cross-sectional and panel analysis as research methods. With liquid liabilities divided by GDP, liquid liabilities (M_3), credit allocated to the private sector and ratio of currency outside banks to GDP as financial indicators, They observed in their studies that the impact of financial deepening on economic growth is not as strong with more recent data as it appeared in studies with data for the period 1960-1989.In fact, the effect of financial depth on growth disappears.

Financial indicators of bank credit to GDP, Private sector credit to GDP, household credit to GDP, government expenditure to GDP and institutional development were used as financial indicators on a sample of 48 countries from the period 1945-2005 with cross country regressions as research methods by Beck et al (2008). They discovered that bank lending to private sector, not to households, drives the positive impact of financial development on economic growth.

Coricelli and Roland (2008), used panel analysis as a research tool on a sample of 115 countries and 28 manufacturing industries with external dependence indicators interacted with private sector credit to GDP ratio as financial indicator and came to the conclusion that industries which are relatively more dependent on external finance decline relatively faster in countries with lower financial sector development. Credit markets play a more important role in softening output declines than in fostering growth which supports the conjecture that the impact of financial development on growth is asymmetric.

In analysing data from Nigeria from 1970-2005, and using the Three Stage Least Square (3SLS) and counter factual policy simulations as tools of data analysis. Olofin and Afangideh (2006) developed a small macroeconomic model to capture the interrelationships among aggregate bank credit activities, investment behaviour and economic growth and observed that a well developed banking system alleviates growth financing constraints by increasing bank credit and investment activities with resultant rise in growth.

Research Methodology

The study covers a period of 31 years (1980 to 2010). This period is significant because of the numerous financial sector reforms undertaken by monetary authorities to enhance the role of commercial banks in economic growth of Nigeria. The data for the study are basically Time series data such as money supply, total credit issued to the private, GDP figures, savings to investment ratio, currency ratio etc. These data were sourced from the Central Bank of Nigeria (CBN) publications, National Bureau of Statistics (NBS) publications, websites, journals, textbooks and seminar papers.

This study adopted both Descriptive and Analytical techniques of analysis. While the

Descriptive technique consists of tables and charts, the Analytical technique of analysis is Vector Error Correction Mechanism (VECM).

However, as a precondition for the use of time series data, the Unit Root properties and the Cointegration status of the variables were first of all verified using the Augmented Dickey Fuller (ADF) test and the Johansen Cointegration test respectively. These tests were conducted at 5% (0.05) level of significance. As a result, using their respective probability values, the Null Hypothesis for each test Statistic with a p-value less than 5%, were rejected. Thereafter, the Vector Error Correction Mechanism (VECM) was estimated following the establishment of the presence of cointegrating equations in the relationships. According to Engle and Granger (1987), if cointegration exists between non-stationery variables then a VECM exist. A VECM is a restricted Vector Autoregressive (VAR) that has cointegration restriction built into the specification such that it is designed for use with non-stationery series that are found to be cointegrated.

The choice of the optimum lag length was determined by both the Akaike Info Criterion (AIC) and the Schwarz Criterion (SIC). Consequently, several VARs were estimated with different lags for each of the models. As a rule of thumb, in line with the argument of Gujarati (2009), the estimated models with least AIC and SIC were selected and adopted for this study.

Model Specification

To investigate the strategic hypothesis of this study, we postulate a regression model following Hsio's (1986), Potara and Kim (2007) and De Griegorio (1999) models, with slight modifications as follows:

$$GDP_t = \delta_0 + \delta_1 COB/M2 + \delta_2\ M2/GDP + \delta_3 PSC/GDP + \delta_4 SIR + U_t$$

Where:

GDP is economic growth proxy by real GDP growth rates

COB/M2 is the ration of currency outside banks to broad money supply

M2/GDP is ratio of Broad Money Supply to GDP

PSC/GDP is ratio of Private Sector Credit to GDP

SIR is the Savings to Investment ratio

U_t is the error term

δ_0 is the intercept

δ_1 is the coefficient of the ratio of Currency Outside Banks to Broad Money supply

δ_2 is the coefficient of the ratio of Money Supply to GDP

δ_3 is the coefficient of the ratio of Private Sector Capital to GDP

δ_4 is the coefficient of Savings to Investment ratio

Apriori Expectations

The a priori expectations are follows:

$\delta_1 < 0$; $\delta_2 > 0$; $\delta_3 > 0$ and $\delta_4 > 0$

where:

δ_1 is the coefficient of COB/ M_2

δ_2 is the coefficient of M_2/GDP

δ_3 is the coefficient of PSC/GDP and δ_4 is the coefficient of SIR.

Unit Root Tests

The Augmented Dickey Fuller (ADF) test for unit root, presented on table 2 below, reveals that GDP, COB/M_2, M_2/GDP, SIR and PSC/GDP are all stationary only in their first differences.

Table 2: ADF Unit Root Test

Variable	Order of Integration	Critical Value	Computed Values
GDP	1(1)	-4.309824 *	**-7.747308**
COB/M₂	1(1)	-4.309824 *	**-6.302495**
M₂/GDP	1(1)	-4.309824 *	**-4.487673**
SIR	1(1)	-4.309824 *	**-5.788417**
PSC/GDP	**1(1)**	-4.309824 *	**-7.049394**

Note: (*) denotes critical values at 1%

Cointegration Test Results

The Augmented Dickey Fuller (ADF) test results show that all variables have unit root, but were stationery in their first differences. It becomes necessary and expedient to investigate if these non-stationery variables were cointegrated.

Both trace test statistic criterion and maximum Eigenvalue criterion were used to draw conclusions. The decision criteria are that when the trace statistics is greater than the 5 per cent critical value, we reject the hypothesis of no cointergration and conclude that there is a cointergrating relationship. The trace and maximum Eigen value cointegration rank tests are reported in Table 2.

Table 2a: Johansen Cointergration Test
Unrestricted Cointergration Rank Test (Trace)

Hypothesized No. of C.E.	Eigen Value	Trace Statistics	0.05 Critical Value	Prob **
None *	0.622402	79.95478	69.81889	0.0062
At most 1*	0.541334	51.71092	47.85613	0.0208
At most 2	0.456709	29.10736	29.79707	0.0599
At most 3	0.322687	11.41418	15.49471	0.1873
At most 4	0.003967	0.115134	3.841466	0.7344

Trace test indicates 2 cointergrating equation at the 0.05 level.
* denotes rejection of hypothesis at the 0.05 level.
** Mackinnon-Hang-Michelis (1999) P-values.

Table 2b: Johansen Cointergration Test
Unrestricted Cointegration Rank Test (Maximum Eigenvalues)

Hypothesized No. of C.E.	Eigen Value	Max-Eigen Statistics	0.05 Critical Value	Prob **
None *	0.622402	28.24386	33.87687	0.2025
At most 1*	0.541334	22.60357	27.58434	0.1910
At most 2	0.456709	17.69318	21.13162	0.1418
At most 3	0.322687	11.29904	14.26460	0.1399
At most 4	0.003967	0.115134	3.841466	0.7344

Maximum Eigenvalue test indicates no cointegrating equation at 0.05 level
* denotes rejection of hypothesis at the 0.05 level.
** Mackinnon-Hang-Michelis (1999) P-values.

A cursory look at Table 2a and 2b reveal that the null hypothesis of no cointergrating equation is rejected by the trace statistics test and accepted by the Maximum Eigenvalue test. The trace test indicates two cointergrating equations at 0.05 level of significance. Since the trace statistic takes into consideration all the smallest eigenvalues, it has more predictive power and ability than the maximum eigenvalue statistic. Furthermore, Johansen and Juselius (1990) recommend the use of the trace statistic when there is a conflict between the two tests. The implication is that, even though the series of variables PSC/GDP, SIR, M2/GDP, COB/M2 and GDP are not individually stationary, their linear combination was found to be stationary. The five variables are therefore, said to be cointergrated. In other words, there is a stable long run relationship among the variables, and so we can avoid both the spurious and inconsistent regression that would have occurred. The long run conintegration coefficients of the variables are presented below for analysis:

GDP= 20.02252 - 0.115645COB/M2 - 1.055600M2/GDP + 0.332501PSC/GDP
[-1.244134] [-8.64049] [3.01609]
- 0.161186SIR [-0.44675]

From the results above it can be seen that the coefficient of the ratio of currency outside banks to broad money supply, COB/M2 is negative in the long run in conformity to a priori expectations, as an increase in this variable decreases economic growth. The coefficient of the ratio of broad money supply to Gross Domestic Product (M2/GDP) is negative. This is however contrary to a priori economic expectations.

The ratio of private sector capital to Gross Domestic Product (PSC/GDP) is positively related to economic growth going by its positive sign. This is consistent with economic theory.

The savings to investment ratio (SIR) influences economic growth negatively as it is negatively singed implying that it is inconsistent with theoretical expectations.

Vector Error Correction Mechanism (VECM)

Table 3: Vector Error Correction (VAR) Estimates

Variable	Coefficient	Standard Error	t-statistics
COB/M2 (-1)	-0.560486	0.26569	-2.10954
COB/M2 (-2)	-0.752231	0.28584	-2.63164
M2/GDP (-1)	-0.805882	0.18104	-4.45144
M2/GDP (-2)	0.041679	0.19160	0.21753
PSC/GDP(-1)	0.207110	0.13214	1.56740
PSC/GDP(-2)	0.150639	0.12678	1.76880
SIR (-1)	0.024812	0.25587	0.09677
SIR (-2)	-0.259286	0.26909	-0.96356
ECM (-1)	-0.501669	0.20057	-2.50122
Constant	0.344451	0.60101	0.57312

R^2	0.744713	log likelihood	-6267009
Adj. R^2	0.569204	Akaike AIC	5.333578
Sum of Residuals	144.137	Schwarz SC	5.904523
SE. Equation	3.061424	Mean Dependent	0.378571
F statistic	4.243147	S.D. Dependent	4.572896

The result of VECM estimates indicates a negative relationship between COB/M2 and Economic Growth. Also, while the coefficient of ratio of Broad Money Supply to Gross Domestic Product, M2/GDP, is negative in the initial period, it is, however, positive in period t-2. This could be attributed to the notion that this variable channels funds to investment, but does not increase the allocative efficiency of investment.

Private sector capital has a positive effect on economic growth as it is a widely held view that the private sector is an engine room of growth in any economy. This ratio, PSC/GDP, has a robust relationship with growth giving the fact its sign is positive in both periods. Savings to investment ratio, SIR, influences growth positively in the initial period but, negatively in the 2^{nd} lagged period. Moreover, going by its t value, it is not statistically significant in accounting for growth. The velocity of error correction adjustment coefficient is -0.501669 which indicates that about 50% of disequilibrium in Economic growth, proxied by real GDP growth, has been corrected each year.

Discussion of Findings

The outcome of this study shows that Commercial Banks have made significant contribution to growth in Nigeria with the period under review (1980-2010). This finding conforms to existing literature that; other studies that support the notion that banks contribute positively to economic growth in Nigeria, such studies include Azege (2009), Acha (2011) and Shittu (2011).

From the VAR results it can be observed that the coefficient of currency outside banks to Gross Domestic Product, COB/M2 is negative as high currency ratios shows down turn in economic activities implying deceleration of real growth rate. The ratio of broad money supply to GDP was found to exert negative influence on economic growth within the study period. This could perhaps be attributed to the notion that funds mobilized may not be sufficient or not have been translated into credit within the economy. This finding conforms with the work by Aamar and Suleiman (2005).

The ratio of private sector capital to Gross Domestic Product, PSC/GDP, is positively signed in both periods; indicating a robust relationship between PSC/GDP and economic growth in Nigeria. This is not surprising as it is a widely held view that the private sector takes the lead in productive activities in economies as ours. Over the years, the private sector has continued to make significant impact on economic activities in Nigeria. This finding supports existing work by

Acha (2011), Shittu (2011) Ekpenyong and Acha (2011), Adenuga (2010).

The coefficient of savings to investment ratio SIR in the initial period is negative. In the second lagged period, it is positive, though not statistically significant, indicating a negligible impact on economic growth, contrary to economic a priori expectations. This, by implications, means that banks may not have been transforming savings into credit and that most of the credit advanced may not have been for productive purposes. This finding is consistent with the work of Ekpenyong and Acha (2011).

The velocity of error correction adjustment coefficient, which is 0.501669, indicates that about 50% of disequilibrium in Economic growth, proxied by real GDP growth, has been corrected each year.

Recommendations

Based on the findings of this study, the following recommendations are made:

- Commercial banks should be encouraged to increase lending to the private sector so that their impact will be felt.
- Public enlightenment should be sustained by the monetary authorities to encourage savings culture among Nigerians especially those in the rural areas. This will expand savings mobilization base and mop up the currency outside banks.
- Commercial banks should endeavour to open more branches in rural areas where there are none to encourage banking habits among the people.
- Effective intermediation by banks should be encouraged by the regulatory authorities since it has been established that banks exert possible influence on growth.

References

Acha, I. (2011) Financial Intermediation by Banks and economic growth in Nigeria. *Journal of Economic and Sustainable Development. Vol.2No.4*

Adenuga, A. (2010) Stock Market Development indicators and Economic Growth in Nigeria. *CBN Economic and Financial Review*

Allen, D.S and Ndikumana, L (1998) Financial Intermediation and Growth in Southern Africa *Federal Reserve Bank of St. Louis*

Aliyu Shehu Rano and Elijah, A. (2008) Corruption and Economic Growth in Nigeria: *Munich Personnel RePEC Archive MPRA paper* No.12504

Azege, M. (2009) Financial Intermediation and Economic Growth in Nigeria. *M.Sc. Seminar University of Lagos*

Bagehot, W. (1873). A Description of the Money Market Philadelphia *Orion Edition.*

Beck, T. *et al.* (2008). The Econometrics of Finance and Growth. *Policy Research Working Paper. No. 4608*.

Bulus, D. Y. (2005). Financial Sector Reforms in Nigeria: Philosophy, Process and Outcomes. *Journal of Economic and Social Research. Pp. 162-177.*

Cameron, (1972). Finance and Economic Growth in Europe. *Princeton University Press.*

CBN (2010) Inflation Forecasting Models for Nigeria. *Occasional Paper Series No. 36*

CBN (2004). Facts File on Bank Recapitalization. *CBN Publication.*

Coricelli, F. and Roland, I. (2008) Finance and Growth: When Does Credit Really Matter? *CEPR Discussion Papers no 6885.*

DeGregorio, J. and Guidotti P. E. (1995). Financial Development and Economic Growth. *World Development. Pp. 433-448.*

De-Gregorio, J. (1999). Financial Development and Economic Growth. *World Development. Pp. 433-448.*

Demetriades, P. O. and Law, S.H (2006). Finance, Institutions and Economic Development. *International Journal of Finance and Economics 11 (3) 245-260.*

Ekpenyoung, D., Acha, I. (2011). Banks and Economic Growth. *European Journal of Business Vol. 3, No. 4.*

Engle, R., Granger, W. (1987). Cointergration and Error Correction Representation, Testing and Estimation; *Econometrica*, 251-176.

Ezirim, C. B. and Moughalu, M. I. (2004). Financial Reforms and Commercial Banks Operations in Nigeria. *Union Digest. Vol. 8, No. 2.*

Fink, G. and Haiss P. (2005). The Finance – Growth Nexus: Market Economics Vs Transition Countries: *European Working Paper No 64*

Fowowe, B. (2010) Financial Liberalization and Financial Fragility in Nigeria. *CBN Economic and Financial Review, Vol.48, No.1*

Gerschenkron, A. (1962) Economic Backwardness in Historical Perspective. *Harvard University Press.*

Goldsmith R.W. (1955). Financial Structure and Economic Growth in Advance Countries. *Princeton University Press.*

Gooldsmith W. (1969). Financial Structure and Development. *Yale University Press, New Haven.*

Gujarati, D. (2007). Basic Econometrics. 4th Edition. *McGraw-Hill Publishers, New Delhi. India.*

Hsaio, C. (1981). Autoregressive Modelling and Money Income Causality. *Journal of Monetary Economics, No.7*

Imala, O. (2005). Challenges of Banking Sector Reforms and Bank Consolidation in Nigeria. *CBN Bullion. Vol. 29. Pp. 25-26.*

Iyoha, M. (1995). Traditional and Contemporary Theories of External Trade in External Trade and Economic growth in Nigeria. *NES Annual Conference Pp. 1-3.*

Iyoha, M., Ekanem, T. (2002). *Introduction to Econometrics*. March Publishers, Benin.

Jhingan, M. L. (2003) Monetary Economics. 5th Edition. *Vrinda Publishers Limited Delhi, India.*

Johansen, S. and Juselius, K. (1990) Maximum likelihood Estimation and Inference on Cointergration with Application to Money Demand. *Oxford Bulletin of Economics.*

King, R. G. and Levine, R. (1993). Finance and Growth: Schumpeter Might be Right. *Journal of Monetary Economics.*

King, R. G. and Levine, R. (1993). Finance, Entrepreneurship and Growth. *Journal of Monetary Economics. Pp 717-732.*

King, R. G. and Levine, R. (1993a). Finance and Growth: Schumpeter Might be Right. *Quarterly Journal of Economics. 108 (3) 717-737.*

Koivu, T. (2002). Do Efficient Banking Sectors Accelerate Growth in LDCs. *Discussion Paper 14, Bank of Finland.*

Levine, R. (1998). The Legal Framework, Banks and Long-run Economic Growth: *Journal of Money, Credit and Banking. 30(2) 596-613.*

Levine, R. (2002). Bank-Based or Market-Based System, Which is Better? *Journal of Financial Intermediation 11(4): 398-428.*

Levine, R. and Beck T. (2000) Financial Intermediaries and Growth; Causality and Causes. *Journal of Monetary Economics. Pp 31-77.*

Levine, R. and Zervos, S. (1998) Stock Markets, Banks and Economic Growth. *American Economic Review.*

Levine, R. and Renett, D. (1992) Sensitivity Analysis of Cross Country Growth. *American Economic Review.*

Loayza, N. and Ranceire, R. (2005) Financial Development, Financial Integrity and Growth. *Working Paper no 05/170, IMF Washington.*

Lucas, R. (1988). On the Mechanics of Economic Development. *Journal of Monetary Economics.*

McKinnon, R. (1973) Money and Capital in Economics Development. *The Brook Long Institute, Washington.*

Merton, R. C. and Bodie, Z. (1995). A Conceptual Framework for Analysing the Financial Environment. In D. B. Crane; The Global Financial System. *Harvard Business School.*

Mordi, C,N and Adebiyi, M.A. (2010) The Asymmetric Effects of oil Price shocks n output and Prices in Nigeria using a VAR model. *CBN Economic and Financial Review* Vol.48, No.1

Neusser, K. and Kugler, M. (1998). "Manufacturing Growth and Financial Development; Evidence From OECD countries". *Review of Economics and Statistics 80(4) 638-646.*

Nzotta, S. and Okereke, J. (2009) Financial Deepening and Economic Growth in Nigeria. *African Journal of Economics Accounting and Baking, 1(5)*

Odedokun, M. O. (1996). Alternative Econometric Approaches for Analysing the Role of Finance in Economic Growth. *Journal of Development Economics. 50(1) 119-146.*

Olofin, S. and Afangideh V. Financial Structures and Economic Growth in Nigeria: A Macro Econometric Approach. *Research Paper, Centre for Econometric and Allied Research University of Ibadan. Pp. 1-27.*

Pagano, M. (1993) Financial Markets and Growth, an Overview. *European Economic Review Volume 37*

Potara, T. and Kim, Y. (2007). Financial Development and Economic Growth. *Seminar Paper, Department of Economics, University of Kentucky.*

Rioja, F. and Valev, N. (2004). Does one Size Fits all? Re-examination of Finance and Growth Relationship. *Journal of Development Economics. 74(2) 427-447.*

Robinson, J. (1952). The Generalisation of the General Theory. *Macmillan London.*

Roubini, N. and Sala-i-Martin, X. (1992). Financial Repression and Economic Growth. *Journal of Development Economics. 39(1) 5-30.*

Rouseau, P. L. And Wachtel, R. (2007). What is Happening to the Impact of Financial Deepening in Economic Growth. *Online; New York University Papers.*

Sanusi, L. (2010) The Nigerian Banking Industry, What went wrong and the way forward. *Convocation Lecture, Bayero University, Kano.*

Schumpeter J. (1911). The Theory of Economic Development. *Harvard University Press.*

Shaw, E. (1973). Financial Deepening in Economic Development. *Oxford University Press. New York.*

Shittu, A. (2011) Financial Intermediation by Banks and Economic Growth in Nigeria. *British Journal of Arts and Social Science, Vol.4, No.2*

Soludo, C. C. (2004). Consolidating the Banking Industry to Meet Development Challenges of the 21st Century. *Bankers Committee Meeting July 6.*

Soludo, C. C. (2006). An Appraisal of Financial Sector Reforms in Nigeria: Paper Presented at the *Conference of National Council on Finance and Economic Development. PP 1-25.*

Stiglitz, J. (2000) Liberalization and Moral Hazards in banking. *World Economic Review.*

Stiglitz, J. (1994) Economic Growth revisited. *Industrial and Corporate Change, Vol.3, No.1*

Suleiman, A. and Aamar, A. (2005) Financial Development and Economic Growth in Egypt. *Center Economic Research Discussion Paper Series.*

Tochukwu,E., Egwahide, F. (2007). An ECM of Determinants of Public Saving. *AES Conference Cape Town.*

Todaro, M. (1980). Economics for a Developing World. *Heinemann Education Books. Pp. 408.*

World Bank (2000) Overview of Macro-Financial Environment, *Nigeria Financial Sector Review, Vol.1*

Paradox of high Unemployment Amidst Economic Growth: An Investigation of the Nigerian Situation (1980-2013)

Okwori, Joseph, Ph.D
okworij@yahoo.com
Department of Economics,
Benue State University, Makurdi.

Ochinyabo, Samuel
ochinyabos@gmail.com
Department of Economics,
Benue State University, Makurdi.

Sule, Abubakar
sulea07@yahoo.com
Department of Economics,
Benue State University, Makurdi.

pp 248-262

Abstract

Unemployment has become a global concern with dire consequence to sustainable growth and development. This paper examines the paradox of high unemployment amidst economic growth: an investigation of the Nigerian situation (1980-2013).The paper used Descriptive Statistics, Cointegration technique, vector error correction model (VECM), and granger causality test. The resultsshowed that 1% increase in unemployment rate (UMPL) decreases Economic Growth (GDP) by 34% of that unit change in the long-run while in the short-run by 1.34%. The study reaffirms the negative relationship between unemployment and economic growth as postulated by Okun's Law and the consequence of under-utilization of resources enshrined onProduction Possibility Curve (PPC). The result of the trend analysis employed in the study also shows that from 2003 till date, economic growth rate has not gone below 6.0 percent, however,unemployment has kept increasing even to a peak of 23.5% in 2012_thus the paradox. The study therefore concludes that the existing high unemployment amidst economic growth clearly proves that the economy is growing below her full potentials. It thus recommends the need for government to make concerted efforts to fully utilised Nigeria's economic resources by increasing domestic investment and putting policies that will attract foreign direct investment especially in human capital development.

Keyword: Unemployment, economic growth, Okun'slaw.

Introduction

Nigerian economy over the years has been bedevilled with high rate of unemployment even in the midst of relative growth of economic activities. According to Bello (2003) from time immemorial, the subject of unemployment has always been an issue of great concern to the economists, policy makers and economic managers alike; giving the devastating effect of this phenomenon on individuals, the society and the economy at large. The classical school of thought that provided the earliest thinking on economic issues did not fail to give a central point of reflection on the undesirability of unemployment. The Keynesian revolution of the 1930's, which commandeered the explosive attack on economic orthodoxy apparently, treated unemployment as a central issue of great concern. Following the path of their predecessors, economists at all times and in all ages have expressed various degrees of concern over the threat of the monster called unemployment.

Njokuand Ihugba (2011) observed that, the population of every economy is divided into two categories, the economically active and the economically inactive. The economically active population (labor force) or working population refers to the population that is willing and able to work, including those actively engaged in the production of goods and services (employed) and those who are unemployed. Whereas, unemployed refers to people who are willing and a capable of work but are unable to find suitable paid employment. The next category, the economically inactive population refers to people who are neither working nor looking for jobs. The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998). The unemployment rate is expressed as a percentage of the total number of persons available for employment at any time.

According to the Central Bank of Nigeria (2003) the national unemployment rate, rose from 4.3 percent in 1970 to 6.4 percent in 1980. The high rate of unemployment observed in 1980 was attributed largely to depression in the Nigerian economy during the late 1970s. Specifically, the economic downturn led to the implementation of stabilization measures which included restriction on exports, which caused import dependency of most Nigerian manufacturing enterprises. This development led to the close down of many industries while the few that survived were forced to retrench a large proportion of their workforce, furthermore, the Nigerian Government also placed an embargo on employment. This among many other crises resulted in the introduction of the structural adjustment programme (SAP) in 1986 which gave birth to National Directorate of Employment and its skills acquisition programmes, and the recent economic reforms like National Economic Employment and Development Strategy (NEEDS), NAPEP, PAP and Subsidy Re-investment Empowerment Programme (SUREP), Youth Empowerment Scheme (YES), Youth Enterprise with Innovation(YOU-WIN).These are some of the various intervention mechanisms targeted at creating job opportunities. The core objective of the economic structural reform is a total restructuring of the Nigerian economy in the face of a massive population explosion. However, these economic and financial structural reforms put in place did not yield significant results. Specifically total disengagement from the Federal Civil Service rose from 2,724 in 1980 to 6,294 in 1984 (Odusola, 2001). Owing to this, the national unemployment rate fluctuated around 6.0% until 1987 when it rose to 7.0 percent. It is important to state here, that SAP adopted in 1986, had serious implications on employment in Nigeria, as unemployment rate declined from 7.0 percent in 1987, to as low as 1.9 percent in 1995, after which it rose to 2.8 percent in 1996, and hovered between 2.8 and 3.5percent between 1996 and 1998. From 1999 till date the unemployment rate has not gone below 11.0percent, achieving its highest peak in 2012 at a percentage of 23.5.For instance, the stampedes witness during the 2014 Nigeria Immigration Service (NIS) recruitment drive across the country,is a clear indication of how pervasive unemployment is in Nigeria economy even with the claims by federal government to have been creating 1.6 million jobs yearly with little in the reduction of contradictory 20.5 million unemployed youth given by the NBS (2014).It is worthy to note here that in the midst of the rising trend of unemployment rate, the economic growth rate is also very high. The GDP growth rate of the Nigeria has not gone below 6.0 percent since 2003,this is contrary to economic theory which postulates that growth is an inverse function of unemployment (Obadan, 1997). However, the high rate of unemployment also could also be traced to the low productivity level witnessed within the industrial and agricultural sector which are suppose to be the highest employers of labour. For instance, South Africa capacity utilization stood at 84% and 78% in 2008 and 2009 respectively, while that of Nigeria still continue to hover around 53.9% and 47% for the same period (CBN, 2010). Some scholarslike Okafor (2008), Ayodele (2004) attributed this to deficit infrastructure especially the inadequate electricity generation.With this kind of scenario it becomes difficult for investment to strive not to talk of expansion and subsequently employment of more labour.

Nigeria is a nation that is endowed with both human and natural resources. However, due to gross mismanagement, and adverse policies of various governments of Nigeria, these resources have not been optimally utilized; these resources have not been adequately channelled to profitable investments to bring about maximum economic benefits. As a result of the foregoing, Nigeria has been bedevilled with large scale unemployment across all strata. The unemployment situation, has led to tremendous increase in criminal activities, restiveness, and social vices in Nigeria with evidence from the militancy in the Niger-Delta youths, Boko-Haram in the North-East, street boys popularly called Agbero in Lagos, Omatase cult groups in Nassarawa, among others. Also, unemployment is potential source of political instability in Nigeria for disenchanted, disgruntled and revolutionary elements in the society (Anyanwu and Oaikhenan, 1995). Economic growth, which is supposed to be a solution to the problems of unemployment, appears not to be so in Nigeria. Nigeria's official statistics show that economic growth has not always been accompanied by decline in unemployment. For example, from 2003 till date economic growth in Nigeria has not gone below 6.0 percent while unemployment rate has maintained a rising trend of 10 percent above within the same period (CBN, 2012).This is apparently a paradox.

It is in this respect that, the study is concerned with examining the paradox of high unemployment amidst economic growth in Nigeria between 1980 and 2013. The analysis specifically sought to: investigate the trend of unemployment and economic growth in Nigeria, examine the relationship and ascertain the directional causation between unemployment and economic growth in the country; The rest of the paper is therefore organized as follows: section two is literature review, section three is the methodology adopted for this paper, section four is the presentation of findings and summary, conclusions and policy recommendations.

Unemployment and Economic Growth in Nigeria

To a layman, unemployment means a state of joblessness. According to Briggs (1973), unemployment is defined as the difference between the amount of labour employed at current wage levels and working conditions and the amount of labour not hired at these levels. However, Gbosi, (1997) has defined unemployment as a situation in which people who are willing to work at the prevailing wage rate and are unable to find jobs. Here emphasis is placed on willingness. Therefore, anybody who is not actively seeking paid employment should not be counted as part of the unemployed labour force. If we do so, we may be overestimating the official rate of unemployment.

Anyanwu and Oaikhenan (1995) observed that during the early days of the development of unemployment theory much controversy over the definition of unemployment and origin of unemployment revolved around the distinction between "voluntary" and "involuntary" unemployment. Even the conceptualization of these classes of unemployment has been a source of dispute. However, voluntary unemployment is said to exist when people choose not to work or accept job, for which they are qualified to do, at the prevailing wage rate and conditions perhaps because they have means of living other than employment. Involuntary unemployment, on the other hand, exists when people cannot get job even if they are willing to accept lower real wages or poorer conditions than workers of the same or similar qualification that are currently in employment. Despite the difficulties of measurement and the setting of standard with regard to the foregoing classification, the taxonomy of unemployment include a condition of "being out of job", an activity of "searching for job", an attitude of "desiring a job under certain conditions" and "the need for a job" (Thatcher, 1966, cited in Okigbo, 1986).

Within the Nigerian context, unemployment rate is defined as the percentage of persons among the labour force (15– 65 years) excluding students and those medically unfit, available for work but did not work(CBN, 1993).However, the following types of unemployment is identified by Njoku and Ihugba (2011) to include: (i) Structural Unemployment (ii) Frictional Unemployment (iii) Seasonal Unemployment (iv) Cyclical Unemployment (v) Disguised Unemployment.

The concept of growth is used in all fields of human endeavour. In Economics, the concept refers to economic growth. Kuznets, cited in Todaro (1985), defined a country's economic growth as

> "a long-term rise in capacity to supply increasingly diverse economic goods to its population; this growing capacity is based on advancing technology and the institutional and ideological adjustments that it demands."

The foregoing definition implies that economic growth is synonymous with sustained rise in national output, provision of wide range of economic goods, presence of advancing technology, and institutional, attitudinal, and ideological adjustments. Anyanwu and Oaikhenan (1995) stated that economic growth, simply defined, refers to the increase, over time, of a country's or an economic capacity to produce those goods and services needed to improve the well-being of the citizens in increasing numbers and diversity. Many economics often make radical departure from the foregoing definitions of economic growth; they do this in their empirical works; this is based on their belief that economic growth is not always a long term phenomenon, and it does not signify improvement in the well-being of the citizens of an economy (see Khan, 1990; Semboja, Likwelile and Rutasitara,1999).

Anyanwu and Oaikhenan (1995) identified three major definitions of economic growth namely: nominal, real value of output, and per capita value definitions. Under the nominal definition, economic growth is seen as an increase in current value prices of aggregate output. This definition is considered to be the crudest for it does not take into consideration vital issues such as whether or not the increased expenditure is accompanied by a corresponding increase in the real value of output in the reference period. Under the real value of output definition, the nominal value of output is deflated by an appropriate price index. Hence, using this definition, an economy is said to have grown (in real terms) when there is an increase in aggregate output at constant prices over time. The major advantage of this definition is that it takes care of inflation. In the per capita value definition, an economy is considered to have grown if there is an increase in per capita output at constant prices overtime. It is instructive to note that this definition does not take into consideration the disparity in real income distribution. If income distribution is highly skewed in favour of the rich this definition becomes grossly defective.

According to CBN (2010), economic growth refers to the process of increase in real Gross Domestic Product (GDP) overtime. This definition appears to be accepted by many economists.

Trend in Unemployment Rate and Growth Rate of Nigeria Economy

Nigeria does not have any reliable figure on the rate of unemployment, as no institution has so far produce accurate figures showing the current unemployment rate (Udu and Agu, 2005). Most of the figures available from the Nigeria Statistical Institutions are contradicting. The reason for these differences and contradictions have been explained by Raheen (1993), Ohiorhenuan (1986) and Okigbo (1991) in Obadan and Odusola (2010) that, one, only recorded open unemployment is published by the official statistics. Two, the concept of labour force adopted in Nigerian Labour Force Statistical Survey excluded those below 15 and above 55 (but actively working) out of the Labour Force. Three, unpaid family workers and full house wives were excluded.

However, the incidence of unemployment in Nigeria especially in this 21st century is getting deeper and wide spread, cutting across all facets of age groups, educational strata and geographical entities (Obadan and Odusola, 2010). The rate at which unemployment among the teeming youth is growing is alarming if urgent step is not taken to curb the menace.

The figure below shows the growth of unemployment rate and the economy within the period of 1985 – 2013.

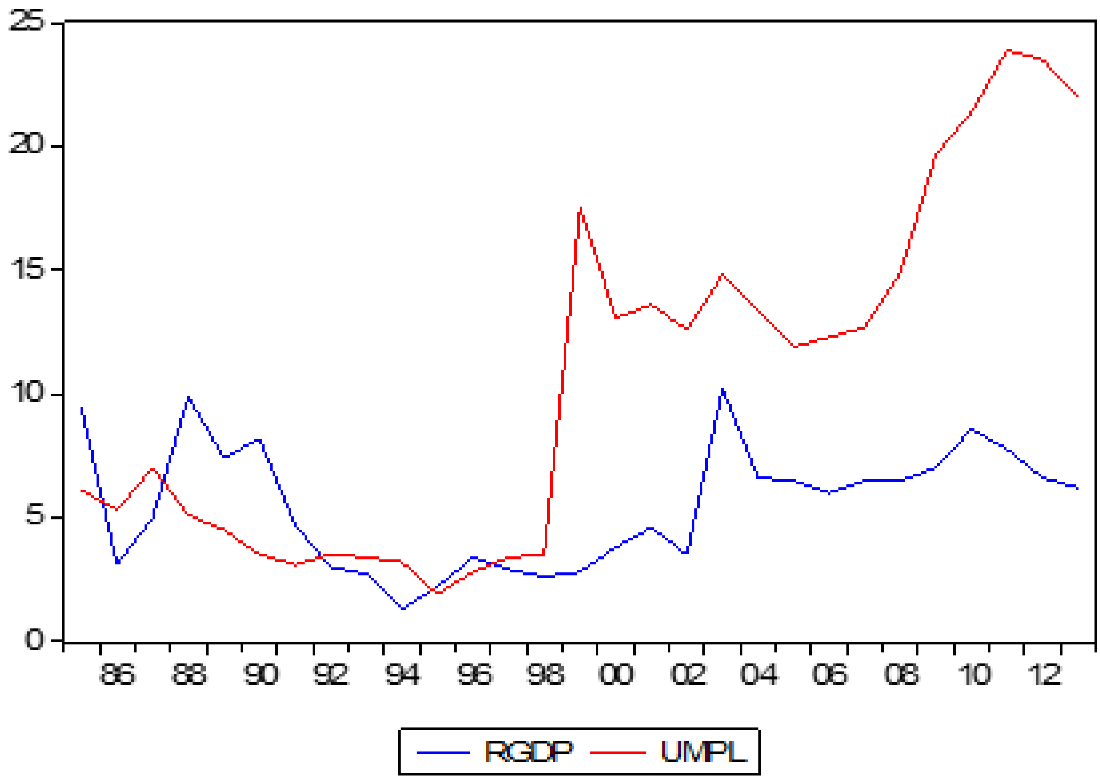


Figure 2.1.1 above represents the trend of economic growth and unemployment rate in Nigeria from 1985-2013. The figure shows that in 1985, the growth rate was more than the rate of unemployment in Nigeria, this however dropped below unemployment rate in 1986 and 1987. In 1988 the growth rate rose again until 1992 when it again dropped below unemployment rate, slightly rising above unemployment rate in 1996 and from 1999 till date the unemployment rate has not gone below 11.0 percent, achieving its highest peak in 2011 with percentage of 23.9. Economic growth which is supposed to reduce unemployment is also on the increase, since 2003 it has not drop below 6.0 percent. This high growth and High unemployment is contrary to the economic theory. It suffice to note that, National Bureau of Statistics (NBS) (2014) asserted that no fewer than 5.3 million youths are jobless in the country, while 1.8 million graduates enter the labour market every year but previous figure put unemployed youth at 20.3 million, this reaffirms the contraction in unemployment figure as asserted by Obadan and Odusola (2010).

Causes of Unemployment in Nigeria

Ogbosi (2005), Njoku and Ihugba (2011), identified the following as fundamental factor that accounts for the high rate of unemployment in Nigeria.

Bad Educational Planning:

It is a widely held view that the high rate of unemployment among our graduates is traceable to our educational system. The architects of this view believe that our educational system does not equip our graduates with adequate skills and tools necessary for them to meet societal needs. They also contended that our educational system is faulty because it does not prepare the graduates for self employment (Obi, 1980). In the view of Eze (1983), the nature of unemployment in Nigeria comes from lack of proper skill expansion in our educational institutions, faulty curricular and orientation. In the view of Gbosi (1999), our educational system is liberal arts-biased.

Bad Economic Planning

Another factor identified to be responsible for Nigeria's current problem is bad economic planning. When General Babangida took over the administration of the country in August 1985, the nation was facing a serious economic and financial crisis. In order to remedy the situation, several economic and manpower policies were adopted having major implications for labour-management relations. One of such policies was the introduction of the Structural Adjustment Programme (SAP) in July 1986. The major objective of the programme was to restructure and diversify the productive base of the economy. The major instruments of theSAP included trade liberalization, tariff reforms, devaluation of the Naira andcommercialization and privatization of public enterprises. Under SAP, many industrial establishments ceased operation because of shortage of essential raw materials, spare parts and other factors of production. Specifically, because of SAP, many manufacturers were notable to import certain raw materials and spare parts from overseas. This was so because SAP raised the prices of imported raw materials substantially thereby making it impossible for manufacturers to produce at full capacity utilization. The situation, however, was very serious for the marginal firms which have no other option but to cut down their workforce and someeven folded up. The SAP also succeeded in increasing the frequency of retrenchment in both the public and private sectors of the Nigerian economy. The situation, however, is more serious in the public sector (the largest single employer of labour) with the on-going privatization and commercialization of public enterprises (Fashoyin, 1987).

Global Economic Crisis

Nigeria's current unemployment problem is also traceable to global economic crisis. The global economic crisis which began in the 1980's actually worsened the unemployment situation in Nigeria. As a result of glut in the international oil market, the price of crude oil per barrel dropped from U.S. $40 in 1980 to U.S. $15 in 1986. In the1990's, the situation did not show any remarkable improvement. As a result of the sharp drop in revenue from oil, the government was not able to execute most of its employment generation programmes. Specifically, the government reduced its expenditures and also placed embargo on further employment in the public sector. During the period, there were also frequent retrenchments and compulsory retirement in the public sector to further ease government financial burden. These developments eventually led to a decline in employment and an increase in Nigeria's unemployment rate.

Predominance of Small-Scale Enterprises

The Nigerian industrial sector is predominantly dominated by small-scale enterprises. In recent years, most of these enterprises have been operating at a marginal level. To this effect, any increases in costs of production usually force these enterprises out of business. A case in point is what happened to Nigeria's Flour Mill Industry when an embargo was placed on the importation of wheat, its major raw material. The industry had to depend largely on local raw materials which of course were scarce and relatively expensive. Those enterprises that could not relate the increase in costs to their productive capacity had no other option than to reduce `their work-force or fold up as they did in most cases. This subsequently led to a fall in employment, and the nation's unemployment problem worsened again.

Imperfect Flow of Labour Market Information

Labour market information is almost non-existent in Nigeria. If it does, it is usually unreliable and mis-leading. This therefore has hindered the mobility of labour from one geographical region to another. For example, there may be job openings in Lagos and job seekers in the remote rural areas will not know about them. This is one reason why mostrural dwellers have remained unemployed in Nigeria today.

Rapid Population Growth

Another major factor responsible for Nigeria's current unemployment is rapid population growth. In recent years in Nigeria, the per capita economic growth is zero. The growth of the economy cannot catch up with rapid population growth. The total population of Nigeria was estimated at 88.7 million in 1985. Out of this figure, 57.7 percent constituted the labour force. Within the Nigerian context, the labour force is defined as all persons who are 15 years and above who are actively working or seeking paid employment. In 1990, Nigeria's population was estimated at 88.7 million and 102.5 million in1997. The major consequence of the galloping population growth and rapid urbanization is mounting unemployment, especially in the urban centres in the face of rural migration. The swelling of the population in the cities led to high levels of unemployment in Nigeria (Gbosi, 2004).

Unstable Political Environment

It is important to know that we cannot separate politics from economics. A stable political environment usually enhances macroeconomic stability. Today, however, many developing countries are characterized by military coups, inter-tribal warfare, border disputes and complete breakdown of law and order. The latter has been very frequent in Nigeria in recent years. The youth restiveness in some communities in the Niger Delta today deserves a special mention. It has been observed that political stability usually attracts foreign investment. Actually, the inflow of foreign resources has facilitated the expansion of Nigeria's industrial activity thereby making the sector to contribute significantly to the Gross Domestic Product (GDP). This is because foreign investment brings about foreign exchange. As a result, it leads to creation of new employment opportunities, thereby developing new skills. From the standpoint of national economic benefit, the core of the case for encouraging inflow of capital is the increase in real income arising from the investment, which is greater than the resultant income of the investor (Meier, 1988). As the Nigerian case has demonstrated, the country has been relatively politically unstable, as a result, many countries fear coming to do business in Nigeria. Specifically, no foreign government will allow its citizens to go and do business in a country that is politically unstable. To this effect, all the benefits associated with foreign investment will be drastically reduced especially that of creating new employment opportunities.

From the analysis, we have shown that Nigeria's current unemployment problem is caused by a combination of economic, social and political factors. In fact, Bajoma (1996) has classified the causes of unemployment in Nigeria into three major categories. They are economic causes of unemployment, social causes of unemployment and political causes of unemployment. Under the economic causes of unemployment in Nigeria, he included factors such as the legacy of colonial rule, the oil boom era (1974 – 1981), and consumption pattern. Social causes of unemployment include factors such as rural – urban migration, demographic factors and educational factors. Finally, the political causes of unemployment include political instability, ethnicity problem, emigrants from neighbouring countries and the political economy of unemployment.

Consequences of Unemployment in Nigeria

According to Bello (2003) the consequences of unemployment in Nigeria are very severe and threatening to the citizenry and the economy as a whole. The unemployment episode has continued to pose so many challenges to the survival of the Nigerian nation. While some of these consequences bother directly on the unemployed, others like epidemics are limitless in effects. They include:

i. **Contributes to low GDP:** It is an established economic reality that the size of the workforce directly impacts a country's GDP. Not only does the work force produce manufactured goods or services or agricultural produce in direct proportion, but also brings in its wake increasing purchasing power, which in turn, fuels economic growth. Thus unemployment contributes to a reduction in the potential which exists in spurring a country's GDP.
ii. **Contributes to crime and violence:** With growing youth unemployment, the divide between the rich and the poor grows, resulting in social tensions which could affect the entire fabric of a community, state and the entire country.
iii. **Contributes to drugs:** Due to frustration as a result of not gainfully employed, most people turn to drugs.
iv. **Unproductive labour forces:** The most direct impact on the economy of an unproductive labour force is lost output in terms of goods and services. With no income tax to collect and the loss of receipts from indirect taxes such as the value added

tax, the government takes in less in tax revenue Bellemare and Poulin-Simon (1994).

v. **Psychological effect:** Young men and women, who have put in a decade or two in schools and colleges, have dreams and aspirations. These are dreams of securing satisfying jobs following their years of struggle, meeting basic necessities of life (food, clothing, shelter and healthcare), graduating to a life of comfort and dignity and, eventually, enjoying the luxuries of life. The trauma of seeing their dreams shattered week after week, month after month, can and does lead to deep psychological scars that are very difficult to face at such a young age. These can impact any individual's self esteem and can lead to clinical depression.

vi. **Law and order:** It has been established that educated unemployed are likely to take to crime- blue collar or white collar crimes- more easily than others. This arises out of the theory that they would have, at some stage of their careers, seen good life, even from a distance, and formed their dreams based thereon. When they fail to see these dreams turn into reality, some turn to crime.

vii. **Effect on health:** It is equally easy to visualize that lack of steady income could, apart from the above ills, also lead to inadequate nutrition and adversely affect health of the youth and their families.

viii. **Political instability:** When unemployment grows in a community, dissatisfaction with the incumbent Government follows. This, in turn, leads to frequent changes in Governments or formation of unsteady coalitions. Neither is healthy for long term stable economic policies and this situation could lead to a vicious circle of political changes. As President Franklin D. Roosevelt had stated, "Not only our future economic soundness but the very soundness of our democratic institutions depends on the determination of our government to give employment to idle men."

Theoretical Framework

This work shall confine itself within two theories; the Production Possibility Curve and Okun's Law by Arthur Okun (1962). According to Ogobi, (2005) a Production Possibility Curve is a curve that shows the maximum output an economy could produce in a given period using all its available resources and technology. If an economy is not utilising her resources fully, it will end up producing on lower production possibility curve (a case of underemployment). Reverse is the case if the economy is fully utilizing her resources (a case of full employment). Figure 1.1 shows that if the economy is efficiently utilizing her resources, the economy shall be producing enough consumption and investment goods on a higher production possibility curve, such as point A. However, if the economy is underutilizing her resources, it will be producing at point B.

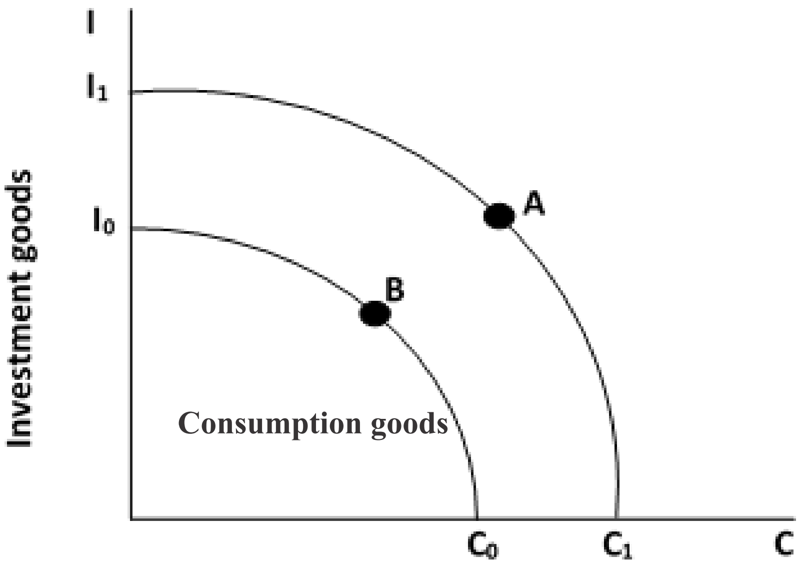


Figure 1: Production Possibility Curve

The Okun's law as stated by Levine (2013) states that real GDP growth about equal to the rate of potential output growth usually is required to maintain a stable unemployment rate. Thus, the key to the long-run inverse relationship between changes in the rates of GDP growth and unemployment is the rate of growth in potential output. Potential output is an unobservable measure of the capacity of the economy to produce goods and services when available resources such as labor and capital are fully utilized. The rate of growth of potential output is a function of the rate of growth in potential productivity and the labor supply when the economy is at full employment. When unemployment rate is high, then, actual GDP falls short of potential GDP. This implies that there is a negative relationship between changes in the rates of real GDP growth and unemployment.

Empirical Review

Several empirical studies have been carried out to examine the nature and relationship between unemployment and GDP in developing countries in general and Nigeria in particular. Examining the relationship between economic growth, employment and unemployment in the European Union (EU), Walterskirchen (1999) analysed the link between economic growth and the labour market. He found that the relationship between GDP growth and change in unemployment is divided into two components viz: those changes in employment and unemployment rates governed by economic factors as well as those governed by demographic influences and labour market policies. He employed time series analysis for individual EU country, while for all the countries he employed the use of panel data. The finding of the study showed a strong positive correlation between GDP growth and change in the level of employment.

Swane and Vistrand (2006) examined the GDP-employment growth relationship in Sweden. Using the employment-population ratio as a measure of the extent of employment generation, the study found a significant and positive relationship between GDP and employment growth. This finding supports the strand of theory suggesting that the positive relationship between GDP and employment is normal and that any observed jobless growth might just be a temporary deviation.

Akeju and Olanipekun (2014) asserted that the rate of unemployment has risen in the last decade in most of the sub-Saharan African countries. The situation in Nigeria is rapid population growth with low level of employment rate. The theoretical proposition of the Okun's law is that a negative relationship exists between unemployment rate and economic growth. This study intends to test the validity of Okun's law in Nigeria. In order to examine the relationship between unemployment rate and economic growth, Error Correction Model (ECM) and Johasenco integration test were employed to determine both the short run and long run relationships among the variables employed in the study. Empirical findings show that there is both the short and the long run relationship between unemployment rate and output growth in Nigeria. Hence, there is need to incorporate fiscal measures and increase the attraction of foreign direct investment (FDI) to reduce the high rate of unemployment in the country.

Downes (1998) investigated the necessary condition for reducing the unemployment rate in Trinidad and Tobago from the period 1971-1996. Using the error correction model estimated by OLS (ordinary least square) instrumental variables, he found that in both long and short runs changes in Real Gross Domestic product (RGDP) and Real Average Earning (RAE) have a statistically impact on changes in the unemployment rate. While increase in GDP reduces the unemployment rate in both short and long terms but lower it in the short-run. Increase in real average earning increase the unemployment rate on the long-run.

Tabeuina Daveriand (2000) found empirical support by raising a hypothesis that unemployment has a negative effect on economic growth while Layard and Nickell (1999) cannot find the labour market institution that increase unemployment also lower economic growth. It is quite possible that some institutions that affect unemployment also affect economic growth and the level of output in Nigeria.

Arewa and Nwakanma (2012) conduct an empirical evaluation of the relationship between output and unemployment using the first difference and output finds no evidence to support the validity of Okun's law in Nigeria.

Shuai Li and ZI-Juan Liu (2012) conducted a study on the relationship among Chinese unemployment rate, economic growth and inflation; they employed Granger causality test, unit root, cointegration, VAR and VEC model. The study revealed that unemployment impacted negatively on growth while inflation impacted positively on growth in China. The study also revealed no causation between unemployment and inflation, but there is causation between unemployment and growth, while two-way causation existed between inflation and growth.

Sodipe and Ogunrinola (2011) examined employment and economic growth in Nigeria using ordinary least squares techniques and the study revealed that a positive relationship exists between employment level and economic growth in Nigeria while a negative relationship was observed between employment rate and the GDP growth in Nigeria.

Njaku and Ihugba (2011) examined unemployment and economic growth in Nigeria between 1985 and 2009 using descriptive analysis. The study found out that between 1985 and 2009, the economy grew by 55.5 percent while unemployment grew by 74.8 percent.

Bakare (2011) studied stabilisation policy, unemployment and economic growth in Nigeria using Ordinary least square multiple regression to determine the relationship between urban unemployment crisis and growth in Nigeria, the result shows that urban unemployment crisis had a large significant impact on economic growth in Nigeria.

Bello (2003) investigates the phenomenon of unemployment in the sub-Saharan Africa with special reference to the Nigerian experience. Having diagnosed the nature of this episode in this sub-Saharan region, the study unfolds a number of factors that account for this phenomenon and of course the great threat it poses the economic involved.

Most of the existing literatures support high rate of economic growth leads to decline in unemployment. However, some empirical studies like Bakare (2012), Arewa and Nwakanma undermined the transmission mechanism in which economic growth can strive. Such channels as the level of domestic investment, foreign direct investment and lending interest rate as it affects the cost of capacity for investment purpose. This becomes pertinent as Keynes (1936) have place emphasise on increase investment and consumption in his principle of effective demand to bring about full employment. We update the analysis also by covering a period of 1980-2013.

Model, Analysis and Discussions

To examine the paradox of high unemployment amidst economic growth in Nigeria, this study took a clue from Shuai Li and ZI-Juan Liu (2012) and Akeju and Olanipekun (2014), whose theoretical underpinning is centers on Okun's Law. However, in this study, the models are modified to fit the stated objective. Data for the study were obtained from various CBN Bulletins, National Bureau of Statistics (NBS) which cover the period 1980-2013. The Vector Error Correction (VEC) Mechanism is used to analyse data. The dependent variable in the model is Gross Domestic Product. The explanatory variables are unemployment rate, domestic investment, foreign direct investment and lending interest rate. The Unit root test and granger causality are also employed as augmenting analysis. The model to be estimated is specified below;

$$GDP = b_0 + b_1 UMPLR + b_2 DI + b_3 FDI + b_4 LINTR + \mu \qquad 1$$

Where:

GDP = Gross Domestic Product.
UMPL= Unemployment Rate
DI= Domestic Investment
FDI = Foreign Direct Investment
LINTR = Lending Interest Rate
μ = stochastic error term
b's and a's are the parameters of the model

A priori Expectation

UMPLR, LINTR is expected to be inversely related to economic growth while DI and FDI are expected to be positively related to economic growth.

Data Presentation and Descriptive Analysis

The table below shows the mean of the variables (GDP, UMPL, DI, FDI and LINTR), their standard deviation (which is the divergence of a variable from its mean), the median, maximum and minimum values and other descriptive statistics.

Table 1: Descriptive Statistics

	GDP	UMPL	FDI	DI	LINTR
Mean	17868.35	9.726471	2322.267	-64.30400	20.59559
Median	5351.239	6.300000	1060.911	-90.54172	20.93000
Maximum	82487.67	23.90000	8738.343	48.41548	36.09000
Minimum	-4.055021	1.900000	-89.72767	-98.22987	10.00000
Std. Dev.	25621.77	6.820215	2815.665	42.53984	6.072721
Skewness	1.398562	0.718219	1.223125	1.195200	0.161718
Kurtosis	3.639863	2.231868	2.984953	3.192527	3.098445
Jarque-Bera	11.66389	3.758960	8.477847	8.147358	0.161928
Probability	0.002932	0.152669	0.014423	0.017015	0.922227
Sum	607523.8	330.7000	78957.08	-2186.336	700.2500
Sum Sq. Dev.	2.17E+10	1535.006	2.62E+08	59718.05	1216.972
Observations	34	34	34	34	34

Source: Authors' Computation from Eviews7

***Note:** GDP, UMPL, DI, FDI, and LINTRare all expressed in their respective growth rate*

Looking at the statistics of the variables used in the estimation, GDP growth averaged 17868.35% and ranges from 82487.67% to -4.06%, UMPL averaged 9.73% and ranges from 23.90% to 1.90%, FDI averaged 2322.267% and ranges from 8738.34% to --89.72767%, DI averaged-64.30% and ranges from 48.42% to -98.23%, LINTR averaged 20.59559% and ranges from 36.09% to 10%. Because the data collected were of different magnitude and range, they were transformed to the same magnitude or close to par level – consistent with Gujarati (2006) to obtain the following values. All data are expressed in their respective annual growth rate.

The Jarque-Bera test of normality is conducted to determine if the data being analysed using OLS technique conforms to the conditions of normality i.e. having a mean of 0 and constant variance. The JB test of normality is based on OLS residuals – using skewness and kurtosis (under normality, S = 0 and K =3). It is used to determine the joint hypothesis that S and K are 0 and 3 respectively. Skewness is the measure of asymmetry of a probability distribution about its mean while kurtosis is the measure of tallness or flatness of the slope.

If K < 3, then it is platykurtic (flat or short tailed); if K > 3, then it is leptokurtic (slim or long tailed) and if K = 3, then it is mesokurtic (normal distribution). Hence, from the table above: GDP, DI and LINTR is positively skewed and leptokurtic; UMPL and FDI is positively skewed and platykurtic. This shows that the data have violated the normality assumption of OLS. This is further substantiated by the high probability values of the statistics, which have reported above 5% level of significance. This therefore has set the basis for further tests.

Result and Discussion

The unit root is used to examine the stationarity of the data series since the data is time series, the Philips-Perronunit root test is employed. As pointed out by Idowu (2005), due to the possibility of structural changes that might have occurred during the period covered by this study, the Augmented Dickey-Fuller test might be biased in identifying variables as being integrated. But the Philips-Perron test is expected to correct this short-coming and is also a prerequisite to the VECM. The result of the stationarity test is presented below:

Table 2: Stationarity Test

Variable	P-P Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value	Prob.	Order of Integration
GDP	-23.61889	-3.653730	-2.957110	-2.617434	0.0001	I(1)
UMPLR	-6.463346	-3.653730	-2.957110	-2.617434	0.0000	I(1)
DI	-4.803781	-3.653730	-2.957110	-2.617434	0.0005	I(1)
FDI	-13.15397	-3.653730	-2.957110	-2.617434	0.0000	I(1)
LINTR	-7.493194	-3.653730	-2.957110	-2.617434	0.0000	I(1)

***Source:** Authors' Computation from Eviews7.*

Table contains the summary of the Philips-Perron unit root test of the variables(GDP, UMPL, DI, FDI and LINTR) used for empirical study. The test shows that; the variables are stationary at first difference. All the variables GDP, UMPL, DI, FDI and LINTR, the P-P test statistic is greater (using absolute values) than the critical values at all significant levels of 1%, 5% and 10% respectively.

Granger causality test is used to determine whether one time series is useful in forecasting another. The second objective of this research paper is to examine the prediction power of population growth on future development trends. Granger causality tested the direction of causation between unemployment rate and economic growth. The result of the granger causality test is explained below.

Table 3: Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.
UMPL does not Granger Cause GDP	32	5.90923	0.0074
GDP does not Granger Cause UMPL		1.55874	0.2287

Source: Authors' Computation from Eviews7

Table 3 presents the results of the Granger Causality tests between unemployment and economic growth. The test is carried out to capture the direction of the causation between unemployment rate and economic growth. In other words, it is meant to show which out of the two variables drives the other and in which direction. The results show that GDP do not granger cause unemployment, instead UMPL granger causes GDP. This portends the devastating effect of high unemployment on economic growth.

Relationship between High Unemployment amidst Economic Growth in Nigeria

The VAR model is used to estimate the long run and short run dynamics of the data series. The Johansen Cointegration and the Vector Error Correction Method are used as augmenting analysis.

The Johansen cointegration is analysed via the Trace statistic and Maximum Eigen value. The decision rule is that if either is greater than the 5% critical value, we reject the null hypothesis of no cointegration among the variables. Their respective results are shown below.

Table 4: Cointegration Test

Null Hypothesis	Trace Statistic	0.05 Critical Value	Null Hypothesis	Max-Eigen Statistic	0.05 Critical Value
r = 0*	79.41	69.82	r = 0*	40.14	33.88
r = 1	39.26	47.86	r = 1	15.71	27.58
r = 2	23.56	29.79	r = 2	11.74	21.13
r = 3	11.81	15.49	r = 3	11.09	14.26
r = 4	0.75	3.84	r = 4	0.73	3.84

Source: Authors' Computation from Eviews7

Note: r represents number of cointegrating vectors. Trace statistic and Max-Eigen statistic indicates 1cointegrating equations each. * denotes rejection of the hypothesis at the 0.05 level

Table 4 revealed that there is co-integration among the variables. This is because the Trace and Max-Eigen Statistic of 79.41 and 40.14 is greater than the critical values of 69.82 and 33.88at 5% level of significance respectively. We reject the null hypothesis of none* of the hypothesized number of co-integrating equations. Accordingly, Trace and Max-Eigen statistic test indicates 1 co-integrating equation at 5 percent level of significance. For the remaining number of hypothesized co-integrating Equation (at most 1, 2, 3, 4,), we do not reject the null hypotheses as their trace and Max-Eigen statistic values are less than the critical values at 5 percent level of significance.

The Long Run Model

The long run relationship existing between the variables is shown in the model below:

Table 5: Long Run Model

GDP = 1.00 – 0.34UMPL + 0.36DI –1.22FDI + 0.25LINTR
(0.15) (0.11) (0.71) (0.41)

Source: Authors' Computation from Eviews7

Note: Standard Error in parenthesis

From the above results, unemployment is negatively related to economic growth in Nigeria which conform stoapriori expectation. This implies that, 1% increase in unemployment rate (UMPL) decreases Economic Growth (GDP) by 34% of that unit change. This results is in line with Akeju and Olanipekun (2014), Shuai Li and ZI-Juan Liu (2012), Sodipe and Ogunrinola (2011) and Tabeuina Daveriand (2000).Also, the result has further confirms the validity of theoretical proposition of the Okun's law about the negative relationship between unemployment rate and economic growth and the deficiency in investment and consumption as postulated by Keynes (1936) in his principles of effective demand in achieving full employment where aggregate demand rises to equilibrate with aggregate supply. The positive relationship between Domestic Investment (DI) and growth conforms toapriori expectation, meaning increasing in domestic investment will leads to increase in economic growth.

The Short Run Model

The vector error correction (VEC) model is a restricted VAR designed for use with non stationary series that are known to be cointegrated. The VEC has cointegration relations built into the specification so that it restricts the long run behaviour of the endogenous variables to converge to their cointegrating relationships while allowing for short-run adjustment dynamics. The cointegration term (known as the *error correction* term) corrects gradually the deviation from long-run equilibrium through a series of partial short-run adjustments. The error correction model is given as:

Table 6: Vector Error Correction Model

Variable	Coefficient	Standard Error	T statistics
ECM	-0.16	0.27	-0.59
D(GDP(-1))	-0.49	0.25	-1.95
D(UMPL(-1))	-1.34	0.45	-3.01
D(DI(-1))	-0.27	0.45	-0.61
D(FDI(-1))	-0.38	0.34	-1.12
D(LINTR(-1))	-0.41	0.88	-0.46
C	0.54	0.20	2.58
	R^2 = 0.64, Adjusted R^2 = 0.43, F statistics = 3.04		

Source: Authors' Computation from Eviews7

The above table shows the short run estimates of the VAR model. From the result, the coefficients of UMPL agree with priori expectation and in line with the long run model while LINTR correctly signed and theoretically plausible in the short-run. There is however a negative relationship between DI, FDI and economic growth under the period of review. This is highly inconsistent with the apriori expectation. R^2 stood at 0.64 which implies that 64% of the variations in the dependent variable are explained by the independent variables. The R^2 is substantiated by the adjusted R^2 (0.43) which shows that 43% of the variations in GDP are accounted for by the independent variables. This further reveals that the additional explanatory variables have theoretical relevance to the data series. More so, the F statistics buttresses the overall goodness of fit of the model. Since the F calculated (3.04) is greater than the F tabulated (2.042) – we conclude that the independent variables (UMPL, DI, FDI and LINTR) have joint influence on GDP. Thus, the overall predictive power of the econometric model is statistically significant.

However, the coefficient of the error correction term is statistically significant with the expected sign and a magnitude of -0.16. This magnitude indicates that if there is any deviation, the long run equilibrium is adjusted moderately where about 16% of the disequilibrium may be removed in each period. This shows that the speed of adjustment to where GDP will equilibrate even when there is initial disequilibrium is at the rate of 16%.

The results also reveals that in the short run, a unit change in UMPL in the previous year will lead to a 1.34 decrease in GDP. Similarly, a unit change in DI, FDI in the previous year will cause GDP to decrease by 0.27% and 0.38% respectively. Conversely, a unit change in LINTR in the previous year will decrease GDP by 0.41%.

Conclusion

The results found out that there is a negative relationship between unemployment and economic growth in Nigeria. This study observed that the economy even though the GDP is growing, it is far below the potential GDP pointed out by Okun's where all available resources are put into full use. It also supposes that the country is producing on a lower production possibility curve where her resources are underutilised. The trend analysis employed in the study also revealed that while the economy has been recording a steady growth of not below 6.0 percent since 2003, it does not transcend to a reduction in unemployment as unemployment within same period has aggravated moving from 14.8% in 2003 to 23.5% in 2012. The test of hypothesis using standard errors also shows that there is no significant relationship between unemployment and economic growth in Nigeria, hence the acceptance of the H_0.

Recommendations

I. There is need for government to make concerted efforts to fully utilised Nigeria's economic resources by increasing investment especially in human capital development.

ii. There should be a reduction from over dependence on oil by increasing investment in agriculture and the industrial sector which are producing far below capacity.

iii. Investment should be channelled towards the real sectors to encourage employment

iv. There should be a redistribution policy in the form of progressive taxation so as to check the skewness of the income in the hands of few.

ReferencesAkintoye, I.R. (2003). Reducing Unemployment through the Informal Sector: A Case Study of Nigeria. European Journal of Economics, Finance and Administrative Sciences ISSN 1450-2275 Issue 11.

Anyanwu, J. C. and Oaikhenan, H. E. (1995), *Modern Macroeconomics*: *Theory and Applications* in Nigeria. Joanee Educational Publishers Limited, Onitsha, Nigeria.

Bajoma, O. (1996), "Manpower Utilization in Nigeria. Analysis of Some causes and consequences of Unemployment," Lagos, FBN Bi-Annual Review.

Baker, J. L. (1997), Poverty reduction and human development in the Caribbean: A cross-country study. In: *World Bank Discussion Paper* No. 366.

Bakere, A.S. (2012), Stabilisation Policy, Unemployment Crises and Economic Growth in Nigeria. *Universal Journal of Management and Social Sciences Vol. 2, No.4.*

Bello, T. (2003). Attacking unemployment hurdles in the fragile economies of the Sub – Saharan Africa: the experience of Nigeria. A Paper Presented At the - Economics for the Future – Conference; On The Occasion Of the Celebration of 100 Years of Cambridge Economics; Cambridge, United Kingdom September.

Briggs, J.E (1973) "Unemployment statistics and what they mean". Monthly Labour Bulletin, Washington DC; US Department of Labour.

Central Bank of Nigeria (2010), "The Changing Structure of the Nigerian Economy and Implications for Development," Lagos, Realm Communications.

Central Bank of Nigeria (2005).Statistical Bulletin Vol. 16, December.

Central Bank of Nigeria (2006).Statistical Bulletin Vol. 17, December.

Central Bank of Nigeria (2009).Statistical Bulletin Vol. 19, December.

Fashoyin, T. (1987), "Labour Management Relations in Nigeria Economic Recovery," Lagos, Management in Nigeria.

Gbosi, A.N. (1997), "Chronic Unemployment in Nigeria," Napean, Australia, International Journal of Employment Studies.

Gbosi, A.N. (1999). "Under-utilized Human Resources and International Mobility of Labour in Developing Countries. The Nigerian Experience," Cardiff, England, Management Research News.

Gbosi, A.N. (2000), "Employment Generation Policies." Labour Market Stability and Work Future in Nigeria's Deregulated Economy," Cardiff, England, Management Research News.

Gbosi, A.N. (2004). *The Labour Market in Nigeria Today*, Port Harcourt, Emhai Books.

Jhingan, M. L. (1996), *Macroeconomic Theory*. Konark, New Delhi.

Khan, A. R. (1990), Poverty in Bangladesh: A consequence of and a constraint on growth. *The Bangladesh Development Studies*, Volume 18, No. 3.

Marzouk, M. S. (1975), An economic model of Sudan: Simulation experience of growth prospects. *Journal of Development Economics*, Volume 1, Number 4 (February).

Meier, G. M. (1989), *Leading Issues in Economic Development*. Oxford, New York.

National Bureau of Statistics (2010)Labour force Survey March, 2009. ISSN 0794-1954. No.476 13th May.

Njaku A. and IhugbaO.A. (2011).Unemployment and Nigerian Economic Growth (1985-2009). Proceedings of the 2011 International Conference on Teaching, Learning and Change (c) International Association for Teaching and Learning (IATEL) 1

Obadan, M. I. (1997), Analytical Framework for Poverty Reduction: Issues of Economic Growth versus Other Strategies. In*Poverty Alleviation in Nigeria*, Selected Papers for the 1997 Annual Conference of Nigerian Economic Society.

Obi, F.O. (1981) "Education and Graduate Unemployment in Nigeria: An Alternative View", Unpublished Paper, Port Harcourt, Department of Economics, University of Port Harcourt.

Odusola, A.F. (2001) Nigeria's Unemployment Problem in the 80s and 90s: Implication for policy directions in the 21st century. NCEMA Policy Seminal Series: Ibadan, Nigeria.

Osinubi, T., S. (2005) Macro-econometric Analysis of Growth, Unemployment and Poverty in Nigeria. *Pakistan Economic and Social Review* Vol. XLIII, No. 2 (Winter 2005), pp. 249-269

Parikh, A. and Starmer, C. (1994), An Econometric Model of the Monetary Sector of the Bangladesh Economy: *Journal of International Development*, Volume 6, No. 2.

Sagbamah, J. E. L. (1997), Macroeconomic issues in poverty alleviation: The Nigerian experience. In: *Poverty Alleviation in Nigeria*, Selected Papers for the 1997 Annual Conference of Nigerian Economic Society.

Semboja, J. J., Likwelile, S. B. and Rutasitara, L. (1999), Poverty, growth, inequality and the role of government in poverty alleviation in Tanzania.

Sodipe, O. A and Ogunrinola, O. I. (2011).Employment and Economic Growth Nexus in Nigeria: *International Journal of Business and Social Science Vol. 2 No. 11 [Special Issue - June 2011]* 232.

Swane, A.,and H. Vistrand (2006). J*obless Growth in Sweden? A Descriptive Study*. Being a Master's Thesis in International Economics and Business at Stockholm School of Economics

Todaro, M. P. (1985), *Economic Development in the Third World*. Longman, London.

Walterskirchen, E. (1999). *The Relationship Between Growth, Employment and unemployment in the EU.* European Economist for an Alternative Economic Policy Workshop, Barcelona, Spain. http://www.memoeurope.unibremen.de/tser/Walterskirchen_24months.PDF.

Downess. (1998). Oxford Economics Papers, 19(15) 24-25.

The Effect of Foreign Direct Investment on Exports in Nigeria

Kpoghul, Tordue Emmanuel
Department of Economics
Benue State College of Education, Oju
kpoghultordue@gmail.com

pp 263-274

Abstract

This paper probed the effect of Foreign Direct Investment (FDI) on oil and non-oil exports in Nigeria. Econometric analysis was employed in ascertaining the relationship. First, Augumented Dicker Fuller (ADF) test for stationarity was performed to check the unit root properties and this was followed by Johansen cointegration within the framework of VAR model to ascertain the long-run equilibrium of the variables under consideration; while the Vector Error Correction Model (VECM) was used for short-run dynamics of the model. The study established the existence of long-run equilibrium relationship between the variables included in the model. However, the results show that exchange rate appreciation has a negative but insignificant effect on exports.Following the findings, the study recommended among others that, policy makers should encourage stability in macroeconomic variables and ensure growth oriented and stabilization policies especially at macro level which will induce inward Foreign Direct Investment (FDI), diversification, and openness. Furthermore, monetary authority should ensure exchange rate and interest rate stability.

Keywords: Foreign direct investment, oil and non-oil exports

Introduction

It has long been argued in economic literature that Foreign Direct Investment (FDI) plays an important role in promoting export and economic growth of an economy. FDI promotes exports of the host countries by increasing the productivity and productive capacity of the host country by increasing capital stock, transfer of technology, managerial skills and upgrading the skills of the local workforce through training (Asiedu, 2002). Further, FDI also increases the opportunity for the host countries to export by facilitating access to the new and large foreign markets. However, the role of FDI in promoting export is a controversial topic and basically depends upon the motive for such investment. If the motive for FDI is to bypass the trade barriers (high tariff) of the host countries, to gain access to large overseas market and to reap the benefits of economics of scale, this may not promote export. Such kind of market seeking investment is called horizontal FDI. However, if the motive for FDI is not to reap benefits of host country's comparative advantage so as to produce at relatively low cost, such investment area likely to promote trade and hence complement trade. Such FDI is called export-oriented or vertical FDI

From 1970-1990, Nigeria accounted for 30% of FDI inflow to Africa; this was largely as a result of its oil and non-oil attractiveness (UNCTAD, 2009). However, in 2007 in spite of the oil boom, Nigeria accounted for only about 16% of total FDI inflow to Africa. Its most important role in terms of attracting FDI started grinding down due to the surge of FDI to other oil-rich countries, such as Angola and Sudan. Another factor is the improved FDI performance of other larger African countries such as Egypt and South Africa which are successful in attracting FDI in various sectors of their economies (Ibi-Ajayi, 2006). UNCTAD World Investment Report in 2012 show that FDI inflow to West Africa was dominated by inflow to Nigeria which received 70% of the sub-regional total inflow and 11% of Africa's total inflow. Out of this Nigeria's oil and non-oil sectors received 90% and 10% respectively. For the non-oil sector, manufacturing received 50% and other sectors such as primary and services attracted 30% and 20% respectively. Studies have attempted examining the determinants structure and potentials of FDI in Nigeria; others have focused on the magnitude of direction and prospects of foreign direct in (Ayanwale and Bamire, 2001). However, evidence on effect ofFDI on Nigeria's oil and non-oil exports remains scanty in literature. Therefore, the objective of this paper is to examine the export growth evidence of FDI in both the oil and non-oil sectors for the period 1980-2013. This is justifiable because the period of studyhas also witnessed growth of FDI inflow and rapid growth of oil and non-oil exports(Adelowokan and Maku, 2013).

The reminder of the paper is classified as follows: section two briefly discusses literature, there after a brief review of literature related to the subject. Section three dealt with methodology andempirical results, while section four is for conclusion and policy recommendations.

Literature Review

Conceptual Clarifications

Foreign Direct Investment is the long-term investment reflecting a lasing interest and control, by a foreign direct investor (or parent enterprise), of an enterprise entity resident in an economy other that of the foreign investor. Mwilima (2003) described FDI as investment made to acquire a lasting management interest (usually at least 10% of voting stock) and acquiring at least 10% of equity share in an enterprise operating in a country other than the home country of the investor.Shenkar (2007) foreign direct investment occurs when a firm invests directly in the production or other facilities in a foreign country in which it has affective control. To Shiro (2008) foreign investment consist of foreign resources such as technology, managerial and marketing expertise and capital which have considerable import onhost country's production capacity. Foreign direct investment for the purpose of this paper is defined as an investment made to acquire a lasting management interest in a business enterprise in a given country other than that of the investor. FDI is seen to play a key role in the export growth and economic growth process of developing nations, like Nigeria, who's human and material resources are underemployed or not fully employed.

One of the most salient features of today's export strategy is conscious encouragement of cross-border investment, especially by Transnational Corporations and firm (TNCs). Many countries and continents (especially developing) now see attracting FDI as important element in their strategy for export growth. This is most probably because FDI is seen as amalgamation of capital, technology, marketing and management skills.

Overview of Oil and Non-oil Exports in Nigeria

Over the years, the country's oil sub-sector has grown phenomenally. Both production and exports have increased enormously since commercial production in 1958. For example, crude oil production increased from 395.7 million barrels in 1970 to 776.01 million barrels in 1998. The figure increased to 919.3 million barrels in 2006. The figure however decreased to 777.5 million barrels in 2009. In the same way, crude oil exports increased from 139.5 million barrels in 1966 to 807.7 million barrels in 1979. The total oil export in 1980 was N13,632.1 and its value decelerated in the early 80s to reach a trough of N11,223.7 million in 1985 owing to the general economic depression in the industrial nations and increased efficiency in energy use among other factors. However, the value of oil export assumed an upward trend in the 1990s. it increased from N106,623.5 million in 1990 to N1,920,900.4 million, N7,140,578.9 and N10,639,417.4 million in 2000, 2005 and 2010 respectively (CBN, 2012).

Sequel to high dependency on oil exports, the share of oil revenue in federally collected revenue increased phenomenally over the study period. It increased from 26.3 per cent in 1970 to 85.8 per cent in 2005. The dropped to 78.7 per cent in 2010 reflecting the increasing emphasis by government on non-oil exports since mid 2000. The major implication of high government dependence on oil revenue was the fluctuation of government revenue in reflection of the value of oil exports in the country.

Non-oil exports performances has also improved considerably during this period. Several factors appear to have contributed to this phenomenon including a rapid improvement in trade liberalization, concerted efforts to diversify the productive base of the economy, and a substantial increase in FDI inflow into the country. The performance of the Nigerian non-oil export sector has been relatively impressive in recent times. For example, the robust non-oil sector growth from N133,594.99 million in 2006 to N199,257.94 million, N247,838.99 million, N289,152.57 million and N396,377.16 million in 2007, 2008, 2009 and 2010 respectively had offset the drag from a decline in oil production thus boosting growth in the Nigerian economy (CBN, 2012).

Effects of FDI on Host Countries Exports

Transnational corporations (TNC's) have become a common feature of most of developing countries in the world. TNC's are large corporations which have their operations in a number of countries (Chopra, 2003). These are the most powerful economic and political entities in the world corporations which operate in more than one country or nation at a time. Host countries exports may expand advantages of assign world markets than the local firms. There may be direct and indirect and effects of FDI on exports of host countries. Direct effects refer to exports by foreign subsidiaries themselves. The impact of FDI on export activities of local firms accounts for their indirect effects.

Direct Effects of FDI on Host Exports

In order to have a dear cut discussion of the direct effects of FDI on host country exports; it is convenient to divide export activities of foreign affiliates into three categories according to their production characteristics:

- **Local Raw Materials Processing:** In the processing of locally produced raw materials, foreign subsidiaries in host countries may have better export potential than indigenous firms because of their business contacts abroad, marketing skills and superior technology, both in Product and processes.
- **New Labour-intensive Final Product exports:** There are many opportunities for host countries to become significant exporters of new labour-intensive final products, such as textiles and other consumer goods. Firms in developing countries seeking to expand their exports to world markets, however, face immense difficulties in setting up a distribution network, changes in consumer tastes, and building up a new product image. In many

cases, the design, packaging, distribution, and servicing of the product are as important as being able to produce them at, or below, ruling prices in world markets. The lack of such sills constitutes a key barrier to entry into the world markets for developing country's exporters.

- **Labour-intensive Processing and Component Specialization within Vertically integrated International Industries:** Export in this context depends on the participation of TNCs. Generally, these exports are thought of as intra-firm trade, but a great part of them are arm's-length transactions between TNCs and indigenous host country firms. This type of production in general is associated with processing components and assembling in which host countries import unfinished and intermediate goods.

Indirect Effects of FDI on Host Exports

Foreign affiliates can also affect host country manufacturing exports in several indirect ways.

- Increase in Exports of Local Firms: local firms may increase their exports by observing the export activities of TNCs and by making use of the infrastructure of transport, communications, and financial services that develop to support those activities.
- Impact of FDI on the Competitiveness of Host Country Firms: another indirect effect involves the influence of FDI on the competitiveness of host country firms and diffusion of new technologies. TNCs have firm-specific advantages that enable them to compete with local firms with better knowledge of consumers, factor markets, and the favour of local governments. These firm-specific advantages in product-process technology, management, and marketing competence represent something more than simple input of capital into a host country and may influence both the structure of host economy and performance of host country firms. By taking their firm-specific assets abroad, TNCs may increase competition in host country markets and in that way, force existing firms to adopt more efficient methods. FDI thus may improve the efficiency of host country firms through the diffusion of new technologies and management practices in host countries.
- Linkage Structure between Foreign and Local Firm: If export-oriented foreign subsidiaries increase the purchase of inputs from the local firms as the subsidiaries matures, the host country's trade balance will improve. Furthermore, such relationship between a foreign subsidiary and its local suppliers are also important potential sources for technology spillovers, which may stimulate productivity improvement and the competitiveness of host country firms. Export promotion through FDI has been one of the key reasons for the government's desire to attract FDI. FDI can help to channel capital into industries that have the potential to compete internationally, and the global linkages of TNCs can facilitate their access to foreign markets (Zhang and Song, 2000).

Theoretical Framework

The relationship between FDI and exports has been examined by the theories of international trade and FDI. There are two major divergent views that have come up to establish the relationship between FDI and international trade. The first group regards FDI and exports as substitutes of each other; and the second one treats the two variables as complements. Mundell (1957) on the basis of Heckscher-Ohlin-Samuel son model (2*2*2) demonstrated that the difference in comparative advantage is the basis of trade. In the absence of factor mobility, trade between two countries takes place to a level at which factor price tends to equalize in both countries, in absolute as well as in relative terms. However, once capital is allowed to move freely across the countries, i.e. from the abundant to a country where it is scarce, the difference in factor prices are reduced, the difference in comparative cost will diminish and eventually will vanish. Hence trade will decline and will be substituted completely by FDI. This view assumes that FDI comes only in those sectors in which the host country has comparative disadvantage. Such FDIs come only to supply domestic market of host countries and hence play no role in increasing exports, so FDI replace import with domestic production.

An important theory that establishes a complementary relationship between FDI and trade is Flying Geese model, a term, which was for the first time coined by Akamatsu in the 1930s and introduced into academia in the early 1960s. According to the model in order to reduce cost of production and retain its competitiveness, the TNCs shift their location of production from high labour cost home country to low labour cost host country. Using the host country's abundant factor, the TNCs increase the export supply capacity of the host country. Furthermore, the transfer of FDI also brings with them new technology, capital equipments, and managerial expertise into the host countries and improve the productivity and competitiveness of the indigenous firms thereby increase in competitiveness and exports of the host countries.

Vernon (1966) in its product life cycle theory also explained a positive role of FDI in promoting exports from host countries. He argued that technology passes through four stages of production. These stages are innovation, growth maturity and decline. In the third stage of maturity, innovating firms, in order to reduce cost and protect them from imitating competitors, start production in foreign countries and export part of production to home country. In the last phase, product and technology becomes mature and standardized, and becomes accessible to local imitators that due to the low labour cost become international competitors. This leads to increase to export of the host countries. In this case flow of trade may be reversed. The original innovating may relocate production further into host countries and re-import the product to the home country. Applying Vernon model at industry level, Kojima (2005) found that when FDI is made in the sector in which the country of origin has comparative disadvantage and the host country has comparative advantage, then this kind of investment has trade creating effect implying that the host country's export will increase.

Empirical Review

Just as there are differences of opinion about the relationship between FDI inflow and the amount of exports, the empirical studies also provide mixed results for different countries.

Goldberg and Klein (1998) asserted that FDI may encourage export promotion, import substitution, or greater trade in intermediate inputs which often exist between parents and affiliate producers. In another report by OECD (1998) the orientation of most investments by Multinational firms is towards exports and this may most likely serve as a catalyst for the integration of the FDI host economy to a global production network in sectors in which it may formerly have had no industrial experience

Khan and Leng (1997) while examining the interactions among inward-FDI, exports and economic growth for Singapore, Taiwan and South Korea, did not find any evidence of causal relation between FDI and export in the case of Taiwan and South Korea. In the case of Singapore, a one-way causal relationship from exports to inward FDI was found.

Liu *et al* (2002) investigated the causal relationship between inward FDI, trade and economic growth in China using quarterly data at aggregate level for the period 1981-2000 and found two-way causal relationship between inward FDI and exports.

Soliman (2003) examined the role of FDI in export promotion of four MENA countries (Egypt, Tunisia, Morroco and Turkey) for the period of 1970-1995. Applying gravity model, he found a positive relationship between FDI inflow and export; however, an insignificant relationship has been found in the case of FDI and the share of manufacturing export in total merchandised exports.

Zhan (2005) on the basis of cross section studies of 186 industries concluded a positive relationship between FDI and export growth in China and this effect is larger in labour intensive industries than that in capital intensive industries. Further, he also found that FDI has more export promoting effect than that of domestic capital.

Pacheco-Lopez (2005) demonstrated the causal relationship between inward-FDI and export performance on Mexico by using Granger causality test. The result indicates that there is a bi-directional causality between inward FDI and export performance.

Njong (2008) examined the association between FDI and export in the case of Cameroon. Using the data for the period 1980-2003, he found positive impact of FDI on export through increase in supply capacity and spillover effects.

Iqbal *et al* (2010) assessed the relationship between FDI inflows, exports and economic growth in five sub-saharan African economies (Ghana, Kenya, Nigeria, South Africa and Zambia), Taiwa and South Korea and in Pakistan. The analysis revealed the long-run relationship among the factors and found bi-directional causality between foreign direct investment and export. These were the two important factors responsible for enhancing economic growth in an economy. It was suggested that government should play a positive role in providing security to the investor around the globe.

The effect of FDI on Nigeria's oil and non-oil exports are scanty and complex in literature, thereby necessitating serious attention towards investigating the relationship or effect of FDI on oil and non-oil exports in Nigeria. Most studies have found FDI and trade relationship but there exist lack of general consensus among the researchers. This suggests the study to be country specific and the importance of empirical investigation of FDI on oil and non-oil exports for Nigeria.

Methodology

Model Specification and Data Sources

Following the framework of Liu et al (2004) and Iqbal *et al* (2001); the relationship between export and Foreign Direct Investment is captured by the following model.

$$X_t = f(FDI_t) \tag{1}$$

However, in Nigeria exports are basically classified into oil and non-oil exports. Thus, the relationship between Foreign Direct Investment and the components of export can be expressed as.

$$X_O = f(FDI_t) \quad (2) \text{ and}$$

$$X_{NO} = f(FDI_t) \tag{3}$$

For empirical analysis, other determinants of exports such as exchange rate, interest rate and index of openness of the economy are considered in this study. Now, oil export and non-oil export functions are re-written as.

$$X_O = f(FDI_t, EXR, INTR, OPNS) \tag{4}$$

$$X_{NO} = f(FDI_t, EXR, INTR, OPNS) \tag{5}$$

Where Xo is oil export, X_{NO} is non-oil exports, FDI is foreign direct investment, EXR is exchange rate, INTR is interest rate and OPNS is the index of openness. Furthermore, the stochastic form of equations (4) and (5) are expressed as:

$$X_O = \alpha_o + \alpha_1 FDI + \alpha_2 EXR + \alpha_3 INTR + \alpha_4 OPNS + U_1 \tag{6}$$

On a priori grounds, the variables for the model of oil exports are expected to have the following signs:

$\alpha 1, \alpha 2, \alpha 4 > 1, and\ \alpha 3 < 1$

$$X_{NO} = \beta_o + \beta_1 FDI + \beta_2 EXR + \beta_3 INTR + \beta_4 OPNS + U_2 \tag{7}$$

On a priori grounds, the variables for the non-oil exports are expected to have the following signs:

$\beta 1, \beta 2, \beta 4 > 1, and\ \alpha 3 < 1$

The data used for this study is the time series data for the period 1970 to 2013 sourced from Central Bank of Nigeria.

First, stationarity test using Augumented Dickey Fuller (ADF) was performed to check the unit root properties and this was followed by Johansen cointergration test to ascertain the long-run equilibrium of the variables under consideration; while the Vector Error Correction Model (VECM) was used for short-run dynamics of the models. The VECM for the models was formulated as:

$$\Delta lX_O = \alpha_o + \sum_{i=1}^{k} \beta_{1i}\Delta lX_{Ot-1} + \sum_{i-1}^{k} \beta_2 \Delta lFDI_{t-i} + \sum_{i-1}^{k} \beta_3 \Delta lEXR + \sum_{i-1}^{k} \beta_4 \Delta lINTR + \sum_{i-1}^{k} \beta_5 \Delta lOPNS + \varphi_1 ECT_{t-1} + \sum_{1t} \tag{8}$$

$$\Delta lX_{NO} = \alpha_1 + \sum_{i=1}^{k} \Psi_{1i}\Delta lX_{NOt-1} + \sum_{i-1}^{k} \Psi_{2i} \Delta lFDI_{t-i} + \sum_{i-1}^{k} \Psi_{3i} \Delta lEXR + \sum_{i-1}^{k} \Psi_{4i} \Delta lINTR + \sum_{i-1}^{k} \Psi_{5i} \Delta lOPNS + \varphi_2 ECT_{t-1} + \sum_{2t} \tag{9}$$

Empirical Results and Discussion

In order to test for the stationarity properties of the data used in the analysis, the Augumented Dicker Fuller (ADF) test was employed and the results are presented in table below.

Table 4.1: Stationarity Unit root test (ADF)

Variables	ADF T -statistics @ 1 st difference	Critical value @ 5% level of Significance	Order of integration	Decision
$D(X_O)$	-4.804568	-3.5217	I(1)	Reject
$D(X_{NO})$	-5.698679	-3.5217	I(1)	Reject
D(FDI)	-6.690510	-3.5217	I(1)	Reject
D(OPNS)	-6.819120	-3.5217	I(1)	Reject
D(EXR)	-4.064079	3.5217	I(1)	Reject
D(INTR)	-7.565441	3.5217	I(1)	Reject

Source: Author's computation using E-views.

The results in the table 4.1 above show that all the variables are stationarity at first difference. This therefore led to the rejection of the null hypothesis of the existence of unit root. The implication is that, the data set has the mean reverting ability. This means that any shocks to the data will gradually fade-out with passage of time. Given that all the variables are integrated of order (I), it implies that they all have uniform convergence; hence, the application of the Johansen cointegrationis the most appropriate technique for ascertaining the existence of long-run equilibrium among the series.

In order to select appropriate lag for the VAR model, in order to ensure the stability of the VAR, the unrestricted VAR was estimated using zero (o) as lag intervals for endogenous variables: Xo, XNO, FDI, OPNS, EXR, and INTRand the results are presented below.

Table 4.2: Estimated Unrestricted VAR

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-2107.522	NA	2.06E+36	100.6439	100.8922	100.7349
1	-1943.165	273.9290*	4.65E+33*	94.53166*	96.26933*	95.16859*

*Indicates lag order selected by the criterion

LR: Sequential modified LR test statistic (each test at 5% level)

FPE: Final prediction error

AIC: Akaike information criterion

SC: Schwarz information criterion

HQ: Hannan-Quinn information criterion.

From the table LR, FPE, AIC, SC, and HQ have shown that the appropriate lag that will ensure the stability of the VAR model is 1. Thus Johansen cointegration test was estimated for the two models and the results are presented in the tables below.

Table 4.3: Johansen Unrestricted Cointegration Rank Test for Non-oil export

Hypothesized No. of CE(s)	Eigenvalue	Trace statistics	5% critical value	1% critical value
*None	0.481547	72.97469	68.52	76.07
Atmost 1	0.392403	46.69846	47.21	54.46
Atmost 2	0.297126	26.76873	29.68	35.65
Atmost 3	0.215575	12.66561	15.41	20.04
Atmost 4	0.071176	2.953451	3.76	6.65

*(**) denotes rejection of the hypothesis at 5% (1%) level

Trace test indicates 1 cointegration equation(s) at the 5% level

Trace test indicates no cointegration at the 1% level

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen statistics	5% critical value	1% critical value
*None	0.481547	38.93531	33.46	38.77
Atmost 1	0.394203	19.92974	27.07	32.24
Atmost 2	0.297126	14.10312	20.97	25.52
Atmost 3	0.215575	9.712157	14.07	18.63
Atmost 4	0.071176	2.953451	3.76	6.65

*(**) denotes rejection of the hypothesis at 5% (1%) level
Max-Eigenvalue test indicates 1 Cointegration at both 5% and 1% levels.

From the above results of Johansen cointegration as presented in table 4.3, both trace and max-eigen statistics have attested to the existence of an underlying long-run steady-state relationship among the variables of interest in the study.

Further, Vector Error Correction model (VECM) was employed to check both the long-run and short-run dynamics and the results are presented below.

Table 4.4: Estimated Long-run Vector Error Correction Model (VECM) for Non-oil Exports Dependent Variable: X_{NO}

Variables	Coefficient	Std. error	t-statistic
FDI(-1)	1.373823	0.29613	4.63929
OPNS(-1)	3.876407	0.87109	4.45004
EXR(-1)	-0.205002	0.36159	-0.56694
INTR(-1)	5.465106	1.14505	4.77280
C	-4.345730		

Source: Author's Computation using e-views

Foreign Direct investment has a positive and significant long-run impact on non-oil exports. Unit change in the first lag of FDI will lead to 1.38 units change in non-oil export in Nigeria. This is because FDI inflow will stimulate the production of non-oil products that can be exported. Openness also has a positive and significant long-run impact on non-oil exports. A unit change in the first lag of openness will lead to a 3.88 units change in non-oil eports in Nigeria. This implies that the more the Nigerian economy is open to other economies; it will pave way for non-oil products in Nigeria to be exported to other economies. Also openness of the Nigerian economy will help the importation of raw materials that could stimulate the production chain of non-oil goods for possible export. This is in line with Soliman (2003) and Njong (2008). The variable of exchange rate has a negative but significant long-run impact on non-oil exports in Nigeria. This means that exchange rate appreciation will discourage exportation of non-oil products. Since the Nigerian non-oil products will be uncompetitive in the international market. For the variable of interest rate, it appears with a sign contrary to a priori expectation. This could be as a result of insensitivity of production to interest rate in Nigeria. It could be that investor source capital from other informal financial institutions.

Table 4.5: Estimated Short-run VECM for Non-oil Exports. Dependent Variable: X_{NO}

Variables	Coefficient	Std. error	t-statistic
FDI(-1)	0.056056	0.21645	0.25898
OPNS(-1)	0.105200	0.74982	0.14030
EXR(-1)	0.167331	1.27974	0.13075
INTR(-1)	3.088441	1.74907	1.76576
ECM(-1)	-0.134855	0.19828	-0.68012
C	-0.0998350	0.15334	-0.64138

R-squared 0.576526
Adj.R-squared 0.543526
F-statistic 3.250473
Akaike AIC 2.757991
Schwarz SC 3.047603

In the short-run, all the variables in the VECMexplain a positive and significant relationship with non-oil exports in Nigeria. The ECM (-1) which is the speed of adjustment appeared with the correct sign of -0.134855. This implies that any deviation in the short-run to achieve long-run equilibrium will adjust annually by 13.49%. TheAdj.R-squared coefficient of 0.54 means that the variation in non-oil exports in Nigeria is explained by the explanatory variables included in the model to the tune of 54%. F-statistic of 3.25 shows the over-all performance of the model, thereby leading to the rejection of the null-hypothesis of all the parameters being equal to zero (o). The AIC and SC are low meaning that the model performed well.

Table 4.6: Johansen Unrestricted Cointegration Rank Test for Oil Export

Hypothesized No. of CE(s)	Eigenvalue	Trace statistics	5% critical value	1% critical value
None**	0.559407	83.46205	68.52	76.07
Atmost 1	0.447594	46.03743	47.21	54.46
Atmost 2	0.290142	24.11165	29.68	35.65
Atmost 3	0.127141	9.718626	15.41	20.04
Atmost 4	0.091004	3.007397	3.76	6.65

*(**) denotes rejection of the hypothesis at the 5% (1%) level
Trace test indicates 1 cointegration equation(s) at the 5% level
Trace test indicates no cointegration at the 1% level

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen statistics	5% critical value	1% critical value
None*	0.559407	34.42462	33.46	38.77
Atmost 1	0.447594	24.92579	27.07	32.24
Atmost 2	0.290142	14.39302	20.97	25.52
Atmost 3	0.127141	5.711228	14.07	18.63
Atmost 4	0.091004	3.007397	3.76	6.65

*(**) denotes rejection of the hypothesis at the 5% (1%) level
Max-eigenvalue test indicates 1 Cointegration equation(s) at 5% level.

From the results presented in table 4.6 above, both the trace and max-eigen statistics have shown that there is a long-run relationship among the variables. Having ascertained that the variables are cointegrated, the vector error correction model is presented in table 4.7 and 4.8 below.

Table 4.7: Estimated Long-run Vector Error Correction Model (VECM) for Oil-Export
Dependent Variable: X_o

Variables	Coefficient	Std. error	t-statistic
FDI(-1)	0.495047	0.09573	5.17139
OPNS(-1)	0.420753	0.28427	1.48014
EXR(-1)	-1.090121	0.11739	9.28621
INTR(-1)	1.915432	0.36382	5.26474
C	-4.087549		

Source: Author's computation using e-views

The results from table 4.7, presents the long-run component of the estimated vector error correction model and the variables of foreign direct investment and openness has a positive and significant relationship with oil export. For FDI, the result confirms the dominance of foreign investors in the oil sector in the Nigerian economy. A unit change in the first lag of FDI will lead to 0.49 unit change in oil export in Nigeria. For openness, the results imply that the more the Nigeria economy is open, the more the economy will export its oil to the international market. The exchange rate has a negative but insignificant long-run impact on oil export in Nigeria. This means that when exchange rate appreciates, it discourages the patronage of Nigeria's oil. And the results for interest rate appear with a positive sign contrarily to the a priori expectation implying the insensitivity of investors to interest rate in Nigeria.

Table 4.8: Estimated Short-run VECM for Oil Exports
Dependent Variable: X_o

Variables	Coefficient	Std. error	t-statistic
FDI(-1)	0.094994	0.24629	0.38570
OPNS(-1)	0.490811	1.25521	0.39102
EXR(-1)	0.641504	1.39862	0.45867
INTR(-1)	4.844679	2.08664	2.32176
ECM(-1)	-0.195701	0.64558	-0.30314
C	-0.108412	0.20084	-0.53979

R-squared	0.660908
Adj.R-squared	0.647064
F-statistic	4.118629
Akaike AIC	3.208955
Schwarz SC	3.498566

In the short-run, all the variables in the vector error correction model explain a positive and significant relationship with oil exports in Nigeria. The ECM(-1) which is the speed of adjustment appeared with the correct sign of -0.195701. This implies that any deviation in the short-run to achieve long-run equilibrium will adjust annually by 19.57%. The Adj.R-squared coefficient of 0.64means that the variation in oil exports in Nigeria is explained by the explanatory variables included in the model to the tune of 64%. F-statistic of 4.12 shows the over-all performance of the model, thereby leading to the rejection of the null-hypothesis of all the parameters being equal to zero (o). The AIC and SC are low meaning that the model performed well.

Conclusions and Policy Recommendations

This paper probed the long-run and short-run relationship between foreign direct investment, oil export and non-oil exports in Nigeria. Johansen Cointegration analysis within the framework of VAR model was employed. The variables included were stationary at first differences, and they are integrated of order one. The cointegrations test shows that there is a cointegration and hence, confirm the existence of long-run equilibrium relationship between the variables included in the model. However, the results show that exchange rate appreciation has a negative effect onexports which is consistent with economic theory and also for the reality of Nigerian economy because appreciation of national currency has a negative effect as it affect export earnings of the country.

Following this, policy makers should encourage stability in macroeconomic variables and ensure growth oriented and stabilization policies especially at macro level which will induce inward Foreign Direct Investment (FDI), diversification, and openness. Furthermore, monetary authority should ensure exchange rate and interest rate stability in order to stem inflationary tendencies in Nigeria which have adverse effect on the export growth of both oil and non-oil exports in Nigeria.

References

Adelowokan, O.A and O.A. Maku (2013). Trade Openness, Foreign Investment and Economic Growth in Nigeria: A long-run Analysis, *European Journal of Globalization and Development Research*

7(1) 446-458.

Asiedu, E. (2002). On the Determinants of FDI to Developing Countries: Is Africa Different? *Word Development* 30(1) 107-119.

Ayanwale, A., and Bamire, B. (2007).FDI and Economic Growth: Evidence from Nigeria. AERC Research paper 165, *African Economic Research Consortium,* Nairobi.

Chopra, C. (2003). FDI in India (1st ed.), Deep and Deep publication, New Delhi.

Engle, R.F and Granger, C.W. (1987).Co-integration and Error Correction. Representation, Estimation and testing, Econometrical 55 pp 251-1072.

Grossman, G. and Helpman, E. (1991).Innovation and Growth in Global Economy, *MIT Press,* Cambridge.

Goldberg, S. and Klein, W. (1999). International Trade and Factor Mobility: an Empirical Investigation. NBER Working Paper. 7196.

Iqbal, M.S, F.M. Shaikh, and A.H. Shar (2010) Causality Relationship between FDI, Trade and Economic Growth in Pakistan.*Asian Social Science* 6:9

Khan, I.K. And Leng, K. (1997). Foreign Direct Investment, Exports and Economic Growth, *Singapore Economic Review* 42(2) 40-60.

Kojima, K. (2005). A Macroeconomic Approach to Foreign Direct Investment, *Hitotsubashi Journal of Economics* Vol. 14, 1-21.

Kumar, A.B. (2011). FDI, Trade Openness, Capital Formation and Economic growth in Bangladesh: A linkage analysis, *International Journal of Business and Management* 6(1) pp 16-28.

Liu, X., C. Wang, and Y. Wei (2001) Causal Links between FDI and Trade in China. *China Economic Review* 12, 190-202

Liu, X., Burrige, P., and Sinclair, PJ. (2002). Relationship between Economic Growth, Foreign Direct Investment and Trade: Evidence from China, Applied Economic, 34 pp 1433-1440.

Maddala and Kim (1998).Unit Root, Co-integration and structural change, UK, Cambridge Press.

Mundell, R.A. (1957) International Trade and Factor Mobility, *American Economic Review,* 47(3) 321-335.

Mwilina, N. (2003) Characteristics, Extend and Impact of FDI on African Local Economic Development, *Social Science Research Network Electronic Paper Collection:*http://ssrn.com

Njong, A.M. (2008). Investigating the Effect of Foreign Direct Investment on Export Growth in Cameroon, (online) Available: http://www.uneca.org/tfed/documents/macro_22feb15/FDI%20%20Export%20N.dpf.

Pacheco-Lopez, P. (2005). Foreign Direct Investment, Exports and Imports in Mexico, the World Economy, 28(8), pp 1157-1172.

Pradhan, J.P. and Abraham, V. (2004). Attracting Export Oriented FDI: can India win the race? Working Paper No. 156.

Soliman, M. (2003). Foreign Direct Investment in IDCs Export: Evidence from MENA Region. (online) Available: http://www.mafhoum.com/press6/173E14.pdf.

Shenkar, O. (2007). Foreign Direct Investment: Theory and Application. (online) http://www.sagepub.com.upmdata/18594_chapter 3.pdf.

Shiro, A.A. (2008). The Impact of FDI on the Nigerian Economy. (online) http://www.unilag.edu.ng/researchview.

UNCTAD (2014). Investment Policy Review of Nigeria. Geneva: United Nations.

Vernon, R. (1966). International investment and International Trade in the product Cycle, *Quarterly Journal of Economics* Vol. 80 190-207.

Zhang, K.H (2005). How Does FDI affect a Host Country's Export Performance? The case of China, (Online) Available: http//faculty.washington.edu./kariju/cofer/xianos/paper/zhang.pdf.

Zhang, K.H. and Song, S. (2000). Promoting Exports."The Role of inward FDI in China", *China Economic Review* 11(4) 385-396.

Appendix 1: Data showing some selected Economic indicators used in the work

YEAR	Oil export (XO)	Non-oil export (XNO)	Foreign Direct Invsetment (FDI)	Openness (OPNS)	Exchange Rate (EXR)	Interest Rate (INTR)
1970	509.62	376.05	1003.30	0.06	0.70	7.00
1971	953.00	340.40	1322.80	0.36	0.70	7.00
1972	1176.20	258.00	1571.10	0.46	0.70	7.00
1973	1893.50	384.90	1763.70	0.53	0.70	7.00
1974	5365.70	429.10	1812.10	1.05	0.60	7.00
1975	4563.10	362.40	2285.50	1.00	0.60	6.00
1976	6321.60	429.50	0.50	0.63	0.60	6.00
1977	7072.80	557.90	2531.40	0.69	0.60	6.00
1978	5401.60	662.80	2863.30	0.54	0.60	7.00
1979	10166.80	670.00	3153.30	0.58	0.60	7.50
1980	13632.30	554.40	3620.10	0.67	0.50	7.50
1981	10680.50	342.80	3757.90	0.57	0.61	7.75
1982	8003.20	203.20	5382.80	0.38	0.67	10.25
1983	7201.20	301.30	5949.50	0.34	0.72	10.00
1984	8840.60	247.40	6418.30	0.33	0.76	12.50
1985	11223.70	497.10	6804.00	0.35	0.89	12.00
1986	8368.50	552.10	9313.00	0.25	2.02	19.20
1987	28208.60	2152.00	9993.60	0.71	4.02	17.60
1988	28435.40	2757.40	11339.20	0.76	4.54	24.60
1989	55016.80	2954.40	10899.60	0.84	7.39	27.70
1990	106626.50	3259.60	10436.10	1.12	8.04	20.70
1991	116858.10	4677.30	12243.50	0.97	9.91	31.20
1992	201383.90	4227.80	20512.70	1.30	17.30	36.09
1993	213778.80	4991.30	66787.00	1.23	22.05	21.00
1994	200710.20	5349.00	70714.60	0.69	21.89	20.79
1995	927565.30	23096.10	119393.60	2.49	21.89	20.86
1996	1286215.90	23327.50	122600.90	2.08	21.89	23.32
1997	1212499.40	29163.30	128331.80	1.08	21.89	21.34
1998	717786.50	34070.20	152409.60	0.59	21.89	27.17
1999	1169476.90	19492.90	154188.60	0.73	92.69	21.55
2000	1920900.40	24822.90	157535.40	1.08	102.11	21.34
2001	1839945.25	28008.60	162343.40	1.01	111.94	29.70
2002	1649445.83	94731.85	166631.60	0.71	120.97	22.40
2003	2993109.95	94776.44	178478.00	1.09	129.36	20.63
2004	4489472.19	113309.35	249220.60	0.95	133.50	19.47
2005	7140578.92	105955.88	269844.70	1.18	132.15	25.90
2006	7191085.64	133594.99	302843.30	0.91	128.65	18.70
2007	8110500.38	199257.94	364008.50	0.84	125.83	15.14
2008	9913651.13	247838.99	397395.20	0.83	118.57	18.36
2009	8067233.00	289152.57	462432.70	0.65	148.90	17.59
2010	10157328.23	397816.51	453672.60	0.79	150.30	17.65
2011	12674134.81	485243.63	951534.50	0.99	159.70	10.80

Source: Statistics from Various CBN Statistical Bulletin

The Impact of Inflation and Capital Allocation on Staple Crop Production Output of Nigeria: Policy Implication

Onwusiribe Ndubuisi C
Department of Agribusiness and Management.
Michael Okpara University of Agriculture,
Umudike, Abia State, Nigeria.
Email : ndubuisichigo@gmail.com

Obi, Chinwendu Vera
Department of Agribusiness and Management.
Michael Okpara University of Agriculture,
Umudike, Abia State, Nigeria.
Email : Veradezzy@hotmail.com.

pp 275-281

Abstract

This study examines the impact of inflation and capital allocation to agriculture on the production of staple crops output of Nigeria from 1975-2012. The data was extracted from the CBN statistical bulletin. The econometric tools used include unit root analysis (ADF test), Johansen cointegration test and the Vector error correction estimates. It was observed that the series were stationary at second difference with two cointegrating equation which indicates the presence of a long run relationship between the series. The error correction estimates indicates that staple crops production output in Nigeria adjusts to -10.2 and -0.04 percent to the disequilibrium to capital allocation and inflation respectively in the long run. The negative sign in the error correction estimates for inflation and capital allocation implies that inflation has a negative impact on staple crops output but against a priori expectation capital allocation to agriculture had a negative impact on staple crop output, this is due to misappropriation of the capital meant for agriculture. Hence, policy makers should come up with policy that will control inflation and proper application of the capital meant for agriculture to ensure food security through increased staple crop production output.

Key words: inflation, capital, staple, crop, output

Introduction

Nigeria is by far the largest agricultural producer of staple crops in ECOWAS. Production of staples is thought to have grown by 30% to 40% between 2000 and 2009 (Inter-reseaux, 2012). The most important crops for Nigeria are root crops and tubers on the one hand, and grains on the other. While the production of staple foods has risen sharply over the last twenty-five years, production cannot yet cover the rising demand for staples, particularly grains.

Inflation is regarded as one of the greatest problems that affect any international economy, as it reflects extra economical and social burdens, besides its obstructions that lead to a misleading and negative economy (Balagon *et al*, 1997). Generally inflation affects the farm economy most directly through the cost of inputs. Compared with any other sector in the economy, because it is highly competitive and most of the output is perishable, agriculture is the least able to pass input cost increases through into higher output prices (*Dayo et al*, 2011).

The Food and Agricultural Organisation (FAO) recommends that 25 per cent of government capital budget be allocated to agricultural development. This has not been achieved by the various administrations of Nigeria, thereby affecting government programmes and policies for the sector (Iganiga and Unemhili, 2011). Nigeria has also consistently failed to reach the 10 per cent agriculture budget standard of the Maputo declaration, which has led to negative implications for food security (Ochigbo, 2012). Total expenditure on agriculture, as a percentage of overall expenditure, fluctuated from 4.57 per cent between1986-1993, to an average of 4.51 per cent per annum between 1994-1998, to 3.53 per cent between 1999-2005; this reflects intensified efforts by the government to reduce its size (Onwumere *et al*, 2013). This incessant reduction in agricultural expenditure over the years relative to the overall expenditure of Nigeria has led to inadequate funds for the sector. In this light, (Dayo *et al,* 2011) emphasized that; the inadequate funding of the agricultural sector could never make the sector sustainable. While agricultural spending expressed as a share of total spending is generally low in African countries compared to other developing countries, Nigeria fares unfavourably even within the African context.

When public spending in agriculture in Nigeria is benchmarked relative to public spending in other sectors, the value of the indicator for agriculture is lower than the values of all other sectors, such as industry, construction, trade, and services (Ochigbo, 2012). Nigeria has embarked on an agricultural transformation agenda, involves value chains of prioritized commodities that would provide more income to farmers, processors, and marketers; and provide opportunities for both local and foreign direct investment into the agricultural sector; thereby ensuring food security, poverty reduction, and job and wealth creation. Therefore, the agricultural agenda is invariably aimed at enhancing economic growth in Nigeria, and this call for the assessment of the relationship between government expenditure and inflation in improving staple crop output and its implication for the transformation agenda of Nigeria.

Literature Review

The Agricultural sector has always been an important component of Nigerian economy with over 70 percent of the population engage in agriculture and agricultural related activities. The sector is almost entirely dominated by small scale resource poor farmers living in rural areas, with farm holdings of 1- 2 hectares, which are usually scattered over a wide area. These farms dominated by these small scale farmers which produce staple crops are responsible for about 95% of the total production (Awoyemi, 1981). In addition, small scale agriculture has in the time past suffered from limited access to credit facilities, modern technology farm input and inefficient use of resources. This is also due to poor capital allocation to agriculture and persistent increased in price which has turned Nigeria as a major importer of staple crops.

Inflation has become a leading topic of discussion in Nigeria families and press as its effects penetrate more deeply into nation's life due to prevailing increase in prices. Continuous increases in prices are among the most serious economic problem in Nigeria as well as Africa. Considering the urban, rural and combined consumer price index in Nigeria, all components of price index rose at generally higher rate than previous years. The index for food dominated the increase in the aggregated index for most of the period. This could be due to the fact that inflation has a general effect on farm economy compared to any other sector since it (agricultural sector) is highly competitive, most of the outputs are perishable and that is the least sector able to pass input cost increases directly into higher output prices (Dayo *et al,2011;* Ajakaiye, 1997) . Other major components of consumer outlay which record substantial higher rates of price increase include household goods and other purchases, clothing, accommodation and transportation.

Over the years, government has almost been the sole provider of financial and other capital resources to support agriculture. Government has attempted to increase her expenditure on agriculture through budgetary allocation and through the provision of cheap and readily available credit facilities (Nwosu 2004). Nwosu (2004) found that over the years, the government budgeting allocation has become an important determinant of agricultural output in Nigeria.

FAO (2008) reported that in terms of capital allocation to agriculture in Nigeria, it was an average of 4.74 percent from 1970-1980. But, from 1980-2000, it rose to 7.00 percent and 10 percent from 2001-2007, though revealing an increase, but still falls short of Food and Agricultural organization (FAO) recommendation that 25 percent of government capital budget be assigned to the agricultural development capital budget.

Akpokodjie *et al* (1997) in their study stressed that government allocation to agriculture is relatively low and that actual expenditure falls short of budgeting expenditure and the rate of under spending is usually higher for agriculture than for other economic sectors. Abdullahi (1999) reported that a large proportion of the funds allocated to agriculture does not go directly to farmers.

DFID (2005) reported that the largest category of private investors in Nigerian agriculture consists of the multitude of small holder farmers, scattered across the country. Thus, agricultural production in Nigeria is dominated by small-scale farms characterized by small, uneconomic and often fragmented holdings, the use of simple implements (hoes and knives) and unimproved planting and storage materials. The results have been a viscous web of low productivity, low income and low capital investment.

Methodology

This study uses principally secondary data obtained from the central bank of Nigeria statistical bulletin for a period of 1975 – 2012. The paper adopts econometric approach to test the degree of correlation between the variables by employing the Unit Root Test using the ADF test technique to test if the time series data is stationary, the Johansen's Co-integration Test and the Vector Error correction estimates which shows the short run and long run relationship between the specified variables.

Model specification

The model for this study is stated as:

$$\textit{Staple output} = b + b_1(\textit{inflation}) + b_2(\textit{capital all}) + \mu_{stapleoutput} \quad 1$$

Where: *stapleoutput* = staple crop output of Nigeria measured in tones

Inflation = the inflation rate

Capial all = capital allocation to the agricultural sector measured in naira

μ = white noise

The b priori expectations are: b 2,> 0 and $b_1 < 0$

Unit root Test: Augmented Dickey- Fuller (ADF) Test

The ADF test consist of estimating the following regression

$$\Delta Y_t = \beta_1 + \beta_2 t + \delta Y_{t-1} + s\sum_{i=1}^{m} \alpha_i \,\Delta Y_{t-1} + U_t \quad (2)$$

Where y is the series t is (trend factor); a0 is the constant term, et is the stochastic error term b is the lag length. The Augmented Dickey-Fuller (ADF) unit root test is employed to test the integration level and the possible co-integration among the variables. If the data set indicates integration property of the order I(1) for the employed variables, there we proceed to test for co-integration among the variables employing Johasen (1988, 1991) test techniques.

Co-integration test:

$$D(\textit{stapleoutput}) = b_1 + b_2\, D(\textit{inflation}))_t + b_3\, D(\textit{capitallall}))_t + e_t \ldots\ldots\ldots\ldots\ldots\ldots \quad 3$$

The corresponding VECM model is:

$$Y_{1,t} = \alpha_1\left(Y_{2,t-1} - B_{Y1,t-1}\right) + e_{1t} \quad 4$$

$$Y_{2,t} = \alpha_2\left(Y_{2,t-1} - B_{Y1,t-1}\right) + e_{2t} \qquad 5$$

In this simple model, the only right-hand side variable is the error correction term. In long run equilibrium, this term is zero. However, if and deviate from the long run equilibrium, the error correction term will be nonzero and each variable adjusts to partially restore the equilibrium relation. The coefficient measures the speed of adjustment of the i-th endogenous variable towards the equilibrium.

Results and Discussions

Time series analysis always begins with unit root to satisfy the stationarity property of the series variable to ensure the results of the regression are more reliable as most time series data are not stationary at levels . The unit root analysis was carried out using Augument Dickey Fuller (ADF) test. The tests were conducted at level and second difference. The results indicates that the variables are I(1), that is they are fully integrated at first order at the difference considering the ADF test using the Mackinnon critical values for rejection of hypothesis of unit root. Since not all the variables are stationary at level it necessary that we have to investigate the cointegration properties of the variables in the equations.

ADF VARIABLE	Level ADF STAT	Difference ADF STAT	Order of integration
	-0.600	-1.910	I(1)
Inflation	(-3.615)**	(-7.207)***	
	-0.756	-2.102	I(1)
Capital allocation	(-2.983)	(-7.487)***	
	-0.333	-2.509	I(1)
Staple crop output	(-1.850)	(-8.757)***	

Source: CBN statistical bulletin various issues. Note: values in parenthesis are t-values.
*,**,*** Mackinnon critical value for reject of hypothesis of a unit root at 10%,5%,1% level of probability respectively.

Cointegration Tests

When linear combinations of variable are integrated at level, then cointegration becomes necessary. This implies that a long-run relationship may exist among them which connotes that there may be disparity among them in the short run but in the long run there will be unit among them. To establish whether long run relationship exist amongst the variables or not, co integration test using Johansens multivariate method was carried out. This indicates that there are at least two cointegrating equations, which implies that a unique long run relationship exists among the variable and the co-efficient of estimated regression can be taken as equilibrium values.

The two co integrating equation is significance at 5 and 1percent level of probability. The presence of two co integrating equation between the independent variables and dependent variable, which implies the presence of a long run relationship between the variable which is consistent with the findings of (Olokoyo, 2011).

Table 2: Johansen co integration test

Eigenvalue	Likelihood Ratio	5 Percent Critical Value	1 Percent Critical Value	Hypothesized No. of CE(s)
1.000000	1314.946	29.68	35.65	None **
0.347439	17.37461	15.41	20.04	At most 1 *
0.054250	2.007990	3.76	6.65	At most 2

Source: CBN statistical bulletin various issues
*(**) denotes rejection of the hypothesis at 5%(1%) significance level
L.R. test indicates 2 cointegrating equation(s) at 5% significance level

Error correction model

One of the functions of the method is to determine the long run equilibrium relationship between Staple crop output, inflation and capital allocation to agriculture the results shows that for any co integrating relation there is at least a vector error correction estimates. The coefficient indicates that the speed of adjustment from the short run to the long-run is very high and approximately 9.3 and 0.006 percent errors for capital allocation and inflation made in previous years are corrected .

The component of the estimated vector error correction model with the restrictions implies by the two co integrating equations imposed. Examination of the F-statistics and adjusted R^2 suggest that the variables in the error correction model significantly explained the short run changes in inflation and capital allocation to the agricultural at $P<0.01$ accounting for 26.9 and 32.9percent of the variation in the two series respectively, correction coefficients in inflation was statistically significant. This shows that staple crop output is been affected negatively by long run increase in the inflation rate. By implication staple crop out in Nigeria adjusts to -10.2 and -0.04 percent changes to the disequilibrium in capital allocation to agricultural sector and inflation rate each year.

Table 3: Vector error correction estimates

Error Correction:	D(CAPITALALL)	D(INFLATION)
ECM	-0.10236	-0.00036
	-0.12436	-0.00013
	(-0.82312)	(-2.74140)
D(CAPITALALL(-1))	-0.25439	0.000198
	-0.19008	-0.0002
	(-1.33832)	-0.97508
D(CAPITALALL(-2))	-0.52505	0.000174
	-0.19294	-0.00021
	(-2.72136)	-0.84796
D(INFLATION(-1))	42.06602	0.314386
	-190.375	-0.20292
	-0.22096	-1.5493
D(INFLATION(-2))	35.113	-0.04345
	-181.59	-0.19356
	-0.19336	(-0.22450)
C	-3038.57	-4.64816
	-6194.5	-6.6027
	(-0.49053)	(-0.70398)
STAPLEOUTPUT	0.093965	6.39E-05
	-0.08989	-9.60E-05
	-1.04535	-0.66652
R-squared	0.269588	0.329053
Adj. R-squared	0.113071	0.185279
Sum sq. resids	6.34E+09	7203.772
S.E. equation	15048.24	16.03987
F-statistic	1.722422	2.288679
Log likelihood	-382.423	-142.886
Akaike AIC	22.25277	8.564889
Schwarz SC	22.56384	8.875959
Mean dependent	2256.014	-0.30743
S.D. dependent	15978.69	17.77037
Determinant Residual Covariance		3.70E+10
Log Likelihood		-525.189
Akaike Information Criteria		30.92509
Schwarz Criteria		31.63611

Source: CBN statistical bulletin various issues. Note: values in parenthesis are t-values.

Conclusion

The findings from this study shows that inflation and capital allocation to the agricultural sector was found to have long run and short run relationship with staple crop output from the error correction estimates. The null hypothesis being that there is a presence of a unit root was accepted at level but rejected at difference implying that the variables were found to be stationary. The result of the cointegration test shows that for the periods of 1975-2012, there was cointegration relationship between inflation, capital allocation to agriculture and staple crop output in Nigeria.

It is necessary to note that the study did consider if the relationship between inflation, capital allocation and staple crop output was positive or negative. it was imperative to note that inflation ECM coefficient of -0.000036 indicates that inflation have negative impact on the output of staple crop in the long run while against the apriori expectation capital allocation ECM coefficient of -0.102 indicates that it has a negative impact on the staple crop output in the long run. This is due to the diversion and misappropriation of capital allocation to the agricultural sector resulting to the negative impact on staple crop output. Therefore, policy makers should ensure that the level of inflation is been controlled and that the capital allocation to the agricultural sector should be properly applied to ensure improve staple crop yield.

References

Abdullahi, A (1999) "*Food Policy and Food Security in Nigeria"*. Paper Presented at the Workshop on Food Demand Structures, Kaduna September 7th-9th.

Ajakaiye Olu (1997). The Structural Adjustment Program and Changes in the Structure of Production in Nigeria 1986-1994 NCEMA Monograph Series No. 9. Ibadan

Akpokodje, G.A. and Chete, L.N. (1997): "Macroeconomic Determinants of Domestic Private Investment in Nigeria: An Empirical Exploration."

Balogun, E.D. and Otu M.F. (1991): "Credit Policies and Agricultural Development in Nigeria." *CBN Economic and Financial Review*, Vol. 29 No.2, June.

Dayo Philip(1999): Analysis of formal lending to the agricultural sector in Nigeria:(1978-98)*; CBN Economic and financial review,* vol 40 No 3

Dayo Phillip, Ephraim Nkonya, John Pender, and Omobowale Ayoola Oni (2011) Constraints to Increasing Agricultural Productivity in Nigeria. International Food Policy Research Institute.

DFID (2005). *Growth and Poverty Reduction*. The Role of Agricultural Policy Paper, Ibadan University Press,Nigeria.

Iganinga, B. O and Unemhili D (2011) The impact of federal government agricultural expenditure on agricultural output in Nigeria. *Journal of Economics,vol 2, no 2 pp 81-88*

Inter-réseaux (2012) Stable crop production and consumption: Nigeria on the way to food sufficiency. *Grain de sel No. 51 — July – September 2010*

Johansen S, Juselius K (1992). *Identification of the Long Run and Short Structure: An Application of the IS-LM Model Discuss Paper*. Institute of Economics, University of Copenhagen Press.

Johansen, S. and K. Juselius. (1990). Maximum Likelihood Estimation and Inference on Co-integration with the Application to the Demand for Money. *Oxford Bulletin of Economics and Statistics,* Vol. 52, pp. 169-210.

Nwosu AC (2004). Private Sector Initiative in Agricultural Development in Nigeria. CBN. *Proceedings of the 13th Annual Conference of the Regional Research Unit. University of Ibadan,* August 6 to 8, 2004.

Oni O. A., E. Nkonya, J Pender, D. Phillips, and E. Kato (2012) Analyzing Drivers of Food Crop Productivity in Nigeria. Journal of Economics and Rural Development vol. 18 No. 1

Ochigbo F (2012) Nigeria agricultural budget under 10%. *The nation newspaper Nigeria.* http://www.thenationlineng.net/2011/business/0002.

Olokoyo F. O (2011). Determinants of commercial Banks lending Behaviour in Nigeria. International Journal of financial research vol 2, No: 2; july 2011.

Onwumere, Joseph C and Onwusiribe, Chigozirim, The Impact of the Agribusiness Sector on the Economy of Nigeria (1970-2010) (2013). Asian Journal of Business and

Economics Vol. 3, No.3.2 Quarter III 2013ISSN: 2231-3699

Umebali (2001) Agribusiness and financial Analysis, computer edge publishers.

Umebali and madu E. N (1991) perspectives and studies in Agribusiness. Donald publishers

Umebali E. E. and Ezigbo C. A. (1991) commercial bank lending to the agricultural sectors as determinant of agricultural sector contribution to GDP . an econometric study* ESUT Journal of economic studies Vol 3 No 3.

Awoyemi, C. (1981). "Character of Nigeria Agriculture". In New from Central Bank of Nigeria. Central Bank Bulletin, 3 (4):2

Newspaper Editorial Readership and Management of Opinion on National Issues among Staff of Tertiary Institutions in Oyo State

Malachy Onyeka Udejinta
Department of Communication and Media Studies,
Ajayi Crowther University, Oyo, Oyo State, Nigeria.
Email: udejintamalachy@gmail.com, malachyu@yahoo.com
+2348084245574, +2348135510140

Lanre Tope Babatunde
Department of Communication and Media Studies,
Ajayi Crowther University, Oyo, Oyo State, Nigeria.
Email:topebabs2013@gmail.com,
+2348034467301, +2348028222332

pp 282-291

Abstract

The paper focuses on Newspaper editorial readership and management of opinion on national issues among staff of tertiary institutions in Oyo town. Newspaper Editorial represents institutional opinion and a critical writing which aims at influencing the readers' opinion on issues of common interest; as such, only critical minds and well educated persons are attracted to the Editorial. The opinion molding role of the Editorial via expression of approval or disapproval of a decision already made or action already taken, calling attention to a problem and asking for it to be resolved and recommending a particular action either for or against a definite course of action. The Survey method was applied in the study and a representative sample of 100 staff drawn from the population of both teaching and non-teaching staff from two out of the four institutions of higher learning in Oyo town. Findings from the study reveal that members of staff opinions on national issues such as the partial removal of oil subsidy in Nigeria in January 2012 is influenced by Editorials, editorial influence on opinion formation on areas of one's specialization and practice is mitigated by expertise and occupational exposure of individuals.

Keywords: Editorial readership, Opinion formation, Newspaper, national issues

Introduction

Editorial writing belongs to the print media genre. It is an approach used by the media to set agenda for public discourse and influence the opinions of the public in support of governance. According to Ishola (2012), editorials are usually a feature in a newspaper. In the view of Ate (2006), newspaper Editorials are written about topical and burning issues that have been reported in the mass media by way of features or hard news that attract public attention and debates such as issues that affect the economic, political and cultural spheres of a nation that enhance the development of a nation. The ability of Editorials to shape public opinion depends on whether the publication has been well circulated or not and whether the editorial pages are read, as much as, to be able to influence opinions on any national issue at all.

Newspaper Editorial over the years has evolved from the sole opinion of the Editor to the expression of view of the newspaper house by the Editorial Board on important issues of public interest as presented on the editorial page on the paper. Yaasa (1996: 9), concurs, in 20th century, the coast of editorial became enlarged. The Editorial became the expression of corporate opinion of the newspaper regulated by the Editorial Board as against the editor's opinion as it was in the 19th century. The “editorial” unlike other contents of the newspaper rarely is subject of litigation between the newspaper and an individual, a group of individuals or corporate body but it does attract reactions. The reason for it attracting rejoinder and not litigation, though not empirically supported can be traceable to its nature as an opinion. As such an opinion can be accepted or discarded; but the consensus appears to be that the newspaper Editorial is usually a well-informed opinion expression on issues. The Editorials are written to show approval or disapproval of a decision or action taken, to create public discontent on the issue or to propose a solution to the problems.

Perhaps this could be responsible for the attention paid to Editorial contents by the newspaper public concerning issues of public interest and importance. It therefore, implies that the editorial is geared toward influencing public opinion. According to Okoro, and Agbo (2003: 125), “it is pertinent that the mass media plays a major and powerful role in the molding of public opinion. This important role of influencing the formation of public opinion has made the media to be known as 'the fourth estate of the realm” The level of attention given by Nigerian press to the January 1 2012, partial withdrawal of subsidy from Premium Motor Spirit (PMS) known as fuel in Nigeria generated the greatest debated and controversy on the issue in recent times. The study set to ascertain the influence or contribution of newspaper Editorial on formation of public opinion on national issues such as the partial withdrawal of subsidy from PMS by the government of Nigeria focusing on staff of tertiary institutions of learning in Oyo town, Nigeria. The study will specifically ascertain whether staff of tertiary institutions of learning read newspaper Editorials; examine the rate of readership of newspaper Editorials by the staff; and determine the relationship between newspaper Editorial readership and the formation of opinion on national issues

Theoretical Framework

Severin and Tankard (1997) cited by Daramola (2012:64), in their four goals of mass communication theory noted (i) that the mass media helps in shaping people's values and views, (ii) that there is a process people learn from the mass media via agenda setting function the mass media performs, and (iv) that the people put mass communication to use and how it is done. The thesis by Severin and Tankard reinforces the relevance of theoretical framework employed in this study.

Agenda-Setting Theory holds the assumption that there is a relationship between news coverage and public perception of issues. The basic idea of the theory therefore is that there is a close relationship between the manner in which the news media present issues and the other of importance assigned to those issues by those exposed to the news (Daramola 2012: 85).

Framing theory: The term framing has a long history in Mass Media research; traditionally, framing was related to journalists and how they selected certain facts, themes, treatment and even words to frame” a story. According to researchers, Andsager and Power cited in Wilcox, Cameron et al (2008) Media scholars have long argued that it is important to understand the ways in which journalists framing of issues occur because such framing impacts public understanding and consequently, policy formation.

This study is also pegged on the Uses and Gratification Theory. The postulation of Uses and Gratification Theory is that the media do not do things to people; rather, people do things with media. Uses and gratification theory aims to explain how individuals use mass communication to gratify their needs. According to Udende and Azeez (2010) the theory explains why one person rushes home, for example, to stay up late at night to watch the local news or read a medium. It also highlights the positive consequences of individual media use. McQuail (2004:424), cited in Udende and Azeez (2010) adds that the media serve the various needs of the society, which include cohesion, cultural continuity, social control and large circulation of public information of all kinds. For Udende and Azeez (2010), this pre-supposes that individuals also use media for related purposes such as personal guidance, relaxation, adjustment, information, and identity formation.

Literature Review

Newspaper Editorial is a no news piece; but it is fallout of the news and the focusing on any particular item on the paper in the Editorial which sets it out as very important to the society at least in opinion of the newspaper Editorial Board. In the view of Ate (2006), newspaper editorials are written about topical and burning issues that have been reported in the mass media by way of features or hard news that attract public attention and debates such as issues that affect the economic, political and cultural spheres of a nation that enhance the development of a nation.

Studying Media ownership and direction of Editorials in newspapers in Nigeria, Enwefah (2010) posits that, a decision by government, individual or group of individuals to establish a newspaper outfit is an acceptance of responsibility to conscientious and selfless service to its readers. He asserts further that, the consistent position of a newspaper on any issue of public importance expressed through the editorial page, may serve as an index for measuring the paper's level of commitment to its social and ethical responsibilities. However, the content of an Editorial must strive to serve certain purposes in the society in order to answer appropriately its appellation as the heart, personality and moral substructure of the newspaper. Central among these purposes as enunciated by the Los Angeles Mission College (LMC 2002) cited by Enwefah (2010) which Okoro and Agbo (2003) concur with are as follows: (i) To express approval or disapproval of a decision already made or action already taken (ii) To call attention to a problem and ask for it to be resolved and (iii) To recommend a particular action, either for or against a definite course of action.

Ijeh (2010: 109) in his study of Issues of media gate-keeping in Nigeria: An overview; concludes thus; “in the light of this market – driven journalism, many media establishments in Nigeria make efforts to select and disseminate media contents that suit their audience tastes.” He re-echoes the impact of the internal/second level gatekeeper, the reporter, the editor, who possesses the ability to determine relevant information through editing and information expansion via investigation and research to generate more facts and interpretation of available information by use of Editorial and other story writing genres to enable audience members to make sense out of it. He also agrees that the gatekeeper is also able to set societal agenda.

Public Opinion, Policy Formation and Mass Media Influence as a Complex organic Entity

Singh (2008), views a public as a dispersed group of people interested in and divided about an issue, engaged in discussion of an issue, with a view of registering a collective opinion which is expected to affect the course of action of some group or individual. Indeed, the members of a public may hold different views on an issue; belong to as many publics, as they like and be involved only slightly in an issue.

Complex organic whole refers to the collectivity or the total opinion on a given issue by members of the public. In the view of Benson (1968:533-5537), this consists of opinion distribution, direction, place, political role, demographic attributes, formal voluntary association, quality of opinion, saliency, intensity, duration and knowledge ability. Some of these points will be examined briefly.

According to Otaru (2012), the media, no doubt, plays a very critical role in message dissemination and shaping public opinion. It is not only a key component of the public policy process but also a tool which policy planners must embrace if they successfully wish to convey messages to their respective constituents be they citizens or institutions. Policy planners who truly understand the policy process do cultivate strong relationships with local or regional media and in some cases, the international media depending on the scope or type of the policy to be initiated. There is always no doubt that effective media management strengthens citizens' confidence, boosts the marketing of public policies internally and internationally and builds a nation's or state's branding prospects among several other benefits, while poor media relations can/ and do lead to misunderstanding and mistrust between the media, citizens and policy planners (government) and consequently stereotyping of the country. A message conveyed by the mass media reaches a wider audience and creates credibility and confidence that beats traditional advertising. As such, government-related initiatives need to be actively pursued but the reach and effectiveness will not be comparable to solid and positive media coverage.

Besides, almost all political and economic risk rankings of countries are conducted and published by the media.

Otaru continues that until mass media is accorded its rightful position in the policy making process, it may not be totally wrong if the extent of failure of most public policy decisions of the Nigerian government is attributed to inadequate or non-engagement of the mass media. Nigerian policy planners should be aware of basic communication strategies; first, at a practical and technical level, they also need to know the newsroom power dynamics. Who owns the media and what is their influence, if any? In most countries, media ownership and management is concentrated in the hands of a relatively small number of people. For instance, editors, producers, news readers, reporters, columnists play a significant role in setting an agenda for public discourse vis-a-vis public opinion formulation. In Nigeria, this is different given that the mainstream media is state-managed. A very important aspect of agenda setting is timing; the political climate and public receptivity often force policy planners to consider issues that they would ignore at other times. This inconsiderate nature is often times, the reason behind high policy inconsistency in Nigeria. The agitation against the partial removal of fuel subsidy is a case in point.

According to him, Nigerian policy planners are not aware that the process of agenda setting and framing also means staying actively engaged with the manufacturing of news. Through news frames, patterns of selection, emphasis, exclusion and evaluation of events, one can see the different facets of framing. David (1993), public relations in the political arena covers a wide range including staging presidential debates, holding seminars for government leaders, influencing proposed legislation and testifying before an assembly committee. Political candidates engage in public relations as do government agencies at the federal, state and local levels.

In Nigeria, at the federal level, the government makes good use of the media to pass across vital information to the public. This is mostly done in an attractive and interesting manner to make the public support such policy or crusade. A typical example is the recent issue of terrorism and its attendant bomb blasts and killings in the Northern part of the country. The government also used the media to get the support to the people by telling them to go against terrorism and be cautious and vigilant of their environment. Another example is the cashless policy; the federal government using the media extensively too to get the people to support the policy.

In the case of the partial removal of fuel subsidy, the federal government, through the media, organized press conferences where issues related to the situation were discussed extensively for public consumption thereby educating the public to gain their support on the partial removal policy. The federal government has also started the establishment of the Almajiri schools in the Northern part of the country in order to get the people educated so as to curb Boko Haram terrorism in Nigeria (NTAi Network News 2012).

Fararo (2011), asserts that the sailing of Nigerian ship in politics from colonial era have been in conjunction with some people and institutions who can be described as the nation builders because of the role they have played in Nigerian political development; among whom is the journalists who make good use of their institution to contribute immensely to the development of Nigeria. Despite the fact that the political arena is unfriendly to them; the press, which is the bone of contention here make judicious use of the institution to enhance nationalist struggle, which later extends to different dispensations that Nigeria has been through with as well as, different military era and current democratic dispensation. According to him, the era not only resulted to the emergence of newspapers in Nigeria but also gave birth to articulated vibrant and veteran journalists who made judicious use of the created institution (press) to fight colonialist under-nationalist struggle which gradually led to Nigeria's independence in 1960 and as a matter of fact, this has placed them in front role in Nigeria's political arena since then. Armbruster, (2006) agreeing with the postulation of Otaru (2012), the media, no doubt, plays a very critical role in message dissemination and shaping public opinion he notes thus: Numerous Bush administration officials, congressional Republicans, and conservative media figures continue to attack The New York Time and other newspapers for their decision to publicly disclose the Treasury Department bank-tracking program, major U.S newspapers' editorial boards have largely remained silent on the issue. 15 newspapers--- not including The News York Times and the Los Angeles Time, which also initially report program--- have so far editorialized either in support of the papers' to decision run to the story or against the criticism they received for doing so

From the reactions captured in the statement above by Armbruster, it is a clear re-enforcement of the influence the media especially newspaper editorial to wields to mould public opinion in the United States, other developed societies as well as in Nigeria among the newspaper audience. Findings from the study on The Impact of Media Bias: How Editorial Slant Affects Voters, Druckman and Parkin (2005) reported that editorial slant influenced voting partner in the state of Minnesota senatorial election revealed from the exit interview administered on voters at the polling centers providing compelling evidence for the conclusion reached by Druckman and Parkin.

Methodology

In line with the purpose of this study which is to assess the influence of readership of newspaper editorial on opinion on national issues by staff of the tertiary institutions. The Analytical Survey approach was adopted which attempts to describe and explain why situations exist. (Wimmer and Dominick 2011:185)

The population of this study consists of members of staff of tertiary institutions in Oyo town, Oyo state southwest Nigeria, which include: Emmanuel Alayande College of Education (EMCED), Oyo, Federal College of Education, Special, Oyo (SPED), Ajayi Crowther University, Oyo and Federal School of Surveying, Oyo. The questionnaire was administered to 100 (one hundred) staff drawn 50 each from Ajayi Crowther University and Federal School of Surveying, Oyo. The proportionate stratified sampling technique was adopted in recognition of the heterogeneousness of the population of academic and non-academic staff composition. 50 senior staff from each of the two institutions constituted the sample and a certain percentage was drawn from both academic and non-academic staff of each of the institutions: Federal School of Surveying: the ratio of 60: 40 percent of non-teaching staff and teaching staff respectively. While in Ajayi Crowther University**,** 80 percent of sample constitutes the teaching staff and 20 percent constitutes of the non-teaching staff. Data collected were analysed quantitatively and qualitatively. One hundred (100) copies of the questionnaire were administered to 100 respondents in 21 different departments/units. However, 99 copies were completed and returned representing (99.0%).

Statement of Hypotheses: Two hypotheses were formulated to be tested and also guide the study**.**

Ho_1: Newspaper Editorials influence opinion of staff of tertiary institutions on national issues.

Ho_2: There is no significant relationship between occupational demand and influence of newspaper Editorials on public opinion on national issues.

Table 1: Gender of Respondents

	Frequency	Percent
Male	64	64.6
Female	35	35.4
Total	99	100.0

Source: field work

Table 1 above shows that 64 (64.6%) were male, while the remaining 35 (35.4%) of the sample were female. There were more male employees and also they were more disposed to completing and returning the questionnaire than their female colleagues. 59 (59.6) were teaching staff and 40 (40.4%) non-teaching staff.

Data Presentation and Analysis

Rq1: Do the staff of tertiary institutions have access to newspapers?

Table 2: Readership of Newspapers

	Frequency	Percent
Yes	97	98.0%
No	2	2.0%
Total	99	100.0%

Source: field survey (2012)

Table 2 above shows that 97 respondents (98%) read newspapers while 2 respondents (2%) do not read newspapers. This means that a large number of staff of Ajayi Crowther University and those of Federal School of Surveying are familiar with newspaper as represented by 97 respondents (98%).

Table 3: Source of Newspapers read

Provided by the office	Frequency	Percent
Borrow from colleagues	12	12.1%
Read at the news stand	10	10.1%
occasionally	36	36.4%
Buy	38	38.4%
Others	3	3.0%
Total	99	100.0%

Source: field survey (2012)

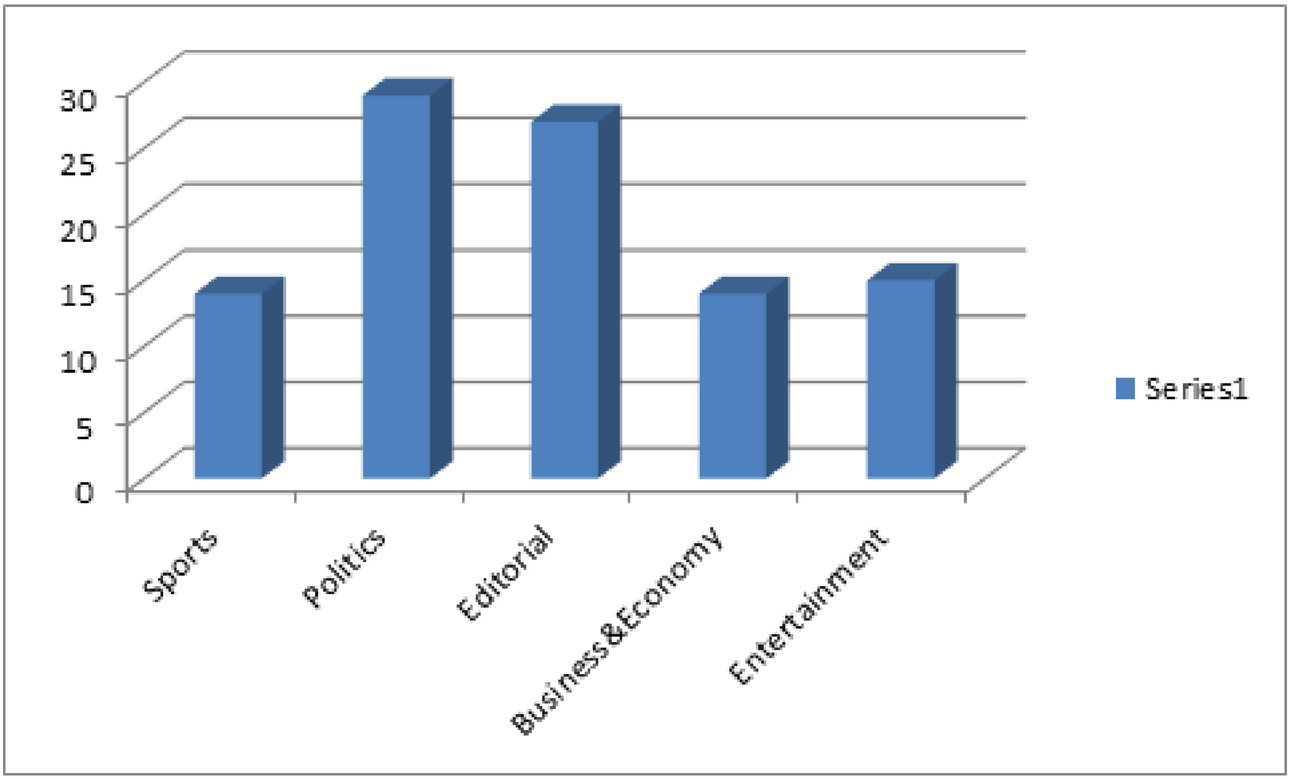
Data on table 3 above reveals that 38(38.4%) of the staff buy the papers they read, 36(36.4) access papers they from the vendors on a special arrangement other than buying, 12(12.1%) have access to the papers provided by the institutions, while 10(10.1%) rely on friends for the papers they read.

Table 4: Favourite column in the newspaper

	Frequency	Percent
Sports	14	14.1
Politics	29	29.3
Editorial	27	27.3
Business & Economy	14	14.1
Entertainment	15	15.2
Total	99	100.0

Source: field survey (2012)

Political issues attract 29.3% the largest attention from newspaper readers as indicated on table 4 above followed by Editorial column with 27.3% of the sample, Entertainment draws 15.2% more than 14.1% the read sports stories, while the all important Business and Economy receive 14.1% attention of the sample.



The chart above reflects the issues that staff of tertiary institutions in Oyo town sampled must read in the newspaper whenever they have access to newspaper.

RQ 2: Do Staff read the editorial pages of the newspapers they have access to?

Table 5: Readership of Newspaper Editorials

	Frequency	Percent
Yes	82	82.8%
No	17	17.2%
Total	99	100.0%

Source: field survey (2012)

Table 5 above, shows that 82.8% of the sample read newspaper editorials while, 17.2% do not show interest or read newspaper Editorials. This means that newspaper Editorials attract significant attention from newspaper readers.

T **Table 6: Most informed Source of information on national issues**

	Frequency	Percent
Communication from office	8	8.1
Newspaper editorial	65	65.7
Gsm Alerts	3	3.0
Internet	23	23.2
Total	99	100.0

Source: field survey (2012)

As evident on table 6 above the newspaper provides information on national issues and general affairs to 65.7%, while 8% rely on official sources within the organizations for information on national issues.

RQ 3: Have editorials help readers to form opinions on any national issue?

Table 7: Read newspaper editorial on Partial Removal of Oil Subsidy

	Frequency	Percent
Yes	85	85.9%
No	14	14.1%
Total	99	100.0%

Source: field survey (2012)

On table 7 above shows that 84.8% claim they form their opinions on national issues based on the influence of the newspaper editorials and 14.1% do not form their opinions on national issues based on the influence of the newspaper editorials. It could be inferred that a large number of sample is influenced by the newspaper Editorials in forming their opinions on national issues.

Table 8: Have you read any editorial on removal of oil subsidy? * Does the newspaper editorial help you form opinion about issues? Crosstabulation

Count

		Does the newspaper editorial help you form opinion about issues		
		Yes	**No**	**Total**
Editorial on subsidy	Yes	85	8	93
Total	No	1	5	6
		86	13	99

Source: field (2012)

Table 8 above shows that the issue of removal of oil subsidy received significant attention of newspaper editorials; 85 out of 93 respondents who read Editorials regularly also read editorials on the issue and formed opinion based on the information supplied in the Editorials. 13 respondents of the 99 sampled said their opinion on oil subsidy is formed based on newspaper Editorials as they did not read any editorial on the issue.

Ho_1: examines if there is a certain level of influence of newspaper Editorials readership on public opinion on national issues.

Table 9: Correlations

		: Read newspaper editorial on Partial Removal of Oil Subsidy
Does the newspaper editorial help you form opinion about issues?	Pearson Correlation	.861**
	Sig. (2 -tailed)	.000
	N	99

**. Correlation is si gnificant at the 0.01 level (2 -tailed).

The result from table 9 above shows that a positive correlation value of .861 existed between newspaper Editorials readership and a level of public opinion on national issues of the sample. The correlation result is closer to 1 which indicates a high positive correlation. This means that newspaper Editorial readership has positive and great influence on the level of public opinion on national issues. Also, the result is significant at 0.01 level with a 2 tailed test. This result indicates $P<0.00$; since $P=0.00$. Hence, it is significant at $\leq$ 1%. Based on the outcome therefore, there is a level of influence of newspaper Editorials readership on public opinion on national issues.

Ho_2: the hypothesis was set to examine the relationship between occupational demand and influence of newspaper Editorials on public opinion on national issues. In order to examine this, the Pearson's Correlation technique was employed and the result obtained is presented below.

Table 10: Correlations

		Occupational Demand
Editorial Readership	Pearson Correlation	.501**
	Sig. (2 tailed)	.02
	N	99

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

The result from the table 10 indicates P<0.1 since P=0.02. Hence, it is significant at 1%. There is moderate positive correlation (.501) between occupational demand and influence of newspaper Editorials. Therefore, the level of influence the newspaper Editorial exerts on a reader is often determined by the occupational exposure of the individual.

Discussion of Findings

It is evident that access to newspaper by staff of tertiary institutions is a non-issue even when located in a semi-urban area. As expected of higher institution of learning employees, the staff read newspaper Editorials. Newspaper Editorials also have a certain level of influence on formation of opinion on national issues. However, the influence can be accentuated or moderated depending on the area of specialization and occupational demand of the individual as revealed by the hypotheses employed and tested for the study.

Notwithstanding that few of the members of staff are provided with newspapers by their institutions; there is a high level of newspaper readership among staff of tertiary institutions. As high as 98.0% of staff read newspaper, 38.4% buy with their money. Editorial column is the favourite of 27.3%; while Political issues appeal most to 29.3% of the staff. 64.6% of males read papers as against 35.4% of females in tertiary institutions.

Summary and Conclusion

There exists a significant relationship between opinion held on national issues and level of exposure to information via the media as represented by newspaper readership; as well as the occupational demand of the individual. Newspaper Editorials appeal to the top level elite which the members of staff of tertiary institutions of learning represent. Therefore, the high interest in the readership of newspaper Editorials as revealed by the study reinforces the existing supreme position that newspaper Editorial is for the critical mind. The press as the Fourth Estate of the Realm and Editorial writers in particular must always put national interest and public welfare first not only in deciding Editorial topics and but in the treatment of the subject matter. Editorials wield significant influence on the views of opinion leaders such as members of the academic community which holds views presented in Editorials as informed, balanced and presented for public interest. Editorial board members must always strive to find a balance between owner's interest and public interest.

References

James N. D and Michael, P. (2005)" The Impact of Media Bias: How Editorial Slant Affects Voters" *The Journal of Politics, Vol. 67, No. 4, November 2005, Pp. 1030–1049*

Daramola, I (2003)*Introduction to Mass Communication,* 2nd Edition; Lagos: Rothan Press Limited.

Okoro, N. & B. Agbo (2003)*Writing for the Media Societ*y, Nsukka: Prize Publishers.

Yaasa, A. (1996)*History of Editorial*: Unpublished work.

Fararo, O, I. (2011) *The Nigerian Press: The Journey So Far.* Igbinedion University Okada Nigeria: College of Law,.

Des Wilson (2007)*Introduction to Print Media: Readings in Nigerian Journalism*, edited. Ibadan: Stirling - Horden Publishers (Nig) Ltd.

Singh, J.K. (2008). *Textbook of Mass Communication*, New Delhi: APH Publishing Corporation.

Joseph R. D (2009). *The Dynamics of Mass Communication- Media in the Digital Age,* 10th Edition; New York: McGraw-Hill.

Ben, A (2006) "*Most major American newspaper editorial boards have remained silent' on NY Times bank record story file:///C:/Users/User/Desktop/EDITORIALBOARD.htm.* Retrived 25/10/12

Dennis L. W, Glen T. C, Phillip H. A and Warren K. A (2005) *PR Strategies and Tactics,* USA: Boston; Pearson Education Inc. p209

Enwefah, C. (2010) "Media Ownership and direction of editorials in selected four Nigerian newspapers, *Journal of Communication and Media Research, Vol. 2 No 1 April 2010 pp93-101*

Ijeh N. P (2010) "Issues of media gate-keeping in Nigeria: An overview" *Journal of Communication and Media Research, Vol. 2 No 1 April 2010 pp102-112*

Communication Tools and Challenges of Global Modernity: Focus on E-Governance in Nigeria

Patrick Udende
Department of Mass Communication
University of Ilorin, Ilorin
udendepatrick@yahoo.com, 08051518456

Tina Tsafa
Department of Mass Communication
Benue State University, Makurdi
Soo.tinex@yahoo.com, +2348094335238

Sylvester Iorkase
Department of Mass Communication
Benue Polytechnic, Ugbokolo
slyiorkase@gmail.com, 08054965489

pp 292-307

Abstract

This study was conducted to determine the extent to which e-governance has fared in Nigeria. Primary data was obtained through questionnaires and interview from a sample of 483 and 25 respondents respectively. Descriptive analysis done, using Statistical Packages for Social Sciences (SPSS) tool.The resultsshow that 61.3% contest the belief that e-governance leads to transparency, accountability and reduction in corruption. Also, 54% show that insufficient internet infrastructure and illiteracy conspire to thwart the effectiveness of e-governance in Nigeria. The study concludes that people lack confidence in the initiative. The study recommends, among other things, the prioritization of human capacity development. Also, internet services should be made easily affordable to every Nigerian by reducing the internet cost to be more accessible by citizens so as to enhance their interaction with government.

Keywords: communication tools, information and communication technologies, governance, e-governance, modernity

Introduction

Through history, man has always evolved one means of communication or the other to enhance social interaction. Marking the beginning of human communication was the development and expansion of oral communication often used on interpersonal basis. Later the exigencies of time required the introduction of written communication charaterised with limited reach. The Gutenberg invention led to mass publication of materials to meet the yearnings of mass audience.

Side by side with the print media have been the broad casts or electronic media that appear in form of television, radio and cinema. In modern times, the conventional forms of communication (print media, motion pictures, radio, telephones, and records) are increasingly being replaced with digital and wireless technologies such as cellular telephones, satellites, electronic mail and, above all, the internet (Gudaitis, 2001). However, the most influential dimension of this revolution is the worldwide proliferation of access to the internet. Of course, information channeled through the web are always prefixed with e-everything.

As a matter of necessity, by the beginning of the twenty-first century, as use of internet became increasingly widespread, claims for the transformative power of Information and Communication Technologies (ICT) became correspondingly enthusiastic (Margetts, 2005).It is not, therefore, surprising that at the present historical epoch, it is rare to effectively conduct human communication without the use of the internet. As a matter of fact, scholars have justifiably argued that the introduction of electronic media specifically, the internet has enhanced an incomparable social interaction with unequal advantages.

In retrospect, the internet, being a computer-mediated means of communication at inception in the 1970s was initially restricted to military formations and in few countries. Today, the internet technology which has revolutionalised communication is generally used in all facets of human endeavour and on a broad scale by almost all countries of the world. Alluding to this, Gronlund and Horan (2004) and Danziger and Anderson (2002) noted that the 1990s mark the computerization of interaction between government and other stakeholders in America and spread to other countries of the world in later years. From the 1990s, ICT supporting human development has generally evolved rapidly. Internet evolution and its advantages inclined Zambranoand Seward (2013, p.7) to observe that:

> Broader ICT access opens innovative territory for citizen participation, electoral support, educational development and service delivery, all of which are critical to governance development. As citizens are able to engage more easily and effectively with governing processes through new mobile and online tools, governments are recognizing the need to integrate ICT development into national development agendas.

It is instructive to note that the foremost responsibility of Government is to render services to society. Governance is therefore, a way of describing the links between government and its broader environment - political, social and administrative (Riley, 2004).Thus, the computerization of interaction, known as e-governance is established as a reliable system based on mutual benefits between government and citizens and other stakeholders. Government's use of ICT initiatives is to develop better connectivity and network with relevant agencies, partners, citizens and businesses.

With the realization of the immense benefits of e-governance, Nigeria also began the computerization of government services in the 1990s. In pursuance of this objective the government has established the National Information Technology Development Agency, (NITDA) under the Ministry of Science and Technology (MoST) to champion development of Information Technology (IT) in Nigeria and midwife implementation of the national IT policy. NITDA is also charged with the responsibility of implementing e-governance initiatives using National e-governance Strategy Limited, (NeGSt), a Public-Private-Partnership (PPP) as a special purpose vehicle (NITDA, 2007). NeGSt's mandate is to drive the development of Nigeria's e-governance initiatives, create a practical strategy and single architecture to guide the evolution of digital government solutions with consistent standards, operating platforms and applications across agencies and government systems. At the moment, Nigeria has become a country to reckon with in the world of e-governance and maintenance of organizational websites by several federal and state ministries as well as other agencies.

Essentially, government uses it for election file handling and workflow systems, access to employee information such as entitlements, workplace rules, and reportage of public complaints, payment of bills and taxes, awareness creation and public mobilization. Specifically, the Joint Administrations and Matriculations Board (JAMB) for example, has its website (wwwjamb.org.ng) where candidates apply and scripts are marked, processed and released online. Similarly, the West African Examinations Council (WAEC) and National Examination Council of Nigeria (NECO) have created their websites (www.waecdirect.org and www.mynecoexams.com) respectively. Apart from these bodies the federal government of Nigeria also has a Web portal (http://www.nigeria.gov.ng/). Apart from these examination bodies is the Nigerian National Assembly. The Nigerian National Assembly has its website as www.nass.org.Besides are other agencies like Nigeria Customs Service (www.customs.gov.ng) and the Nigerian Immigration (http://portal.immigration.gov.ng/passport). Similarly, some state governments, if not all, operate their Web portals as well. This is done with the ultimate aim of offering tangible opportunities which include: transformation of cumbersome public administration and service delivery processes with a view to increasing efficiency of governments, empowerment and participation of citizens, greater transparency and accountability, better governance and reduce opportunities for corruption. These examples are similar to what is obtained in other developing countries like the Philippines where both business and government were concerned about the delays andcorruption associated with customs and importation. An ICT-based system was introduced to address these concerns. Importers create a single electronic declaration which is processed to calculate payments due and to undertake risk analysis which identifies shipments that may require physical inspection. According to Bhatnagar (2001):

> The online system has allowed a move to cashless procedures in which verification of duty/tax payment is sent electronically from authorised banks to Customs. The verification is automatically reconciled against processed declarations and a release order is then issued. The release order is sent electronically to the Customs warehouses that hold shipments. The result is a much faster service for business. "Cargo is released between four hours to two days, as opposed to eight days in the earlier system." Reconciliation of payments – which used to have a four-month backlog – is now done within the day, and there are fewer errors. Finally, because Customs staff no longer handle cash or physical documentation, the pressures and opportunities for importers to make corrupt payments have been largely removed.

However, the quantity and quality of infrastructure and manpower in place, illiteracy and poverty conspire to deprive many people not only get gainful employment but lack access to an efficient connectivity. A breakdown of the statistics available on Nigeria shows the following:

> …the poverty rate is about 67.8%, the majority of the people (70%) live in the rural areas, and over sixty per cent of the young (0-15) are under the age of 15. These statistics indicate that the majority of Nigerians fits the main focus of the Global Forum, which is to reach those who are yet to be reached (the class of the poor, the illiterate, women, the marginalized, and those living in remote areas) through one form of education or the other (whether formal or informal education). In particular, women and minority communities, such as

> nomads, fishermen, and unemployed youths are examples of these hitherto neglected communities in Nigeria (Jegede, 2002, p.1).

Continuing, Jegede (2002, p.1) posits that only five per cent of the Nigerian population can access online Internet-based material. These groups live in the urban areas and are the people described by Herselman (2002, p.270) as the "Resource Advantageous. This put to question the effectiveness of e-governance in Nigeria. As such, following questions becomes pertinent. Has e-governance been able to provide transparency and accountability? How successful has it combated corruption to give stakeholders confidence in the business of governance? Hence, need to examine the extent to which e-governance initiative has fared since its introduction in Nigeria in the 1990s.

Conceptual Clarifications

Communication tools are means through which messages, ideas, information are shared between two or more parties. In our context, they include the Information and Communication Technologies principally the internet.

Governance is conventionally conceptualized, as the process by which a political system achieves such values as accountability, participation, openness (or transparency) and respect for the rule of law and due bureaucratic process. E-governance, otherwise referred to as electronic governance is using information and communication technologies (ICT) at various levels of the government and the public sector and beyond, for the purpose of enhancing governance (Bedi, Singh &Srivastava, 2001; Okot-Uma, 2000).In other words, e-governance is the application of electronic means in the interaction between government and citizens and government and businesses, as well as in internal government operations. It has been generally recognized that e-governance offers a huge potential to increase the impact of government activities for citizens. The main target groups that can be distinguished in e-governance concepts are government, citizens and businesses/interest groups.

Modernity represents contemporary ways of doing things. In other words, it refers to the state of being current. In reference to Habermas (1989, p.3), Simic (2008, p.189) observed that modernity has been usually defined in opposition to a differently understood idea of antiquity as "the result of a transition from the old to the new" and when ever intellectuals have raised consciousness of a new epoch, they have called their epoch modern. In the most basic terms, Giddens (1998, p.94) describes modernity as:

> ...ashorth and term for modern society, or industrial civilization. Portrayed in more detail, it is associated with (1) a certain set of attitudes towards the world, the idea of the world as open to transformation, by human intervention; (2) a complex of economic institutions, especially industrial production and a market economy; (3) a certain range of political institutions, including the nation-state and mass democracy. Largely as a result of these characteristics, modernity is vastly more dynamic than any previous type of social order. It is a society—more technically, a complex of institutions which, unlike any preceding culture, lives in the future, rather than the past.

Furthermore, Browning, Halcli and Webster (2000, p.166) explain that a defining feature of modernity is the realisation of democracy, demanded by afree-thinking people.

Theoretical Framework

One of the theories relevant for this work is the technological determinism theory propounded in 1967 by Marshall McLuhan. Its basic assumption is that technology can cause society to change. Heilbroner (1994) has an interesting intake on technological determinism theory when he affirms that "the technology of a society imposes a determinate pattern of social relations on that society" (Heilbroner, 1994, p.59). This way Feenberg (2002) says that technological determinism theory is based on two theses: The pattern of technological progress is fixed, moving along one and the same track in all societies. Social organization must adapt to technical progress at each stage of development according to 'imperative' requirements of technology (Feenberg, 2002, pp.138-139).

Writing on the theory, Dominick (2011, p.54) is of the view that “technology functions with various social, economic, and cultural forces to help bring about change.” Therefore, technology is seen as the prime mover in history in the past, present and future. This perspective involves the use of communication tools to create appetite for change through raising a climate for modernization among members of the public.

In their submission Anaeto, Onabajo and Osifeso (2008, p.179)argue that “the technology in mass communication serves a dual role…They are channels for messages, as well as messages of innovation…a value-free and politically neutral asset that can be used in every social and historical context.” This shares the conviction that the development and application of technology can resolve varied problems of humanity.

Why we find this theory suitable for the study is that in modern times when everything has a bearing on the internet or information and communication technologies, governments do not want to take the passenger seat. It is not surprising, therefore, that the overwhelming power of technologies to drive human actions, good governance and national development through participatory approach offered by e-governance remains the desirable option for Nigeria.

Review of related Literature

Moving away from the traditional media, one is on daily basis confronted with the electronic technology which by implication is at the fore front of human communication today. The electronic media have become so pervasive that no individual, organization or government and its agencies wants to be left behind.

In response to the transition from traditional media to the world of ICT in the context of governance, almost every country has taken the necessary initiatives to restructure political and administrative institutions by adopting ICT in order to enhance electronic interaction and service delivery (Menzel, 1998 and Galbi, 2001). Today public servants are encouraged and trained to be familiar with the tools and languages of ICT.This development is premised on the unparallel benefits it offers.

E-governance offers a new way forward, helping improve government processes, connect citizens, and build interactions with and within civil society. This is in realization of the mandate which the National e-Government Strategies (NeGST) and the National Information Technology Development Agency (NITDA) were designed to reduce the bureaucracy that attends to government businesses in the country through the introduction of e-Tax, e-Learning, e-Traffic, e-Procurement, e-Pricing, e-Mail, eTourism, e-Payment, e-Revenue, e-Legislation, e-Policing, e-Judiciary, e-Health, e-Agriculture, eServices, e-Kiosk, e-Bukaetc (Isoun, 2004).At root of e-governance, lies the power of ICT, which according to Heeks (2001, p.3), provide the following three basic change potentials for good governance for development:

Automation: replacing current human-executed processes which involve accepting, storing, processing, outputting or transmitting information as in the automation of existing clerical functions.

Informatisation: supporting current human-executed information processes as in supporting current processes of decision making, communication, and decision implementation.

Transformation: creating new ICT-executed information processes or supporting new human-executed information processes as in creating new methods of public service delivery.

The main rationales behind this opting for e-governance are that e-governancewill reduce costs and delays in delivering services, expand citizens' access to public sector information, reinforce innovation in public agencies, increase transparency and public accountability, weaken authoritarian tendencies and strengthen civil society and democracy (Pardo, 2000; Heeks, 2001; Norris,2001).

Today, government officers all over the world are confronted by the challenge of making the right decision from the bulky files in their possession. According to Odusote (2010) cited in Ingawa, 2011, p.48), reliable studies have shown that indeed, only 10% of the available content in those bulky files are humanly accessible at a given time frame for making those decisions. Therefore, the first priority of government in this 21stcentury knowledge economy is to automate government content and processes and build robust, secured and sustainable computer-communicationnetworks, as well as to establish ICT connectivity across government departments (Odusote,2010 cited in Ingawa, 2011, p.48).

E-governance has already arrived in Nigeria, though it is essentially an imported concept based on imported designs. The initiative has however, continued to impact on governance and citizens in diverse ways. Fatile (2012, p.121) argues in this direction when he averred that there are growing numbers of e-governance projects, some of which are contributing to public sector reform and delivering gains of efficiency and/or effectiveness across a broad agenda. However, this positive picture must be set alongside significant challenges (Heeks, 2002). Consequently, Kamar and Ongo'ndo, (2007) identify the following factors as barriers to effective E-Governmentimplementation in developing countries including Nigeria:

1. A reluctance to share information which has resulted in policies that deny access to information and the creation of "empty" government ministries websites within formation of little value.
2. The government being faced with management challenges in the implementation of E-Government. The uncoordinated E-Government activities result from low-level of public administration of E-Services as well as low-quality and insufficient E-Content information from grassroots levels.
3. Low information technology literacy in a country which slows down the process of E-Government.
4. The uneven distribution of Internet facilities, high cost of connection and in some cases low penetration of highspeed connectivity to the Internet.
5. Digital Divide which is experienced between the urban rich and poor, the rural and urban citizens, the IT literate and the IT illiterate. This manifests also in the language in which web site content is delivered which can only be understood by a minority elite.
6. Insufficient allocation of financial resources due to financial constraints and mixed government policies which has slowed down the rate at which E-Governmentis introduced.
7. E-government implementations failing due to a mismatch between the current and future systems resulting from the large gap between physical, social, cultural, economic and other contexts between the software designers and the place in which the system is being implemented.

It is on account of this, Heeks (2001, p.8) concluded that the information poverty of citizens in developing countries generally is such that they can often be conned into bribery because they lack the most basic information on the who, where and how of government services. The foregoing conforms to what Bhatnagar (2007) cited in Fadile (2012, p.126) observed that although e-governance can be a catalyst for change, it is not a complete solution and it must be part of a broader commitment to reform the public sector.

Obviously, governments across the world are mindful of the various factors militating against the successful implementation of e-governance.In a bid to surmount these problems Ayo, Adebiyi, and Fatudimu, (2008, p.317) note that:

> The Nigerian government has embarked on a project tagged "Wire Nigeria". It is intended to provide ICT infrastructure to all the nooks and crannies of the country. The project includes the provision of VSAT to the 774 local governments in the country, and the installation of the necessary infrastructures particularly, fiber optic backbone across the nation. This project is intended to provide rural telephony to the rural areas of the country and when completed will not only lead to increased teledensity but increased participation in e-Government … So, government must speed up the infrastructural development, particularly rural development and provisions of electricity, telephony to boost the diffusion of ICT in the country.

Thus to successfully implement e-governance, Nigerian government has to reckon with three critical factors. These include willingness to reform, provision of information communications technology (ICT) infrastructure, and the institutional capacity to absorb and manage change.

Method

The quantitative and qualitative methods were adopted for the study with the use of questionnaire and in-depth interview as instruments to elicit responses from respondents. Lagos State was purposively selected due to high concentration of people of different background. However, the survey was carried out in Ikeja, Surulere, Yaba, Obalendeand Apapa areas of the State. Consequently, 100 questionnaires were administered randomly to respondents in each of the study are as a mounting to a total sample size of 500 respondents with varying demographic variables, out of which only 483 questionnaires were returned. On the other hand, the researchers interviewed 25respondents, five in each study area to obtain information about the effectiveness of e-governance in Nigeria. Respondents' adjustment and adaptation to e-governance were examined in terms of attitude and preference of e-governance to interpersonal contact as well as challenges. With the help of some assistants, the entire exercise lasted for one week. Data collected was subjected to Statistical Packages for Social Sciences (SPSS) for analysis while Chi-square was used to test the two hypotheses formulated.

Hypotheses

H_{o1}: The e-governance in Nigeria is not effective.

H_{o2}: The flow of information between government and citizens is not balanced.

Data Presentation and Analysis

Out of the 483 questionnaires retrieved, demographics of respondents show that 131 (37%) are students, 66 (13.6%) are business persons while 235 (48.6%) and 51 (10.5%) are civil servants and public servants respectively. Their annual income also varies as those with annual income of less than #100,000 are 63 (13%), those within income bracket of #100,000 and #500,000 are 99 (20.4%). While 212 (43.8) respondents fall within annual income bracket of #501,000 and #1,000,000, the remaining 109 (22.5%) respondents earn more than one million naira as their income per annum. Education wise, SSCE/WASSCE holders are 11(2.2%), those with NCE/ND and equivalent are 103(21.3%) while those who possess HND/Degree and above are 369(76.3%).

RQ1: How effective is e-governance in Nigeria?

Various tables were used to answer this research question as follows: As shown on table 1 below, 192 (39.7%) and 103 (21.3%) respondents strongly disagree and disagree respectively that e-governance is advantageous to Nigeria as it does not lead to transparency, accountability and reduction in corruption. While 11 (2.2%) are neutral, 84 (17.3%) and 93 (19.2%) strongly agree and agree respectively that e-governance leads to transparency, accountability and reduces corruption. The general picture is that majority are of the opinion that e-governance is not useful. But one of our interviewees has this to say:

Despite reservations people may have on e-governance,its advantages outweigh the concerns raised. E-governance plugs leakages. Kickbacks on contractual arrangements are less prevalent and there is apparent less delays in procurement…This is evident in the IPPS registration of public and private servants which has enabled the Federal government of Nigeria to realize billions of naira from ghost workers hitherto not discovered.

The quest for e-governance is fundamental considering the fact that Nigeria, like other countries of the world inter-depends on others in a globalised world where internet serves as leverage for transactions. This finds expression in one of our interviewees who stated:

> Today, we live in a globalised world. We are, to a large extent, stampeded into living up to the dictates of developed societies. Nigeria should not be isolation in the global arrangement that is briskly evolving to paperless society. In spite of profound inadequacies associated with e-governance and e-government, Nigerians should have the mindset that they have found

themselves in a sort of quicksand of electronic technology without alternative. All they need do is to brace up to the challenge.

Table 1: Whether e-governance leads to transparency, accountability and reduces corruption

Response	Frequency	Percentage
Strongly Disagree	192	39.7
Disagree	103	21.3
Neutral	11	2.2
Strongly Agree	84	17.3
Agree	93	19.2
Total	**483**	**99.7**

Source: Survey, 2015.

Table 2 below seeks to establish the specific purposes which respondents use electronic technology for as the dominant feature of e-governance. Data show that 268(55.4%) respondents use it for job/admission application, 31(6.4%) resort to it to make some inquiry, 82 (16.9%) use it based on request, 90(18.6%) for business transaction and 12(2.4%) for other activities.

Table 2: Purpose of receiving or providing information to and from government

Response	Frequency	Percentage
Job/Admission application	268	55.4
Make some inquiry	31	6.4
On request	82	16.9
Business transaction	90	18.6
Others	12	2.4
Total	**483**	**99.7**

Source: Survey, 2015.

In table 3 below, 170(35%) respondents express satisfaction with e-governance in Nigeria. While 283(61%) respondents are not satisfied with the initiative, the remaining 20(4%) respondents are neutral. The implication is that most people are not quite satisfied with the introduction of e-governance in Nigeria. Apparently, their dissatisfaction has to do with inability of government to carry citizens along in its policies and the apparent lack of seriousness and commitment to fight corruption as poignantly pointed out by one of the interviewees:

It is not enough to beat our chest and say we have joined the global community in the race for electronic technology. We live in a society where government seems inconsiderate to the sensitivity of people. Government does not carry people along in its programmes and initiatives as it should. There lies the concern of some of us. What is more worrisome and disgusting is that apart from disconnect between government and citizens, those in high places are never punished adequately for financial offences they commit to give us the confidence that our government really wants to restore sanity through e-governance.

Table 3: Level of satisfaction with e-governance in Nigeria

Response	Frequency	Percentage
Satisfactory	170	35
Not Satisfactory	283	61
Neutral	20	4
Total	**483**	**100**

Source: Survey, 2015.

RQ2: Does e-governance offer stronger ties between government and citizens?

Table 4 below seeks to show whether or not e-governance enables people to be in regular contact with government policies and programmes. Accordingly, 293 (61%) respondents are in regular contact with government for one reason or the other, 82(17%) respondents make irregular contact while 108(22%) respondents once in a while conduct some form of transaction with government using electronic technology.

Table 4: Regularity which members of public conduct business with government through electronic technology

Response	**Frequency**	**Percentage**
Regularly	293	61
Irregularly	82	17
Once in a while	108	22
Total	**483**	**100**

Source: Survey, 2015.

On preference of electronic technology over personal contact to receive or provide information as the need arises, table 5 below is explicit that 336(70%) respondents answer in the affirmative while 147(30%) respondents disagree. One of our interviewees corroborates the preference of electronic technology to personal contact thus:

> It is common knowledge and practice that nowadays, whatever business you transact with government or private institutions, organizations and even individuals is online, irrespective of your academic and economic status. For those of us who are contractors, for example, most of the transactions are online with minimal physical contact. The same thing applies to employment applications, admissions, procurement and requisitions using appropriate websites… Therefore, even if government is dispassionate in human resource development, we should, in our personal capacities look forward to enhancing our proficiency in electronic technology to keep pace with contemporary requirements.

Table 5: Preference of electronic technology over personal contact to receive or provide information

Response	**Frequency**	**Percentage**
Yes	336	70
No	147	30
Total	**483**	**100**

Source: Survey, 2015.

RQ3: How balanced is the exchange of information between government and citizens?

Table 6 below shows the level of responsiveness of government to people's needs. Data show that 94(19.4%) respondents admit that the way and manner government reacts to issues is very encouraging, 96(19.8%) respondents consider its response encouraging, and 70 (14.4%) respondent are however, neutral. Also, 109(22.5%) and 114(23.6%) respondents say the response is very discouraging and discouraging respectively.

Table 6: Promptness of government's response to inquiries

Response	Frequency	Percentage
Very encouraging	94	19.4
Encouraging	96	19.8
Neutral	70	14.4
Very Discouraging	109	22.5
Discouraging	114	23.6
Total	**483**	**99.4**

Source: Survey, 2015.

RQ4: What are the inherent challenges of e-governance in Nigeria?

Due to the fact that government policies and programmes are almost always encumbered in one way or the other, opinion of some interviewees was sought and this is what one of them said:

> Unlike in other climes, poor investment in basic infrastructure has and will continue to be the bane of supposedly productive initiatives and programmes except something is drastically done in that direction. Our leadership is always hazy and hasty at imitation. It does not resort to careful and proper planning for positive results. The e-governance agenda can, therefore, be likened to the march towards cashless society in an illiterate-dominated society like Nigeria without proper infrastructure, which should be the basic things to have been considered before contemplating its enforcement.

Data on table 7 below which seeks to establish internet connectivity in Nigeria show that 22(5%) respondents rate internet connectivity to be very effective, 58(12%) respondents say it is effective and 261(54) respondents say the internet connectivity is average. Besides, 79(16%) respondents say it is very poor while the remaining 63(13%) respondents say internet connectivity in Nigeria is low. From the foregoing, one could deduce that the quality of internet service in Nigeria is less than desirable.

Table 7: Rate of internet connectivity

Response	Frequency	Percentage
Very Effective	22	5
Effective	58	12
Average	261	54
Very Poor	79	16
Poor	63	13
Total	**483**	**100**

Source: Survey, 2015.

Data on table 8 below show that 71(14.6%) respondents admit that their proficiency in use of electronic technology to interact with government is very high, 90(18.6%) respondents say it is high and 251(51%) rate themselves average. While 10(2%) respondents say their ability to make use of electronic technology is very low, 61(12%) respondents admit that their proficiency in electronic technology is low. Considering the data, one would conclude that majority of Nigerians are not proficient in electronic technology which incidentally is the very basisfor the effectiveness of e-governance.

Table 8: Respondent's proficiency in use of electronic technology to receive and/or process and send information

Response	Frequency	Percentage
Very High	71	14.6
High	90	18.6
Average	251	51
Very Low	10	2
Low	61	12
Total	**483**	**99.7**

Source: Survey, 2015.

Table 9 below seeks to determine the level of confidence respondents have on e-governance initiative. While 52(10.7%) respondents demonstrate very high confidence in e-governance, 86(17.8%) express high degree confidence and 201(41.6%) respondents rate their level of confidence as average. On the contrary, 38(7.8%) respondents show very low confidence in e-governance and 106(21.9) respondents show low confidence. Broadly speaking, most respondents have average confidence in e-governance initiative in Nigeria.

Table 9: Level of confidence in e-governance initiative

Response	Frequency	Percentage
Very High	52	10.7
High	86	17.8
Average	201	41.6
Very Low	38	7.8
Low	106	21.9
Total	**483**	**99.7**

Source: Survey, 2015.

Test of hypotheses

Hypothesis 1: Thee-governance in Nigeria is not effective.

In order to test this hypothesis, Table 1 was used as follows:

Table 1: Whether e-governance leads to transparency, accountability and reduces corruption

Response	Frequency	Percentage
Strongly Disagree	192	39.7
Disagree	103	21.3
Neutral	11	2.2
Strongly Agree	84	17.3
Agree	93	19.2
Total	**483**	**99.7**

Source: Survey, 2015.

$$X^2 = \frac{\sum(O-E)^2}{E}$$

Where:

X^2 = Chi-square

$\sum$ = Summation

O = Observed frequency

E = Expected frequency

$$X^2 = \frac{(192-96.6)^2}{96.6} + \frac{(103-96.6)^2}{96.6} + \frac{(11-96.6)^2}{96.6} + \frac{(84-96.6)^2}{96.6} + \frac{(93-96.6)^2}{96.6}$$

$$= \frac{9101.16 + 40.96 + 7327.36 + 158.76 + 12.96}{96.6}$$

$$= 172$$

The calculation above can be presented on a table as below.

Table 10: Computation of X^2hypothesis 1

Response	O	E	O – E	$(O - E)^2$	$(O - E)^2/E$
Strongly Disagree	192	96.6	95.4	9101.16	94.2
Disagree	103	96.6	6.4	40.96	0.4
Neutral	11	96.6	- 85.6	7327.36	75.8
Strongly Agree	84	96.6	- 12.6	158.76	1.6
Agree	93	96.6	- 3.6	12.96	0.1
Total	**483**	**483**			**172**

To obtain degree of freedom (df), formula used is thus:

df = (r - 1) (c - 1)

Therefore, 2 – 1 = 1, 5 – 1 = 4

Looking at df = 4with alpha level 0.05 one discovers that a X^2value of 172 is greater thanX^2 tabulated which is9.488.

Decision Rule: Based on the result calculated above, it becomes clear that computed statistical X^2of172 is greater than the critical value of tabulated Chi-square of 9.488. Therefore, we reject the null hypothesis which states that thee-governance in Nigeria is not effective.

Hypothesis 2: The flow of information between government and citizens is not balanced.

In order to test this hypothesis, Table 6 was used as follows:

Table 6: Promptness of government's response to inquiries

Response	Frequency	Percentage
Very encouraging	94	19.4
Encouraging	96	19.8
Neutral	70	14.4
Very Discouraging	109	22.5
Discouraging	114	23.6
Total	**483**	**99.4**

Source: Survey, 2015.

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where:

X^2 = Chi-square

$\sum$ = Summation

O = Observed frequency

E = Expected frequency

$$X^2 = \frac{(94 - 96.6)^2}{96.6} + \frac{(96 - 96.6)^2}{96.6} + \frac{(70 - 96.6)^2}{96.6} + \frac{(109 - 96.6)^2}{96.6} + \frac{(114 - 96.6)^2}{96.6}$$

$$= \frac{-6.76 + 0.36 + -707.56 + 153.76 + 302.76}{96.6}$$

$$= 12$$

The calculation above can be presented on a table as below.

Table 11: Computation of X^2hypothesis 2

Response	O	E	O – E	$(O - E)^2$	$(O - E)^2/E$
Very encouraging	94	96.6	- 2.6	-6.76	0.1
Encouraging	96	96.6	- 0.6	-0.36	0
Neutral	70	96.6	- 26.6	-707.56	-7.32
Very Discouraging	109	96.6	12.4	153.76	1.6
Discouraging	114	96.6	17.4	302.76	3.1
Total	**483**	**483**			**12**

Source: Survey, 2015.

To obtain degree of freedom (df), formula used is thus:

df = (r - 1) (c - 1)

Therefore, 2 – 1 = 1, 5 – 1 = 4

Looking at df = 4with alpha level 0.05 one discovers that a X^2value of 12 is greater thanX^2 tabulated which is9.488.

Decision Rule: Based on the result calculated above, it becomes clear that computed statistical $X^2$of 12 is greaterthan the critical value of tabulated Chi-square of 9.488. Therefore, we reject the null hypothesis which states that the flow of information between government and citizens is not balanced.

Discussion of Findings

E-government is the use of information and communication technology (ICT) in public administration, combined with organizational change and new skills to improve public services and democratic processes and to strengthen support for public policies (Vassilios, 2004).In the light of this, the study aims at determining the extent to which e-governance has fared in Nigeria. In as much as thirty-six per cent respondents answer in the affirmative that e-governance leads to accountability, transparency and checks corrupt practices, more than sixty per cent respondents hold a contrary view. This is inconsistent to what Ayo, Adebiyi and Fatudimu (2008, p.311) note that:

E-government is seen as a route to better governance as it is open and transparent, and an enabler for participatory democracy; it is service-oriented, and it provides personalised and inclusive services to every citizen. It is a panacea for enhanced productivity and better utilization of the tax payers' money.

Some reservations respondents have on e-governance agenda is further heightened as more than half (61%) respondents express dissatisfaction on e-governance in Nigeria as table 3 shows. Their reservation is not far from the levity with which government machinery treats correspondence maybe due to bureaucratic bottlenecks as almost half (47%) respondents admit that government is never prompt in treating issues as against thirty-nine percent. This is contrary to the position Janssen and van Veeenstra (2005)share that citizens all over the world are clamoring for better services, transparently at lower costs and enhanced interaction among the stakeholders. Despite this, people are not completely detached from e-governance initiative. They use electronic technology to transact business with government for diverse purposes, majority (55.3%) of who is for employment/admission.

Suffice that on preference of electronic technology over personal contact to receive or provide information as the need arises; table 5 above is explicit that greater percentage (70%) of respondents answer in the affirmative that they prefer electronic technology to personal contact for all forms of businesses, while few (30%) respondents disagree. One of our interviewees advanced reasons for this when she argued that:

It is common knowledge and practices that nowadays, whatever business you transact with government or private institutions, organizations and even individuals is online irrespective of your academic and economic status. For those of us who are contractors, for example, most of the transactions are online with minimal physical contact. The same thing applies to employment applications, admissions, procurement and requisitions using appropriate websites… Therefore, even if government is dispassionate in human resource development, we should, in our personal capacities look forward to enhancing our proficiency in electronic technology to keep pace with contemporary requirements.

Those who conduct online business do so depending on prevailing circumstances. This is why sixty-one per cent respondents are in regular contact with government for one reason or the other; seventeen per cent respondents make irregular contact while twenty-two of the respondents once in a while conduct some form of transaction with government using electronic technology.

One of the problems militating against e-governance is poor internet connectivity. In rating the internet performance, data on table 7 above show that fifty-four per cent of total respondents put internet connectivity on average. Besides, sixteen per cent say it is very poor and another thirteen per cent say internet connectivity in Nigeria is low. One could therefore, conclude that the quality of internet service in Nigeria is less than desirable. The blame for this is placed at the door step of government as captured by one of our interviewees below:

Unlike in other climes, poor investment in basic infrastructure has and will continue to be the bane of supposedly productive initiatives and programmes except some is drastically done in that direction. Our leadership is always hazy and hasty at imitation. It does not resort to careful and proper planning for positive results. The e-governance agenda can, therefore, be likened to the march towards cashless society in an illiterate-dominated society like Nigeria without proper infrastructure which should be the basic things to have been considered before contemplating its enforcement.

This problem is compounded by respondents' inability to competently use electronic technology to receive or process and send messages. This can be seen from results shown on table 8 which has it that only thirty-four respondents are proficient in electronic technology to be able to interact with government. More than half (51%) of respondents, however, rate themselves average while few others (14%) admit that their proficiency in electronic technology is low. Considering the data, one would conclude that majority of Nigerians are not highly proficient in electronic technology which is serves as fulcrum on which e-governance operates.

Also on problems of e-governance, data on table 9 above which seeks to determine the level of confidence respondents have on e-governance initiative show that while a negligible percentage (29%) of respondents demonstrate some degree of confidence in e-governance, and almost half the respondents (41.6%) rate their level of confidence as average, few others (30%) show low confidence in e-governance. This implies that respondents lack great confidence in e-governance initiative in Nigeria.

Conclusion

This paper provides insight into the effectiveness of e-governance and most importantly the benefits of e-governance in Nigeria. Findings from survey affirms the benefits which include improved efficiency, increase intransparency and accountability of government functions, convenient and faster access to government services, improved democracy, and lower costs of administrative services. The paper acknowledges the fact that success of any human activity, especially those directed at development as in the case of e-governance is dependent upon what Moemeka (2008, p.158) identified as four major over-arching 'ingredients' which are: knowing what to do; knowing how to do them; having the will and determination to do them; and having the resources to do them. In this perspective, the paper also underscores the predominant view that access to Information and Communication Technologies remains the core challenge for Nigeria in her drive to e-governance.

Recommendations

Development of basic infrastructure: The effectiveness of e-governance depends on basic infrastructure like power and broadband for internet connectivity. Therefore, these infrastructures should be expanded and stabilized. Mobile service providers should be given definite time frame to provide affordable and efficient broadband internet connection not only in cities but wherever their services reach. This is crucial considering the urban-rural divide that is still a reality in Nigeria, and is one that poses serious obstacles to reaching the poor and most vulnerable that could benefit most from the adoption of ICT that are usually the last to receive services.

Sustained awareness creation: The government should intensify and sustain enlightenment campaign on the benefits of e-governance. This will give citizens the opportunity to maximally participate in the process of achieving set targets by using existing government websites.

Proper training of manpower: Paucity of personnel is one of the major factors inhibiting the realization of technology driven projects in Nigeria. Therefore, government should ensure a steady manpower planning that will cater for staff training and development particularly for those already engaged but are not computer literate. This will enable them have proficiency in computer appreciation and application. Due to huge financial involvement, government can out source fund from international bodies like ADP, UNDP, UNESCO, IMF and so on to complement its counterpart funding.

Build and restore confidence unto citizens on e-governance: This is borne out of the corrupt practices in different organs of government at different levels that undermines public trust in government initiatives no matter how gainful they may be. To effectively check corruption and enshrine transparency and accountability, government at all levels should transact government businesses online. That means tax collectors should collect revenues and issue receipts online. Similarly, job applicants should apply online and international passports should be processed and renewed online. Internet hackers and other e-criminals be awarded heavy penalty when caught and prosecuted.

Formulate and implement ICT policy with poor people as target: ICT access alone does not guarantee human development. There is an important policy link that must be developed such that e-governance programmes target the most vulnerable and marginalized. This is the area in which Nigerian government can provide the most leverage for supporting pro-poor policies through its ICT for development programme through e-governance.

References

Anaeto, S.G., Onabajo, O.S. &Osifeso, J.B. (2008). *Models and theories of communication.* Bowie, Mayland: African Renaissance Books Incorporated.

Ayo, C.K., Adebayo, A.A. &Fatudimu, I.T. (2008).E-democracy: A requirement for a successful e-voting and e-governmentimplementation in Nigeria. *International Journal of Natural and Applied Sciences,*4(3), 310-318.

Bedi, K., Singh, P.J. &Srivastava, S. (2001).*Government net: new governance opportunities for India*. New Delhi: Sage.

Bhatnagar, S.C. (2001).*Philippine Customs Reform*. Washington DC: World Bank.

Browning, G., Halcli, A. & Webster, F. (eds.) (2000).*Understanding contemporary society: Theories of the present.* London: Sage Publications Ltd.

Danziger, J.N. & Anderson, K.V. (2002). The impacts of information technology in public administration: An analysis of empirical research from the "Golden Age" of information. *International Journal of Public Administration.* 25(5), 591-627.

Dominick, J.R. (2011). *The dynamics of mass communication: Media in transition* (Eleventh Edition). New York: McGraw-Hill International Edition.

Fatile, J.O. (2012). Electronic governance: Myth or opportunity for Nigerian public administration? *International Journal of Academic Research in Business and Social Sciences,* 2(9), 122-140.

Feenberg, A. (2002). *Transforming Technology: A Critical Theory Revisited*. Oxford; New York: Oxford University Press.

Galbi, D. (2001). E-government: Developing state communications in a free media Environment. *iMP Magazine*.

Giddens, A.(1998). *Conversations with Anthony Giddens: Making Sense of Modernity*. Stanford, Calif.: Stanford University Press.

Gudaitis, T. M. (2001). The most dangerous place on earth in 2001: A cyber ethnography.*i M P Magazine*, May. Retrieved from http://www.cisp.org/imp/may_2001/ 05_01gudaitis.htm on July 28, 2014.

Gronlund, A. & Horan, A.T. (2004).Introducing e-gov: History, definitions and issues. *Communication of the Association for Information Systems.*15, 713-729.

Heeks, R. (2001). *Understandinge-governance for development.* Manchester: Institute for Development Policy and Management, University of Manchester.

Heeks, R. (2002). *E-governance in Africa: Promise and practice.* Manchester: Institute for Development Policy and Management, University of Manchester.

Heilbroner, R. (1994). Do machines make history? In L. Marx (Ed.), *Does Technology Drives History? - The Dilemma of Technological Determinism* (pp. 53-65).Cambridge (MA), London: MIT Press.

Ingawa, M.S. (2011). E- governance for peace and national development. *JORIND,* 9(2), 48-51.

Isoun, T. (2004).Nigeria: Government/private sector partner to deliver e-government. Retrieved from http://www.e-lo-go.de/html/ on July 30, 2014.

Janssem, M. & van Veeenstra, A. F. (2005). Stages of growth in e-Government: An architectural approach. *Electronic Journal of* e-Govemmen~ 3(4),193-200.

Kamar, N.&Ongo'ndo, M. (2007). Impact of e-Government on management and use of government information in Kenya, World Library and Information Congress: 73rd

IFLA general Confernce and Council, pp. 19-23 August 2007, Durban, South Africa.

Margetts, H. (2005). Electronic government: A revolution in public administration, in B.G. Peters and J. Pierre (ed), *Handbook of Public Administration,* London: Sage Publications.

Menzel, D. C. (1998).'Introduction', public administration and management. *An Interactive Journal* 3(1).Retrieved from http://www.pamij.com/cybintro.html on July 18, 2014.

Moemeka, A.A. (2008). Development and Mass Communication: Effective Use of the Mass Media in Rural (or Inner-City) Development. In A.A. Moemeka (ed) *Development communication in action: Building understanding and creating participation.* (pp.133-160) New York: University Press of America, Inc.

National Information Technology Development Agency "NITDA" (2007). Retrieved from http://www.negst.com/conference on July 15 2014.

Norris, P. (2001).*Digital divide?Civic engagement, information poverty and the internet in democratic societies*. Cambridge: Cambridge University Press.

Okot-Uma, R.W. (2000).*Electronic governance: Re-inventing good governance*. London, U.K.: Commonwealth Secretariat.

Pardo, T. A. (2000).Realizing the promise of digital government: It's more thanbuilding a web site.*IMP Magazine*, October.

Riley, T.B. (2004).E-governance vs. e-government.Information for development. Retrieved from http://www.i4donline.net /issue/nov03/ egovernance.htm on July 20, 2014.

Simic, M. (2008).The state and modernity as anthropological topics: A very short introduction. *Issues in Ethnology and Anthropology.* 3(3), 189-201.

Vassilios, L. (2004). Information society policy link initiative. Retrieved from http:// europa.eu .int/i nformation_society /activities/policy link/index_ en.Htm on July 30, 2014.

Zambrano , R. & Seward, R.K. (2013). From connectivity toservice delivery:Case studies in e-governance. New York: United Nations Development Programme.

Impact of Foreign Direct Investment (FDI) and Public Expenditures on Economic Growth in Nigeria

Cephas Gbande, PhD
Faculty of Administration
Nasarawa State University, Keffi
email: cephasgbande@yahoo.co.uk

pp 308-318

Abstract

Generally, much research has been done on FDI on growth theories, yet none considers either the effects of FDI or public expenditures on economic growth. As far as we are concerned, no theoretical growth model has taken into account in the interaction effect of these two factors. There are evidences that excessive spending in public expenditures can hinder the beneficial impact of FDI. The paper examines the impact of foreign direct investment and public expenditures on economic growth in Nigeria. In order to achieve the objective of the paper, aggregate time series data were collected from CBN bullions and tested through regression analysis. The result reveals that FDI and public expenditures (both capital and current expenditures) do not support each other in promoting economic growth. The threshold examination toward the potential impact of the spending level of public current expenditure on the FDI's effect on economic growth do not supports each other. The negative coefficient of the variable FDIdm suggests that the positive effect of FDI on economic growth is reduced when the ratio to GDP of public current expenditure exceeds 25%. The paper conclude that there exist a negative but significant relationship between FDI and public expenditures on economic growth in Nigeria and recommends that more efforts should be contributed in building a theoretical model which presents the interrelationship between these factors in determining the long-term economic growth rate.

Keywords: *Foreign Direct Investment, Public Expenditure and Economic Growth*

Introduction

Foreign direct investment (FDI) has been a subject of interest for economists since the post-Second World War period when European countries and Japan needed capital from the US to finance reconstruction following the damage caused by the war. FDI has grown continuously since then, and in the 1990s, it accounted for about a quarter of international capital outflows. FDI can have an impact on many aspects of a host country's economy such as output, the balance of payments, and market structure. However, it is believed that bridging the gap in technology between the foreign country and the host country is the main effect of FDI, which in turn improves the productivity and growth of the host country (Moosa, 2002).

Public expenditure is an important instrument for a government to control the economy. Economists have been well aware of its two-side effects in promoting economic growth. On the one hand, public investment is a factor contributing to capital accumulation. Public expenditures are also used to fill up the holes that are left untouched in a market economy such as public utilities, health care, social security, etc. On the other hand, however, tax, which is the entire financial source for public expenditures, does directly reduce the benefits of taxpayers. As human capital plays the key role in promoting economic growth, a lower benefit of citizens is associated with a lower economic growth rate. Considering the economy as a whole, the question of how to spend public expenditures appropriately has been a difficult task.

Statement of the Problem

Previous research on growth theories considers either the effects of FDI or public expenditures on economic growth separately. As far as we are concerned, no theoretical growth model has taken into account the interaction effect of these two factors. There are evidences that excessive spending in public expenditures can hinder the beneficial impact of FDI. The paper examines the impact of foreign direct investment and public expenditures on economic growth in Nigeria.

Previous studies have found no consensus on the impact of public expenditures on economic growth (Gupta, 2002). The effects of FDI although are confirmed as positive in most of the studies; however, the degree of such impact depends on the absorptive capacity of the host country, which consists of the level of human capital, infrastructure, financial and institutional development, and trade policies (Makki and Somwaru, 2004). The main purpose of this paper is to contribute more empirical evidences which can be used as guidance for building up a growth model that structures the linkages between FDI and public expenditures in determining the long-term economic growth rate. Accordingly the paper provides answers to the following propositions:

H_{01}: public expenditure and foreign direct investment has no significant positive impact on economic growth in Nigeria

Literature and Theoretical Framework

Nature and Definition of Public Expenditure

The issue of public expenditure is at the heart of economic governance in every nation state. The structure, efficiency and effectiveness of public spending impact upon the ability of government to create conducive business environment, deliver development goods and achieve national prosperity. In particular, the adequacy and quality of public goods such as infrastructure, utilities and related services largely depend on the nature and quality of public spending. On the other hand, the nature, conduct and levels of public expenditure affect the conditions of fiscal sustainability and macroeconomic framework of any country.

Government expenditure refers to the aggregate of a country's public sector spending in all aspects of its activities, which could be for recurrent or capital purposes as explained by Bhatia (2011). He goes on to explain that government capital expenditure refers to public spending on investment and durable goods that can be used for a long period of time and may include investment in such projects as hospitals, schools, equipment and roads. Government current expenditure refers to government day to day spending on recurring items such as salaries and wages, stationeries, and maintenance of facilities, and generally, spending on consumables and everyday items that get used up as goods and services are provided.

In many countries expenditure by the government forms a large portion of the nations' total economic activity. Perhaps, the decisions to mobilize resources and allocate resources remain one of the most serious challenges among all levels of government. Governments provide public goods such as roads, military forces, public utilities and schools. Private Citizens would not voluntarily pay for these services, and therefore businesses have no incentive to produce them. Public finance also enables governments to correct or offset undesirable side effects of a market economy. These side effects are called spillovers or externalities (Aruwa, 2009). In spite of the fact that public expenditure has increased rapidly during the last two centuries in almost every country, and is spite of its growing role and importance in national economies, the economic effects of public expenditure remains relatively unexplored in comparison to taxation. Hakro (2009) opines that the economists have generally concentrated their attention on the theory of taxation. The theory of public expenditure has been confined to that of generalities in terms of the effects of public expenditure on employment and prices. However, recent research efforts have tried to minimize this deficiency in public expenditure studies.

In most countries, data based on public expenditure as a fraction of national output show that public sector has an inevitable trend of growth in the long run (Scully, 1989). In Nigeria public expenditures have been expanding for decades. Akpan (2005) opined that the observed growth in public spending appears to apply to most countries regardless of their level of economic development. Nigeria like other developing countries, spend considerable resources on administration, economic services, social services and transfers. While these public expenditures are obviously fundamental to promote social, human and economic development, it is important to understand the sources of public expenditure growth and whether they also directly contribute to economic growth. The phenomenon of public expenditure growth has been a subject of interest for researchers to find out what causes it and its effects. Wagner (1890) introduces a model that public expenditures are endogenous to economic development, i.e. growth in the economy also causes public sector expenditures to expand. Keynes (1936) and his supporters, on the other hand, raise the thought that during recession times the use of fiscal policies boosts economic activities, i.e. expansionary fiscal policies, expanding public expenditures, increase national output.

Wagner's law (1890) and the Keynesian theory (1936) present two opposite perceptions in terms of the relationship between public expenditure and growth in national output. While according to Wagner's approach causality runs from growth in national output to public expenditure, the Keynesian approach assumes that causality runs from public expenditure to growth in national output in times of recessions. Endogenous growth theory gives governments a theoretical basis for actively fostering growth. There are many reasons that necessitate or contribute to expanding public sector. Generally in a growing population the sheer scale of services needed have to keep pace with population if the quality of life is not to be seriously compromised. Such services include law and order, health services, education transportation among others.

There is also increased migration from rural areas to the cities across the world which means increased urbanization which itself needs provision of services such as drainage, power, roads thus leading to an expanding public sector. Inflation in the price of goods and services over time also contributes to a growing public sector even if it does not expand its services necessarily. Regulation of modern economies alone leads to increasing personnel to cope with higher skills required to handle possible market failures wealth inequalities plus economics justice and this leads to inevitable increases in public expenditure. This may lead to the spend- tax hypotheses advocated by Peacock and Wiseman (2002) that is changes in expenditure causes changes in revenue or tax. Governments inevitably frequently have to cope with borrowing to run services and the cost of debt servicing also increases expenditure.

Musgrave & Musgrave (2005) also emphasize the complementarity between private and public sectors. Thus when there is increase in income the demand for public goods also increases and thus expands the public sector. These are also days of activism and the call by vested interests to promote their interests all leading to an expanding public sector. These tendencies lead us to examine what public expenditure wants to achieve for the society and by use of cost – benefit analysis, determine at least theoretically the optimal level at which the marginal benefit is equal to marginal cost.

However the problem here is inability to identify the true needs and preferences of the society so that public expenditure may be allocated to it. Further complication is that these true needs and preferences are subject to rapid and indeterminable changes so that public expenditure cannot always be in conformity with it. However, as we stated earlier, we know that there is a certain critical minimum which a public service must offer such as law and order, defense, health, school and transportation among others and these are necessary for any form of economic activity to take place at all.

Over the years, canons of public expenditure have evolved. This is the philosophy of judicious use of public funds and with legality. They also serve as safe guards or quality control to ensure that the diverse objectives of society are achieved. The first is that resources should be prudently and economically applied to avoid waste. Thus performance budgeting and zero – base budgeting are used as mechanisms to meet this objective. The cost benefit approach is also used for decision making. As stated earlier, Musgrave and Musgrave (2005) believe there should be complementarity between public sector and the private sector.

Foreign Direct Investment

Foreign direct investment (FDI) is an investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise operating in a country other than that of the investor defined according to residency (World Bank, 2010). Such investments may take the form of either "greenfield" investment (also called "mortar and brick" investment) or merger and acquisition (M&A), which entails the acquisition of existing interest rather than new investment.

Kumar (2007), described Direct Foreign Investment (DFI) in several ways. First and most likely it may involve parent enterprise injecting equity capital by purchasing shares in foreign affiliates. Second, it may take the form of reinvesting the affiliate's earning. Third, it may entail short-or foreign investment as a share of Gross Domestic Product has grown rapidly, becoming the largest source of capital moving from developed nations to developing nations. However, GDP as a measure of economic output has its own defects especially in measuring final output. These defects include difficulties of distinguishing between final and intermediate products which may results in double counting. For this study GDP is adopted because it is the most reliable indicator of measuring economic growth in developing countries.

One of the most noticeable features of today's globalization drive is conscious encouragement of cross-border investments, especially by transnational corporations and firms (TNCs). Many countries (especially developing) now see attracting FDI as an important element in their strategy for economic development. This is most probably because FDI is seen as an amalgamation of capital, technology, marketing and management. Africa as a region now has to depend very much on FDI for so many reasons, some of which are amplified by Asiedu (2001).

The preference for FDI stems from its acknowledged advantages (Sjoholm, 1999). The effort by several African countries to improve their business climate stems from the desire to attract FDI. In fact, one of the pillars on which the New Partnership for Africa's Development (NEPAD) was launched was to increase available capital to US$64 billion through a combination of reforms, resource mobilization and an environment conducive for FDI (Funke and Nsouli, 2003). Unfortunately, the efforts of most countries in Africa to attract FDI have been futile. This is in spite of the perceived and obvious need for FDI in the continent.

The development is disturbing, sending very little hope of economic development and growth for these countries. Further, the pattern of the FDI that does exist is often skewed towards extractive industries, meaning that the differential rate of FDI inflow into sub-Saharan African countries has been adduced to be due to natural resources, although the size of thelocal market may also be a consideration (Morriset 2000; Asiedu, 2001).

Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa and indeed is one of the top three leading African countries that consistently received FDI in the past decade.

However, the level of FDI attracted by Nigeria is mediocre (Asiedu, 2003) compared with the resource base and potential need. Further, the empirical linkage between FDI and economic growth in Nigeria is yet unclear, despite numerous studies that have examined the influence of FDI on Nigeria's economic growth with varying outcomes (Odozi, 1995; Oyinlola, 1995).

Most of the previous influential studies on FDI and growth in sub-Saharan Africa are multi country studies. However, recent evidence affirms that the relationship between FDI and growth may be country and period specific. Asiedu (2001) submits that the determinants of FDI in one region may not be the same for other regions. In the same vein, the determinants of FDI in countries within a region may be different from one another and from one period to another (Kolawole and Henry, 2009).

Studies on FDI and economic growth in Nigeria are not complete in agreement in their submissions. A closer examination of these previous studies reveals that conscious effort was not made to take care of the fact that more than 60% of the FDI inflows into Nigeria is made into the extractive (oil) industry. Hence, these studies actually modeled the influence of natural resources on Nigeria's economic growth. In addition, the impact of FDI on economic growth is more contentious in empirical than theoretical studies, hence the need to examine the relationship between FDI and growth in different economic dispensations. There is the further problem of endogeneity, which has not been consciously tackled in previous studies in Nigeria. FDI may have a positive impact on economic growth leading to an enlarged market size, which in-turn attracts further FDI.

There is an increasing resistance to further liberalization within the economy. This limits the options available to the government to source funds for development purposes and makes the option of seeking FDI much more critical. This study is handy by examining the relationship between FDI inflows and Nigeria's economic growth, hence addressing the country's specific dimension to the FDI growth debate. The study is different from previous studies in that attention was given to sectoral attraction of FDI into the country, considering her peculiarity to natural endowment, thereby seeking to make vivid the impact of major components of FDI on economic growth in the country.

This further assesses the differential impact of oil FDI and non-oil FDI on Nigeria's economic growth. The study made conscious effort to address the endogeneity issue, and provide justification for the unrelenting efforts of the government to attract FDI, which are being misunderstood and resisted by the Nigerian populace. The Nigerian government over the years has over concentrated on indigenous industrialization neglecting the positive impact of foreign direct investment in the economy. This resulted in a decline in both private and foreign investment and has therefore slowed down growth in all sectors of the economy.

Economic Growth

The concept of economic growth has been used synonymously with economic development and is associated with such things as growth in population, development of resources, technological advancement and increasing capital formation. Economic growth means growth in the level of output produced by a country over a certain period of time. It is a useful measure of economic performance of a country. Performance here means the degree of correspondence between actual output and the maximum output that could be realized if, given the pattern of demand, all the resources and the most advanced technology available were used to full advantage.

According to Owona (2002), economic growth is defined as long-term change in an economy's productive capacity. The productive capacity of the economy is the output that could be produced if all of the economy's resources were fully and efficiently employed. The definition links economic growth to rate of growth of potential output which is related to the rate of growth of labour force and of productivity. The determinants of economic growth in the long run include technological progress and population growth and accumulation of capital.

The Wikipedia Free Encyclopedia (2010) defines economic growth as an increase (or decrease) in the value of goods and services that a geographic area produces and sells compared to an earlier time. If the value of an area's goods and services is higher in one year than the year before, it experiences positive growth, usually simply called "economic growth". In a year when less value than the year before is produced and sold, it experiences "negative economic growth," also called "recession" or "depression". Economic growth can occur due to an increase in the number of goods or services but such an increase must be sustained over a long time. It can also occur due to production of more expensive goods and services.

There is an extensive literature examining the impact of public expenditures on economic growth. As one of the government's instruments together with taxation and welfare policy, public expenditures are claimed as "the most powerful economic agent in all modern societies" (Arrow and Kurz, 2000). Some economists believe that while government consumption has a negative effect on economic growth, government investment can be considered as one of its important beneficial factors (Gupta, 2002; and Turnovsky, 2004). In contrast, many others claim a negative linkage between economic growth and government spending or find a non- robustness relationship between these two factors (Folster and Henrekson, 2001).

The literature of FDI study is not much controversial as economists believe that FDI has a positive impact on the technology upgrading progress of the recipient country (Blomstrom, 1992; Borensztein, 1998) and its economic growth eventually. This impact can be found via many channels but mainly by increasing the degree of competition in host-country markets, incorporating new inputs and foreign technologies in the production function of the host country; and augmenting the level of knowledge in the host country. The volume and type of FDI inflows as well as the degree of its impact on economic growth are argued to depend on the absorptive capacity of the host country. The root reason is because domestic firms need a certain absorptive capacity before they can benefit from new technologies brought by foreign firms (Girma, 2003). At the macro level, the analysis of the absorptive capacity is done by examining the recipient economy's trade regime, legislation, political stability, human resources, institutional and financial absorptive capacity, balance of payments constraints, and the size of the domestic market for the goods produced via FDI (Durham, 2004).

The question of which factor, FDI or public expenditures, plays a more important role in promoting economic growth has been rarely touched because most of the existing theoretical and empirical studies have examined the effects of these factors on economic growth separately. The first attempt in considering the interrelationship of FDI and public expenditures in determining the economic growth rate is the study of Le and Suruga (forthcoming). They suggested that excessive spending in public capital expenditure can reduce the positive impact of FDI on economic growth. This article continues their approach by investigating some other potential interactions between these two factors and provides some implications for future research.

Endogenous growth theory has been well developed for quite a long time but its implications for public expenditure/FDI have only emerged in recent years (Moosa, 2002). The radical departure for many studies in this literature is the original contribution of Barro (1990) who theorized the linkage between public spending and economic growth by using an endogenous growth model. His limitation is that only flow of public expenditure is taken into account in the model. Recognizing this fact, Futagami (1993) adopted the Barro model in another polar case where public services are derived from public capital only and derived the similar conclusion to Barro's. The extension of Barro's (1990) model went further when Tsoukis and Miller (2003) assumed that public services are derived from both public capital and public expenditure flow. One of Barro's main conclusions that have been generalized by the model developed in this paper is that the growth-maximizing ratio of public spending over GDP should be equal to the public service's elasticity in aggregate production.

Data and Methodology

The relationship between public expenditures, FDI and economic growth has been the subject of numerous recent papers. However, most of the researchers have focused on the impact of either public expenditure or FDI on economic growth separately without considering the potential interaction effects of these two factors.

Our study uses data obtained from the central bank statistical bulletin. The approach of using five-year forward lag structure where explanatory variables in period *t* would have an effect on growth from period *t+1* through *t+5* is also adopted. According to the long-term growth is described in the equation as follows:

$$g = f(\boldsymbol{T}, A, x, h)$$

In the empirical analysis, the relationship between the long-term growth rate, FDI and public expenditures is investigated under the linear form. The key explanatory variables are the share in GDP of FDI, public capital, and public non-capital expenditure. Tax rate, $\boldsymbol{T}$ is omitted because of insufficient data. In addition, following the study of Tsoukis and Miller (2001), this study also includes the share of private investment to GDP in the empirical analysis.

Regression Analysis

The following equation is estimated using the fixed-effect model:

Growth = f (Pubcap, Pubcur, Pricap, Fdi, Fdicur, Fdicap, Fdidm)

Table 1: Estimation Statistic for Public Expenditure and Growth

Equation	**1**	**2**	**3**
Constant	-0.203	-0.421	-0.228
	(-0.59)	(1.24)	(0.67)
Fdi	0.303	0.349	0.227
	(2.92)***	(6.47)***	(5.54)***
Pubcap	0.042	0.086	0.045
	(1.67)	(3.17)***	(1.8)**
Pubcur	0.012	0.006	0.0126
	(1.22)	(0.74)	(1.41)
Pricap	0.065	0.067	0.065
	(4.52)***	(4 74)***	(4.54)***
Fdicur	-0.006 (-1.28)		
Fdicap		-0.021 (4.23)***	
Fdidm			-0.157 (2.49)**
R-squared	0.10	0.15	0.10

* Significant at 10%; ** significant at 5%; *** significant at 1%

Table 1 presents the estimation for the data. The coefficient of *Fdi* is positive and significant in all of the cases. This result confirms the previous findings, such as Balasubramanyam (1996), Borensztein (1998), Durham (2004). *Pubcur* has a positive but insignificant coefficient. *Pubcap* and *Pricap* are found to have significant positive coefficients and this result is consistent with other studies (Barro, 1990; and Easterly and Rebelo, 1993).

The interrelationship between FDI and public expenditures are examined in different ways. Equation (1) and (2) include the interaction terms between FDI, public current expenditures and public capital expenditures, respectively. That the interaction terms in equation (1) and (2) are negative suggests that FDI and public expenditures (both capital and current expenditures) do not support each other in promoting economic growth of developing countries. Equation (3) is the threshold examination toward the potential impact of the spending level of public current expenditure on the FDI's effect on economic growth. The negative coefficient of the variable *Fdidm* suggests that the positive effect of FDI on economic growth is reduced when the ratio to GDP of public current expenditure exceeds 25%. This finding follows the study of Le and Suruga (2009) who suggested that the effect of FDI on economic growth becomes weaker as the public capital expenditure exceeds 8-9%.

Table 2. Estimation statistic for FDI and public expenditure

Equation	(1)	(2)	(3)
Constant	4.394	3.029	4.108
	(6.75)	(4.98)***	(6.45)***
Fdi	-1.355	-0.122	-0.701
	(4.95)***	(0.75)	(4.62)***
Pubcap	0.210	0.217	0.177
	(3.34)***	(2.04)**	(2.79)***
Pubcur	-0.075	-0.039	-0.063
	(6.14)***	(4.10)***	(5.71)***
Pricap	-0.005	0.002	-0.007
	(0.28)	(0.10)	(0.38)
Fdicur	0.033 (4.56)***		
Fdicap		-0.011 (0.16)	
Fdidm			0.655 (4.12)***
R-squared	0.23	0.20	0.23

* Significant at 10%; ** significant at 5%; *** significant at 1%

According to Galor and Moav (2004), the main engine of its economic growth varies at different stages of a country's development. While physical capital accumulation is the main engine of economic growth at the early stages of development, human capital accumulation plays the similar role in more advanced societies. As such, one should expect that FDI, public capital, and private capital - factors increase directly the physical capital accumulation rather than human capital accumulation - may be less important the higher development level of the country becomes. The estimation of data given in table 2 provides quite interesting results. While the negative effects of FDI and *Pricap* on economic growth are as expected from this theory, the positive sign of *Pubcap* suggests that further work should be done in order to verify its validity. Because of insufficient data, public capital is taken into consideration in this paper as a lump sum. Due to this limitation, it is possible that many capital expenditures spent to build up human capital (e.g. education or health care) are categorized as spent to increase the physical capital.

Pubcur has a significant negative coefficient in all three cases and this result is consistent with the findings of Le and Suruga (forthcoming). However, as shown by the tests of the interrelationship between *FDI* and *Pubcur,* the real impact of *Pubcur* on economic growth may be more complex than expected. The coefficients of interaction terms in equation (1) and (2) are positive. The result in equation (3) implies that there is a positive multiplicative effect of *FDI* and *Pubcar* on economic growth in developed countries. Equation (3) presents the result of a similar test to that of equation (3) and suggests that the larger the public current expenditures, the higher possibility of positive effect of FDI on economic growth are recognized.

Table 3. Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Growth	2412	1.295266	3.613516	-24.03802	14.58576
Pubcap	2184	4.262512	3.419158	.0025085	25.34318
Pubcur	2194	23.85845	11.20408	.0733427	90.39733
Fdi	2290	2.158943	3.786232	.0004835	93.71999
Pricap	2156	18.80772	6.647677	.1578905	50.64721

From the descriptive statistic in table 3, economic growth has a mean of 1.2 and a standard deviation of 3.6 and a minimum value of -24 and maximum of 14.58. This implies that the impact of FDI and public expenditure on economic growth has a maximum impact of 14 percent on economic growth in the country. Public capital expenditure has a mean of 4.2 and standard deviation of 3.4. It is sufficient here that FDI and public expenditure deviate from economic growth on average of 3.6 percent for the five year period of analysis. Public current expenditure has the highest impact on economic growth with mean and standard deviation of 23.8 and 11.20 respectively while the min and max is .0733 and 90.39 respectively.

Table 4. Correlation matrix

	Fdi	Pubcap	Pubcur	Pricap
Fdi	1.0000			
Pubcap	0.0938	1.0000		
Pubcur	0.0568	0.0783	1.0000	
Pricap	0.2982	0.0431	0.0817	1.0000

From the correlation table 60% of observations of *pubcur* have value greater than 25%. The same regression has been tested at different levels of *pubcur* and only in the range from 21% to 29%, coefficient of *Fdidm* is significant. Due to the space limitation, the regression with dummy variable at other levels is skipped.

Conclusion and Recommendation

Using data from CBN annual bulletin for the period 2010-2014, the interrelationship between FDI and public expenditures in determining the economic growth rate is examined. The results of this paper suggest some implications in building a theoretical model which structures the impacts of FDI and public expenditures on economic growth.

FDI is expected to have positive impact on economic growth but such impact should be stronger at the early stages of development process and become less important when the country becomes more advanced. As suggested by Galor and Moav (2004), the effect of public capital on economic growth must also follow the same model. However, due to insufficient data, we cannot confirm this expectation in this paper. We suggest that further empirical analysis should be performed with more detail information on public capital expenditures' categories to verify their theory.

The interrelationship between public current expenditures and FDI in promoting economic growth appears to be quite complex. In developing country like Nigeria, the effect of FDI on economic growth is reduced when the ratio to GDP of public current expenditure exceeds 25%. In addition, while the individual effects of these two factors on economic growth are negative, their interaction term has a positive sign. Further investigation is needed so that an appropriate explanation for this phenomenon can be given.

References

Akpan, N. I. (2005), Government Expenditure and Economic Growth in Nigeria, A Disaggregated Approach. *Central Bank of Nigeria Financial Review*, Vol.43, No.1.

Aruwa A.S (2010) Public Finances and Economic Growth Nigeria: Fisical Policy Implications in Crises Era http/www.questia.com

Asiedu E, (2003): Capital controls and foreign direct investment; *World Development* 32 (3): 479 – 490

Asiedu E. (2001): On the determinants of foreign direct investment to developing countries: is Africa different? *World Development*, 30(1): 107 – 119.

Balasubramanyam, V.N., M. Salisu, and D. Sapsford. (1996). "FDI and Growth in EP and IS countries," The Economic Journal 106, 92-105.

Barro, R. J. (1990). "Government Spending in a Simple Model of Endogenous Growth," Journal of Political Economy 98, S103-S125.

Blomstrom, M. (1992). "Host Countries Benefits of Foreign Investment," NBER Working Paper No. w3615.

Borensztein, E., J. D. Gregorio, and J-W. Lee. (1998). "How Does FDI Affect Economic Growth?" Journal of International Economics 45, 115-135.

Central Bank of Nigeria (2012).Statistical Bulletin. CBN, Abuja.

Durham, J.B. (2004). "Absorptive Capacity and the Effects of FDI and Equity foreign portfolio investment on economic growth," European Economic Review 48, 285-306.

Easterly, W., and S. Rebelo. (1993). "Fiscal Policy and Economic Growth: An Empirical Investigation," Journal of Monetary Economics 32, 417-458.

Folster, S., and M. Henrekson. (2001). "Growth effects of government expenditure and taxation in rich countries," European Economic Review 45, 1501-1520

Funke, N. and S. M. Nsouli (2003). "The New Partnership for Africa's Development (NEPAD): Opportunities and challenges". IMF Working Paper No. 03/69. International Monetary Fund, Washington, D. C.

Futagami, K., Y. Murata., and A. Shibata (1993). "Dynamic Analysis of an Endogenous Growth Model with Public Capital," Scandinavian Journal of Economics 95, 607-625

Galor, O., and O. Moav. (2004). "From Physical to Human Capital Accumulation: Inequality and the Process of Development," Review of Economic Studies 71, 1001-1026

Girma, S. (2003)." Absorptive Capacity and Productivity Spillovers From FDI: a threshold regression analysis, " European Economic Group, Working Paper 25/2003.

Gupta, S., B. Clements, E. Baldacci, and C. Mulas-Granados.(2002). "Expenditure Composition, Fiscal Adjustment, and Growth in Low-income Countries," IMF Working Paper No. 02/77.

Hakro, A. N. (2009) "Size of Government and Growth Rate of Per Capita Income in Selected Asian Developing Economics" *International Research Journal of Finance and Economics Issue 28, pp. 53 – 65.*

Keynes, J.M. (1936) *General Theory of Employment, Interest and Money*, London: Macmillan.

Kolawole, O. and Henry, O. (2009), Foreign Direct Investment, Non-Oil Exports, and Economic Growth in Nigeria: A Causality Analysis, JEL Classification: C33, C32, F43, F21, Department of Economics and Development Studies Covenant University, Ota, Nigeria

Kumar A. (2007): Foreign direct investment; *Insights from the Federal Reserve Bank of Dallas*; Vol. 2 No 1.

Le, M.V., and T. Suruga. (2009). "Foreign Direct Investment, Public Expenditure and Economic Growth: The Empirical Evidence for the Period 1970 - 2001," Applied Economics Letters

Makki, S., and A. Somwaru. (2004). "Impact of Foreign Direct Investment and Trade on Economic Growth: Evidence from Developing Countries," American Journal of Agricultural Economics 86, 795-801.

Moosa, I.A. (2002). FDI: Theory, Evidence and Practice. New York: Palgrave.

Morisset, J. (2000). "Foreign direct investment in Africa: Policy also matters", *Transnational Corporations*, 9(2): 107-25.

Musgrave R. (2005) Principle of Budget Determination in Public Finance: Selected Readings Edited by H. Cameron and W. Haderson. New York: Random House, pp.15-27

Odozi, V. A. (1995). *An Overview of Foreign Investment in Nigeria 1960-1995*, occasional Paper No 11.Research Department, Central Bank of Nigeria.

OwonaMarios, B. (2002): Foreign direct investment in Africa; *In Financing Pro-Poor Growth: AERC Senior Policy vi*, Kampla Uganda, - 2 – 4 March 2004 – Economic Research Consortium.

Oyinlola O. (1995): “Nigeria's National Defence and Economic Development: An Impact Analysis”. *Scandinavian Journal of Development Alternatives, Vol. 12, No. 3.*

Scully, G.W. (1989)."The Institutional Framework and Economic Development," Journal of PoliticalEconomy, Vol. 96, pp 652-62.

Sjoholm, F. (1999). “Technology gap, competition and spillovers from foreign direct investment: Evidence from establishment data”. *Journal of Development Studies*, 36(1): 53-73.

Tsoukis, C., and N. Miller. (2001). "On the Optimality of Public Capital for Long-run Economic Growth: Evidence from Panel Data," Applied Economics 33, 1117-1129.

Tsoukis, C., and N. Miller.(2003). "Public Services and Endogenous Growth," Journal of Policy Modeling 25, 297-307.

Turnovsky, S. J. (2004). "The Transitional Dynamics of Fiscal Policy: Long-Run Capital Accumulation and Growth," Journal of Money, Credit, and Banking 36, 883-910.

Wagner, A., (1890), “Three Extracts on Public Finance”. Translated and reprinted in R.A. Musgrave and A.T. Peacock (eds), *Classics in the Theory of Public Financ*e, London: Macmillan, 1958.

World Bank (2010). Nigeria Options for Growth and Stability in a Challenging Environment (Unpublished Study) World Trade Organization, The World Bank. Ibadan: Macmillan.

Impact of Value Added Tax (VAT) on Nigerian Economic Growth (2009 – 2014)

Pavtar, Agir
Department of Accounting,
Faculty of Management Sciences,
Benue State University, Makurdi
PAVTARIC@YAHOO.COM
08030756473

pp 319-326

Abstract

This study empirically investigates the impact of Value Added Tax on the economic growth of Nigeria using time series data which were sourced mainly from central Bank of Nigeria (CBN) Statistical Bulletin from 2009 to 2014. Ordinary Least Squares regression technique was used in the analysis of data. Finding from the study revealed a significant impact of VAT on the economic growth of Nigeria. It was recommended that government should embark on a mass enlightenment campaign to enlighten the public on the importance of paying their tax to minimise incidence of tax resistance.

Introduction

Value added tax (VAT) is a consumption tax levied on some specific goods by the government for the attainment of some macro-economic objectives. In the same vein, Asogwa & Nkolika, (2013) sees value added tax as a consumption tax, levied at each stage of the consumption chain and borne by the final consumer of the product or service

VAT is important because it is a major source of revenue to the government for financing in many developing countries. VAT is expected to have a single effect on consumer prices and should not add more than the specified rate to the consumer price no matter the number of stages at which the tax is paid. The credit method of collection should eliminate any cascading effects. All commodities attract VAT with the exception of medical and pharmaceutical products and basic food items such as, beans, yam, cassava, maize, rice, wheat, milk, fish, infant food items, etc. In this case all imported goods attract VAT.

The introduction of VAT in Nigeria in 1993 and its subsequent full implementation on the 1st January, 1994 has attracted the attention of researchers and academia as regards its benefit on the economic growth of Nigeria (see Adereti, Sanni & Adesina, 2011; Onwuchekwa & Aruwa, 2014; Unegbu & Irefin, 2011; Onaolapo, Aworemi, Ajala, 2013; Asogwa & Nkolika, 2013; Basila, 2010 etc.).

However, most of these studies were carried out at different time series in Nigeria and as such has varying findings that may not reflect current economic realities. In addition, many years after the introduction of VAT in Nigeria, economic growth is still below expectations (Adereti, Sanni & Adesina, 2011) which thus has raised questions about the effectiveness of VAT in promoting economic growth in Nigeria. Against this backdrop this paper empirically assess the impact of VAT on economic growth of Nigeria using data from 2009-2014.

Literature Review

Value Added Tax (VAT)

Value added tax is an indirect tax in which a sum of money is levied at a particular stage in the sale of a product or service. Bird (2005) defined value added tax as a multi stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and to services as they are rendered" which is eventually borne by the final consumer but collected at each stage of production and contribution chain. This definition brings out the three characteristics of value added tax which are: VAT is consumer tax, VAT incidence is on the final consumer and VAT is a multi-stage tax

Jones (2003) also describes VAT as a tax levied at each stage which supplies changes hands. In the case of manufactured items, this could be at the primary producer, manufacturer, wholesaler and retailer stages. It is ultimately borne by the consumer who being registered for VAT purpose is unable to reclaim it. The above definitions of VAT by Jones suggest that there are intermediaries through which goods must pass before they reach the final consumer. Each time goods are passed from one stage to the other, intermediary value is added to it. It is this value that is being taxed and borne by the final consumer.

Economic Growth

The concept of economic growth and development as used here is as the two sides of a coin, economic growth and economic development. This canbe used interchangeably despite the fact that they mean two different things.

Nnadi and Foladun (2003) defined economic growth as the process by which the productive capacity of an economy increases over a period leading to rise in the level of national income. They emphasized that when there is economic growth, it shows in the form of an increase in income levels, an expansion in the labour force, an increase in capital stock of the country volume of trade and consumption. Thus, in general terms, economic growth refers to increase in output quantitatively per unit of input while economic development refers to the qualitative changes in economic wants due to the structural and technical arrangement of improved goods and services in the economy. This then implies that economic growth must occur before economic development can take place.

Economic growth is defined as "the process whereby the real per capital income of a country increases over a long period of time". Economic growth is measured by the stock of capital and the net investment. Economic development on the other hand is the process of increasing real per capital income and engineering substantial positive transformation (structural) in the various sectors of improvements in the area of economic activities leading to increased economic welfare of the citizens. It connotes quanlitative change in economic want, goods incentives, productive institutions and knowledge. The truth is that economic growth leads to economic development but not as a rule.

Review Empirical Studies

There are a plethora of studies that seek to examine the effect of VAT on the economic growth of Nigeria, this section of the chapter focus on the review of such studies.

Onwuchekwa & Aruwa, (2014)investigated the impact of value added tax on the economic growth of Nigeria. Ordinary Least Square technique was employed to test the hypotheses formulated. The result shows that VAT contributes significantly to the total tax revenue of government and by extension the economic growth of Nigeria.

Bakere, (2013) investigated the enormity of the impact of the value added tax on output growth in Nigeria. Ordinary least square regression analytical technique (OLS) was employed for the empirical study. The apriori expectation was that value added tax will impact positively on output growth in Nigeria. The study found that a positive and significant relationship exist between value added tax and output growth in Nigeria.

Adereti, Sanni & Adesina, (2011) studied Value Added Tax and Economic Growth of Nigeria. Time series data on the Gross Domestic Product (GDP), VAT Revenue, Total Tax Revenue and Total (Federal Government) Revenue from 1994 to 2008 sourced from Central Bank of Nigeria (CBN) were analyzed, using both simple regression analysis and descriptive statistical method. Findings showed that the ratio of VAT Revenue to GDP averaged 1.3**%** compared to 4.5% in Indonesia, though VAT Revenue accounts for as much as 95% significant variations in GDP in Nigeria. A positive and significant correlation exists between VAT Revenue and GDP. Both economic variables fluctuated greatly over the period though VAT Revenue was more stable**.** No causality exists between the GDP and VAT Revenue, but a lag period of two years exists.

Basila, (2010)empirically investigated the relationship between Value Added Tax (VAT) and Gross Domestic Product (GDP) in Nigeria. A data based on VAT revenue figure and GDP figure from 1994 to 2008 obtained from Central Bank of Nigeria's statistical bulletin, 2008 was collected and used. GDP and VAT figures for the period of study are tested for correlation. The test revealed a strong Pearson's Product Moment Correlation (PPMC) at about 96 per cent strength. Further, a test of significance confirmed that VAT revenue is significantly different at 99 percent confidence level in relation to GDP.

Methodology

This study adopts an ex-post facto research design. Time series secondary data were used for the analysis. The secondary data were obtained from such publications like the Central Bank of Nigeria statistical bulletin and Federal Inland Revenue Service. Since the study makes use of time series secondary data, we checked the temporal properties of the variables in the model via unit root tests in order to determine the stationarity of the variables. The study uses descriptive statistics to summarize the collected data in a clear and understandable way using numerical approach. The study further employed the use of ordinary least square (OLS) linear regressions to determine the effect of the independent variable on the dependent variable. The choice of OLS is mainly because it minimizes the error sum of squares and has a number of advantages such as unbiasedness, consistency, minimum variance and efficiency and it is widely used based on its property of BLUE (Best, Linear, Unbias, Estimate),and is simple and easy to understand. The econometric view (e-views) version, 9 will be used for this analysis.

Model Specification

This study analysis of VAT and economic growth is anchored on the following simple linear regression models.

$$GDP = \alpha + \beta_1 VAT + u \text{--------------------} eqn1$$

Where,

GDP = Gross domestic product

VAT = Value added tax.

'α' = alpha, represent the model constant

$\beta_1 - \beta_4$ = Beta, representing the coefficients of variables used in the model.

u = is the stochastic variable representing the error term in the model. It is usually estimated at 5% (0.05) level of significance and is assumed to be normally distributed in zero and constant variance.

In consonance with economic theory, it is expected that the level of value added tax to a large extent determine the level of economic growth of a country. Thus, the aprioriexpectation may be denoted mathematically as: $\alpha > 0$, $\beta_1 > 0$,

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 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 the Jaque-Bera statistic. Table 2 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 2009 to 2014. Data in respect to gross domestic product (GDP), gross domestic product and value added tax (VAT) 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

	GDP	VAT
Mean	4.773274	11.83891
Median	4.827405	11.85604
Maximum	4.949603	11.97021
Minimum	4.394351	11.67062
Std. Dev.	0.200201	0.114956
Skewness	-1.260946	-0.321933
Kurtosis	3.274675	1.709368
Jarque-Bera	1.608846	0.520073
Probability	0.447346	0.771023
Sum	28.63965	71.03346
Sum Sq. Dev.	0.200403	0.066074
Observations	6	6

Source: Researcher's Computation Using E-view, Version 9

Table 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 2, 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(ADF) 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. Gross domestic product (GDP) was found to be stationary at level 1.

Table 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
GDP	-45.40614	-6.423637	-3.984991	-3.120686	1(1)	Stationary

Source: Researcher's Computation Using E-view, Version 9.

Regression Result of the Estimated Models

This section of the chapter presents and interprets the regression result in respect to the three models of the study.

Model 1

GDP = -14.27263 + 1.608755 VAT

Table 3: Ordinary Least Square (OLS) Result.

Dependent Variable: GDP
Method: Least Squares
Date: 02/21/16 Time: 18:07
Sample: 2009 2014
Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAT	1.608755	0.333506	4.823770	0.0085
C	-14.27263	3.948499	-3.614697	0.0225

R-squared	0.853312	Mean dependent var	4.773274
Adjusted R-squared	0.816640	S.D. dependent var	0.200201
S.E. of regression	0.085727	Akaike info criterion	-1.814089
Sum squared resid	0.029397	Schwarz criterion	-1.883502
Log likelihood	7.442266	Hannan-Quinn criter.	-2.091957
F-statistic	23.26876	Durbin-Watson stat	1.863468
Prob(F-statistic)	0.008500		

Source: Researcher's Computation Using E-view, Version 9

The regression line as shown in the result above reveals an intercept of -14.27263. This simply implies that when all the other variables are not considered, there will be a significant decline in the GDP by 14.27263 occasioned by factors not incorporated in this study.

However, the estimated model reveals a positive coefficient of 1.608755 in respect to value added tax (VAT) indicating a positive impacts on the gross domestic product (GDP) of Nigeria. This implies that, a unit change in value added tax (VAT) will lead to a significant increase in the gross domestic product per capital by 1.608755.

On the ground of prior expectation, the positive relationship between the slope coefficient of VAT (b_1) goes in line with prior expectation while the intercept (b_0) has an inverse relationship with real gross domestic product which defiles the prior expectation.

The implication is that, value added tax positively influence the economic growth of Nigeria proxied by gross domestic product.

The coefficient of determination (R^2) is estimated at 0.853312. This suggests that 85.3% of the variation in GDP can be explained by the explanatory variable value added tax (VAT) 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 (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 = 0.816640 or 81.7% 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).

Also, the F-statistics which is used to test for stability in the regression parameter estimate when sample size increases, as well as the overall significance of the estimated regression model is estimated at 23.26876. 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 0.0085 (see prob f-stat in table 3) between the gross domestic product and the predictor variable (VAT). 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%.

Finally, the Durbin-Watson statistics is estimated at 1.863468. This indicates that the assumption of independent error is not tenable for this study since this figure is less than 2. This shows that the model is not suffering from incidence autocorrelation so there is no possibility of spurious regression (Durbin & Watson, 1951).

Test of Research Hypotheses

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 VAT and economic growth (GDP) is straight forward. Many economists believe that VAT causes economic growth. To test the direction of the causation between VAT and economic growth (proxied by GDP) in Nigeria, the data in Table 1 is used to run a Granger causality test to determine the direction of causation between the variables.

Tables 6: Results of Granger Causality Test for Lag 1

Pairwise Granger Causality Tests
Date: 02/21/16 Time: 18:02
Sample: 2009 2014
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
VAT does not Granger Cause GDP	5	29.5318	0.0322
GDP does not Granger Cause VAT		0.21482	0.6886

Source: Researcher'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. The number of years the past behavior of the variables takes to impact significantly on the current period is indicated by the lags. 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 6) to reject the null hypothesis that VAT does not cause economic growth. The results reveal that there is a unidirectional relationship between VAT and GDP. Based on Table 6, the F-value of 29.5318 is statistically significant at 5% level of probability. Consequently, the null hypothesis that VAT does not Granger cause GDP is rejected. However, the hypothesis that GDP does not Granger Cause VAT is accepted as judged by the insignificant F-value of 0.6886. Hence, the Granger causality test confirms a unidirectional causality from VAT to GDP.This implies short run relationship between the custom and exercise duties and the economic growth in Nigeria between the study periods.

The Granger causality test results confirm the consensus among economists that the VAT would have a positive impact on economic growth (GDP). The result is consistent with finding of Unegbu and Irefin (2011) who find a very significant impact of VAT on gross domestic product (GDP) of Nigeria.

T-Test statistics

This test is used to test the significance of the relationship between variables. It is done at 5% level of significance with n-1 degree of freedom. This was done in line with the decision rule earlier stated in chapter three. The test of hypotheses provided empirical evidence for the acceptance of all the alternative hypotheses of the study. The study therefore concludes that there is a significant relationship between VAT and the gross domestic product (GDP) of Nigeria.

Discussion of Findings

This study's first objective was concerned with examining the impact of VAT on the gross domestic product (GDP) 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 impact of VAT on GDP during the period under review.

In order to ascertain the direction of the relationship between value added tax (VAT) and economic growth (GDP), the granger causality test was performed. The Granger causality test result revealed that VAT granger cause GDP. The causality analysis indicated a unidirectional causal effect running from VAT to GDP which is in line with the a priori expectation of the study.

The findings of the study are consistent with the study ofBakere, (2013) who investigated the enormity of the impact of the value added tax on output growth in Nigeria using Ordinary least square regression analytical technique (OLS) and found that a positive and significant relationship exist between value added tax and output growth in Nigeria.

Conclusion

The study analyzes the relationship between Value Added Tax and economic growth (GDP) in Nigeria over the period of 2009 to 2014. The empirical findings shows that value added tax has a positive significant impact on Nigeria's economic growth. It should be taken into consideration that Nigerian's economic growth is not only influenced by Value Added Tax but by other factors that were not put into consideration in this research, such factors are government expenditure, inflation rate and unemployment.

This study unequivocally conclude that Value Added Tax has the potential to assist in the diversification of revenue sources, thereby providing enough funds for economic growth and development and reducing dependence on oil for revenue. Hence the study findings and conclusion support the need for the government to satisfy the principle of economic justice in the allocation of VAT revenue.

Recommendations

Based on the findings of this study, the following recommendations are hereby made:

1. Since VAT has been found to contribute positively to the growth of the Nigerian economy, government should embark on mass enlightenment and campaign to enlighten the public on the need and importance of paying tax.
2. There is also the need to isolate the gains and projects executed with revenue from VAT so that the people can see the direct derivable benefit from VAT. This will serve as an antidote and greatly reduce people's resistance and evasion to tax.

References

Adereti, S.A., SanniM.R. &Adesina J.A. (2011). Value Added Tax and economic Growth of Nigeria. European *Journal of Humanities and Social Science.*10(1): 456-471.

Adesola, S.M. (2000): Tax Laws and Administration in Nigeria. Third Revised Edition, Obafemi Awolowo University Press, Ile Ife.

Ajakaiye D. Olu and Odusola A. F. (1996) "Price Effects of Value Added Tax in Nigeria" *PolicyAnalysis Series, 2*(2), 48-68

Anyanwu, J. C. (1997). *Nigeria Public Finance.*Onitsha, Joance Education Publishers.

Bird R. M. (2005) Value Added Taxes in Developing and Transitional Countries: Georgia State University Working Paper No 05-05. *Central Bank of Nigeria (2010) Statistical Bulletin.*

Jones L.M (2003) Optional Taxation in Models of Endogenous Growth, *Journal of Political Economy* 101 (3), 485-517

Onwuchekwa, J.C. & Aruwa, S. A. S., (2014). Value Added Tax And Economic Growth In Nigeria. *European Journal of Accounting Auditing and Finance Research*. Vol.2, No.8, pp.62-69,

Unegbu, A.O. & Irefin, D. (2011).Impact of VAT on economic development of emerging nations. *Journal of Economics and International Finance.* Vol. 3(8), pp. 492-503.

Whenkrofff, G.S. (2003). *Value Added Tax in the Enlarge Command Market*. 1st edition, Association Business Programme, London. © Centre for Promoting Ideas, USA www.ijbssnet.com 225

Zaman, Q, Okasha, and Iqbal, M (2012). Value Added Tax-Theoretical Aspects and Empirical Evidence for Pakistan. *Journal of Managerial Sciences*, *44* (1).

Agburu, J.I. (2001). *Modern Research Methodology*, Makurdi: The Solid Printing and Publisher.

Akpa, B. &Angahar, A. (1999).*Essentials of Research Methodology,* Makurdi: Aboki Publishers.

Koutsoyiannis A. (2007). *Theory of Econometrics* 2nd ed.: 175th avenue NY palgrave Macmillan.

Asogwa, O. &Nkolika, M. O. (2013).Value Added Tax and Investment Growth in Nigeria: Time Series Analysis. *Journal of Humanities And Social Science. 18(1):28-31*

Basila, D. (2010). Investigating the Relationship between VAT and GDP in Nigerian Economy.*Journal of Management and Corporate Governance.*2(4):23-28

Onaolapo, A. A., Aworemi, R .J. and Ajala, O. A. (2013). Assessment of Value Added Tax and Its Effects on Revenue Generation in Nigeria. *International Journal of Business and Social Science.*4 (1):56-59.

Onwuchekwa, J. C. &Aruwa, S.A.S., (2014). Value Added Tax And Economic Growth In Nigeria. European Journal of Accounting Auditing and Finance Research2(8):62-69.

Unegbu, O. A. and Irefin, D. (2011).Impact of VAT on Economic Development of Emerging Nations.*Journal of Economics and International Finance.*3(8):492-503.

Voluntary Risk Disclosure in Corporate Annual Reports: A Review of Theoretical Thrust and Empirical Evidence

Onoja, Anthony Idoko
Department of Accounting,
Benue State University, Makurdi Nigeria

Atsukwei, Margaret Eloyi
Hwolshe Jos, Nigeria

Laka, Daniel Temitope
Department of Accounting
University of Agriculture, Makurdi Nigeria

pp 327-336

Abstract

The purpose of this paper is to review theoretical thrusts and empirical evidence on risk disclosure determinants in the literature. This is against the background that corporate governance scandals and the global financial crisis have led to calls for better risk disclosure, which may, however, be stifled by the proprietary cost hypothesis that firms limit voluntary disclosure to avoid risk of adverse actions. The researchers use qualitative-archival research methodology, involving secondary information obtained from journal articles, finance texts and other secondary sources. It was observed from the review that most of the findings suffered from discrepancies and inconsistency even though the studies under review were characterized by methodological similarities in the employment of regression analysis and sampled companies namely: listed non-financial firms. The study concludes that no globally accepted risk disclosure determinants exist at present. The study, therefore, recommends that policy makers should put in place a framework for risk disclosure pattern of companies to ensure credible, comparable, consistent and easy to follow but tough to escape material risk reporting around the globe. Besides, extending the frontiers of knowledge on risk disclosure, the paper gives the ongoing debate on risk disclosure determinants a global approach towards contributing to search on convergent risk reporting dynamics.

Key words: Annual reports, determinants, risk, voluntary disclosure, proprietary cost, non-financial firms.

Introduction

The quality of voluntary disclosure contained in annual reports, the principal source of corporate communication, is in the heart of modern financial reporting. Lack of investors' confidence trailed corporate failures of major companies around the globe (Ame, 2013). The credibility crisis coupled with threats of terrorists' attack on firms and the global financial crisis led to calls for better disclosure, to enable informed investment decisions. Consequently, corporate annual reports no longer focus solely on the accounts – numerical and quantitative information – but volunteer qualitative information about a variety of topics such as the company's risks. Voluntary risk disclosure can be defined as facultative publication concerning firms' strategies, characteristics, operations and other external factors that have the potentials to affect expected results (Beretta & Bozzolan, 2004).

Since risk taking is required in creating firm value, voluntary risk disclosure can be beneficial for several reasons. Besides mitigating information asymmetry between management and external shareholders, risk disclosure can have positive effects on the trust and confidence stakeholders have in the firm's management. It may decrease the firm's perceived risk because an open disclosure strategy supposedly results in a better assessment of the firm's future performance. This, in turn, can lead to a decline in the firm's cost of capital (Healy & Palepu, 2001; Botosan, 2006; Brealy, Myers & Allen, 2006) and to a reduced possibility of financial failure (Solomon, Solomon & Norton, 2000; Beretta & Bozzolan, 2004).

However, Taylor (2011) states that communicating risk management and performance is inherently problematic, especially for narrative disclosures. The difficulty in risk disclosure arises from "commercial sensitivity" of the information, which means that disclosing risk information can result to strategic exploitation by competitors and also the fact that inexact forward looking risk information can incite investors to sue the firm. For these reasons, Linsley & Shrives (2006) are of the opinion that corporate managers may not want to disclose risk information in annual reports. Their opinion confirms the proprietary costs hypothesis that, a third party whose interests are not aligned with a firm's interests can use the disclosed information against the firm's welfare. The impact of proprietary costs on firm value and its competitive position can lead to voluntary risk disclosure dilemma.

Consequently, research attention has been directed towards determining the possible drivers of risk disclosure practices of companies across the globe. Strand of literature providing empirical evidences for different countries' risk reporting behaviors include Italy (Beretta & Bozzolan, 2004), Australia (Carton et al., 2003), Canada (Lajili & Zeghal, 2005), UK (Klaus, 2005; Linsley & Shrives, 2006; Abraham & Cox, 2007, Rajab & Handler-Schachler, 2009; Elzahar & Hussainey, 2012), Japan (Mohobbot, 2005), Netherlands (Deumes & Knechel, 2008), Belgium (Vandamaele, Verguawen & Michiels 2009), China (Li & Qian-Qian, 2010), Malaysia (Nargess & Siti-Zaleha, 2012), United Arab Emirate (Hassan, 2009), Portugal (Oliveira & Rodriguez, 2011), US (Kravet & Muslu, 2011), UK, US, Germany and Canada (Dobler, Lajili & Zeghal, 2011), and Nigeria (Achua & Onoja, 2013; Onoja, 2014).

These studies variously explored the determinants of risks disclosure in corporate annual reports. However, majority of the findings suffered from discrepancies and inconsistency in that no globally accepted determinants of risk disclosure still constitute a research issue. This paper reviews extant literature on corporate risk reporting in an endeavor to give the ongoing debate on the determinants of risk disclosure a global approach towards contributing to the search on convergent risk reporting dynamics. It is hoped that the study would deliver hints for future regulation as policy makers world-wide review risk reporting regulations following the recent corporate scandals, crises and collapses. It would benefit corporate managers in areas of internal control and risk management systems and as well, extend the frontiers of knowledge on the subject matter.

Theoretical and Empirical Review

Concept of Risk and Risk Categories

The concept of risk stems from the inability to see into the future. Risk is viewed as an "uncertainty as to the amount of benefits" which "include both potential for gain or exposure to loss" (ICAEW, 1999). Linsley & Shrives (2006) define risk disclosure as informing the reader about "any opportunity or prospect, or of any hazard, danger, harm, threat or exposure, that has already 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". This paper upholds this definition for its simplicity.

A lot of risk categorizations exist in the literature about risk disclosure. However, this paper reviews four comprehensive risk categories namely: business risk, financial risk, operational risk, and compliance (legal, tax and regulatory) risk. Business risk refers to the typical risks a company faces: uncertainty about the demand for products, the price that can be charged for those products, the cost of producing, stocking and delivering the products (Crouhy, Galai, & Mark, 2006). The risk associated with actions by competitors and potential losses of competitive advantage are other examples of business risk (Cabedo & Tirado, 2004; Servaes & Tufano, 2006). Business risk broadly incorporates strategic risk and reputation risk. Strategic risk refers to the risk associated with significant investments for which high uncertainty exists about success and profitability (Crouhy *et al.,* 2006). A firm investing in research and development (R&D), for example, encounters uncertainty about the relation between its R&D investment and new product or process outputs (Miller, 1992). Reputation risk refers to the risk that a good reputation, which can lead to value creation, turns to a bad reputation and, as a consequence, company value being destroyed (Vandamaele *et al.,* 2009). In sum, business risk can be seen as internal company skill(s) for dealing with the competitive environment in which the company operates.

Financial risk consists of market risk, credit risk and liquidity risk. Market risk relates to price movements in financial markets (Servaes & Tufano, 2006). Crouhy *et al.* (2006) define market risk as "the risk that changes in financial market prices and rates will reduce the value of a security or portfolio". Market risk arises because of a number of factors, such as interest rate exposures, foreign exchange exposures, commodity price-sensitive revenues or expenses, stock option plans and pension liabilities. Credit risk is the possibility that the payment of contractual obligations may not be fulfilled by the counterparty (Cabedo & Tirado, 2004). Giesecke (2004) defines credit risk as "the distribution of financial losses due to unexpected changes in the credit quality of a counterparty in a financial agreement". Liquidity risk occurs when a company is not able to meet the payment of commitments it has made (Cabedo & Tirado, 2004).

Operational risk relates to potential losses due to inadequate or failing internal processes, people and systems or resulting from external events. Crouhy *et al.* (2006) distinguish three major types of operational risk. The first type is technology risk, principally the risk is associated with computer systems. It implies the risks involved with information access, information availability and infrastructure (Linsley & Shrives, 2006). Alvarez (2001) describes technology risk as the loss events "due to piracy, theft, failure, breakdown, or other disruptions in technology, data or information". The second type is fraud risk by management or employees. The third type of operational risk is human factor risk; it relates to potential losses resulting from human errors (e.g. accidentally destroying a file). Alvarez (2001) adds as a fourth type of operational risk, external loss events (e.g. following a natural disaster).

Compliance (legal, tax and regulatory) risk arises for a whole variety of reasons. Examples of legal risk include the involvement in lawsuits or the infringement of legal norms and a change in tax law which may have vast implications for a firm.

The paper reviews the different risk categories to create an understanding of the risks a company has to deal with. Cabedo & Tirado (2004) state that information about different risk categories does not only help companies in understanding, identifying, monitoring and controlling of risks but also improves the investors' knowledge about the companies' risks profile. However, against the backdrop of the cost-induced risk disclosure dilemma, what motivates managers to disclose more risk information than it is necessitated by regulation becomes insightful within the context of theoretical frameworks.

Theoretical Setting of Voluntary Disclosure

Voluntary disclosure is a game of contradictory powers (motivating forces and dissuasive forces). The process of voluntary disclosure results thus, from an arbitration between the economy of costs (agency, political, capital costs) that this publication can procure to the company, and the generation of costs (proprietary and non-proprietary costs) as a result of this publication. The theoretical incentives for voluntary disclosure enable managers manage different levels of risk disclosure for two reasons: to achieve economic objectives; and to respect rules and societal standards. These theories include:

Agency theory: This explains how the information asymmetry between shareholders and managers 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: This 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: 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: 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: Political cost theory explains that to mitigate potential political costs, politically visible companies increase their disclosures, in order to manipulate their image and distract other's attention (Watts and Zimmerman, 1986; Deegan and 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: This 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 and 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.

Despite theoretical incentives, the costs that are likely to be incurred by the firms for voluntarily disclosed information limit their communication. Some arguments in favour of the retention of voluntary disclosure are in respect of costs (proprietary and non-proprietary costs).

Proprietary costs hypothesis: Proprietary costs appear when a third party, whose interests are not aligned with the firm's interests, uses the disclosed information against the firm. According to the proprietary costs hypothesis, the firm can limit its disclosure to avoid its strategic exploitation by competitors. The impact of the proprietary costs on the firm value and its competitive position can lead to retention of the information. Also, the communication of certain information can, in some cases, significantly cause harm to the firm and lead to legal pursuits (litigation costs). For instance, inexact forward looking risk publication can incite investors to sue the firm.

Direct costs: These costs are induced by the publication of voluntary information and include collection, treatment, production, diffusion, printing costs (Depoers, 2000). According to Leuz & Wysocki (2006), it is difficult to quantify direct costs associated to disclosure activity especially if they consist of opportunity costs such as managerial time.

Empirical Evidence on Risk Disclosure

The cost-induced voluntary disclosure dilemma in the wake of quest for better risk disclosure has engendered research on the determinants of risk disclosure in corporate annual reports. Most of these studies focus on non-financial companies in a particular country and examine among others the relationship between the level of risk disclosure and firm size, profitability, financial leverage, board composition, CEO duality, audit quality, cross listing, industry type, risk committee, systematic risk and liquidity. Some of these studies are reviewed as follows:

Beretta & Bozzolan (2004) propose a framework for the analysis of firm risk communication for Italian companies listed in the ordinary market of the Italian Stock Exchange. Using regression analysis for a sample of 85 non-financial firms, the study found that the index of disclosure quantity is not influenced by either firm size or industry type. They verified that the framework and synthetic index are not influenced by the two factors recognized in the literature as the most powerful drivers of disclosure behaviour for listed firms.

Klaus (2005) conducts a study to investigate the extent and determinants of risk disclosure for UK listed companies. He used a sample of 50 business support and services firms. Using regression analysis, the study found that narrative risk disclosure of UK firms is positively related to firm size, gearing, internal audit, average substantial shareholdings and independent non-executive directors while non-executive director, audit committee size, free float and profitability (ROCE) are negatively associated with risk disclosure.

Similarly, Mohobbot (2005) examines the corporate risk reporting practices of 90 non-financial Japanese companies listed on the Tokyo Stock Exchange. Using Pearson Correlation Coefficient, the study revealed that the company size (total assets) and the number of risk disclosure are significantly positively correlated while no significant relation was found between number of risk disclosure and level of risk, relative profitability (ROA and ROE) and ownership distribution pattern.

Linsley & Shrives (2006) conduct a study on the risk disclosure practices of 79 UK companies. Using regression analysis, the study found a significant association between the number of risk disclosures and company size and level of environmental risk. They however found no association between the number of risk disclosures and other measures of risk namely gearing, asset cover, beta factors, and book to market value of equity used in the study.

Similarly, Abraham & Cox (2007) investigated the relationship between the quantity of narrative risk information in UK FTSE 100 corporate annual reports and ownership, governance and US listing characteristics. The study found, using regression analysis, that number of executive and independent directors have positive relationship with level of corporate risk reporting while institutional ownership and number of dependent non-executive directors have negative relationship with level of corporate risk reporting. Their findings support the recent emphasis in the UK on the independent aspects of non-executive directors for good corporate governance.

Deumes & Knechel (2008) also conduct a study on the economic incentive for voluntary reporting on internal risk management and control systems of Dutch firms for the period (1997-1999). Using ordered probit regression analysis and a sample of 192 Dutch firms listed on the Amsterdam Stock Exchange, the study found that financial leverage has a positive and significant relationship with extent of disclosure while managerial ownership and ownership concentration have negative relationship with extent of internal control disclosure.

Again, Hassan (2009) conducts a study to explore the relationship between the UAE corporations'-specific characteristics – size, level of risk, industry type and reserve, and level of CRD. The study used content analysis to determine the risk disclosure level and multiple regression analysis to examine the impact of the identified characteristics on risk disclosure. The result for a sample of 41 corporations revealed that the corporate level of risk and corporate industry type are significant explanatory variables of CRD. The study further revealed that corporate size is not significantly associated with level of CRD; corporate reserve is insignificant and negatively associated with level of CRD.

Rajab (2009) empirically examines the influence of firm size, leverage, industry and US dual listing on the level of risk disclosure in annual reports of 52 UK non-financial companies drawn from the FTSE-100 index for three different periods (1998, 2001 and 2004). The study used content analysis to measure risk disclosure sentences, panel data and regression model to examine the impact of the identified variables on risk disclosure. The study found that US dual listing and industry have significant relationship with risk disclosures but firm size and leverage have insignificant association with the level of risk disclosures of sampled companies. Concerning impact of risk disclosures on companies' cost of equity capital, the study found no relationship between risk disclosure level and companies' cost of equity capital (measured by four-stage dividend growth model). It however, found a negative and significant relationship between risk information and the proxies of information asymmetry namely stock volatility and bid-ask spread.

Rajab & Handley-Schachler (2009) also conduct a study to investigate the trends and determinants of corporate risk disclosure by UK firms for the periods (1998, 2001, and 2004). Using panel data analysis and a sample of 52 UK listed companies, the study revealed that US dual listing and involvement in heavy industry have positive and significant effect on the level of risk disclosure. Company size (turnover) and leverage (debt/equity) are found to have negative association with the level of risk information disclosed by sampled companies.

Similarly, Vandamaele, Verguawen & Michiels (2009) empirically examine the determinants of management risk reporting practices of Belgian companies listed on Euronext. The study used content analysis to determine the risk disclosure level and Ordinary Least Square (OLS) regression model to examine the impact of firm and governance characteristics on risk disclosures. The result for a sample of 46 non-financial firms revealed that both size (sales) and systematic risk (beta) have positive and significant relationship with level of risk disclosure. Profitability (ROA) has negative and significant relationship while other variables – board composition, risk committee, CEO duality and audit quality have statistically insignificant relationship with risk disclosure level.

Li & Qian-Qian (2010) also investigate the determinants of narrative risk disclosure of 75 Chinese companies listed on the Shanghai Stock Exchange. Using regression analysis the study found that company size (total assets) and director independency had significant and positive relationship with the number of risk disclosure while institutional ownership had statistically significant but negative association with risk disclosure. The study also found no association between the number of risk disclosure and other measures namely counterbalance of big stockholders, earnings power (ROA) and leverage (assets-liability ratio).

Similarly, Dobler, Lajili & Zeghal (2011) carry out multi-country investigation of the attributes of corporate risk disclosure and its association with level of firm risks. The study based on detailed content analysis of the annual reports of 160 manufacturing companies in the US, Germany, UK and Canada. The result revealed that risk disclosure in management reports concentrates mostly on financial risk categories and comprises little quantitative and forward looking disclosures across sample countries. In terms of disclosure quantity, the study found that US firms dominated followed by German firms and that cross country variation in risk disclosure attributes are linked to domestic disclosure regulations. While risk disclosure quantity has positive association with firm risk in North America, the study found a negative association with leverage for German firms. This is the first multi-country study within the reach of the researcher and it suggests that domestic disclosure regulations to some extent determine the quantity of risk disclosures amongst countries.

In another study, Kravet & Muslu (2011) examine textual risk disclosures in US-quoted companies' 10-K reports between 1994 and 2007. Using content analysis for a sample of 28,110 firms year observations, they quantified firm risk disclosures by counting the number of sentences that contain key words (such as 'risk', 'uncertain', 'may', 'might' etc.) and compared year-on-year changes in the level of disclosures. The study found increased stock return volatility and trading volume around and after the (10-K) filings; that increases in risk disclosure are associated with more dispersed earnings forecast and forecast revisions after the filings. These findings suggest that risk disclosures reveal unknown unknowns and increase the market perception of risks and uncertainties.

Elzahar & Hussainey (2012) examine the determinants of narrative risk information in the interim reports for a sample of 72 UK non-financial companies. They use content analysis to measure the level of risk information and the Ordinary Least Squares regression analysis to examine the impact of the potential drivers on narrative risk disclosures. The study found that firm size and industry type have positive association with level of narrative risk disclosure in interim reports while liquidity, gearing, profitability and cross listing have statistically insignificant impact on narrative risk disclosures.

Nargess & Siti-Zaleha (2012) conduct a study to investigate the impact of firm size (total assets), firm complexity, industries, financial leverage (debt/assets ratio), auditor type, board independency, assets opacity (intangible assets to total assets ratio), stock price volatility, institutional ownership and country of domicile, on risk management adoption of 90 Malaysian public listed companies. Using logistic regression analysis, the result revealed that only financial leverage and audit type had a positive and significant influence on Enterprise Risk Management (ERM) adoption in Malaysia.

Musa, (2013) also assesses the effect of company leverage on corporate risk disclosure. Using regressions analysis for data relating to 2010 annual reports of 12 companies, the study concludes that corporate risk disclosure is not significantly related to company leverage.

Onoja, (2014) examines the influence of firm size, profitability, financial leverage, board composition and audit quality on the extent of risk disclosure for 88 listed non-financial firms in Nigeria. Using content analysis and multiple regressions analysis, the study found significant positive and negative relations for firm size and profitability respectively with level of risk disclosure. Financial leverage, board composition and audit quality have statistically insignificant impact on risk disclosures.

Methodology

The study seeks to review empirical literature on voluntary risk disclosure in corporate annual reports. The study adopts qualitative-archival research methodology involving secondary information obtained from journal articles, corporate finance texts and other secondary sources for the review. This approach is informed by the nature of the topic under study. Works of authors from 2004 to 2014 are used for the review.

Summary of Findings

The review of prior studies presented above highlights twin research problems. First, results of the studies are inconclusive as to what are the actual determinants of risk disclosure practices of firms across the globe. For instance, the studies of Mohobbot (2005); Klaus (2005); Linsley & Shrives (2006); Li & Qian-Qian (2010) and Onoja (2014) found a positive and significant relationship between company size and the extent of risk disclosure. Conversely, a negative relationship is found between company size and risk disclosure in the studies of Beretta & Bozzolan (2004); Rajab & Handler-Schachler (2009); Nargess & Siti-Zaleha (2012). While Linsley & Shrives (2006); Rajab & Handler-Schachler (2009); Li & Qian-Qian (2010) and Onoja (2014) documented a negative association between financial leverage and risk disclosure, Klaus (2005); Duemes & Knechel (2008); and Nargess & Siti-zaleha (2010) documented a positive leverage-risk disclosure relationship. Rajab & Handler-Schachler (2009) found a positive industry type-risk disclosure relationship but Beretta & Bozzolan(2004); Nargess & Siti-zaleha (2012) reported a negative relationship. Also, Klaus (2005); Abraham & Cox (2008) and Li & Qian-Qian (2010) confirmed positive as against negative risk-board composition effect documented by Nargess & Siti-zaleha (2012) and Onoja (2014). Furthermore, Klaus (2005) and Nargess & Siti-zaleha (2012) found positive risk-audit quality relation in contrast to negative relation documented by Vandamele et al., (2009) and Onoja (2014). The discrepancies notwithstanding the fact that most of the studies are characterized by methodological similarities in employment of content analysis, regression analysis and sampled companies namely: listed non-financial firms.

Secondly, most of the studies are from developed economy. There are relatively few studies from developing economies, indicating paucity of empirical evidence.

Conclusion

The study reviews extant literature on risk disclosure determinants of companies across the globe. The findings of the study show that there are no globally accepted determinants of risk disclosure. Reasons adduced for this phenomenon include regulatory frameworks, institutional settings and constraints and other peculiarities of countries of study. Also, the study reveals a research gap in the literature in respect of developing economies. The findings imply that the search for empirical determinants of risk disclosure in companies' annual reports still constitute a research issue. Besides suggesting further studies especially in developing economies, the policy implication of this result is that hence risk reporting is voluntary and no globally accepted determinant in sight to influence the content of the disclosure, policy makers should put in place a framework for risk disclosure pattern of companies that would ensure credible, comparable, consistent and easy to follow but tough to escape material risk reporting.

This paper contributes to extant literature by not only extending the frontiers of knowledge on corporate risk disclosure to a developing economy but also give the ongoing debate on the determinants of risk disclosure a global approach towards contributing to the search on convergent risk reporting dynamics.

Reference

Abraham, S. and Cox, P. (2007). Analyzing the determinants of narrative risk information in UK FTSE 100 annual reports. *The British Accounting Review,* 39 (3), 227-248.

Achua, J. K. and Onoja, A. (2013). Management risk disclosures in Nigerian listed companies: A content analysis. African Research Association conference (*AFRA 2013*), 376 - 382

Alvarez, G. (2001), Operational Risk Event Classification, available at http://www.garp.com/resources/presentations.asp retrieved on 12/2/2012

Ame, J. O. (2013). Audit committee effectiveness and audit quality of Nigerian money deposit banks. African Research Association conference (*AFRA 2013*), 48 - 59.

Beretta, S. and Bozzolan, S. (2004).A framework for the analysis of firm risk communication. *The International Journal of Accounting,* 39 (3), 265-288.

Botosan, C. (2006). Disclosure and the cost of capital: what do we know? *Accounting and Business Research*, 31-40.

Brealy, R., Myers, S. and Allen, F. (2006). *Corporate Finance*. New York: McGraw Hill/Irwin.

Cabedo, J. D. and Tirado, J. M. (2004). The disclosure of risk in financial Statements. *Accounting Forum*, 28(2), 181-200.

Carton, S., Loftus, J .F. and Miller, M. C (2003). The challenge of risk reporting: regulatory and corporate responses. *Australian Accounting Review,* 13, (3), 36-51.

Crouhy, M., Galai, D. and Mark, R. (2006).*The Essentials of Risk Management*, McGraw Hill, New York.

Deegan, C and Gordon, B (1996). A study of the environmental practices of Australian corporations, *Accounting and Business Research*, 26 (3); 187-199.

Deephouse, D. L. (1996). Does isomorphism legitimate? *Academy of Management Journal*, 39, (44); 1024-1039.

Depoers, F. (2000). A cost-benefit study of voluntary disclosure: some empirical evidence from French listed companies. *The European Accounting Review*, 9 (2); 245-263.

Deumes, R. and Knechel, W. R (2008). Economic incentives for voluntary reporting on internal risk management and control systems. *Journal of Auditing Practice & Theory* 27 (1), 35-66.

DiMaggio, P. and Powell, W. (1983). The iron cage revisited, institutional isomorphism and collective rationality in organizational fields. *American Sociological Review* 48, 147-160.

Dobler, M., Zeghal, D., and Lajili, K. (2011). Attributes of corporate risk disclosure: An international investigation in the manufacturing sector. *Journal of International Accounting Research,* 10 (2), 1-22.

Elzahar, H. and Hussainey, K. (2012). Determinants of narrative risk disclosures in UK interim reports. *Journal of Risk Finance,* 13 (2), 133-147.

Freeman, R.E. (1984). *Strategic management: a stakeholder approach*, Marshall, MA Pitman.

Giesecke, K. (2004). Credit risk modeling and valuation: an introduction, unpublished manuscript, School of Operations Research and Industrial Engineering. Cornell University, New York.

Hassan, M. K. (2009). UAE corporations-specific characteristics and level of risk disclosure. *Managerial Auditing Journal* 24 (7), 668-687.

Healy, P., and Palepu, K. (2001). Information asymmetry, corporate disclosure and the cost of capital: a review of the empirical disclosure literature. *Journal of Accounting and Economics*, 31, 405-440.

Institute of Chartered Accountants in England and Wales (ICAEW) (1999). No surprises: The case for better risk reporting, London: Institute of Chartered Accountants in England and Wales.

Jensen, M.C. and Meckling, W.H. (1976), Theory of the firm: managerial behaviour agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-360.

Klaus, T. (2005). The extent and determinants of narrative disclosures of risk management in annual reports of UK listed companies. Bournemouth University working paper, 1-62.

Kravet, T., and Muslu, V. (2011). Informativeness of risk disclosure in corporate annual reports. Available online at www.ssrn.com. Retrieved on 2/7/2012.

Lajili, K. and Zeghal, D. (2005). A content analysis of risk management disclosures in Canadian annual reports. *Canadian Journal of Administrative Sciences,* 11 (2), 125-142.

Leuz, C and Wysocki, P. (2006). Capital market effects of corporate disclosures and disclosure Regulation. *Working paper*

Li, D. and Qian-Qian, D. (2010).Determinants of narrative risk disclosures: a content analysis on Chinese public listed companies' annual reports. *International Conference on Engineering and Business Management (EBM 2010),* 3865-3869.

Linsley, P. M. and Shrives, P. J. (2006). Risk reporting: A study of risk Disclosures in the annual reports of UK companies. *The British Accounting Review,* 38 (4), 387-404.

Mahobbot, A. M. (2005) Corporate risk reporting practices in annual reports of Japanese companies. *Japanese Journal of Accounting,* 16 (1), 113-133.

Miller, K. D. (1992). A framework for integrated risk-management in international business. *Journal of International Business Studies* 23(2), 311-331.

Morris, R. O. (1987). Signaling, agency theory and accounting policy choice, *Accounting and Business Research,* 18 (69), 47-56.

Nargess, G. M. and Siti-Zaleha A. (2012). Determinants of enterprise risk management adoption: an empirical analysis of Malaysian public listed firms. *International Journal of Social and Human Sciences,* 6, 277-264

Oliveira, J. S. and Rodrigues, L. L. (2010).Risk reporting practices among non-financial companies: evidence from Portugal. *Managerial Auditing Journal,* 26 (9), 817-839.

Onoja, (2014). Determinants of risk disclosure by listed non-financial companies in Nigeria. Unpublished MSc dissertation, Benue State University, Makurdi

Rajab, B. (2009). Corporate risk disclosure: its determinants and its impact on the company's cost of equity capital. Unpublished PhD thesis, Edinburgh Napier University, UK.

Rajab, B and Handley-Schachler, M. (2009).

Corporate risk disclosure by UK firms: trends and determinants. *World Review of Entrepreneurship, Management and Sustainable Development*, 5 (3), 224-243

Ross, S. A. (1977). The determination of financial structure: the incentive signaling approach. *Bell Journal of Economics,* 8 (1), 23-40.

Servaes, H. and Tufano, P. (2006). The theory and practice of corporate risk management policy, Deutsche Bank Liability Strategies Group.

Shrives, P and Linsley, P (2003). Risk reporting by UK and German companies: towards meaningful disclosure. 26th Annual Congress of the European Accounting Association, Seville: *Working Paper*.

Shocker, E. D. and Sethi, S. P. (1974). An approach to incorporating social preferences in developing corporate action strategies. In: *The Unstable Ground: Corporate Social Policy in a Dynamic Society (ed. S. P. Sethi). Melville Publishing Company,* Los Angeles

Solomon, J. F., Solomon, A and Norton, S. D. (2000). A conceptual framework for corporate risk disclosure emerging from the agenda for corporate governance reform. *British Accounting Review*, (32), 447- 478.

Spencer, A. M.(1973). Job market signaling. *Quarterly Journal of Economics*, 87 (3), 355-374.

Taylor, G. (2011). "Corporate risk disclosure: the influence of institutional shareholders and the audit committee", RMIT University, *Working paper* 1-27.

Ullman, A. (1985). Data in search of a theory: a critical examination of the relationship among social performance, social disclosure, and economic performance. *Academy of Management Review*, 540 – 577.

Vandemaele, S. Verguawen, P. and Michiels, A. (2009). Management risk reporting practices and their determinants: a study of Belgian listed firms. Retrieved on 30/6/2012 from http://doclib.uhasselt.be/dspace/bitstream/1942/9392/2/corporaterisk.pdf.

Watts, R.I. and Zimmerman, J.L. (1986). Positive accounting theory. Englewood Cliffs: Prentice -Hall.

Entrepreneurial Education as an Intervention on Unemployment Reduction in Nigeria: A case of Tertiary Institutions in Nasarawa State

Abdullahi, Dauda
Department of Business Administration and Management,
Nasarawa State Polytechnic, Lafia, Nasarawa State.
Email: daudaabdullahi53@yahoo.com, 08065395981

Goni, Ibrahim
Department of Public Administration,
Ahmadu Bello University, Zaria, Kaduna State.

Omadefu, Pius Osede
Department of Business Administration and Management,
Nasarawa State Polytechnic, Lafia, Nasarawa State.

pp 337-347

Abstract

The paper examined entrepreneurial education as an intervention on unemployment reduction, employing tertiary institutions in Nasarawa State. The paper utilized descriptive and survey designs for this study. Random sampling technique was used for the selection of the population for this study. Percentages, frequency tables and chi-square were used as techniques of analysis. The study observed that entrepreneurial education is capable of impacting positively on unemployment in the country. The study concluded that, a well-crafted entrepreneurial education could be utilized to tackle the problems of the devastating unemployment situation in Nigeria. The study recommends among that government should make it easier for the small scale owners to access the loan facilities meant for the Small and Medium Enterprises (SMEs).

Keywords: Entrepreneurship; education; unemployment; intervention and reductions

Introduction

Unemployment is one of the main problems Nigeria is envisaged with including other developing nations. Statistics have portrayed that youth and service workers comprise of two third of the unemployed in the developing countries (Patterson and Williams, 2006). High level of youth unemployment is one of the major socio-economic problems facing Nigeria, where labour grows with an increase proportion of youth, employment growth is inadequate to absorb the labour market entrants. The inadequate employment situation of youth has a number of socio-economic, political and moral consequences. Most of the unemployed youths could take to crimes such as kidnapping, armed robbery, terrorism, prostitutions and internet frauds and others. International Labour Organization (2008) postulated that the sub-Saharan African region has the highest rate of youth unemployment up to 18.4%, followed by Middle East and North Africa 21.3%(Bennel, 2000).International Labour Organization (ILO) observed that global youth unemployment has increased from 12.4% in 2012 to 12.7% in 2013.Most youth in Nigeria rely on the government for employment. Over the years, government and private sector have made frantic efforts to encourage entrepreneurship policies and programmes to curtail unemployment in Nigeria, but their attempts have not resulted into optimal results, hence the rate of unemployment is on high increase.

National Bureau of Statistics (2013) opined that 54% of youths in Nigeria were unemployed in the year 2012. Thus, the report observed that the population of youths aged between 15 and 35 years in Nigeria is estimated at 64 million. Among the 32different crimes committed by some of the unemployed youths, include; marijuana (Indian hemp) smoking, theft, murder, immigration/emigration and others were ranked in such order of magnitudes. According to Otive (2013), it is obviously shown that no country can banish mass poverty unless it creates millions of new jobs a year in manufacturing and services. He further observed that Nigeria's economic growth has not created meaningful employment as many youths including tertiary institutions' graduates are still unemployed. The economic growth without employment was as a result of the imbalance in policies which do not place premium on labour intensive approach, small holder agriculture and no value added manufacturing. Bush (2013) stressed that the best way to eliminate poverty and unemployment is for a country to build entrepreneurs. He maintained that if you build entrepreneurs, you will build prosperity in the country. And this had worked in United States.

Sanusi (2013) postulated that harsh operating environment in which banks conduct their businesses was hampering the flow of credit to the Small and Medium Scale Enterprises (SMEs) sector. He further observed that it would be unfair to continue blaming the banks for not lending to SMEs in the country with huge infrastructural problems. But, he admitted that lack of credit still remained one of the major challenges to SMEs in Nigeria. Entrepreneurship has been consistently held out as an alternative to traditional economic development strategies policies. Advocate of entrepreneurship based policies suggested that entrepreneurial development generates returns to the public than alternative strategies such as industrial recruitment, or retention and expansion. Thus, developing entrepreneurial skills is a functional strategy to reduce unemployment, creates income targeting on promoting better business environment, and building human capacities that will encourage and support the rural dwellers. Nigerian economy depends on the oil sector, which contributes 95% of the export revenues, 76% of government revenues and about 3rd of gross domestic product (GDP). With its large reserve of human and natural resources, the country has the potential to build a prosperous economy, reduce poverty gravity to the lowest level, and generate employment, vibrant health, qualitative education and infrastructural services to its population needs. In spite the country's oil wealth, poverty is widespread and most Nigeria citizens live in extreme poverty.For instance, China and India each have their own ancient civilizations behind them. It is entrepreneurial spirit that is empowering China and Russia to rise above the gravity of years of poverty. Thus, entrepreneurship could be utilized to break the unemployment cycle. Some developed countries example, United States of America (USA) and others have extensively employed entrepreneurial businesses and skills to produce some marketable products enjoyed by the developing economies. Such products are biotechnology, personal computers, microprocessor and others. These are some of the entrepreneurial efforts which are to some extent reduce unemployment in such developed countries.

With poor micro-economic fundamentals, the real sectors such as agriculture, manufacturing and solid minerals could not have their opportunities in Nigeria. Balogun and Otu (1992) observed that before the advent of oil boom, it is understood that agriculture held the position of generating employment opportunities and supply of raw materials for industries and also a major source of foreign exchange. Even though agriculture is still a major source of job opportunities of which 70% of the population are employed through agriculture, it has lost its position as a source of foreign exchange to oil, as the later accounted for 90% of the nation's incomes despite the sector's minimal absorption of local inputs, including employment. The role of quality entrepreneurial education programmes in job creation and nurturing entrepreneurship potential among the unemployed is becoming apparent to policy makers. The government of Nigeria has come up with series of entrepreneurship development initiatives to reduce poverty and unemployment. The capacity of these programmes to bring about the desired level is still far-fetched. The foregoing has shown clearly that a well crafted entrepreneurial education has the capacity to reduce unemployment to that effect in Nigeria. Hence, many are of the believe that the desirability or otherwise of entrepreneurial education in Nigeria can also be established when it is related in the context of reduction of unemployment the entrepreneurship realise at the end. Against this backdrop of controversy, it becomes very pertinent to investigate the extent to which entrepreneurial education could affect unemployment in Nigeria.

Many literatures were reviewed on the significance of entrepreneurial education as a strategy for breaking unemployment in the country. This present study is intended to add to the blueprints for utilizing entrepreneurial education to break the vicious cycle of unemployment in Nigeria. Consequently, the main objective of the study is to evaluate the effect of entrepreneurial education on unemployment reduction in Nigeria. To achieve this, some selections of students from Nasarawa State Polytechnic, Lafia, and College of Agriculture, Lafia, Nasarawa State were randomly made and questionnaire was administered to them. The choice of the two institutions were necessitated by the fact that the students share similarities in ages, the schools are stone throw to each other and the entrepreneurship as a discipline is taught in the schools as introduced by the regulatory body, National Board for Technical Education (NBTE). The set of questionnaire was analyzed using simple percentages and frequency tables, while the hypothesis was evaluated through the test of proportions through the application of chi-square. This study is premised on the following fundamental hypothesis stated in null form.

Ho_1: Entrepreneurial education has no significant relationship with unemployment in Nigeria.

The following fundamental research question was asked for this study. To what extent does entrepreneurial education affect unemployment in Nigeria? The paper proceeded as follows: section two discussed the existing literature on the concepts of entrepreneurship, unemployment and theoretical framework. Section three elaborated on the methodology upon which the paper is premised. Section four focuses on presentation of data and analysis, and test of hypotheses; and section five concluded the paper and offered far reaching recommendations for the study.

Review of Literature and Theoretical Framework

There are as many definitions of the term entrepreneurship as there are scholars in the field. The term entrepreneurship has often been applied to the founder of a new business, or a person who started a new business where there was none before (Gartner, 1985). Some crucial factors may lead to an increase in a person's desire and decision to commence a business. For instance, factors such as a person's perception of desirability and feasibility of starting a venture (Shapero and Sokol, 1982) or the person's propensity and intention to found a business and his or her sense-making about the environmental forces (Learned, 1992). Brain (2004) postulated that entrepreneurship is the art of finding profitable solutions to problems. Every successful entrepreneur has been someone who's been able to identify a problem and comes up before anyone else does. Alberti, Sciascia and Poli (2004) defined entrepreneurial education as the structured formal conveyance of entrepreneurship competencies which in turn refers to the concepts, skills and mental awareness used by individuals during the process of starting and developing their growth oriented ventures. According to Hauwa (2012) entrepreneurial education equips the learner with skills on decision making, acquisition of new ideas, methods of raising and maintaining conversation and establishing business relationships. Through entrepreneurial education, qualitative ability that facilitates computation and record keeping are further learnt. This started from entrepreneurships centres where people are trained to develop and acquire skills. Schumpeter cited in goggles (2003) asserted that entrepreneur as an innovator who implement change within market through the carrying out of a new combinations. And this takes different forms: the introduction of a new method of production; the introduction of good quality thereof; the opening of a new market; the congress of new source of supply and new materials or parts and the carrying out of the new organization of any industry. Adidu and Olannye (2006) posited that entrepreneurial education is a specialized training given to people to acquire skills, ideas and the managerial abilities and capabilities for self-employment rather than being employed for pay. All the aforementioned definitions have made a modest attempt to define entrepreneurship. Thus, one or two deficiencies could be observed from some of the definitions. This study finds the definition by Adidu and Olannye (2006) as the better one and hence adopted for this study. The definition appeared to be adequate for the purpose of this study and encompasses all the important dimensions to entrepreneurial education.

Unemployment according to Fajana (2000), is referred to a situation in which people who are willing and capable of working are unable to find suitable paid employment. It is one of the micro-economic problems which every responsible government is expected to monitor and regulate. The higher the unemployment rate in an economy the higher would be the poverty level and associated welfare challenges.

More importantly, Schnurr and Newing (1997) justified the need for promoting entrepreneurship culture on the ground that youths in all societies have sterling qualities such as: resourcefulness, initiative, drive, imagination, enthusiasm, zest, dash, ambition, boldness, energy, audacity and courage which are all valuable traits for entrepreneurship development. Sporting this argument, Bennell (2000) maintained that governments, NGOs and International bodies seeking to intervene and improve youth livelihoods could best pursue their empowerment objective by tapping into the dynamism of young people and build on their strong risk-taking ability through entrepreneurship development.

The focus of the paper is unemployment because series of attempt had been made by the government of Nigeria and the third world countries to reduce unemployment and vis-à-vis poverty have given birth to the formation of various unemployment alleviation programmes with the aim of attacking unemployment absolutely. For instance, in Nigeria, most of the unemployment reduction strategies included entrepreneurship programmes, but have suffered several challenges resulting into failure. To mention but few of such schemes are: National Poverty Alleviation programmes (NAPEP); Youth Empowerment Scheme (YES); Rural Infrastructural Development Programme (RIDP); and National Directorate of Employment (NDE).

Theoretical Framework

A number of theories have emerged over the decades to explain what entrepreneurship is and the behavioural effect it has on unemployment. Some of these include the psychological theory of entrepreneurship; sociological theory of entrepreneurship; anthropological theory of entrepreneurship and multidimensional theory of entrepreneurship. However an argument neglected is the effect an effective entrepreneurship framework can create on unemployment.

The economist's perspective of entrepreneurship rests in the structure of the economic incentives that are found in the economic and market environment as relevant to the development of entrepreneurship (Ghana, 1995). Management perspective of entrepreneurship is in congruence with the economic perspective. It emphasizes that entrepreneurial ability resulted from the individual possession of managerial skills that enable him to exploit economic opportunity to obtain an economic gain, in this case, profit. Schumpeter (1943) in Virtanen (2001) observed that the push influences to engage in entrepreneurial activities are impulse from the promises of wealth and the threats of destitute. He further observed that the functional impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprises create. The statement made above stressed on the creation of something new as an important function of motivator-entrepreneur who creates, organizes and operates a new business firm in contrast to organizer-entrepreneur who transforms ideas into economically viable ventures. To this end, the entrepreneur is the innovator who implements change within markets through the carrying out of new combinations, which takes several forms. Thus, Schumpeter equated entrepreneurship with the concept of innovation- an entrepreneurial attribute that moves the market away from equilibrium. Economic influences to entrepreneurship are as follow: unemployment and threat to redundancy caused by early or compulsory retirement and induced need for self-employment. Given the fact that the study is to establish the link between entrepreneurial education and unemployment, the study adopted the economic theory of entrepreneurship as its framework.

Methodology

The population for this study were made up of all the students in tertiary institutions in Nasarawa state, specifically, Nasarawa State Polytechnic, and College of Agriculture, both in Lafia. This Study considered the population of the higher institutions as the sample framework from which 2000 respondents were randomly selected for this study. Odagboyi *et. al* (2009) asserted that a population is a group of individuals of the same species occupying a particular geographical area. This study utilized descriptive and survey design. Descriptive statistics summarize data in graphical, tabular or numerical form (Odagboyi *et. al*, 2009). According to Asika (2010), survey design is focused on population or universe using some techniques of sampling to obtain a sub-set of the population for the study. Precisely, frequency tables, percentages and chi-square were employed in the study for the analysis to establish whether the existing discrepancies between observed and expected frequencies are significant. This study utilized simple random technique for the selection of the respondents for the study.

From this sample, ages between 18-20 (42%) constituted the highest percentage for the distribution of the respondents. Thus, the lowest percentage of the respondents' age distribution is between 20-25 years. It could be concluded that the dominant age group for the respondents is between 25-35 years (22%). Male constituted 230 (68%) of the participants. Female took 70(32%) of the respondents for the study. We concluded that males form the bulk of the respondents for the study. The analysis of the participants show that Pre-ND programmes have 100 (33%); ND programmes have 150 (50%); Pre-HND programmes have 20 (7%); while HND programmes have 30 (10%) for the population of the study. Thus, ND programmes had the highest number of participants for the study.

The study used mainly primary data source only. The data was purely gotten from the questionnaire collected from the respondents for this study. The data collection method for the study employed the use of questionnaire. Odagboyi *et al* (2009) postulated that questionnaire is designed to gather data for answering the research questions, testing research hypothesis as well as attaining the research objective employed to argument the secondary data collected. The sample size for the study was 399 as obtained through the application of the formula. Questionnaire was distributed to the respondents and only 300 of them were filled and returned. The questionnaire was divided into two sections. The first part collected information such as the age, sex, and programmes. Thus, the second part comprised of 8 questions that measure the role of entrepreneurial education as an intervention on unemployment reduction in Nigeria. There were 300 respondents for this study. Their ages range from 18-35 years. The responses were measured along a Likert four-point scale of Agree, Strongly agree, Undecided and Disagree.

In this study, a sample size was drawn on the basis of the following sample adequacy formula expressed by Yamane (1967) as cited by Israel (2006):

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

Where:
N: Population
E: Standard error (confidence interval)
n= Sample size of the population

The percentage formula is given as thus:

$$\text{Percentage: } \frac{n \times 100}{N}$$

Where:
N = Population
n= the desired sample size

Data Presentation and Analysis

The data for this study were collected through the employment of questionnaire. The respondents' responses obtained and the questions forwarded to them were presented, analysed and interpreted as shown below:

Table 1: Do you agree that entrepreneurial education could aid you to set up a small scale business?

Variables	Respondents	Percentage
Strongly agree	130	43
Agree	70	23
Undecided	60	20
Disagree	40	14
Total	300	100

***Source**: Author's Computation, 2014*

Table 1.1 above has shown that 130(43%) and 70 (23%) were of the views that of strongly agree and agree. While 60 (20%) and 40 (14%) were of the opinions of undecided and disagree respectively. We concluded that entrepreneurial education could help a person to set up small business.

Table 2: Do you agree that a person setting up small scale business could start with a small working capital?

Variables	Respondents	Percentage
Strongly agree	140	46
Agree	60	20
Undecided	40	14
Disagree	60	20
Total	300	100

Source: Authors' Computation, 2014

Table 1.2 above portrayed that 140(46%) and 60 (20%) opined that of strongly agree and agree respectively. While 40 (14%) and 60 (20%) were of the views of undecided and disagree. We concluded a person setting up small scale business could start with small capital.

Table 3: Do you agree that government does assist with working capital through its bank?

Variables	Respondents	Percentage
Strongly agree	120	40
Agree	130	43
Undecided	20	6
Disagree	30	10
Total	300	100

***Source**:* Authors' Computation, 2014

From table 1.3 above analysis, 120 (40%) representing strongly agree and 130 (43%) representing agree respectively. While 20 (6%) and 30 (10%) representing undecided and disagree for the analysis of table 1.6 above. We therefore concluded that government does assist most of the small scale business owners with working capital.

Table 4: Do you agree that entrepreneurial education could be used to reduce unemployment in Nigeria?

Variables	Respondents	Percentage
Strongly agree	160	53
Agree	90	30
Undecided	-	-
Disagree	50	17
Total	300	100

Source: Authors' Computation, 2014

Table 6: Do you agree to encourage people to set up small scale business in Nigeria?

Table 1.4 above shown that 160 (53%) and 90 (30%) were of the opinions of strongly agree and agree respectively. While 50 (17%) represented disagree for the analysis. Thus, we concluded that entrepreneurial education could be utilized to reduce unemployment in Nigeria.

Table 5: Do you agree entrepreneurial education could be used to create jobsby the students after graduation?

Variables	Respondents	Percentage
Strongly agree	140	46
Agree	60	20
Undecided	60	20
Disagree	40	14
Total	300	100

Source: Authors' Computation, 2014

Table 1.5above depicted that 140 (46%) and 60 (20%) represented strongly agree and agree for the analysis. While 60 (20%) and 40 (14%) were of the opinions of undecided and disagree respectively. Thus, the study concluded that entrepreneurial education could be used to reduce the gravity of unemployment in Nigeria.

Table 6: Do you agree to encourage people to set up small scale business in Nigeria?

	Respondents	Percentage
Strongly agree	130	43
Agree	75	25
Undecided	35	12
Disagree	60	20
Total	300	100

Source: Authors' Computation, 2014

From table 1.6 above, 130 (43%) and 75 (25%), representing strongly agree and agree respectively for the study. While 35 (12%) and 60 (20%) constituted undecided and disagree for the analysis. We concluded that most of the respondents were willing to encourage others who are interested in setting up small businesses in Nigeria.

Table 7: Do you agree that starting small scale business requires patience and perseverance?

Variables	Respondents	Percentage
Strongly agree	170	57
Agree	70	23
Undecided	-	-
Disagree	60	20
Total	300	100

Source: Authors' Computation, 2014

Table 1.7 above depicted that 170 (57%) respondents, representing strongly agree and 70 (23%) respondents, representing agree. While 60 (20%) representing disagree and there was no response from undecided. It was concluded that commencing small business required such variables as patience, perseverance and others not captured by the study.

Table 8: Do you agree that entrepreneurship could be used to improve standard of living of the citizens?

Variables	Respondents	Percentage
Strongly agree	150	50
Agree	50	17
Undecided	40	13
Disagree	60	20
Total	300	100

Source: Authors' Computation, 2014

Table 1.8 above depicted that 150 (50%) respondents, representing strongly agree and 50 (17%) respondents, representing agree. While 40 (13%) representing disagree and 40 (13%), representing undecided respectively for the study. We concluded thatawell crafted entrepreneurial business could help to improve the standard of living of Nigerian citizens.

Test of Hypothesis

The chi-square below was utilized to test the hypothesis at 5% level of significance.

Ho_1: Entrepreneurship has no significant relationship with unemployment in Nigeria

Table 1.9: Chi-square test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.839[a]	6	.000
Likelihood Ratio	87.517	6	.000
N of Valid Cases	600		

Source: Computed using SPSS version 17

Table 1.10 above depicted the chi-square results from the computer using SPSS computer package. The calculated value of chi-square in the table above is given as 62.839 which is greater than the table value. The null hypothesis is therefore rejected and the alternative accepted. This has portrayed that there is a significant relationship between entrepreneurial education and unemployment reduction in Nigeria.

The above result means that:

(a). Entrepreneurial education is a tool for unemployment reduction in Nigeria.
(b). Entrepreneurial education contributes to the growth of economy.
(c). Entrepreneurial education is a tool for knowledge transfer.
(d). Entrepreneurial education is a tool for policy makers to tackle unemployment in the country.

Conclusion

Combating the challenges of the skyrocketing unemployment level in developing economies of which Nigeria is inclusive is a major task to the policy makers and the business managers alike. The aftermath of the growing unemployment phenomenon are such damning that no economy can afford to neglect. Such implications are glaring in Nigerian economy where many negative developments are traceable to the non-availability of jobs for the teaming youths' population. Thus, the need to address this ugly trend is of paramount important. This study evaluated entrepreneurial education as intervention to unemployment reduction in Nigeria. The results of the study for the hypothesis has depicted that there is a significant relationship between entrepreneurial education and unemployment reduction in Nigeria. This is consistent with the study of Tende and Barde (2013).The implication of the finding is that a well-crafted entrepreneurial education has the capacity to reduce the gravity of unemployment to a reasonable level.

Recommendations

From the results and conclusion reached from this study, the following recommendations were made.

I. Government should take drastic actions on infrastructural development in the country. For instance, the epileptic supply of electricity is increasing the tempo of the growth of the mortality rates of small scale businesses in Nigeria. The dwindling generation capacity of the new power firms is far below the power needs of the small scale businesses. Despite the huge sum of money sunk by the government to revamp the ailing power sector, there has been no sign of improvement. This is capable of affecting the growth of the small scale industry. It has become imperative for the government to encourage the growth of the industry.

ii. Government should make it easier for the small scale owners to access the loan facilities meant for the Small and Medium Enterprises (SMEs). The cumbersome procedures involved in obtaining the facilities would deprive most of the small business owners to getting the loans, thereby discouraging the growth of SMEs in Nigeria.

iii. Finally, corruption which is one of the major sources of hindrance to the nation's development should be attacked with sincerity. This is because the failures of most of the projects embarked upon by the successive governments to reduce poverty and unemployment in Nigeria were as a result of corruptions. Thus, the government agencies responsible for combating corruptions should be invigorated to carry out their legitimate duties without interferences. For example, Economic Crime Commission (EFCC), Independent Corrupt Practices and other Offences Commission (ICPC) and others not mentioned.

References

Alberti, F.,Sciascia, S. And Poli, A. (2004). *Entrepreneurship Education;* Notes on an ongoing debates proceedings of the 4th Annual International Entrepreneur Conference, University of Napoli: Federico 11, Italy, 4-7 July.

Asika, N. (2010).*Research Methodology in the Behavioural Sciences.* Lagos: Longman Nigeria Plc.

International Labour Organization (2013).Why FG'S job creation has not reduced Unemployment.

Adidu, F.A.,&Olannye, P.O. (2006). Basic Small Business Entrepreneurship. A modern Approach. Agbor, Delta State: Royal Pace Publications.

Bennell, P. (2000). Improving Youth Livelihoods in SSA: A review of Policies and Programmes with particular emphasis on the link between Sexual behavior

Bush, G. (2013). George Bush urges Nigerians to hold to Leaders to Accounts. Daily Trust Newspapers, Friday 13th, December, Pg. 4.

Fajana, S. (2000).Functioning of the Nigerian Labour market: Lagos, Labonfin and Company.

Gartner, W.B.(1985). A conceptual Framework for Describing the Phenomena of New venture Creation, Academy of Management of Review, 10.

Google (2003).*Definition of entrepreneurship on the web*, retrieved on 28th November 2003 from http://www.google.com/research

Gana,. S. S. (1995). *Entrepreneurship*. Jos: Jofegan Associates

Hauwa'u, M. M. (2012). The Role of Entrepreneurship Education in National Development. *Journal of Entrepreneurship Research*. Entrepreneurship Development Centre. Nasarawa State University, Keffi, Nasarawa State.

International Labour Organization (2013). Why FG'S job creation has not reduced unemployment.

Israel, O. (2006). *Forecasting and time series: An applied Approach, Third Edition, Duxbury Press Belmont, C.A.*

National Bureau of Statistics (NBS, 2013). 54% of Nigerian Youths were Unemployedin 2013.Daily Trust Newspapers. 19th, December, 2013. Pg. 11.

Otive, I. (2013). Why Nigeria's economic growth hasn't reduced Poverty. Daily Trust Newspapers. PP, 18.

Odagboyi *et al* (2009). *Research Methodology in Education"*.Jos:*EhindaroNigeria*.

Osuala, E.C. (2005). *Introduction to Research Methodology.* Onitsha: African First Publisher.

Shapero, A., & Sokol, L.(1982). The social dimensions of entrepreneurship. In C.A. Kent, D.L. Sexton, &K.H. Vesper (Eds), Encyclopaedia of Entrepreneurship: Prentice Hall Eglewood Cliffs, NJ

Peterson, R. And Williams, N. (2006).Raising Risks takers. *Metropolitan Toronto Business Journal,* 75(7), 30-34.

Schumpeter, J.A. (1943).The Theory of Economic Development. Cambridge: University Press.

Sanusi, L.S. (2013). Why banks can't give loans to SMEs-CBN. *Daily Trust Newspapers.* Wednesday, 11th, December. PP. 18.

Schnurr, J.&Newing (19997). A Conceptual and Analytical Framework for Youth Enterprise and Livelihood Skillss Development: Defining and IDRC Niche, IDRC, Canada.

Tende, B.A., and Barde,E.A.(2013).Youth Uneployment and the Urban Informal Sector: A Critical Analysis. *Journal of Entrepreneurship Research*. Entrepreneurship Development Centre. Nasarawa State University, Keffi, Nasarawa State.

Virtanen, M. (2001).The Role of Differnt Theories in Explaining Entrepreneurship. Retrieved 10, 4, 2004, from www.usage.org/proceedi 2-ngs/1997/p109.

Appendix
QUESTIONNAIRE

Iam conducting a research on how to reduce unemployment in Nigeria. Your assistance and corporation is highly solicited.

Please tick as appropriate

1. What is your age?
   (a). 18-20yrs (b).20-25yrs (c).25-35yrs
2. What is your sex?
   (a). Male (b). Female
3. What is your programme of study?
   (a) Pre-ND (b).ND (c).Pre- HND (d).HND.
4. Do you agree that entrepreneurial education could aid you to set up a small scale business after graduation?
   (a).Strongly agree (b). Agree (c). Undecided (d). Disagree
5. Do you agree that a person setting up a small scale business could start with a small working capital?
   (a).Strongly agree (b). Agree (c). Undecided (d). Disagree
6. Do you agree that government does assist with working capital through its bank?
   (a).Strongly agree (b). Agree (c). Undecided (d). Disagree
7. Do you agree that entrepreneurial education could be used to reduce unemployment in Nigeria?
   (a).Strongly agree (b). Agree (c). Undecided (d). Disagree
8. Do you agree to encourage people to set up small scale business in Nigeria?
   (a).Strongly agree (b). Agree (c). Undecided (d). Disagree
9. Do you agree that starting small scale business requires patience and perseverance?
   (a).Strongly agree (b). Agree (c). Undecided (d). Disagree
10. Do you agree that entrepreneurial education could be used to improve the standard of living of the citizens?
    (a).Strongly agree (b). Agree (c). Undecided (d). Disagree