Examining Sexual Harassment Experiences in the Ghanaian Work Environment: Behavioral Responses and Effects on both Women and Men

Josephine Ganu, Ph.D
Adventist University of Africa
Private Bag Mbagathi, 00503 Nairobi, Kenya
Email: ganuj@aua.ac.ke. Phone: +254 736656839

and

Peter Agyekum Boateng
Valley View University
Adenta, Ghana
Email: pitaboat@yahoo.com. Phone: +233 246546477

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Abstract

This paper examines the prevalence of sexual harassment at the workplace in Ghana and ***determines*** *how both males and females react to such behaviors. The study also ascertains the extent to which cases of sexual harassment are reported by the victims in Ghana and finally, examines the relationship between gender and employees' response strategy and the negative impact of sexual harassment on both men and women workers in Ghanaian work environment. A survey research, convenient sampling technique was adopted for this study. Data was collected with a closed ended questionnaire from 324 respondents within the metropolitan area of Tema in Ghana. The study revealed that sexual harassment is still prevalent and incidence report is very low. Men and women tend to perceive and react to sexual harassment differently, but women are negatively affected mostly. Multiple response frequencies and chi square analysis was utilized. The study outcome supports the conclusion that the seriousness of sexual harassment is far beyond any individual employee. Thus, the damaging effects of sexual harassment have direct impact on the overall image and financial stability of an organization and a country's economy in the long run. Nations, businesses, and individuals are therefore encouraged to conglomerate and tighten their fronts against workplace sexual harassment. Policy makers and individuals may consider such actions as institutionalizing a zero tolerance culture, establishing clear procedures for handling sexual harassment grievances, ensuring strict confidentiality in handling these issues, establishing units that provide support for affected individuals, and encouraging employees to courageously confront sexual harassers.*

Keywords: *sexual harassment, workplace, employees, quid pro quo, hostile environment.*

Introduction

Sexual harassment is increasingly catching the attention of many, due to its dilapidating impact on society. Hence, many nations are now coming up with laws prohibiting sexual harassment in the workplace and elsewhere. *In Ghana, though there are* legal provisions on sexual harassment; many Ghanaians do not think sexual harassment is a serious matter that infringes on the right of individuals. Thus, the issue is not openly discussed and often regarded as trivial. Interestingly, provisions on sexual harassment in Ghana are found in the Labor Act, 2003 (Act 651, section 175), Domestic Violence Act, 2007 (Act 732, section 42) and the 1992 Constitution of Ghana. For instance, the Labor Act of Ghana specifically defines sexual harassment as "any unwelcome, offensive and importune sexual advances or request made by an employer or supervisor officer, or co-worker to a worker, whether the worker is a man or a woman (Act 651, section 175).In spite of the legal provisions in Ghana, sexual harassment is prevalent and often confused with courting or playful flirting (Bortei-Doku, 2004). In addition, majority of the victims do not formally report their experiences to management for redress. About 95% of the cases go unreported (Andoh, 2001). Most victims try to handle the issue on their own for a variety of reasons, including the social stigma attached to harassment cases, fear of the consequences of reporting, high ignorance of human rights among employees, unprofessional and insensitive manner in which complaints are generally dealt with in organizations and lack of laid down channels for filing complaints of sexual harassment (Andoh, 2001). Factors that contribute to such situation may include a lack of awareness of what constitutes sexual harassment, the absence of advocacy groups, lack of enforcement of legislation, fear of humiliation, lack of prove, blacklisting among others (Zimbroff, 2007). Thus, **sensitization and education on this issue is very low. More so,** due to the high unemployment rate in Ghana, women are often confronted with sexual harassment in order to secure and maintain their employment status. Some females who manage to get employed are constrained to tolerate the unacceptable sexual behaviors on the job so as to keep their jobs. On the other hand, other female employees deliberately engage men in authority through a variety of means to be related to them sexually so that they could get certain employment-related benefits such as salary increment, promotion or transfer; or for some other economic, religious, social and/or political benefits (Andoh, 2001).

While prevalence of sexual harassment has been investigated in Ghana to some extent **(Andoh, 2001;** Bortei-Doku, 2004; Coker-Appiah and Cusack, 1999), the gender factor has garnered little empirical attention. Consequently, the current study extends previous research by exploring sexual harassment experiences, behavioral responses and its effects on both males and females employees. The fundamental research question therefore is whether male and female targets are likely to perceive sexual harassment differently since men and women are subject to cultural forces, which shape their experiences of harassing behaviors.

To this end, the study seeks to examine the prevalence of sexual harassment at the workplace in Ghana and determine how males and females react to such behaviors. It also ascertains the extent to which victims report sexual harassment cases and the possible reasons why most cases are not reported. Finally, it examines the degree of impact of such harassment on both men and women in the Ghana work environment under study. Accordingly, null hypotheses were formulated to test whether there is a significant association between gender and behavioral responses to sexual harassment; as well as gender and the significant negative impact sexual harassment in Ghanaian work environment.

It is expected that the outcome of this study will benefit policy makers, corporate Ghana and employees as well. Thus, this study raises concern and awareness that will for

instance enable organizations and policy makers in Ghana create a secured workplace environment to protect all employees.

Conceptual Clarification and Theoretical Framework

Sexual Harassment

Sexual harassment has been defined in several ways, but the bottom line is that sexual harassment is un-welcomed and offensive. It has both legal and social connotations. Broadly defined, there are at least two main dimensions of sexual harassment.

1. Quid Pro Quo is a Latin phrase meaning 'this for that' or 'something for something' in exchange between parties where one is asked to provide sexual favors in return for something else. This applies to situations where meeting someone's sexual demands is a condition of employment or advancement (Kearney & White, 1994). *Quid pro quo* harassment also refers to threats or promises of job-related consequences resulting from withholding or giving of sexual favors. The demands for such favors may be explicit or implicit, but the job benefits to be gained or lost must be tangible (e.g., promotion, job retention or loss, desired assignments, transfer). Even a single act of *quid pro quo* harassment is actionable and it entails threats to make employment-related decisions such as promotion and hiring.

2. Hostile environment - The hostile environment type of sexual harassment, by contrast, occurs where a work environment becomes so intimidating, hostile, or offensive. The issue with hostile environment is the sexual behavior that gets in the way of someone doing his or her job, or makes the working environment very uncomfortable. Thus, it involves sex-related conduct that interferes with an individual's work performance or creates an offensive environment (O'Leary-Kelly et al, 2009). Hostile environment sexual harassment encompasses a wide range of behaviors including displays of sexually-explicit materials, sexually- charged or demeaning jokes, derogatory names or epithets, physical advances, repetitive requests for dates, repeated comments on physical appearance, and sexually-charged body language or facial expressions (Fitzgerald, 1993). This is the psychological perspective that observes sexual harassment as "unwanted sex-related behavior at work which is perceived by the recipient as offensive, exceeding her resources, or threatening her wellbeing" (Fitzgerald *et al*, 1997:15). Again, Fitzgerald (1996) defines sexual harassment as unwanted gender-based comments or behaviors with three subtypes: Gender harassment refers to behaviors that belittle an individual on the basis of her or his gender (e.g., comments that insult women's intelligence; comments regarding behaviors such as a "real man" would do); unwanted sexual attention (unwelcome, offensive interest of sexual nature such as unwanted touching or repeated requests for dates); and sexual coercion that attempts to coerce a sexual relationship in exchange for job-related threats or benefits such as promising a promotion if the target engages in sexual activities. According to International Labor Organization (2010), sexual harassment at work is measured using ten different experiences thus:

Table 1: *Metrics of Sexual Harassment at Work*

1. Being repeatedly stared at the sensitive part of the body or being stared with asexual nature for a long time by others.
2. Being physically approached by others intentionally.
3. Being sexually teased or hinted by others through telephone, mobile phone ormail by others.
4. Being sexually abused by others.
5. Being offered benefits by others in return for a sexual favour.
6. Being exposed to obscene behaviour by others, including gesture and exposureof sexual organs.
7. Being forcefully petted by others.
8. Being forcefully hugged by others.
9. Being forcefully kissed by others.
10. Being forced into sexual intercourse by others.

Source: *ILO (2010). Survey Report on Sexual Harassment at Workplace*

It is important to mention that the use of technology continues to increase in organizations, bringing with it new avenues for sexual harassment. For instance, **"textual harassment"sending offensive or inappropriate text messages to coworkersis on the rise (Parker-Pope, 2011). Contemporary social media technologies (e.g., Facebook, Twitter, blogs, etc.) are also conducive avenues for harassment.** In sum, sexual harassment involves privacy invasion, or access to the self beyond what it is desired. It is distinct from romantic relationships that are consensual. Thus, the major element in defining a behavior as sexually harassing is that the recipient finds the behavior unwelcome and offensive.

Theoretical Framework

Several attempts to characterize sexual harassment have resulted to different theories. However, the guiding framework for this study is largely linked with theories relating to power and culture. Harassment sexual or otherwise is normally about power (Robbins & Judge, 2013; Kearney and White, 1994). Power inequality facilitates sexual harassment, and sexual harassment reinforces power inequality. Thus, the power to make others do things they do not want to do which makes them feel demeaned, insulted, intimidated or even threatened stems from power inequality. Sexual harassers use sexual language and create a tensed environment in attempt to dominate their targets. These things are done against the will of the person being harassed and in a way designed to offend him/her. Andoh (2001), writing specifically on workplace harassment in Ghana noted that about 74% of female employees and 42% of male employees in the sample had been harassed at work in the past. He linked this to the power games that go on between superior males and subordinate females, where the latter are offered rewards for sexual favors, or are victimized for failing to comply with such demands. Alternatively, female workers may gain advantage by offering sexual favors to men in positions of authority. In Ghana, men mostly control the means of economic survival and this control may be used to coerce working women sexually. This is because women in Ghana are generally more economically dependent on men than vice-versa.

More so, sexual harassment is a product of culturally legitimated power and status differences between men and women (MacKinnon, 1979). Cultural values and beliefs about men and women's appropriate status, roles and inherent worthiness drives a man to act as a sexual agent and treat a woman as a sexual object even when he lacks organizational or economic power over her. Accordingly, sexual harassment in the workplace may be seen as a direct derivative of the power differences attributed to males and females in the labor market in particular, and in the larger society. Since Ghanaian women are in various ways socially vulnerable, they are more likely to become the targets of harassment in the workplace. The predictable result of this type of societal arrangement is that men are the most powerful actors in the labor market and, as such, women hold less

power than men and are, therefore, more likely to be targets of sexual harassment because of this lack of power (Kohlman, 2004). These power differences can also be attributed to the Ghanaian culture of patriarchy and male dominance where men make the rules, retain responsibility for enforcing all of these rules, which tend to grant the greatest amount of rewards to men. Hence, sexual harassment is a product of culturally legitimated power and status differences between men and women in Ghana.

Methodolody

Participants

The study adopted a survey research technique and an initial sample of 500 employees working in both public and private firms within Tema Metropolis in Ghana. The 500 respondents from three public and twelve private firms were selected using the convenience sampling technique. This technique was deemed appropriate due to the sensitive nature of the study. In Ghana, most people in general would not engage in discussions of sexual nature. Hence, only those who were approached and willing to participate in the study were included. This allowed the respondents to participate in their own volition.

From this sample, 54% were males and 46% were females. Most of the respondents (43%) had bachelor's degree and 33% had Higher National Diplomas (HND); 10% had attained secondary level, 9% had Masters Degree and the remaining 5% had acquired other forms of education in professional certificates.

Research Instrument

The questionnaire for the study was self-constructed and pilot tested on 60 respondents outside the study area. The questionnaire was mainly divided into five parts based on the objectives of the study. It was primarily closed-ended questions structured in multiple choice format that asked respondents about sexual harassment encounters, reasons for (or not) reporting such cases, their reaction to such situation and effects on them.

The questionnaires were administered directly and physically to the sampled respondents. However, only 324 (64.8%) copies of the questionnaires were retrieved and used for the study.

Data analysis:

The study utilized descriptive statistics including frequencies and percentages as well as Pearson's Chi-square analysis to determine the relationship between gender and behavioral response to sexual harassment and whether male and female employees are affected differently. This statistical procedure was viewed as the optimal statistical procedure to use because the variables involved are categorical data. In addition, the sample size per cell was more than five. Therefore, the assumptions for utilizing a chi-square were met. A priori rejection limit of the null hypothesis was set to p-value of $\leq$=0.05. The data were analyzed using the SPSS, version 21.

Results

Table 2: *Multiple Response Frequencies of Sexual Harassment Encounters of Males and Female Employees n= 324*

Forms of Sexual Harassment	*f*	Male (%)	Female (%)
Sexual assault	**106**	**32**	**68**
Offensive words	96	29	71
Career threats	78	42	58
Comments on p hysical appearance	158	53	47
Dirty jokes	118	56	44
Questions on sex life	42	38	62
Sexual suggestions/invitation	62	32	68
Sound to incite lust	44	45	55
Sexual jokes via email	22	18	82
Starring at body part	120	48	52
Displaying sexual images	128	50	50
Exposed to private parts	114	53	47
Sexual gestures	140	50	50
Touched parts of body	88	32	68
Standing too close	58	38	62
Forcibly kissed	128	58	42

Source: *Field Data, 2012*

Table 2 shows multiple response frequencies of respondents who have experienced specific forms of sexual harassment in their workplaces. The multiple responses imply that respondents encountered different and multiple forms of sexual harassment, which are not mutually exclusive. Thus, the results show that the most frequently encountered form of sexual harassment in the workplace are comments on physical appearance(*f* = 140), sexual gestures (*f* = 140), display of sexual images (*f* = 128), forced kisses (*f* = 128), starring at body parts (*f* = 120) respectively.

When compared between male and female respondents, the results show that males mostly encounter forced kisses (58%), dirty jokes (56%) and comments on their physical appearance (53%). On the other hand, majority (82%) of female employees are confronted with sexual jokes via emails, offensive words (71%), sexual assault (68%), touching body parts (68%) and sexual invitations or suggestions.

From the analysis above, the prevalence rate is rather lower among male employees as compared to female employees. On the whole, since more than 50% of both male and female respondents suffer one form of sexual harassment or the other in their work places, the prevalence rate is therefore concluded to be high in Ghanaian work environment. This result also underlines the point that sexual harassment is not merely a problem faced by women.

Table 3: *Descriptive Statistics on Reporting Sexual Harassment Cases n = 314*

Report Sexual Harassment	Males (*f*)	Females (*f*)
Yes	50	52
No	122	90
Total	172	142

Source: *Field Data, 2012*

Table 3 shows the number of respondents who report sexual harassment cases to authorities in the organization. 10 respondents did not indicate whether they report sexual harassment cases or not. Although several institutions in Ghana have stepped up their efforts to educate people about sexual harassment as a social problem and a legal

issue, shockingly only few men and women ever report sexual harassment incidence. Table 3 indicates that most employees especially men do not report sexual harassment incidence. A follow-up question revealed that many do not report such cases due to several reasons outlined in Table 4. Why do sexual harassment victims keep quiet?

Table 4: *Multiple Response Frequencies on Why Male and Female Employees do not Report Sexual Harassment Cases n = 324*

	f	Male (%)	Female (%)
I didnt know about sexual harassment	112	52	48
I didnt know what to do	108	50	50
Im afraid	54	44	56
The harasser is nice to me	66	33	67
I owe him/her past favors	104	58	42
Cultural respect	84	64	36
Harasser has prominent social standing	115	57	43
Ineffective grievance procedures	118	58	42
If not rape, nothing can be done	104	60	40
Harasser has influence over my career movement	126	48	52
Nobody will believe me	106	40	60
Fear of blame/stigmatization	70	40	60
Ashamed o f it	118	60	40
Fear of loosing job	116	59	41
Fear of not being promoted	142	55	45
Protecting the harasser	126	54	46
Enjoy being harassed	120	50	50

Source: *Field Data, 2012*

Results from the multiple response data analysis in Table 4 imply that male employees are not likely to report sexual harassment cases mostly due to 'cultural respect' for the harasser (64%, *f* = 84), they are ashamed of the incidence (60%, *f*= 118) and they also believe that if the issue is not rape, nothing can be done about it (60%, *f* = 104). In addition, male workers would not report because they are afraid of losing their job (59%, *f* = 116), they believe grievance procedure in the workplace is ineffective (58%, *f* = 118), they owe past favors (58%, *f* = 104) and they actually enjoy being harassed (50%, *f*= 120).

In contrast, female employees do not report sexual harassment cases because the harasser is nice to them (67%, *f*= 66), nobody will believe them (60%, *f* = 106) and fear of blame or stigmatization (60%, *f*=70). Besides some female workers are too afraid (56%, *f*= 54) to report and others (50%, *f* = 120), also enjoy being harassed.

Hypotheses Testing

H_{01}: There is no significant relationship between gender and their behavioral responses to sexual harassment:

Table 5: *Chi-Square Results of Gender & Response to Sexual Harassment Incidence*

Targets' Response	*f*	Male (%)	Female (%)	Chi-Square	d.f.	Sig (p)
Ignore	**316**	**16**	**39**	**20.531**	**1**	**.000***
Try to avoid	308	45	44	0.028	1	.867
Cope	312	8	14	0.003	1	.083
Protector	310	20	26	1.434	1	.231
Protest	312	44	43	0.000	1	.986
Quit	306	49	47	0.167	1	.682

* = $p < .05$

Table 5 shows how male and female employees manage sexual harassment situations as regards to their behavioral response or reaction toward such harassment. From Table 5, the study revealed that generally, there is no significant difference between how males and females respond to sexual harassment. Most men and women would either quit their job, avoid the situation or protest. However, the chi-square test analysis revealed that there is a significant association between gender and the response (ignore), X^2 (1,N=316) = 20.531, = p = 0.000 (an alpha level of 0.05 was adopted for the study). As seen in the table, 39% of the female employees out of 316 respondents choose to ignore sexual harassment incidence, compared to only 16% of the males. Thus, females are more likely to ignore sexual harassment advances or behaviors than male employees. **On the evidence of the above results, the null hypothesis stating that there is no significant difference** between male and female employees in terms of behavioral response (ignore) is rejected.

H_{02}: The negative impact of sexual harassment has no relation with gender in Ghanaian work environment

Table 6: *Chi-Square Results of the Effect of Sexual Harassment on Victims*

Effects	N	Male (%)	Female (%)	Chi-Square	d.f.	Sig
Loss of self esteem	316	16	38	18.369	1	.000*
Mistrust	312	17	23	1.421	1	.233
Anxiety	306	35	19	9.785	1	.002*
Depression	312	15	16	.021	1	.884
Bad temper	312	15	36	17.727	1	.000*
Stress -related illness	312	44	31	5.307	1	.021
Anger	312	22	20	.203	1	.653
Fear-insecure	**312**	**45**	**40**	**.901**	**1**	**.342**
Guilt	312	47	49	.131	1	.717
Impaired judgment	306	44	49	.388	1	.533
Reduced motivation	312	40	34	.910	1	.340
Feeling of humiliation and shame	312	36	43	1.503	1	.220
Pain	312	35	40	.865	1	.352
Deteriorated relationships	316	30	21	.055	1	.814
Quarrel with spouse & children	316	16	40	10.725	1	.001*
Lowered work speed	316	17	35	12.379	1	.000*
Nervousness	316	42	42	.001	1	.972
Confusion	314	15	31	11.308	1	.001*
Frequent mistakes	316	8	21	10.538	1	.001*
Boredom at work	316	38	44	1.194	1	.275
Increased absenteeism	316	42	40	0.081	1	.776
Thoughts of suicide	316	40	35	0.776	1	.378
Absent minded	314	20	23	0.359	1	.549
I feel happy/excited about it	314	11	13	0.281	1	.596
Lost job	312	8	19	7.515	1	.006

Note: $p < .05$.

Although previous studies have demonstrated the relationship between frequency of sexual harassment and its negative outcomes, the differential effects on both men and women is a missing link. Therefore, the study examined the association between gender and the resulting effects of harassment.

A chi-square analysis in Table 6 shows the relation between gender and the specific negative effects of sexual harassment on males and females employees. Thus, there is a significant association between gender and loss of self-esteem, X^2 (1,N=316) = 18.369, = p = 0.000; anxiety, X^2 (1,N=306) = 9.785, = p = 0.002; bad temper, X^2 (1,N=312) = 17.727, = p = 0.000; quarrel with spouse and children, X^2 (1,N=316) = 10.725, = p = 0.001; lower work speed, X^2 (1,N=316) = 12.379, = p = 0.000; confusion, X^2 (1,N=314) = 11.308, = p = 0.001; frequent mistakes, X^2 (1,N=316) = 10.538, = p = 0.001.

Accordingly, the null hypothesis which suggests that there is no association between gender and self-esteem, anxiety, bad temper, quarrel, lower work speed, confusion and frequent mistakes is rejected.

The results from Table 6 show that women are negatively affected by sexual harassment more than men. Women mostly suffer from psychological effects such as loss of self-esteem, anxiety, bad temper, confusion which are manifested physically through quarrels (with family members), lowered work speed and frequent mistakes. Men also suffer from stress-related illness, impaired judgment, reduced motivation, nervousness, increased absenteeism and suicidal thoughts.

Discussions

Based on the result of the data analysis, it was observed that sexual harassment is more prevalent among female workers than the male workers in most workplaces in Tema metropolis. The common forms of sexual harassment that are frequently experienced by female employees include sexual jokes, offensive words and sexual assault. According to Kearney and White (1994), there are at least four reasons why women label or perceive an environment hostile or offensive more quickly than men. First, women are more likely than men to be victims of sexual and domestic violence. Women in every society are vulnerable and more likely than men to be sexually abused as children and raped as adults (WHO, 2013 fact sheet No. 239). According to the United Nations 2010 World Women's report, the rate of women experiencing physical violence at least once in their lifetime varies from 12% to over 59% depending on where they live. Around the world, at least one in three women will either be physically or sexually abused during her lifetime. Harassment against women throughout their life cycle is a manifestation of the historically unequal power relations between women and men. It is perpetuated by traditional and customary practices that accord women lower status in the family, workplace, community and society. The average woman knows these statistics, accordingly, unwanted sexual compliments or expression of interest at the workplace are problematic and uncomfortable for most women.

Secondly, there is a long history of discrimination against women based on the idea that they are inferior to men. Discrimination against women in the developing world is a devastating reality. Women live in a 'new' world whereby it is universally accepted that women are equal to men. However, with the long struggle and history of male domination, many women are offended by comments or actions that recall any aspect of male domination. Thirdly, men regularly intrude upon women. Naturally, men are attracted to women. Fourthly, in deciding when a comment or joke is appropriate, women place more emphasis than men do on the context. Most women seem to draw distinct boundaries than men do between the world of work and the world of sex.It is also important to note that although women are far more likely vulnerable to sexual harassment, men can be victims as revealed in the study.

As revealed in the study, both male and female employees do not report sexual harassment cases. One of the major reasons why women in particular do not report sexual

harassment incidence is due to the socio-cultural constraints. The Ghanaian society is generally organized along the patriarchal system, which upholds the overriding power of men over women. Hence, societal culture discourages the discussion of sexually related issues in public and women are stigmatized for identifying themselves as being sexually active and aggressive. As a result of the embarrassment within the society, many targets of harassment find it very difficult and highly uncomfortable to report their experience for fear of humiliation (Ige and Adeleke, 2012).

On the other hand, despite the popular myth of male supremacy, the average man in the twenty-first century does not feel that being male brings them more advantages and opportunities in life than being female. On the contrary the average man experiences life as being dominated by people or circumstances beyond his control. An example in Ghana is not publicly expressing any feelings that could be construed as weakness. Therefore, a male employee will rather not report any sexual harassment issues affecting him in order not to be described as a weak fellow. Also, while women experience more violence at the hands of men, men experience more blame at the hands of women. Furthermore, there are strong social norms that put men in an awkward position to women in a conflict. For instance, a woman's attack against a man is taken less seriously than a man's attack against a woman. As a result, if a man complains of being harassed by a woman, he takes considerable risks such as being laughed at, mocked, distrusted or perceived as weak.

Madera et al (2007) also found that men who complained of sexual harassment were believed less, liked less and punished more than women who complained. Further, the tendency to believe and like female complainants is stronger when they are perceived as physically attractive (Golden et al., 2001; Madera et al., 2007). Consequently, both males and females have different reasons why majority do not report sexual harassment cases.

More so, it is interesting to note that women and men respond differently to sexual harassment cases. Since women in Ghana mostly ignore sexual harassment cases as a response strategy, it is logical for them to suffer severe psychological impact especially when they believe that the problem will persist or remain unchanged. This can be a very stressful situation that may exceed the resources of the target due to the cultural and power imbalance between men and women in Ghana.

Implication of Findings to Research and Practice

The negative effects of sexual harassment have direct impact on the overall image and financial stability of an organization in the long run, which eventually influences the country's economy. This study proposes practical implications for policy makers and individual employees. Findings suggest the need for governments to undertake workplace sexual harassment policy initiatives and ensure their effective enforcement. Businesses have the responsibility to 1) institutionalize a zero tolerance culture, prohibiting such practice; 2) establish a clear and easy to follow procedures for handling grievances of this nature; 3) ensure strict confidentiality in dealing with such complains; 4) establish units that provide support for individuals suffering from sexual harassment; 5) conduct seminars to increase awareness and understanding of workplace sexual harassment; and 6) find ways toward the promotion and management of a better working environment through the effective implementation of policies. Individuals should also be encouraged to 1) openly confront sexual harassers; 2) talk to company identified and trusted counselors; and 3) report such behaviors to a higher authority with

decision-making powers for appropriate actions.

Future research should be directed toward the prevalence of such behaviors at the industrial level to determine areas within businesses where attention should be focused for correction. Factors such as personality, family background, organizational culture and previous experiences as a victim of harassment in relation to sexual harassment should also be examined.

Conclusion

Although the law prohibits sexual harassment in Ghana, the menace is still prevalent and unspoken. There is also low incidence of reporting sexual harassment cases due to several factors earlier discussed. Male and female employees in Ghana tend to perceive and react to sexual harassment differently. As anticipated, the overall gender analysis demonstrated in the present study shows that women are more likely to be negatively affected by sexual harassment. It is therefore the responsibility of all (governments, businesses, individuals) to stage a common front in dealing with it for a healthy working environment and a developed nation.

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Gender Difference and Entrepreneurs Performance Level: The Nigerian Perspective

Sam B.A. Tende, Ph.D
Department of Business Administration,
Faculty of Administration,
Nasarawa State University, Keffi
tende_sam@yahoo.com, +2348036098953

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Abstract

Despite the crucial role of women entrepreneurs in the economic development of their families and countries; it is, however, discovered that women entrepreneurs have low business performance compared to their male counterparts. The paper attempts to assess the performance differences between men and women entrepreneurs in Nigeria. The study uses a closed-ended structured questionnaire to gather data from a sample of 1159 business-owners purposively selected from six geo-political zones in Nigeria; the dataset extracted from the questionnaire was analyzed using descriptive analysis and with the use of SPSS 17 was used in testing the formulated hypothesis. The result of the analysis shows that there is a significant difference between men and women entrepreneurs performance level. In period of business failure, the result shows that men failed earlier than women in business. The result also revealed that that men started business earlier than women and that, women entrepreneurs had a higher level of need for achievement and risk taking than men. Given the fact that the most important causes of difference in performance level for women is non-financial support from banks and financial institutions, financial facilities for women was suggested for women entrepreneurs especially in start-ups, as the majority of women's businesses failed in this phase.

Keywords: *Entrepreneurship; Gender Differences; Nigerian Perspective; Small and medium scale; Challenges; Entrepreneur performance*

Introduction

Gender differences in access to economic opportunities are frequently debated in relation to gender differences in labour market participation. Indeed, men's and women's jobs differ greatly, whether across sectors, industries, occupations, types of jobs, or types of firms. While these differences evolve with economic development, the resulting changes in the structure of employment are not enough to eliminate employment segregation by gender. So, women all over the world appear to be concentrated in low-productivity jobs. They work in small farms and run small firms. They are over represented among unpaid family workers and in the informal sector. And they rarely rise to positions of power in the labour market. Similarly, female entrepreneurs exhibit lower productivity than male entrepreneurs. Female-owned enterprises also perform less well than male-owned enterprises in other dimensions. They tend to be less profitable and to generate lower sales. Survival probabilities are also lower among female-owned firms although the evidence is more mixed.

Women are at the heart of development as they control most of the non-monetary economy (subsistence, agriculture, bearing children, domestic labour etc.) and play an important role in the monetary economy (trading, wage labour, employment, etc) (Yawa, 1995). Much of women's work remains invisible, unremunerated and unrecognized. But women are now challenging the status quo. Mechanisms to right the so called “Cultures wrong” are being put in place. Women's voices are now being heard clamoring for an improvement in their socio-economic status and for the recognition of their immense contributions to national development (Amah, 1995). So many advocacy groups have emerged to fight for women marginalization ranging from domestic violence to women empowerment. Most of these groups have argued strongly that *what men can do, women can do even better* and have cited several examples of successful women in social, political and even economic endeavours to justify their claims. This assertion of *what men can do, women can do even better* has triggered several debates in public discuss and researches have also be conducted to ascertain the validity of this claim. This study is therefore another of such efforts aimed at interrogating this claim with specific focus on women entrepreneurs in Nigeria. Against this backdrop, this study therefore seeks to examine the role of gender on entrepreneurs' performance level in Nigeria. Specifically, the study shall. Examine the factors contributing to gender performance level in Nigeria; assess the business characteristics of the entrepreneurs-gender specific in Nigeria; and ascertain if failed women entrepreneurs differ from failed men entrepreneurs in business characteristics.

Literature Review

Conceptual Clarification and Theoretical Framework

The extensive literature on entrepreneurship positions views it as a positive economic activity. Much research and theory development are oriented to identifying what makes these activities successful with the mainstay definition coalescing around new venture creation, growth and opportunities dominating the concerns of authors in this area (e.g. De Carolis & Aparito, 2006; Haugh, 2007; Lumpkin & Lichtenstein, 2005; and Shrader& Siegel, 2007).

The emphasis in research on female entrepreneurship remains focused on the impact of gender on women's experience of business ownership, often demonstrated through comparisons of male and female entrepreneurs.

Studies of women in senior organizational and professional positions as observed by (Piderit and Ashford, (2003); Rhode, (1988) suggests that they often treat the suggestion of gendered organizations and gendered experiences as taboos in recognition of the substantial professional risk that attaches to it. In addition, such studies also indicate women's commitment to the notion of

merit. Research indicates that attempts to revise so-called merit-based evaluation processes often meet with considerable resistance, particularly from those groups that might benefit from such change (Krefting, 2003). The belief that all individuals have an equal chance to succeed if they are ambitious and hardworking, and that the merit principle provides fair and objective criteria for organizational advancement is strong (Maier, 1997; Scully, 2003). Such beliefs are reinforced by journalistic coverage that speaks of the end of patriarchy and the gender order and the significant increase in women's opportunities (Oakley, 2000; Whitehead, 2001).

The emphasis placed on merit, and the suggestion that prospects have never been better for women, have contributed to the emergence of a gender-blind ideology which claims that gender is no longer important. A central element of this ideology is the presumption of a gender-neutral social context.

Several studies have shown the existence of significant differences in the rate of new business creation between men and women. Specifically, it has been shown that women are much less likely to be involved in entrepreneurship than men worldwide (Minniti, 2009). It is not yet understood, however, if such differences are the result of personal characteristics of the individual and of her economic environment (Minniti, 2009)

Along with others in the entrepreneurship literature, we propose feminist theorizing as appropriate theoretical support for these purposes (Calas, et al, 2007; Greer & Green, 2003; Hurley, 1999; Mirchandani, 1999; and Stevenson, 1990). First, all feminist theorizing is about social change. It is premised on the assumption that gender is fundamental in the structuring of society, with women being historically disadvantaged, and it seeks to end this condition. Feminist theorizing critically analyses social change agendas on these terms. However, the meaning of "social change" varies according to the basic ontological and epistemological assumptions of each major theoretical approach within feminism (Grewal& Kaplan, 1994; Jaggar, 1983; and Tong, 1998).

These theories posit that the social advantage of women stems from the male-dominated structuring of society and that change in such structuring must occur. Desired changes include eliminating barriers to access in public life for women, recognizing women's different experiences as valuable contributions to society, and even contemplating a female-centered structuring of society as the only possibility for countering patriarchal structuring (United Nations 2006).

Opening up opportunities for women in entrepreneurship is usually defined as facilitating equal access to resources and/or enhancing human and social capital. Focusing attention increases women's benefits in terms of economic outcomes. The literature assumes that social change occurs as more women participate in these activities (Brush, *et al*, 2004; Carter & Williams, 2003; Greene, et al & Saparito, 1999).

In principle, creating opportunities for women entrepreneur is consistent with Busenitz *et al* (2003) arguments that women can excel in entrepreneurship if women with appropriate entrepreneurial characteristics are enabled to take advantage of such opportunities.

Although the absolute number of women in self-employment has increased in recent years (Devine, 1994; CWBR, 2004) and empirical studies show that significant differences still exist in the levels of new firm creation across genders, and that the number of women involved in starting a business is significantly and systematically lower than that of men (Minniti et al., 2005).

Traditionally, gender differences in entrepreneurial activity have been attributed to differences in human and social capital (Greene, 2000), differences in risk tolerance (Jianakoplos and Bernasek, 1998) and management styles (Brush, 1990, 1992), and to the fact that women tend to be more sensitive than men to a variety of non-

monetary factors (Boden, 1999; Lombard, 2001; and Burke et al., 2002). On the other hand, Lefkowitz (1994) has shown that men and women tend to react to the same set of incentives and that much of the difference across genders disappears after correcting for some socio-economic conditions.

Existing literature shows that, although the probability of being an entrepreneur is highest among older individuals, the likelihood of being a nascent entrepreneur is maximized among young individuals (Blanchflower, 2004). Also, the relationship between age and the likelihood of starting a business picks at a relatively early age and decreases thereafter (Levesque and Minniti, 2006). Surprisingly, the relationship between education and new firm formation is uncertain, except for richer countries where postgraduate training has been shown to have positive effects on high-tech start-up rates (Blanchflower, 2004). On the other hand, financial resources are among the main constraints faced by potential entrepreneurs (Evans and Jovanovic, 1989; Carter and Rosa, 1998; Verheul and Thurik, 2001), especially in poorer countries and among women. Finally, entrepreneurial decisions are shown to be positively related to individuals' incomes and employment status. In fact, employed individuals, both men and women, are more likely to start businesses (Minniti et al., 2005). However, it is not clear whether high unemployment discourages entrepreneurship by reducing its potential markets or increases it by providing an income producing activity for otherwise displaced workers (Blanchflower, 2004; Clain, 2000).

In fact, recent studies have shown that the choice to start a business is far more complex for women than men, and those women tend to be more sensitive than men to a variety of non-monetary incentives (Burke et al. 2002). For example, for women more than for men, the choice to start a business is often linked to necessity or to time and location flexibility; that is, to the type of independence that can accommodate family needs and child rearing.

Although the participation of women in entrepreneurship has reached a significant percentage in most developed and many developing countries, female participation rate in entrepreneurship is systematically lower than male participation rate (Brush, 1992, Minniti et al., 2005).

Risk taking is a key factor that influences the entrepreneur's willingness to tap the physical, material, financial and intangible resources necessary for firm growth (Perren, 2000). A large amount of studies in psychology, sociology, economics, and management demonstrates that, women are more risk averse than men in various environments (Arch, 1993; Byrnes et al., 1999; Aculai et al., 2006; and Isakova et al., 2006). Support from family and friends in various form is found to be important for women choosing self-employment and entrepreneurship and for the performance of their ventures (Bruce, 1999; Caputo and Dolinsky, 1998; and Grundy and Welsch, 1994). Female entrepreneurs tend to rely on family members in their social networks to a greater extent than male entrepreneurs when establishing a firm (Greve and Salaff, 2003). In transition economies, female entrepreneurs rely heavily on the support from their families and friends (Welter et al., 2005; Aidis et al., 2007; Hisrich and Fulop, 1994; and Welter et al., 2006). Research indicates that women around the globe are starting new businesses on average at about two thirds the rate observed for men (Allen et al, 2008).

The businesses owned and managed by men and women are also different. We now know that women's businesses tend to be smaller and tend to grow less than those owned by men (DuReitz and Henrekson, 2000; Coleman, 2007). Also, women's businesses tend to be less profitable than those of men (Robb and Wolken, 2002) and to generate lower sales turnover than men, even in same-industry comparisons (Chaganti and Parasuraman, 1996).

Whereas entrepreneurial ability and relative rates of return affect individuals' decisions to become entrepreneurs similarly in

developing and developed countries, and whereas prospective entrepreneurs often face broadly similar constraints in the form of access to finance and start-up costs, what may be different in developing countries is the extent to which entrepreneurs rely on social networks. Social networks can be both supportive and inhibiting of entrepreneurial activities.

Women in developing countries, like their counterparts in more developed ones, rely more than men on extended families (Brush, 1992; Greve and Salaff, 2003; Justo and DeTienne, 2008), which, in many rural settings are often their only or major social network. This is often constraining since women's marriage status, and the assets and incomes brought to their marriages, emerged as important determinants of their entrepreneurial decisions (Nichter and Goldmark, 2009). Maloney (2004) reports that in Argentina, Brazil, Costa Rica and Mexico, married women with young children are more likely to enter entrepreneurship than wage labour. Married women are more likely to be entrepreneurs than non-married women, but they are also more likely to quit a business voluntarily (Justo and DeTienne, 2008). Entrepreneurship is a career choice that does not pay on average. Hamilton (2000) has shown that, except for the highest 25 per cent of entrepreneurial incomes, staying in a wage job or moving back to it makes more economic sense than starting a new business.

Women entrepreneurs require confidence, leadership and managerial skills for their accessibility to new markets. Entering into business as a woman offers the omni-challenges of learning how to effectively operate the activities of such business while simultaneously attempting to meet all other expectations that are part of entrepreneurship (Schaefer, 2003). The worst of these challenges is malignant sexism, which according to Anyanwu (1993) ensures the complete economic manipulation, sexual exploitation, political marginalization and economic inequality of women. Emphasizing on this, Ayogu (1990) was of the opinion that "…women are groaning under unjust culture, beliefs and overbearing influence of a male dominated society especially in Nigeria where women are denied access to property and land ownership. Highlighting the categories of sexism that oppresses women, Mazrui (1991) lamented the tragedy of the marginalization and dispossession of women in business especially among Nigerian women.

Women entrepreneurs face many challenges, which include. government rules and regulations, lack of access to finance, assets, information, technology, infrastructure and other facilities that enable their efficiency and business growth (United Nations, 2006). Kantor (1999) rightly argued that women often experience greater constraints on their economic actions relative to men. Mayoux (2001) also noted that there are certain factors that limits women entrepreneurs' ability to take advantage of the opportunities available to them in their environment and these factors have been identified as the reasons why their business fail (Kantor,1999).

Empirical Literature: Gender and Business Failure

Ordinarily, entrepreneurial failure is referred to as the cessation of an operation for financial reasons. Since we examined nascent entrepreneurs during the firm's gestation process, one type of entrepreneurial failure is the discontinuance of venturing efforts by entrepreneurs (Liao et al. 2009), but business failure can be defined as wanting or needing to sell or liquidate to avoid losses or to pay off creditors or general inability to make a profitable go of the business (Gaskill et al., 1993).

Pretorius (2009) at the end of his review of business failure definition proposes a universal definition of the failure phenomenon. A venture fails when it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management. Failure is the endpoint at discontinuance (bankruptcy) and when it is reached,

operations cease and judicial proceedings take effect.

The empirical literature on entrepreneurial failure suggests that 1) venture failure can be caused either by individual mistakes made by the entrepreneur or by external problems beyond the entrepreneur's control that brought about their venture's misfortune; and 2) that there are differences in how individuals and communities of individuals clustered within a geographical region, experience failure and its consequences (Cardon et al., 2009).

Earliest empirical studies on business failure, examined the role of various owners and firm characteristics to explain business failures. The numerous characteristics shared by failed firms, are directly related to personal decision-based characteristics of the owner (lack of insight, inflexibility, emphasis on technical skills, etc.), managerial deficiencies (lack of management skills and appropriate managerial training, etc.) and financial shortcomings (no accounting background, cash flow analysis, financial records, etc.) (Pretorius,2009). Many aspects of poor management are reported to be connected with several related issues, such as poor financial circumstances, inadequate accounting records, limited access to necessary information, and lack of good managerial advice (Gaskill et al., 1993). Berryman (1993) mostly focused on the managerial causes of failure and listed some 25 causes and categorized them simply as poor management and concluded that this combined with the personality traits of the owner manager and external factors to cause failure. A business failure may happen as a result of poor management skills, insufficient marketing, and lack of ability to compete with other similar businesses. It can also be the result of a domino effect caused by business failures of suppliers or customers (Wu, 2010).

The effect of the environment depends upon the time period, geographical area, and market sector in which the firm operates (Burns, 2001). Government and government-related policies are also important factors affecting business failures, and are discussed in some studies. They found that failure rates were increased due to the heavy burden of taxation and regulations, while the growth in money supply (higher growth decreased the failure rate) and the volume of bank lending (higher volume of bank lending reduced the rate of business failures) as significant factors (Gaskill et al., 1993; Burns, 2001; Oparanma et al., 2010).

Marlow and Carter (2004) suggest that the difference in performance or success is often due to differences in the industries that are chosen most often by each gender. This choice is often a consequence of differing interests or concerns between males and females, not structural barriers, and results from a higher proportion of males seeking profit goals and females seeking social goals. They agree that women may have a different motivation for entrepreneurship, which leads to a different choice of industry. It is this choice of industry that seems to be the factor that most influences the profit potential of the venture and, in turn, the financial attractiveness sought by investors. These motivational differences may be the reason why males and females concentrate on different industries, at least to some extent, and these industry differences may account for some performance disparities (Menzies et al., 2004).

Methodology

Hypotheses

The paper verifies the following hypothesis.

H_{01}: There is no significance difference between gender and entrepreneur's performance level in Nigeria.

Ho_2: The differences between gender and entrepreneur performance has no impact in Nigeria

Since the study addresses two different but related areas of concerns as objectives, the resultant data will be aggregated into one table and tested to determine if there is a significance difference between gender and

entrepreneur's performance level in Nigeria. The hypothesis is shown thus:

Participants

This study adopted the survey design approach. The study covers Post SAP period, specifically from 1998 to 2007 (11 years). This is the period that the country started witnessing several crises which resulted in the introduction of the SAP in 1986 and the other various economic reforms. This period also witnessed significant government initiatives in entrepreneurship development through development of Micro, Small and Medium Scale Enterprises (MSME) initiatives and poverty alleviation programmes.

The sample Group used is the business owner/manager who has experienced mixture business performance level (success/or failure) and has stopped his/her business activities voluntarily or involuntarily. One of the greatest barriers to study the difference in performance was finding ex-owners/managers and business in order to assess their performance level. In this study, we therefore developed our own sampling frame that sought to be as representative as possible of the range of business performance rather than rely on one source, such as official receivers' data that reflects only limited information to assess business performance level. To this end, a data base of 260 businesses in Nigeria was developed. Specifically, the entire beneficiaries of EDP-NDE training programme constitute the population of the study. It was however, impossible to undertake such a task because the population was quite large, which made sampling inevitable. To select the sample size, the thirty-six (36) states of the federation were grouped according to their respective geopolitical zones. Then, a random number table was used to select two representative states for each geopolitical zone. In all, twelve (12) states were covered in this study.

Table 1: *Population and Sample of the Study (EDP-NDE Beneficiaries & Trainees)*

Sampled States		Population			Sample Size			Response Rate			
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Resp. %
North Central	Nasarawa & Niger	838	347	1,185	169	68	237	135	47	182	76.7
North East	Adamawa &Borno	975	327	1,302	195	65	260	117	71	188	72.3
North West	Kaduna &Sokoto	1,047	308	1,355	2107	61	271	104	89	193	71.2
South East	Imo & Enugu	882	247	1,129	177	49	226	106	65	171	75.7
South South	Rivers & Delta	837	236	1,073	168	47	215	89	76	165	76.7
South West	Lagos &Ekiti	1,437	397	1,834	289	78	367	167	93	260	70.8
Total		6,016	1862	7,878	1,208	368	1,576	452	707	1,159	73.54

Source: *Field Survey, 2010*

Out of the 7,878 EDP-NDE beneficiaries, 1,576 respondents were surveyed but only 1,159 responded, resulting in a response rate of approximately 73.54 percent.

Instruments/Techniques

The key data collection instrument used in gathering the required data was the questionnaire. It was structured in three parts. In the first part, respondents were questioned about their background, experience, education, and family. Then a personal characteristic test examining six entrepreneurial characteristics including tolerance of ambiguity, need for achievement, risk taking, creativity, locus of control, and independence were addressed in part two. The questionnaire also assessed factors contributing to performance difference between male and female entrepreneurs in part

three. Reliability or internal consistency of the items within the context of this study was assessed using Cronbach's alpha and a

value of 0.76 was obtained showing high reliability. Each item in the questionnaire was measured using 5-point Likert scale, ranging from 1 (to very little extent) to 5 (to great extent).

The data collected from 1159 completed questionnaires (452 men and 707 women) were analyzed, using the Statistical Package for Social Science (SPSS) for windows 17. The hypothesis for this study was tested using the t-test statistic (difference of two means). The formula is stated as:

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\left(\frac{1}{n_1} + \frac{1}{n_2}\right)\left(\frac{s_1^2(n_1 - 1) + s_2^2(n_2 - 1)}{n_1 + n_2 - 2}\right)}}$$

Where:

X_1 and X_2 are the sample mean of male and female

N_1 and N_2 are the sample sizes of male and female

S^2_1 and S^2_2 are the sample variance of male and female

Df= degree of freedom

Data Analysis and Discussion of Results

The results of this research consist of first, a description of sample, then the Friedman's test on the role of gender performance difference was presented.

Table 2: *Personal Characteristics of Respondents*

Variables	Women (n=707)	Men (n=452)
Age in start-ups;	35% < 30; 65% >30 ;for women, Mean=31.7; SD=4.2	67% < 30; 33% >30; and for men Mean=27.0; SD=4.38
Age at failure time	41% < 30; 59% > 30; for women, Mean=29.80, SD=6.02	57% < 30; 43% > 30; and for men, Mean=27.5; SD=7.02
Education level	48% Secondary; 52% Tertiary	25% Secondary; 75% Tertiary
Marital status. married	M. 78%; S. 22%	M. 63%, S. 37%
Previous experience in related	Yes. 61%	Yes. 73%
industry. Yes	No. 39%	No. 27%
Previous entrepreneurial experience. Yes	Yes= 45%;	Yes. 67%
	No = 55%	No. 33%
Employment status just before startup	69% employee; 31% jobless	74% employee; 7% jobless
Father in business	45%	55%

Source: *Sample Survey, 2011; Statistical Computation*

The profiles of the respondents summarized in Table 2 above shows that most of the respondents started their businesses at young ages (for women, Mean=31.7; SD=4.2 and for men Mean=27.0; SD=4.38), which indicates that men started business earlier than women. In terms of business failure, 41% of the women experience business failure before the age of 30years while 57% of men experience business failure before the age of 30years (for women, Mean=29.80, SD=6.02 and for men, Mean=27.5; SD=7.02) 41% which indicates that the average age in which women failed in business is 30 while men failed at the age of 28. The result also shows that the respondents were well-educated; 48% and 52% of women have secondary and tertiary level education while 25% and 75% of men have secondary and tertiary level education respectively. Most of them were married and had employment just before starting their businesses. 61% of women and 73% of men had previous experiences in the business sector. But only 45% of women compared to 67% of men had previous entrepreneurial experience. 45% of women compared to 55% of men had their fathers' active in the businesses.

Table 3: *Business Characteristics of Respondents*

Variables	Women (n=130)	Men (n=130)
Risk taking	46% low; 32% high	51% low; 28% high
Need for achievement	54% moderate; 43% high	43% low; 25% high
Creativity	27% low; 48% high	57% moderate; 13% high
Tolerance for ambiguity	43% low; 37% high	53% low; 33% high
Independence	25% low; 57% high	73% low; 15% high
Internal locus of control	47% low; 41% high	42% low; 37% high

Source: *Sample Survey, 2011; Statistical Computation*

On the characteristics of businesses, the result in Table 3 shows that women had a higher need for achievement and risk taking. 43% of women compared to 25% of men had a higher need for achievement. Also, 32% of women had a high level of tolerance for risk taking; while only 28% of men have high tolerance for risk taking. The level of internal locus of control, independence, tolerance for ambiguity and creativity are all higher for in women than men.

Table 4: *Causes of business failure in men and women businesses*

Causes of Business Failure	Women	Men
Poor Managerial Training	23%	13%
Poor Record keeping	21%	09%
Financial availability	34%	47%
Inefficient marketing	11%	23%
Lack of ability to compete	11%	8%
Total	100%	100%

Source: *Sample Survey, 2011; Statistical Computation*

The above showed that the major causes of business failure has been and remains financial challenges and unavailability of funds (34% for women and 47% for men) to both business women and business men. The obtaining of loans of loans from banks had apparently slowed down the growth of business in small and medium scale enterprises.

Test of Hypothesis

H_{01}. There is no significance difference between gender and entrepreneur's performance level in Nigeria

Table 5: *Gender Differences and Business Performance in Nigeria*

Variables	Women (Mean Rank)	Men (Mean Rank)
Management deficiency	10.24	10.23
Unclear determination of business sector	7.78	8.79
Lack of interest and dissatisfaction with work or work place	7.94	7.95
Problems of partnership and teamwork	10.57	10.46
Independence	12.97	11.56
Internal locus of control	10.45	10.43
Non related experience, expertise and good work relationships	9.60	9.22
Government policies	9.67	9.63
Non-financial support from banks and financial institutions	8.67	8.61

Source: *SPSS Analysis Result*

Table 6: *t-Test. Paired Two Sample for Means*

	A	*B*
Mean	9.765555556	9.653333333
Variance	2.515127778	1.268175
Observations	9	9
Pearson Correlation	0.952197932	
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.544610918	
P(T<=t) one-tail	0.300434076	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.600868153	
t Critical two-tail	2.306004135	

The result shows that there is no significant difference between the mean rank of men and women, since the p-value (0.6008) is greater than the 0.05 (-level).

Ho_2: The differences between gender and entrepreneur performance has no impact in Nigeria

Table 7: *Gender and Entrepreneur Performance in Nigeria*

Variables	Women (Mean Rank)	Men (Mean Rank)
Improves skills and knowledge	12.22	13.23
Increases networking awareness	5.75	18.79
Increases access to finance	7.94	7.01
partnership and teamwork	10.51	11.46
Marketing and effective control	12.23	12.56

Table 8: *t-Test. Paired Two Sample for Means*

	A	*B*
Mean	9.765555556	9.653333333
Variance	2.515127778	1.268175
Observations	5	5
Pearson Correlation	0.952197932	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.544610918	
P(T<=t) one-tail	0.223134076	
t Critical one-tail	1.759548038	
P(T<=t) two-tail	0.756768153	
t Critical two-tail	2.106004135	

Discussion of Results

Based on the data analysis, it was observed that. Women entrepreneurs have low business performance compared to their male counterparts; and this is caused by factors which normally affect entrepreneurial performance such as Poor Managerial Training, poor marketing, financial constraints, inefficient marketing, and lack of ability to compete. The finding of this study is consistent with the view of Wu (2010).

Again, the result of this research indicated four level of gender difference in business performance level, which is linked to. 1) Management deficiency; 2) non-financial support from banks and financial institutions; 3) inadequate economic circumstances and ; 4) government policies. The results of Friedman analysis of variances on the business performance level for both men and women businesses indicate no significant difference contrary to results of earlier an research by Heilbrunn (2004) which shows that, women entrepreneurs, compared with their male counterparts, perceive their lack of management experience and business skills as a major constraint.

In period of business failure, the result shows that men failed earlier than women in business. The result also revealed that men started business earlier than women and that women had a higher level of need for achievement and risk taking. Also, the level of internal locus of control and independence was observed to be higher for women than men confirming the result of analysis of variance that no significant difference exists in business performance by men and women in Nigeria. This result also corroborates the findings from our empirical literature which indicates that women can do what the male counterparts can do even better.

Implications to Research and Practice

In addition to theoretical implications, the role played by inequality and exclusion in women's entrepreneurial inferiority has important practical implications, especially in times of a global crisis. The first, and most obvious implication involves governments and policy makers. If these two want to increase the number of female entrepreneurs, they need to create special funds for them. Given that businesses of women tend to be small and local, their funds and lending organizations need to be local or regional. Another implication is the importance of establishing social and business networks for women entrepreneurs.

Conclusions

In general, creating opportunities for women entrepreneur is paramount for any society seeking to grow given that women can excel in entrepreneurship when appropriate entrepreneurial characteristics are enabled to take advantage of such opportunities. Loans should be made accessible and equality in competition should be encouraged.

Recommendations

1. Given the fact that the most important causes of performance differences for women was observed to be non-financial support from banks and financial institutions, financial facilities in the form of soft loan at minimal interest should be provided for women by both commercial banks and other government agencies responsible for encouraging entrepreneurship in Nigeria in order to support them in prosecuting their business initiatives. This will go a long way to help women entrepreneurs especially in start-ups, since majority of women's businesses failed at this phase.
2. Accordingly, entrepreneurial training in all aspects of business especially in market related issues should be provided for women entrepreneurs in order to boost their activity.
3. Appropriate infrastructural facilities should be provided to reduce the cost of operations.
4. There should frequent feedback mechanism to regularly assess the performance, and work in area of needs especially in areas of networking which tends to be paramount for women due cultural inclination of our country.

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The Role of Entrepreneurial Orientation on Entrepreneurial Innovativeness in Small and Medium Scale Entreprises in Lagos Metropolis.

AKANBI, Paul Ayobami
Department of Business Administration,
Faculty of Social and Management Sciences
Ajayi Crowther University, Oyo, Oyo State-Nigeria.
paulayobami@yahoo.com paulayobami2013@gmail.com
+234-8034813651

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Abstract

Entrepreneurship is viewed as a way of bringing fulfillment to the aspiration of an individual and a major weapon for curbing unemployment, poverty and under-development problems in any country. This research examined the impact of entrepreneurial orientation on entrepreneurial innovativeness in small and medium scale enterprises in Lagos metropolis, Nigeria. It seeks to determine whether risk-taking behaviour, pro-activeness and competitive aggressiveness jointly and independently predicted entrepreneurial innovativeness as well as to ascertain the significant difference between risk-taking behaviour and entrepreneurial innovativeness. It also examined the significant relationship between pro-activeness and entrepreneurial innovativeness. The study employed survey research design using questionnaire to collect data from different categories of workers in the small and medium scale enterprises. Two hundred subjects responded to the questionnaire. Three hypotheses were tested using multiple regression, t-test, and correlation analysis. The findings indicate among others that, entrepreneurial orientation as measured by risk-taking behaviour, pro-activeness and competitive aggressiveness had a significant impact on entrepreneurial innovativeness. Based on the findings, the study therefore recommends among others that, companies should be proactive rather than reactive in nature in order to act promptly to changes that take place in the business environment.

Keywords: *entrepreneurial orientation, risk-taking behaviour, pro-activeness and competitive aggressiveness and entrepreneurial innovativeness.*

Introduction

Entrepreneurial orientation is the presence of organizational-level entrepreneurship (Wiklund and Shepherd 2005). The world has developed into an entrepreneurial economy; the creation of new ventures is at the center of activity. Entrepreneurs have become the heroes of economic development and contemporary enterprises (Sathe, 2003). Entrepreneurial orientation is a commonly used measure in the literature (Morris & Kuratko, 2002). Several researchers have agreed that entrepreneurial orientation could be explained by innovation, proactiveness, and risk taking (Wiklund 1999). A large proportion of entrepreneurship studies assume entrepreneurial orientation to be a unitary concept (Covin and Slevin 1989; Dess et al. 1997; Wiklund, 1999). The notion of a single factor entrepreneurial orientation concept also has been examined in some studies. This is because the three dimensions of entrepreneurial orientation can vary independently of one another (Krauss et al. 2005; Kreiser et al. 2002; Lumpkin and Dess 1996; Lyon et al. 2000; Venkatraman 1989).

The assumption of entrepreneurial orientation is that entrepreneurial businesses differ from other types of businesses. Successful corporate entrepreneurship must have an entrepreneurial orientation (Covin and Slevin, 1989; Wiklund, 1999; Wiklund and Shepherd, 2003).This study compared three dimensions of the entrepreneurial orientation with entrepreneurial innovativeness with a particular reference to small and medium scale businesses in Lagos Metropolis.

Many nations, particularly developing countries, have recognized the value of small and medium-sized enterprises (SMEs). SMEs are seen as the engine of growth for any economy. They play a vital role in the global economy (Kroopp et al. 2006). They have been characterized as dynamic, innovative, efficient, and their small size allows for flexibility and quicker decision-making. The benefits of SME's to an economy include: creation of jobs at a relatively low capital cost and the provision of a vehicle for reducing income disparities and the development of a pool of skilled and semi-skilled workers among others.

The level of innovation in a company especially small and medium scale enterprise depends on its activities and that of its competitors, customers, suppliers, partners and governments. These activities are being referred to as business environment (Turban et al, 2008). The business environment is characterized by intense innovation; powerful customers with diverse requirements and short product life cycle in a global economy have shortened market visibility and have increased uncertainty (Swafford et al, 2006). Uncertainty is a key characteristic of any business activity. Planning is also difficult in an uncertain environment hence businesses have attempted to reduce the impact of uncertainty by pro-actively anticipating change and managing change (Oetinger, 2004). Small and medium scale enterprises existing today are faced with great environmental turbulence due to competition and this have affected the process, practice and decision making activities of these enterprises. Being proactive, competitive aggressiveness and risk-taking behaviour should be the focus of small and medium scale enterprises. Small and medium scale enterprises today reacts before changes take place in the business environment and this occurs so rapidly that business enterprise have no choice than to be proactive, be competitive aggressive and take calculated risk.

It is highly imperative for small and medium scale enterprises to be proactive, take moderate risks and be competitively aggressive in order to be innovative and compete favourably with other businesses and be able to gain sustainable competitive advantage in the complex business environment. This study is therefore very important for small and medium scale enterprises in Nigeria and especially Lagos Metropolis as it brings out the strategies that the operators can adopt in adapting to, and in influencing their environment positively in order to weaken the threats of change and other

relative competitive pressures that exposed SMEs to high operating risk in Lagos metropolis. The resulting empirical data will go a long way to bridge the knowledge gap in this area by enriching the existing paucity of data in risk related entrepreneurial studies.

Literature Review and Theoretical Framework

Entrepreneurial orientation posits that, entrepreneurial firms tended to take more risks than other types of firms, especially when faced with conditions of uncertainty. Expanding on these views, several researchers operationalized the behaviour of entrepreneurial firms as consisting of product-market innovation, pro-activeness of decision-making, and risk-taking. Some scholars maintained that the level of entrepreneurship exhibited by a firm was the aggregate total of these three sub-dimensions. A firm that was truly "entrepreneurial" would exhibit high level of each dimension. Covin and Slevin(1989) argued that entrepreneurial orientation could best be measured by summing together "the extent to which top managers are inclined to take business-related risks (the risk-taking dimension), to favour change and innovation in order to obtain a competitive advantage for their firm (the competitive aggressiveness dimension), and to compete with other firms (the pro-activeness dimension)."

Dimensions of Entrepreneurial Orientation

Proactiveness

Proactive activities benefits a firm, since "by reaching to the market first and establishing its technology as the standard, the pioneer can dictate the rules of competition" (Zahra, 1996). Lumpkin and Dess (2001) found that "both sales growth and profitability are positively and significantly related to a pro-activeness-dynamism link." These arguments suggest that proactive firm behaviours will be more positively associated with performance in dynamic environments than in stable environments.

There is link between the adoption of proactive firm behaviours and environmental dynamism. Since the industrial conditions in a dynamic environment are subject to rapid change, firms that are proactive and actively seek out opportunities will outperform firms that are unwilling to exploit market opportunities.

Dynamic environments act to create many new opportunities for firms, and proactive strategies can be effectively utilized in order to seize these opportunities and to gain a competitive advantage for the firm (Zahra 1991). Dynamic environments act to increase the evidence of pioneering activities in entrepreneurial firms, which are uncommon in a stable environment.

Proactive behaviours will also be more strongly linked with firm performance in munificent environments. On the one hand, Miller and Friesen (1982) argued that munificent environments promote such behaviours since growing markets are characterized by a great deal of strategic opportunities. Firms that are proactive in their orientation are able to capitalize on these numerous opportunities and, thus, build a strategic advantage in relation to their competition (Lieberman and Montgomery, 1988).

On the other hand, Lumpkin and Dess (2001) argued that hostile environmental conditions would force organizations to abandon proactive behaviours, in order to preserve their limited resources. Such a "conservative use of resources is antithetical to the important role of experimentation and discovery inherent in pro-activeness" (Lumpkin and Dess, 2001). These arguments suggest that proactive behaviours will be more positively related to firm performance in munificent environments than in hostile environments.

Risk-Taking Behaviour

Risk-taking will also offer the possibility for high payoffs in munificent environments, due to heightened availability of resources in those environments. It is likely that

excessively hostile environments will discourage organizations from taking risks that they consider unnecessary and that might harm the firm survival (Zahra and Garvis, 2000).

Dynamic environments will also result in a stronger link between organizational risk-taking and firm performance. Organizations that do not take risks in dynamic environments will lose market share and will not be able to maintain a strong industry standing relative to more aggressive competitors (Covin and Slevin, 1991; Miller, 1983). Khandwalla (1977) found a stronger relationship between organizational risk-taking and firm performance in dynamic environments. According to him, organizations need to make bold, risky strategic decisions in order to cope with the constant state of change common in dynamic environments.

These arguments suggest that organizational risk-taking will be more positively associated with firm performance in dynamic environments than in stable environments.

These arguments are consistent with prior research claiming that even risk-taking managers would be discouraged from taking large-scale risks in extremely uncertain environments since the risk-taking would likely not be as effective (Smart and Vertinksy, 1984). On the one hand, Goll and Rasheed (1997) posited that the lack of resources in hostile environments would "lead firms to avoid excessive risk-taking and pay greater attention to the conservation of resources." On the other hand, firms operating in munificent environments will be able to afford taking risks, since resources are readily available in such hospitable environments. These arguments suggest that risk-taking will be more positively associated with organizational performance in munificent environments than in hostile environments.

Competitive Aggressiveness

Competitive aggressiveness refers to the intensity of a firm's effort to outperform industry rivals. It is characterized by a strong offensive posture directed at overcoming competitors and may be quite reactive when a firm aggressively enters a market that a rival has identified. This is accomplished by, for example, setting ambitious market share goals and taking bold steps to achieve them such as cutting prices and sacrificing profitability (Venkatraman, 1989), or spending aggressively compared to competitors on marketing, product service and quality, or manufacturing capacity (MacMillan &Day, 1987). Because of these distinctions, we suggest that pro-activeness is a response to opportunities whereas competitive aggressiveness is a response to threats.

Innovativeness of an individual employee is a trait which organizations covet and often conduct trainings to inculcate. To that end, several researchers have studied the assessment, as well as the improvement of an individual's innovativeness in specific contexts such as inventions, process and product innovations, consumer new product purchase, and technology innovation adoption (Goldsmith and Foxall, 2003; Hyvonen and Tuominen, 2006).

Entrepreneurial Innovativeness

Innovation is the generation of ideas, its acceptance and the implementation of such ideas, which are either novel, or modification of existing processes, products or services (Babalola, 2006; 2009). Innovation is the "... process that turns an invention . . . into a marketable product" (Gabor, 1970). Innovation is therefore more than invention; it also involves the commercialization of ideas, implementation, and the modification of existing products, systems and resources (Bird 1989). Innovative activity is explicit in Schumpeter's description of the entrepreneur. Schumpeter (1934) defines the role of the entrepreneur as a catalyst of change, seeing the entrepreneur as "... an idea man and a man of action . . . instrumental in discovering new opportunities". Drucker further elaborated the innovator role of the entrepreneur and described innovation as "the specific tool of entrepreneurs . . . [and] . . . the means by which

they exploit change . . ." (Drucker 1985). In differentiating the entrepreneur from the small business owner, Carland, et al (1984) argues that innovative strategic practices are necessary for new ventures to be profitable and grow. In making this distinction, they define the entrepreneur as ". . . an individual who establishes and manages a business for the principal purposes of profit and growth . . . [and] . . . is characterized principally by innovative behavior . . ." (Carland et. al. 1984).

Assigning the role of innovator to the entrepreneur implies that successful entrepreneurs adopt and implement competitive strategies such as introducing new products and services, new methods of production, opening new markets or sources of supply, or even reorganizing an entire industry (Bird 1988; Carland et. al. 1984). However, prior to implementation, the potential entrepreneur must be able to effectively formulate such strategies suggesting the possession of personal characteristics which reflect creativity and innovativeness (Muellers and Thomas, 2000).

There seems to be strong empirical evidence to support the claim that entrepreneurs, particularly those successful at growing an enterprise, are more innovative than non-entrepreneurs. For example, research by Sexton and Bowman-Upton (1986) shows that entrepreneurship students tend to be more innovative than other business administration students. Carland et al(1988) found that entrepreneurs who establish and manage a business for the principal purposes of profit and growth have a higher preference for innovation than other small business owners. Carland and Carland (1991) found that both male and female entrepreneurs have significantly higher levels of innovative preference than their managerial counterparts. Buttner and Gryskiewicz (1993) found entrepreneurs scored higher on Kirton's adaptation-inovation scale. Kirton's adaptive-innovative theory or scale (1976) was developed in order to explain cognitive tendencies and problem-solving styles. Adaptors desire to do things better; innovators seek to do things differently. KAI is a theory that attempts to explain differences in creativity and, in this understanding, create more cohesion and collaboration among team members. (Kirton 1976) than general managers of large organizations. Also using Kirton's adaption-innovation scale, Goldsmith and Kerr (1991) found that entrepreneurship students were more innovative than other business students. Smith and Miner (1985) found that founders of fast-growing firms scored significantly higher in personal innovation than individuals holding managerial positions. Other studies have shown that innovation is a primary motive to start a business. For example, Shane et al.(1991) report that the opportunity to innovative and be in the forefront of new technology was frequently given as a reason for starting a business. The opportunity to innovate is also frequently cited in international studies as a motive for starting an enterprise (Scheinberg and MacMillan 1988; Blaise et. al 1990).

Theoretical Framework

This research is anchored on two major schools of thoughts in entrepreneurship serving as the theoretical foundations for this study. The two schools are examined below.

The Psychological Characteristics School of Thought on Entrepreneurship

The behavior of an individual is determined by his/her attitudes, beliefs, drives, needs and values. Human behaviors originate from the desire to satisfy one's needs. This school's focal point is on personality factors; they believed that entrepreneurs have distinctive values and attitudes towards work in particular and life in general.

People who have similar characteristics as entrepreneurs do have a superior predisposition to perform entrepreneurial activities than people who do not possess such characteristics (Lachman, 1980). Cunningham and Lischeron (2002) identified three basic personality traits namely: personal value, such as honesty, duty, responsibility and

ethical behaviour; risk-taking tendency; and the need for achievement. Scholars have shown that many entrepreneurs exhibit higher levels of honesty, ethical behaviour, socially responsible, and hardworking than the general population. Values are learned and internalized, thus it replicating the practice of socialization into a culture. Personal values are fundamental to the way an individual behaves; they will be expressed irrespective of the situation (Mainoma and Aruwa, 2008).

This school submits that certain individual values and needs are the necessary preconditions for entrepreneurship. Since these values are learned early in life and are well entrenched prior to adulthood, entrepreneurial characteristics are hard to imbibe in schools. Characteristics which have received a great deal of attention include; need for achievement, locus of control, risk-taking, tolerance of uncertainty and behaviour type (Begley and Boyd, 1987).

Personality perspective on Entrepreneurship

Entrepreneurial behaviour can be viewed from either internal or external perspectives of an individual. Internal viewpoint looks at the personality traits of an individual such as locus of control, risk taking, need for achievement, extraversion, problem solving, innovation, creativity perception, openness and work values. The external viewpoint examines culture, role models, work experiences, education and environment. **McClelland** (1961) submits that entrepreneurs are persons who have a high need for achievement. He goes on to explain that individuals with a high need to achieve will exhibit entrepreneurial behaviour. **(Casson, 1982) quotes** Kets De Vries (1985) as **saying that family background and work experiences were significant in forming an entrepreneurial personality. He contends that individuals who have gone through hardship in childhood need to escape from their harsh background. Their aggressive behaviour forces them to start their own enterprises, instead of being employed by others**. **Rotter (1989)** developed the concept of locus of control whereby the forces responsible for an individual's destiny are either internal or external. Individuals with a high internal locus of control are more likely to become entrepreneurs, than those of high external locus of control. Timmons (1994) refers to entrepreneurial behaviour as a way of thinking, reasoning, and acting that is opportunity directed, and leadership balanced. He acknowledged that entrepreneurship personality can be acquired or in born. Seven factors are responsible for entrepreneurial behaviour (Hisrich et. al, 2006) .The first is education. They further assert that education is essential in the upbringing of an entrepreneur because it facilitates the integration and accumulation of new knowledge; provides individuals with opportunities; and assists entrepreneurs in adapting to new situations. The second factor is personal values, which refers to a set of attitudes about the nature of the management process and business in general, for example opportunism, individualism and competitiveness. Third is age, which is the chronological age of an entrepreneur, and the entrepreneur's previous business experience. Fourth is work experience that includes previous technical and industry experience. The fifth factor is role models. These are individuals influencing entrepreneurial career choice and style. Moral-Support network is stated as the sixth factor, individuals who give psychological support to an entrepreneur. The final factor is Professional-Support network, which stands for individuals who help entrepreneurs in business activities**.** This study subscribes to the two schools on entrepreneurship since they deal with the three dimensions of entrepreneurial orientation and innovation which are the focus of this study.

Methodology

Hypotheses

Ha_1: Risk-taking behaviour, pro-activeness and competitive aggressiveness will jointly and independently predict entrepreneurial innovativeness in SMEs in Lagos metropolis.

Ha_2: There will be a significant difference between risk-taking behaviour and entrepreneurial innovativeness in SMEs in Lagos metropolis.

Ha_3: There will be a significant relationship between pro-activeness and entreprenuerial innovativeness in SMEs in Lagos metropolis.

Participants

This study was carried out using the survey design. The sample elements of this study comprise small and medium scale enterprises in Lagos Metropolis. These entrepreneurs were selected from different lines of occupation and business such as trading, manufacturing and servicing who are both solo entrepreneurs and entrepreneurs with multi venture. They were randomly selected but special consideration was purposively given to those that have been in operation for up to at least ten years in their respective activity sector. A total number of two hundred and forty questionnaires were distributed, with a number of two hundred found usable. The subjects consist of one hundred and one males and ninety-nine females with their ages ranging from eighteen to above forty- five years.

Instruments/Techniques

The major instrument used in gathering the required data was the questionnaire. The questionnaire was designed in three parts: Section A (Demographics) while Section B measured entrepreneurial orientation, and C measured entrepreneurial innovativeness. The entrepreneurial orientation was 9 item scale adapted from a scale developed by Chung Chi Rd (2011) with a Likert scale scoring format ranging from strongly agree (7) to strongly disagree (1). Three items measured risk-taking, three items measured pro-activeness while the remaining three items measured competitive aggressiveness. Section C measures entrepreneurial innovativeness. The measure of entrepreneurial innovativeness was adapted based on prior work by Schumpeter (1934) which is a 15 item questionnaire, using a 5-point Likert format ranging from Continuosly Implemented=5 to Not at all Implemented=1. The Cronbach's álpha value obtained was 0.92. The instruments were revalidated and coronach alpha reliability coefficients gave the following results; risk-taking behaviour = .67, pro-activeness =.64, competitive aggressiveness = .65 and entrepreneurial innovativeness = .69. The demographics were analysed using frequency counts and simple percentage. Hypothesis 1 was tested using multiple regression while hypotheses 2 was tested using Pearson Correlation. Hypothesis 3 was analysed with t-test.

Data Presentation and Analyses

Descriptive Statistics of demographics

Table 1:*Distribution of Respondents By Sex*

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	101	50.5	50.5	50.5
Female	99	49.5	49.5	100.0
Total	200	00.0	100.0	

Source: *field survey, 2012*

Table 1 above reveals that out of the 200 respondents, 101 (50.5%) of the respondents are male while 99 (49.5%) are female.

Table 2: *Distribution of Respondents By Age*

	Frequency	Percent	Valid Percent	Cumulative Percent
18 -25Yrs	88	44.0	44.0	44.0
26 -35Yrs	105	52.5		96.5
36 -45 yrs	7	3.5	3.5	100.0
Total	200	100.0		

Source: *field survey, 2012*

Table 2 shows that, 88 (44.0%) of the respondents fall between the ages of 18 -25 years, 105 (52.5%) are between 26-35 years, while 7 (3.5%) are between the ages of 36-45 years.

Table4: *Distribution of Respondents By Educational Background*

	Frequency	Percent	Valid Percent	Cumulative Percent
Postgraduate	24	12.0	12.0	12.0
BSc/HND	73	36.5	36.5	48.5
OND/NCE	69	34.5	34.5	83.0
Primary School Leaving Cert	34	17.0	17.0	100.0
Total	200	100.0	100.0	

Source: *field survey, 2012*

Table 4 shows that, 24(12.0%) have postgraduate degrees; 73(36.5%) have BSc/NHD; 69(34.5%) have OND/NCE and 34(17.0%) have Primary school Certificate.

Table 5: *Distribution of Respondents by Duration of Establishments of Business*

AGE OF BUSINESS	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 5 Years	113	56.5	56.5	56.5
6 - 10 Years	12	6.0	6.0	62.5
11 Years and Above	75	37.5	37.5	100.0
Total	200	100.0	100.0	

Source: *field survey, 2012*

Table 5 shows that, 113(56.5%) have been in existence between 1-5years, 12(6.0%) have been existing between 6-10years while 75(37.5%) have been in existence between 11 years and above.

Table 6: *Distribution of Respondents By Type of Business*

	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Operator	118	59.0	59.0	59.0
Multi Venture	82	41.0	41.0	100.0
Total	200	100.0	100.0	

Source: *field survey, 2012*

Table 6 shows that, 118(59%) of the respondent are sole operator while 82(41.0%) are multi venture operators.

Table 7: *Distribution of Respondents By Nature of Business*

	Frequency	Percent	Valid Percent	Cumulative Percent
Trading	9	4.5	4.5	4.5
Manufacturing	106	53.0	53.0	57.5
Service	85	42.5	42.5	100.0
Total	200	100.0	100.0	

Source: *field survey, 2012*

Table 7 shows that, 9(4.5%) of the respondent are trading. 106(53.0%) are manufacturers while 85(42.5%) of the respondents service industry.

Test of Hypotheses

Ha_1: Risk-taking behaviour, pro-activeness and competitive aggressiveness will jointly and independently predict entrepreneurial innovativeness in SMEs in Lagos metropolis.

Table 8: *Showing the joint effect of independent variables (risk-taking behaviour, pro-activeness, and competitive aggressiveness) on entrepreneurial innovativeness.*

Variables	F Ratio	Sig. of P	R	R^2	Adj. R	2	t	Prob.
Risk Taking Behaviours	5.766	.001	.285	.081	.067	.322	1.321	.188
Pro-activeness Competitive						-.478	-2.231	.027
Aggressiveness						-.495	-1.090	.277

Source: *Field Survey, 2012*

Table 8 shows that, the linear combination effect of Risk taking behaviour, pro-activeness and Competitive aggressiveness was significant ($F(3, 197) = 5.766$; $R = .285$; $R^2 = .081$ and Adj. $R^2 = .067$; $P<0.5$. The independent/Predictor jointly accounted for a variation of about 8% of the dependent variable.

The following shows the various relative contributions and levels of significance of the independent variables:

Risk taking behaviour ($\beta = 0.322$, $P>0.1$). Pro-activeness ($\beta = -.478$, $P<0.05$) and Competitive aggressiveness (â = -.495, $P>0.1$) Based on the independent result, the result obtained from the Pro-activeness and Entrepreneurial innovativeness is presented below.

Table 9: *Showing the independent effect of proactiveness on entrepreneurial innovativeness*

Variable	F-Ratio	Significant of P	R	R^2	$\bar{R}^2$	B	T	P
Proactiveness	15.489	.000	.269	.073	.068	-.597	-3.936	.000

Source: *Field Survey, 2012*

Table 9 above shows that the independent effect of Competitive aggressiveness was significant ($F(1, 199) = 15.489$; $R = .269$; $R^2 = .073$ and Adj. $R^2 = .068$; $P<0.05$. The independent/Predictor accounted for a variation of about 7% of the dependent variable. The relative contribution and levels of significance of the independent variables shows that ($\beta = -.597$, $P<0.05$). Since the independent variable accounts for about 4% of the dependent variable, we conclude that pro-activeness will independently predict Entrepreneurial innovativeness.

Based on the independent result, the result obtained from the risk taking behaviour and entrepreneurial innovativeness is presented below.

Table 10: *showing that the independent effect of risk taking behaviour on entrepreneurial innovativeness*

Variable	F-Ratio	Sign ificant of P	R	R^2	$\bar{R}^2$	B	T	P
Risk taking behaviour	.157	.692	.028	.001	-.004	-.072	-.397	.692

Source: *Field Survey, 2012*

Table 10 shows that, the independent effect of risk taking behaviour was significant (F(1, 199) = .157; R = .028; R^2 = .001 and Adj. R^2 = -.004; P>0.05. The independent/Predictor accounted for a variation of about 0% of the dependent variable. The relative contribution and levels of significance of the independent variables shows that (β = -.072, P>0.05). Since the independent variable accounts for 0% of the dependent variable, we conclude that competitive aggressiveness will not independently predicts entrepreneurial innovativeness. Based on the independent result, the result obtained from the independently prediction of competitive aggressiveness and entrepreneurial innovativeness is presented below.

Table 11: *showing that the independent effect of competitive aggressiveness on entrepreneurial innovativeness*

Variable	F-Ratio	Significant of P	R	R^2	$\bar{R}^2$	B	T	P
Competitive aggressiveness	7.924	.005	.196	.038	.034	-.717	-2.815	.005

Source: *Field Survey, 2012*

Table 11 shows that, the independent effect of Competitive aggressiveness was significant (F(1, 199) = 7.924; R = .196; R^2 = .038 and Adj. R^2 = .034; P<0.05. The independent/Predictor accounted for a variation of about 4% of the dependent variable. The relative contribution and levels of significance of the independent variables shows that (β = -.717, P<0.05). Since the independent variable accounts for about 4% of the dependent variable, we conclude that competitive aggressiveness will independently predicts Entrepreneurial innovativeness.

Ha_2: There will be a significant difference between risk-taking behaviour and entrepreneurial innovativeness in SMEs in Lagos metropolis.

Table 12: *showing the significant difference between risk-taking behaviour and entrepreneurial innovativeness.*

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Risk taking behavior		15.3000	2.83907			
Entrepreneurial	200			-24.828	199	.000
Innovativeness		29.0300	7.20755			

Source: *Field Survey, 2012*

Table 12 shows that, there was significant difference between Risk taking behavior and Entrepreneurial innovativeness (Cal t= -24.828, DF = 199, P<.05 level of significance). The alternative hypothesis is accepted thus, indicating that entrepreneurs who more risk takers are more innovative than those who are less.

Ha_3: There will be a significant relationship between pro-activeness and entreprenuerial innovativeness in SMEs in Lagos metropolis.

Table 13: showing the significant relationship between pro-activeness and entrepreneurial innovativeness

Variables	Mean	Std. Dev.	N	R	P	Remark
Proactiveness	17.7000	3.25159	200	-.269**	.000	Sig.
Entrepreneurial Innovativeness	29.0300	7.20755				

Source: *field survey, 2012*

It is shown in table 13 above, that there was significant relationship between Proactiveness and Entrepreneurial innovativeness. (R = -.269**, N=200, P < .05). The result was significant at 1 per cent. Hence we accept the alternative hypothesis and conclude that there is a significant statistical association between proactiveness and innovativeness.

Discussion of Results

This study focused on the impact of entrepreneurial orientation on entrepreneurial innovativeness among small and medium scale enterprises in Lagos Metropolis. The study found that risk taking behaviour, proactiveness and competitive aggressiveness jointly and independently predicted entrepreneurial innovativeness. This means that these factors are predictors of entrepreneurial innovativeness. This is in line with the findings by McGrath, 2001 who stated that entrepreneurship orientation is the most important factor that provides the knowledge related to innovation and supreme performance.

This research work also found a strong association between proactiveness and entrepreneurial innovativeness. Finally the study showed a significant difference between risk taking behaviour and entrepreneurial innovativeness. These findings are line with Ireland and Webb, 2007 who found out that Entrepreneurship is widely viewed as an important stimulus of positive outcomes at both firm and society levels. At the firm level, entrepreneurial actions are manifest in product, process and administrative innovations (Ireland and Webb, 2007).

As entrepreneurial firms are risk tolerant and innovative, they encourage non-authoritarian structures that facilitate creativity, collaboration and flexibility (Wang, 2008). Proactive action and aggressive gestures toward competitors involve searching for and scanning new information, which has to be challenged (Wang, 2008).

Conclusions

Entrepreneurs who are high in the three variables of entrepreneurial orientation considered in this study are likely to be more innovative than entrepreneurs who are low in proactiveness, risk taking and competitive aggressiveness. It is therefore imperative that entrepreneurs work on developing these traits as they leads to innovativeness, superior organizational performance in the small and medium scale enterprises and entrepreneurial success in general.

Implications for Research and Practice

The implication of this study for managers and entrepreneurs of small and medium scale enterprises is tremendous. Although managers recognize the importance of entrepreneurship and entrepreneurial orientation, their implications for and demands on the rest of the organization are often ignored in the process toward its success. Efforts should therefore be geared towards developing these entrepreneurial orientation capabilities by the entrepreneurs in order to bring about innovativeness and in the long run sustainable competitive advantage.

Other researchers will also find this empirical study informative for reference purposes and also for further studies.

Recommendations

Based on the findings of this study, it was recommended among others that:

1. Entrepreneurs should consider their entrepreneurial orientation in their

business pursuits since they can go a long way in determining entrepreneurial innovativeness.

2. Attempt should be made by entrepreneurs to discover and develop specific entrepreneurial orientation traits that can promote their entrepreneurial innovativeness.
3. Governments at all levels should train and educate entrepreneurs on the need to embrace entrepreneurial innovativeness with a view to foster economic development.

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The Role of Women in the Development of Small Scale Businesses in Benue State-Nigeria

Wombo, Dinnah Ngovenda
Department of Business Management,
Benue State University, Makurdi-Nigeria
dinnahwombo2003@gmail.com +2348065599897

and

Sev, Joseph Teryima Ph.D
Department of Business Management,
Benue State University, Makurdi-Nigeria
josephteryima@gmail.com +2348165306261

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Abstract

This study aims at assessing the role of women in the development of small scale businesses in Benue State. The study ascertains the extent to which culture and motherhood significantly affects women contribution to the development of small scale businesses in Benue State. The research design adopted for this study was the survey design approach. The major instrument used in data collection was the questionnaire administered on 33 purposively selected women owned small scale businesses in Benue State. The IBM Statistical Package for Social Science (SPSS) was use to test the formulated hypotheses. The result interestingly revealed that, culture and motherhood do significant affect women contribution in the development of small scale business in Benue State. The study recommends among others that, government should formulate and implement policies and programmes that prepare women to be entrepreneurs; there should be gradual change of belief system through better education and empowerment of women so as to allow women have economic freedom; there should be a family friendly policy to allow women to manage their time and still participate in active entrepreneurial activity; the child bearing should be checked by the government in favor of women to allow them contribute their quota in the development of small scale business.

Key Words: *Women Entrepreneurship, Small Scale Businesses, Culture, Motherhood, Benue State.*

Introduction

National economic development prospects hinge on entrepreneurial energy of vibrant small businesses as most big business concerns, grow from small scale to become big icons. Thus, small businesses are increasingly being regarded as significant in the emerging strategy to meet challenges of the unfolding world economic order. The performance of small business can be assessed by their contribution to gross domestic product, employment, industrial output and exports. Unfortunately, a comprehensive data on the contribution of women entrepreneurs to the development of small scale business have not been put in place for viewers to X-ray the complementary role of women in economic development. So many constraining factors to women entrepreneurship such as financial constraints (lacks of loans), lack of education, training and experience, gender stereotype, family policy, low need for achievement in women and the fear of committing funds to start a business dominates the key variables used by many researchers in studies in this area with little or no attention been focused on culture and motherhood as the fundamental drawbacks for women involvement in businesses. In fact, only 3% of empirical studies in women entrepreneurship discuss the issue of culture and motherhood, thus creating a big research gap in this area of research. It is on this premise that this study is undertaken to determine the extent to which culture and motherhood affects the contribution of women to entrepreneurship development in Benue state with Gboko, Makurdi and Otukpo as the study area. This study is very relevant particularly in Benue state where culture treats and recognizes women as inheritable properties and the issue of motherhood always plays out in every family crisis where the woman ventures into economic activities. Researches of this nature are not only timely but also fundamental as it will go a long way in exposing cultural the bombs against women and draw the attention of stakeholders to motherhood constrain as one of the major factors responsible for the near absence of women involvement in economic activities in Benue state.

Empirical Review

Traditionally, cultural ideas on gender often mean that men are seen and see themselves as more instrumental and committed to business activities and career than women (Alvesson, 2002). Thus, men were and still are privileged in terms of social position, career, income and authority. Most cultures, particularly in Africa are of masculine nature, with masculine notions, stereotypes, values, beliefs and assumptions (Mungai, & Ogot, 2012). The argument that cultures should be gender-neutral has been advanced severally. One of the main concepts emphasized in line with this argument is "creating equal opportunities," which involves the elimination of structural and cultural barriers and biases that inhibits women participation in business activities and advancement at workplace (Mungai, & Ogot 2012; Podony & Baron, 1997; Burt, 1992).

Results from the GEM 2007 study indicate that over the previous decade, women had a lower average score on the total entrepreneurial activity (TEA) index as compared to men, world over. (Allen, Elam, Langowitz & Dean, 2007). Earlier studies indicate that women are more vulnerable because tradition usually gives them less decision-making power over assets than men, while at the same time their opportunities to engage in remunerated activities, and therefore to acquire their own assets, are more limited (Mungai, & Ogot 2012; Blackden & Bhanu 1998; Greer & Thorbecke, 1986a; Collier & Lal, 1980). In a different study, Kiriti, et al. (2003a) found that in patriarchal societies, such as Kenya, customary conventions play a major role in determining the socio-economic status and involvement for women in entrepreneurial activities.

While Africa continues to strongly uphold patriarchal values, this impacts heavily on women's ability to build businesses in many contexts. Cultural/ethnic values can play a critical role in determining who gets into

entrepreneurship and what functional role each plays in this activity (Mungai, & Ogot 2012). Holuquist & Sundin (1987) suggest that women and men operate in two separate worlds with quite different value systems. Evidence also shows that distinct ethnic groups assume their own behavioural expectations, with some communities emphasizing purely domestic chores for women (passivity in entrepreneurial activities), and others financial independence for both genders. Still for others, the path to entrepreneurship is reflective of women's frustrations encountered at the domestic front.

Cultural pressures and expectations to maintain sexual piety, as well a 'sound moral reputation' are brought to bear on women. These pressures impinge significantly on the economic factors that women face (Lessinger, 1990). Such pressures constrain women's mobility, limit whom they talk to, and conduct business with, and structure their relationship to the market. For example, a study by Chitsike (2000) in Zimbabwe among the Shona, found that some women view making large amounts of money as a dirty pursuit, full of all kinds of evil ("she wants to make money like a prostitute"). Women are traditionally brought up to associate making money with immorality. Thus any entrepreneurial venture pioneered by a woman is frowned upon. There is therefore need to overcome cultural barriers that specifically face women who would otherwise want to engage in venture creation (ILO, 1997) especially in Africa.

From the study by Mungai and Ogot (2012) in Kenya for the communities studied found that, ethnic cultural influences play a larger role in women's propensities towards entrepreneurship and their view of their community perception towards the same than does gender. This is pronounced even when men and women from the same communities are compared along the same dimensions.

Another more recently frequent mentioned challenge is the combination of the business with family responsibilities, which may undermine the success of the business (Jennings and McDougald, 2007). Women entrepreneurs indicate that they deploy several strategies to cope with the double workload and challenges deriving from combining business with family (Vossenberg1, 2013). But while self-employment may provide flexibility, Williams (2004) found that (in Europe) the amount of time spent caring for children are negatively related to success (as measured by self-employment duration). Furthermore, the location of the business at home may also undermine the legitimacy of the business as perceived by customers and creditors (Marlow, 2002). Furthermore, some studies indicate that women strongly rely on support from husbands, partners, and relatives in order to successfully start and grow a business (Jennings and McDougald, 2007; Brush, de Bruin and Welter, 2009; Vossenberg1, 2013). Much more research is needed on the topic of coping strategies to combine business with family in general and specifically, on how to engage husbands and other family members in supporting women entrepreneurs in developing countries.

Furthermore, scholars point out that normative constraints and societal attitudes based on cultural and religious beliefs in some countries are not supportive of the work of women in general or that of women in entrepreneurship in particular (Jamali, 2009; Baughn *et al*, 2006). In a variety of countries, the perception is that entrepreneurship is an appropriate career choice for men and not women, or only for the poor and not the educated, which in most cases are women. These perceptions are mostly based on the association of entrepreneurship with traditional male stereotypes (Vossenberg1, 2013; Aidis *et al*., 2007; Bird and Brush, 2002).

Methodology

Hypotheses

Ho_1: Culture does not significantly affect women contribution in the development of small scale business in Benue State.

Ho_2: Motherhood responsibility does not significantly affect women contribution in the development of small scale

business in Benue State.

Participants and Statistical Tool

The survey research design was adopted for this study. The population of this study comprises 33 purposively selected women own small scale business in Gboko, Makurdi and Otukpo, Benue State. The entire population elements were adopted as the sample size. Therefore N = n = 33, where N = population, n = sample size. Data were collected using both structured and unstructured questionnaire administered to the respondents. This was done to keep the responses and respondents both within the context of the objectives and provide them little freedom to give further explanations. The questionnaire were duly filled and returned. Likert-type response format, which ranged from strongly agree with a value of 5 points to strongly disagree with a value of 1 point was used in sourcing for information. The hypotheses were both tested using Chi-square statistic at 0.05% level of significance.

Data Presentation and Analysis

Table 1: *Responses as to whether culture obligate a woman to household maintenance*

Variables	Frequency	Percentage
Strongly agree	12	33.36
Agree	9	27.27
Undecided	4	12.12
Disagree	6	18.18
Strongly Disagree	2	6.06
Total	33	100

Source: *Field Survey, 2013*

Table 1 above reveals that 21 (60.63%) agreed that culture obligate a woman to household maintenance, 4 (12.12%) are undecided while 8 (24.24%) disagreed with the assertion. The statistic inference here is that culture obligates a woman to household maintenance.

Table 2: *Responses as to whether childbearing interfere with women involvement business*

Variables	Frequency	Percentage
Strongly agree	12	33.36
Agree	11	33.33
Undecided	3	9.09
Disagree	5	15.15
Strongly disagree	2	6.06
Total	33	100

Source: *Field Survey, 2013*

Table 2 above shows that 25 (66.69%) agreed that childbearing interferes with women involvement in businesses 3 (9.09%) are undecided, 7 (21.21%) disagreed that childbearing interferes with women involvement in businesses. The statistic inference shows that childbearing significantly interferes with women involvement in businesses in Benue state.

Test of Hypotheses

Ho_1: Culture does not significantly affect women contribution in the development of small scale business in Benue State.

In order to test hypothesis one, responses presented in table one was used

Observe Frequency			
	Observed N	Expected N	Residual
2.00	2	6.6	-4.6
4.00	4	6.6	-2.6
6.00	6	6.6	-.6
9.00	9	6.6	2.4
12.00	12	6.6	5.4
Total	33		

Source: *IBM SPSS output 2013*

Test Statistics	
	Observe Frequency
Chi-square	9.576 [a]
Df	4
Asymp. Sig.	.048
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.6.	

Source: *IBM SPSS output 2013*

In the test of hypothesis one, the result revealed that the critical value of Chi-square is less than the calculated value ($X^2t = 9.436$ is less than $X^2c = 9.576$, $P < 0.05$) and is significant at 0.048% with degree of freedom 4, therefore the null hypothesis is rejected, thus indicating that culture does significantly affect women contribution in the development of small scale business in Benue State.

Ho_2: motherhood responsibility does not significantly affect women contribution in the development of small scale business in Benue State.

Responses on table two was used to test this hypothesis

Observe Frequency			
	Observed N	Expected N	Residual
2.00	2	6.6	-4.6
3.00	3	6.6	-3.6
5.00	5	6.6	-1.6
11.00	11	6.6	4.4
12.00	12	6.6	5.4
Total	33		

Source: *JBM SPSS output 2013*

Test Statistics	
	Observe Frequency
Chi-square	12.909[a]
Df	4
Asymp. Sig.	.012
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.6.	

Source: *IBM SPSS output 2013*

The result shows that the critical value of Chi-Squire is less than the calculated value of Chi-Squire ($X^2tab = 9.436 < X^2cal = 12.909$, $p < 0.05$) and is significant at 0.012 with degree of freedom 4, therefore the null hypothesis is rejected, thus indicating that motherhood

responsibility significantly affects women contribution to development of small scale business in Benue state.

Discussion of findings

This paper examines the role of women in the development of small scale business in Benue State. From the analysis of data, it was observed that, culture significantly affects women contribution in the development of small scale business. This is because the settlers have cultures which do not permit the women to have economic powers through commercial activities. It was also found that women are most at times evaluated based on the number of children they have, that is why most communities value even an insane woman who can bear them children more than an innovated woman. Therefore motherhood does significantly affect women contribution in the development of small scale business in Benue State. This agrees with the notion of Gopinathan (2010) who found that the financial conditions of the family do not play significant role for the involvement of women in entrepreneurship in India, He also observed that most women entrepreneurs had weak financial background during their entry into the entrepreneurial activity. But that their involvement occurred in order to raise the income of the family. It was also observed that once a woman enters a business, her start providing financial support to the monthly income of the family. Therefore most of the women are not supported financially, psychologically and otherwise to venture into business.

Conclusion and Recommendations

There was observable evidence in the course of this investigation that most cultures in Benue state do not allow the women seek economic endeavors or to venture into business thereby turning the women into child bearing industry.

Base on the finding that emanated from this study, the researcher made the following recommendations:

- That government should formulate and implement policies and programmes that prepares women to be entrepreneurs'
- There should be gradual change of belief system through better education and empowerment of women so as to enable them have economic freedom;
- There should be family friendly policy to allow women to manage their time and still participate in active entrepreneurial activity;
- The child bearing should be checked by the government in favor of women to allow them contribute their quota in the development of small scale business because as women try to satisfy their husband by bearing the number of children they want, the woman cannot participate fully in the starting or buying of a small business.

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An Examination of the Role of Diversity on Organisational Commitment

Owoseni, Omosolape Olakitan
Department of Business Administration,
Faculty of Social and Management Sciences,
Ajayi Crowther University, Oyo, Oyo Town-Nigeria
E-MAIL:soolakitan@yahoo.com; +2348029073001

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Abstract

This study examines the role of diversity climate and perceived value on organisational commitment. Diversity serves as an engine behind creativity, allowing new voices to be heard, and also increases an organisation's critical thinking capabilities as well as overall job satisfaction and commitment. Specifically, the study seeks to ascertain whether significant difference exist between diversity climate and organisational commitment in some manufacturing organisations in Ibadan and Oyo towns, Oyo State, Nigeria; it also determines the extent to which perceived value influences organisational commitment; and finally, it examines whether there is a joint and independent prediction of diversity climate and perceived value on organisational commitment. A sample of three hundred and five respondents was used comprising 191 (62.6%) males and 114 (37.4%) females from some manufacturing organisations in Oyo and Ibadan towns in Oyo State, Nigeria. A 5-point Likert scale questionnaire was used in collecting the required data. The study used a survey research design and three hypotheses were formulated for the study. The hypotheses were tested using independent t-test and multiple regression test statistics. The findings of the study revealed that, there was a significant difference between diversity climate and organisational commitment. Also, there was an influence of perceived value on organisational commitment. Furthermore, there was a joint and independent prediction of perceived value and diversity climate on organisational commitment. Based on the findings, the study recommends that, organisations should continue to strive to maintain equity among their workers cutting across race, culture, and ethnicity.

Keywords: *Diversity, organisational commitment, diversity climate, perceived value*

Introduction

Diversity in the workplace is a reality that has come to stay. Companies are recognizing the need to leverage their diversity in the context of globalization to maintain a competitive edge in the marketplace (Roberson, 2006). However, organizational scholars have not been able to establish a definitive empirical link between diversity and performance in groups (Milliken & Martins, 1996; O'Reilly, *et al* 1998), because investigations of the direct relationship have produced mixed results. Some studies have shown that diversity can have negative effects on performance (Ancona & Caldwell, 1992), whereas other studies have shown that diverse groups outperformed homogenous groups (Cox et al., 1991). Milliken and Martins (1996) put these contradictory results succinctly when they said, “diversity appears to be a double-edged sword, increasing the opportunity for creativity as well as the likelihood that group members will be dissatisfied and fail to identify with the group”.

Indeed, studies in the last ten years have continued to show such mixed results, and contemporary investigations of the diversity-performance link (Jehn & Bezrukova, 2004) typically find that the relationship depends on various process and contextual factors. Despite mixed results in studies of diversity and performance, group differences have been found to encourage creativity and engagement (Haner, 2005; Yap et al., 2005).

Merriam Webster (2010) defines diversity as the inclusion of a variety of individuals differing in race, gender, or culture in a group or organization. Variety constitutes some inherent degree of uniqueness; a noticeable difference from others, which allows for new, potentially unconventional problem evaluation, constructive disagreement, and the deriving of new solutions and approaches to persistent challenges. Herein lies diversities greatest strength, as it closely resembles Porter's (1985) definition of an organization's competitive advantage; namely, a product or organizational attribute that is unique, defendable over time, and important in the eyes of external stakeholders of a firm's relevant market. Diversity, therefore, can become the engine behind creativity, allowing new voices to be heard, and thereby increasing an organization's critical thinking capabilities, as well overall job satisfaction and commitment. While most organizations will acknowledge the importance of diversity in business considerations, the full potential of a diverse workforce appears to have not yet been leveraged and exploited. In a recent edited volume on diversity in organizations, Chugh and Brief (2008) noted that research on diversity in organizations is sparse -- only 5% of articles published in management journals from 2000-2008 included race or gender in their keywords. They further speculates that, the low percentage of research on diversity reflected an assumption of whiteness and homogeneity in our workplaces.

Organizational Commitment is highly valuable. Studies have highlighted that commitment has a great impact on the successful performance of an organisation. This is because a highly committed employee will identify with the goals and values of the organization, has a stronger desire to belong to the organization and is willing to display greater organizational citizenship behaviour i.e., a willingness to go over and beyond their required job duties. And if human resources are said to be an organization's greatest assets, then committed human resources should be regarded as an organization's competitive advantage.

Organizational commitment is so relevant to organizations. In fact, vast numbers of studies have found positive relationships between organizational commitment and employee behaviors such as a greater effort exerted by the employee in performing tasks, higher employee retention, better work attendance, increased willingness to engage in citizenship behaviour and higher delivery of service quality. In essence, this shows an all-round higher employee performance effectiveness. Moreover, in today's fast paced

and dynamic business environment, organizations can no longer guarantee "a job for life" which has made the notion of organizational commitment even more pertinent. It is therefore in the organization's best interest to elicit this kind of behaviour.

Therefore commitment in the workforce moves away from the traditional psychological contract of a “fair days work for a fair day's pay” and instead to a contract, which implies that employees will go that extra mile for the company. The concept of organisational commitment has attracted considerable attention over recent years and has become a central objective of human resource management. For the topic in question our local interest refers to “Commitment” which can be described as attachment and loyalty. Individuals can display this attachment and loyalty at a variety of levels: their job, profession, department, boss or organisation. Realistically then, commitment may therefore be diverse and divided between any of these. More specifically, organisational commitment has been defined by Mowday (1992) as consisting of three components: “identification with the goal's and values of the organisation, a desire to belong to the organisation and a willingness to display effort on behalf of the organisation.”

It must be understood that given the current wave of globalization where the whole world has become a theatre of operation and the fact that high labour mobility between, among and across states and countries characterize the operating environment of both small and large organizations today, issues of diversity and perceived value cannot be taken lightly. This is because today, skills, knowledge, value systems and economic myths are currently taken these dimensions and business successes or failures are significantly determined by these factors. As stated earlier, in today's fast paced and dynamic business environment, organizations can no longer guarantee "a job for life" which has made the notion of organizational commitment even more pertinent. It is therefore in the organization's best interest to elicit this kind of behaviour if they must survive the current wave of competition arising from globalization. It is against this backdrop that this study seeks to ascertain the extent to which diversity climate affect organisational commitment in some manufacturing organisations in Oyo State. It also determines the extent to which perceived value has an influence on organisational commitment. Lastly, it examines whether there is a joint and independent prediction of diversity climate and perceived value on organisational commitment. This study upon completion will significantly bridge the research gap which exists in this area of study. As observed earlier, studies relating to diversity in organisations are very scarce, showing a serious gap and suggest paucity of empirical data in this area. For example, a study by Chugh and Brief (2008) noted that research on diversity in organizations is sparse as only 5% of articles published in management journals from 2000-2008 included race or gender in their keywords. The low percentage of research on diversity reflected an assumption of whiteness and homogeneity in our workplaces. Hence, this study is an attempt to fill the gap as the study will go a long way to enrich the existing scarce empirical evidence in this area of research.

Theoretical Framework

Social identification & categorization theory

Much of the research on diversity effects, if not the majority, predicts a negative relationship between diversity and performance that is premised on faulty work processes. As a group becomes more and more diverse, breakdowns in communication, coordination, and cohesion make it harder for members to work together effectively. These process-oriented difficulties prevent the group from producing a final product, solution, or idea that is on par with one produced by a group that did not fall prey to the same procedural difficulties (Tajfel, 1981; Turner, 1982).

Social identification begins with the

assumption that each individual wishes to maximize his or her self-esteem. In order to ensure high self-esteem, individuals engage in a series of social comparisons with others. These self-comparisons involve individuals placing themselves, and others, into a series of categories along organizational, religious, gender, ethnic, and socio-economic lines, among others. This process leads each individual to establish his or her social identity, with that identity defined as one's membership in a given group of different categories. Given the initial assumption that an individual does all of this in order to maintain a high level of self-esteem it follows that individuals will deem the categories in which they belong as "good" (often called the in-group) and the categories in which others belong as "bad" (the out-group). Empirical research has shown that individuals often (falsely) attribute negative characteristics to out-group members as part of this process, believing the out-group to be comprised of individuals who are less trustworthy, honest, cooperative, or intelligent (Brewer, 1982; Stephan, 1985; and Tajfel, 1982). The process of categorization often involves physical traits such as gender, ethnicity, and age (Messick & Massie, 1989). Given that membership in the out-group is seen as a deficiency, this classification often results in individuals assuming that, those from different ethnic backgrounds are either inherently "worse" than they are, or at the very least, untrustworthy (Loden & Rosener, 1991). Social identification and categorization theory, then, assumes that individuals quickly stereotype and make judgments about those from other groups. In a diverse work team or organization, there are many more out-groups than in-groups, a pattern which is expected to cause heightened problems with trust, communication, and cooperation. As a result, work processes will be made much more difficult, thus causing the final product, idea, or solution to be weaker. This theory, then, suggests a negative relationship between organizational diversity and work-related outcomes.

Similarity/attraction theory

The similarity/attraction stream of research is predicated on the notion that similarity in attributes, particularly demographic variables, increases interpersonal attraction and liking (Byrne et al, 1966). Individuals with similar backgrounds may find that they have more in common with each other than with others from different backgrounds, making it more comfortable for them to work together and collaborate toward producing a product or solving a problem. Similarity allows one to have his or her values and ideas reinforced, whereas dissimilarity causes one to question his or her values and ideas, a process that is likely to be unsettling. Research has shown that in a situation where an individual has the opportunity to interact with one of a number of different people, he or she is most likely to select a person who is similar (Burt & Regans, 1997; Lincoln & Miller, 1979).

That one is likely to be most attracted to those with similar attributes yields clear predictions for the relationship between organizational diversity and work-related outcomes. Early research using the similarity/attraction concept found that dissimilarity led to a lack of "attraction" to others that manifested itself through decreased communication, message distortion, and communication error (Barnlund & Harland, 1963; Triandis, 1960). As with social identification and categorization theory, similarity/attraction research would predict that high levels of diversity in an organization or in a work group are likely to lead to faulty work processes. These faulty work processes will, in turn, lead to weaker performance.

Information & decision-making theory

The stream of research on information and decision-making in groups is predicated on the notion that the composition of the work group will affect how the group processes information, communicates, and makes decisions (Gruenfield et al, 1996; Wittenbaum & Stasser, 1996). One might expect, given the orientation of the first two theories of group

interaction, that this theory would also predict a negative relationship between diversity and outcomes. If theories of social identification and categorization and similarity/attraction theory tend to argue that diversity will cause breakdowns in collaboration and communication, then it would seem to follow that diversity would also cause problems in information generation and decision-making. However, the literature on information and decision-making in groups tends to show that for these two specific functions (producing information and making decisions), the faulty processes that result from high levels of heterogeneity are overcome by benefits gained from more creativity, a larger number of ideas, and a larger pool of knowledge (Tziner & Eden, 1985).

Research has shown that, even in situations where diversity has a clearly negative impact on work processes, the increase in information available to the group that comes from diversity is enough to offset process problems (Ancona & Caldwell, 1992; Jehn et al 1997; Zenger & Lawrence, 1989). The idea that diversity brings a number of new perspectives to the table, making it possible for an organization to be more effective, has served as the basis for a number of claims that diversity is a strength and resource for organizations (Adler, 2003; Dobbs, 1998; Thomas, 1990). The theory is not quite so straightforward, however, it is important to consider the type of task when determining whether one might rely on information and decision-making research to predict a positive relationship between diversity and outcomes. For example, a reutilized task that involves little discretion or group interaction is not likely to benefit from diversity (Adler, 2003). Since more information, knowledge, and creativity are usually of little use for such a task, it seems most probable that these substantive benefits will not be enough to offset the faulty work processes that will result from group heterogeneity. Rather, diversity is most likely to provide positive results when the task is to solve a complex problem, generate a set of creative ideas or innovations, or produce a new product. In these cases, the more information and viewpoints that are present, the more likely the group will be to come to an optimal solution.

A second caveat, and one that applies directly to this study, is that most of the research on information and decision-making in groups is based on diversity of education and function, not ethnicity (Ancona & Caldwell, 1992; Bantel & Jackson, 1989; Pelled et al, 1997). In fact, there is very little work that uses information and decision-making theory to produce a positive hypothesis for ethnic diversity and performance. Cox et al (1991) use the individualism/collectivism value divide to suggest that ethnic diversity creates a variety of perspectives that will benefit organizations and produce synergies. A handful of other studies use the same framework differences in values that run along ethnic lines to test hypotheses related to information and decision-making, but the literature is fairly shallow in this area (McLeod & Lobel, 1992; Watson et al, 1993). While this theoretical stream does suggest a positive relationship between diversity and performance, it is a weak hypothesis and one that should be approached with caution.

Methodology

Hypotheses:

Ha_1: There will be a significant difference between diversity climate and organisational commitment in manufacturing organisations in Ibadan and Oyo towns.

Ha_2: Perceived value will have a significant influence on organisational commitment in manufacturing organisations in Ibadan and Oyo towns.

Ha_3: There will be a joint and independent prediction of diversity climate and perceived value on organisational commitment in manufacturing organisations in Ibadan and Oyo towns.

Participants:

The design for this study is a survey

research design. A sample of 305 respondents comprising 191 (62.6%) males and 114 (37.4%) females with 121 (39.7%) single respondents and 184 (60.3%) married respondents were purposively drawn from some manufacturing organisations in Ibadan and Oyo towns in Oyo State, Nigeria to participate in this study.

Instruments/Techniques:

The type of data that was used for the study was primary data. The primary data was collected using questionnaires so as to enable the researcher obtain accurate and adequate information relating to the research work. The questionnaire was administered to the management staff, senior staff, immediate staff and junior staff of the company under study. Three hundred and two questionnaires were retrieved and found usable for analysis out of the 305 questionnaires that were administered . This gave a response rate of 61%. The questionnaire was designed into four parts. Section A contains the socio-demographic information of the respondents which includes age, sex, marital status, educational qualification, etc. Section B(i) measures diversity climate scale which was based on the work of Mc Kay et al (2008) with a reliability of 0.75. The scale consists of 5 items using a 5-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. Sample items of the scale are "I trust my organisation to treat me fairly and my organisation respects the views of people like me. Section B(ii) measures perceived value diversity which was based on the work of Jehn (1997) with a Cronbach alpha of 0.85, the scale consists of 5 items using a 5-point likert scale ranging from 1=strongly disagree to 5=strongly agree. Sample items include "the organisation as a whole has similar goals and the members agree on what is important to the organisation. Section D measures organizational commitment based on the work of Mowday (1979) with a reliability coefficient of 0.83, the scale consists of 5 items using a 5-point likert scale ranging from 1=strongly disagree to 5=strongly agree. The scales were revalidated by the researcher and Cronbach alpha gave; diversity climate 0.71; perceived value diversity 0.68; and organisational commitment 0.72. The demographic information was analyzed using frequency counts and simple percentages. Hypotheses for this research were analyzed with multiple regression analysis and independent t-tests. Hypothesis 1 and 2 were tested with independent t-test, while Hypothesis 3 was tested with multiple regression analysis.

Data Presentation, Analyses and Interpretations

Analyses of demographic information

Table 1: *Table showing the descriptive statistics of demographics*

Sex	Frequency	Percentage (%)
Male Female Total	191 114 305	62.6 37.4 100.0
Age	Frequency	Percentage (%)
Young Old Total	126 179 305	41.3 58.7 100.0
Marital Status	Frequency	Percentage (%)
Single Married Total	121 184 305	39.7 60.3 100.0
Religion	Frequency	Percentage (%)

Christianity Slam Indigenous Religion Total	232 54 19 305	76.1 17.7 6.2 100.0
Educational Background	Frequency	Percentage (%)
SSCE.GCE.NCEO OND,NCE B.Sc M.Sc	53 59 172 2	17.4 19.3 56.4 0.7
Others Total	19 305	6.2 100.0
Years of Service	Frequency	Percentage (%)
< 1 year 1-5 years 6-10 years > 10 years Total	42 118 96 49 305	13.8 38.7 31.5 16.1 100.0

Source: *Field Survey, (2012)*

The table 1 above shows that that, there are 191(62.6%) male respondents and 114(37.4%) female respondents. It also shows that 126(41.3%) of the respondents are young and 179(58.7%) of the respondents are older. The marital status of the respondents also show that 121(39.7%) of the respondents are single and 184(60.3%) are married in the study. The Religion of the respondents also show that 232(76.1%) of the respondents are Christians, 54(17.7%) of the respondents are Muslims and 19(6.2%) of the respondents are Indigenous religious worshipers. The Educational Background of the respondents show that 53(17.4%) of the respondents have SSCE, GCE, NECO certificates, 59(19.3%) of them have OND, NCE certificates, 172(56.4%) of them have B.Sc certificates, 2(0.7%) of them have M.Sc certificates while 19(6.2%) of the respondents have other certificates respectively. The table also showed the respondents' Years of Service with 42(13.8%) of the respondents having less than a year work experience in the organisation, 118(38.7%) of them have served between 1-5 years, 96(31.5%) have served between 6-10 years while 49(16.1%) of them have served the organization for over 10 years.

Testing of Research Hypotheses

Ha_1: There will be a significant difference between diversity climate and Organizational Commitment in manufacturing organisations in Ibadan and Oyo towns.

Table 2: *Summary of independent t-test showing the difference between diversity climate and Organizational Commitment*

Organizational Commitment	N	Mean	Std. Dev.	Crit-t	Cal-t.	DF	P
Low Diversity	125	9.8640	2.1715	1.96	2.865	303	.004
High Diversity	180	10.6722	2.5823				

Source: *Field Survey, (2012)*

The table 2 above shows that there was significant difference between diversity climate and Organizational Commitment (Crit-t = 1.96, Cal.t = 2.865, df = 303, P < .05 level of significance). The hypothesis is therefore accepted.

Ha_2: There will be a significant influence between Perceived Value Diversity and Organisational Commitment in manufacturing organisations in Ibadan and Oyo towns.

Table 3: *Summary of independent t-test showing the influence between Perceived Value Diversity and Organisational Commitment*

Organizational Commitment	N	Mean	Std. Dev.	Crit-t	Cal-t.	DF	P
Low Value Diversity	119	9.1681	2.3897	1.96	7.225	303	.000
High Value Diversity	186	11.0914	2.2001				

Source: *Field Survey, (2012)*

The above table 3 above shows that, there was significant difference between Perceived Value Diversity and Organizational Commitment (Crit-t = 1.96, Cal.t = 7.225, df = 303, P < .05 level of significance). The hypothesis is therefore accepted.

Ha_3: Diversity Climate and Perceived Value Diversity will significantly jointly and independently predict Organisational Commitment in manufacturing organisations in Ibadan and Oyo towns.

Table 4: *Summary of multiple regression analysis showing Diversity Climate and Perceived Value Diversity will significantly jointly and independently predict Organisational Commitment*

Variables	F-Ratio	Sig. of P	R	R^2	Adj. R^2	β	T	P
Diversity Climate	68.180	.000	558	311	307	.183	3.508	.001
Perceived Value Diversity						.457	8.742	.000

Source: *Field Survey, (2012)*

The table 4 above shows that, joint effect of Diversity Climate and Perceived Value Diversity had significantly predicted Organisational Commitment (F(2,302) = 68.180; R = .558, R^2 = .311, Adj. R^2 = .307; P <. 05). The independent/predictor variables jointly accounted for a variation of about 31%. The following show the various relative contributions and levels of significance of the independent variables: Diversity Climate (β = .183, P <.05) and Perceived Value Diversity (β = .457, P <.05)

Discussion

The results of this study generally support the research hypotheses concerning the role of diversity on organizational commitment. The result of hypothesis one indicates there was a significant relationship between diversity climate and the organization commitment. the findings supported the work of Selden (1997) who in his study found the link between passive and active representation which is premised on research showing that people from similar backgrounds, race, for example will have similar values and beliefs.

According to the result of hypothesis two, it also observed that, there was an influence between perceived value and organization commitment. This corroborates the study of Koys (1988), (1991), Morrison & Robinson (1997) which show the influence of the perception on organizational activities and employee's commitment. Koys (1988) looked at the influence of selected human resource management practices on employee's commitment to the organization. Koys' correlation analysis found that his subjects positively related organizational commitment to their perceptions of their human resource department's motivation for implementing the different practices.

Hypothesis three indicate that, diversity climate and perceived value diversity will significantly jointly and independently predict organisation commitment. The hypothesis was accepted. This is also consistent with the finding of an earlier study by Meyer et al (1991) where they investigated employee's decisions to join an organization and their

resultant commitment. They reported mixed results, to test the hypothesis regarding the influence of retrospective and prospective rationality in the development of commitment.

Implication of Findings to Research and Practice

This study has implications for managers of organizations and researchers in this field of area. Given the findings of the study, it is imperative for managers to strive to ensure that they maintain a good diversity climate, thereby, ensuring that, it is a norm and not an exception. Also, managers should strive to maintain a continuous good diversity climate so as to improve their employee's commitment, productivity, efficiency and effectiveness. Researchers should also strive to expand and enlarge the scope and variables of investigation in studying diversity and it likely effects on the diversity climate in organizations in subsequent studies so as to enrich the paucity of empirical evidence that exist in this area of research.

Conclusion

There are numerous consequences to the role of diversity with respect to the organisational commitment in the industry. The diversity is the context of globalization that maintains a competitive edge in the marketplace. It is the diversity that leads to diversity climate and perceived value in the organisational commitment. Organisational commitment on the other hand is the strength of an individual's identification with and involvement in a particular organization. *Organizational commitment also* focuses on employees' commitment to the organization. The results also conclude that there was an influence between perceived value and the organization commitment. It was also established that diversity climate and perceived value diversity significantly jointly and independently predict organisational commitment.

Recommendations

Based on the findings of this study, the following recommendations are suggested:

1. It is suggested that managing diversity requires business leaders to adopt an approach to diversity management that is sensitive not to race and ethnic differences, but to the background and values of all individuals at work.
2. Organisations should continue to strive to maintain equity among their workers cutting across race, culture, and ethnicity.
3. Management should put in place conditions which would enhance the workforce diversity in their organisations, more especially in their strategy formulation.

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The Impact of Human Resource Management on the productivity of employees: A Comparative Analysis of the private and public sector in Cameroon

Abangma James Arrey, Ph.D.
Department of Political Science and Public Administration,
University of Buea, Buea, Cameroon.
Email: ajarrey@yahoo.com, +237-77 58 19 02

Ochugudu, Achoda Ipuele, Ph.D
Department of Business Management
Benue State University, Makurdi-Nigeria
Ochugudu74@gmail.com; +2347038960277

and

Ayuk Priciline Bessem
Department of Political Science and Public Administration,
University of Buea, Buea, Cameroon.
Email: apriciline@yahoo.com, +237-79 80 45 63

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Abstract

This study seeks to compare the impact of effective human resource management on the performance of the employee using AES-SONEL and Cameroon Development Corporation (CDC) as organisations representing the two sectors of the economy. The study specifically focused on the regularity of training and development of the staff and the size of wages/welfare programmes as the variables of investigation. A survey design was adopted for this study. 100 staff each was purposively drawn from the two organisations to participate in the study. A 12 item questionnaire structured in 5-point Likert scale was used to source the primary data from the respondents. The formulated hypotheses were tested using Chi-square test statistics. It was observed from the results of data analysis that the content and frequency or regularity of training and development of staff is higher in AES-SONEL than CDC. It was also observed that human resource management in CDC caters more for the welfare and social needs of employees than AES-SONEL. CDC equally secures better and encouraging pay packages with regular incentives for employees than AES-SONEL. Based on these findings, this research recommends that the government of Cameroon should reconsider its privatisation policy because privatised institutions give little priority to the financial, social and welfare needs of employees. Leaders of private organisations should attach a lot of attention to the welfare needs of employees. Private organisations should also consider the implementation of elaborate and progressive reward management plans. The public sector management (CDC) should endeavour to organise regular training and development programmes with rich packages or contents that ensure continuous development and maximisation of employees' skills and abilities. This study concludes that, when effective human resource practices are applied on employees with special regards to their characteristics, needs and skills, employees' performance will increase.

Key Words: *Effective management, Human resource, performance, private organisations, public sector*

Introduction

Productivity or performance is not everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker. Nothing contributes more to the reduction of poverty, to increase in leisure and to the country's ability to finance education, public health and environment than productivity growth (Blinder and Baumol, 1993: 778). Productivity measures are often used to indicate the capacity of a nation to harness its human and physical resources to generate economic growth. A nation's workforce is therefore one element that is completely unique. Whatever the goals of an organisation are, they can be achieved only by the application of human skills and effort. If this workforce is mishandled, it can be a source of corporate distress and if handled well, it can provide a competitive advantage to an institution (Cascio, 1992: 32).

Human resources, along with financial materials and time, contribute to improve the production of goods and services in an organisation (Gordon, 1986). It is rather unfortunate that most of our institutions do not attain their maximum levels of productivity due to certain obstacles that they face.

As societies become more diverse and complex, the needs of the institutions keep changing rapidly. Due to a tight labour market and an aging workforce, public sector organisations worldwide compete with private sector to recruit and retain qualified workers. Governments also face critical skill shortages especially in highly technical areas (Peters and Pierre, 2007: 39-40). This is true as experiences in some organisations in Cameroon shows. Particularly, there is the problem of poor or inadequate motivation of employees by organisations in the country. For example workers in the ministry of public health in Cameroon recruited in the Highly Indebted Poor Country Initiative (HIPC) Project and the French Fund for Development (C2D) in 2007 went on strike in 2011 expressing anger over their non-integration into the public service of Cameroon and non-payment of twenty-two (22) months of salary owed them by the government. This makes many medical doctors in Cameroon to seek for better payment elsewhere thereby keeping the doctor-patient ratio in Cameroon constantly low while increasing employee turnover rates. The effect is that the government is constantly facing the challenge of training new medical doctors to fill vacant positions (CRTV: The 7:30 News, 10 April, 2011).

The case of CDC is even worse given the fact that besides the internal challenge of inefficiency as a result of poor training and reward plan, the institution also faces enormous external challenges arising from the pressure of globalisation. As indicated by Dessler (2005: 11), globalised production and sales brings more competition and more competition means more pressure to improve on work skills, lower costs of production and workers becoming more productive and able to do things better and less expensively. CDC, for example, exports products such as banana and semi-finished rubber to South America, Eastern Europe, Southeast Asia and many other sub regions. These products face competition in the international market thus, the challenge and pressure for CDC to ensure that its workers are competent enough to produce good quality products that can be competitive in the market has been very high. Due to the inability of CDC to institute a market competitive reward system and their failure to regularly train and develop her staff in accordance with standard business requirements, the competitive strength of her products and staff thereof in terms of quality has been very poor. Most people express serious worry and concern as to whether CDC may even break-even in the near future. This calls for urgent attention and research on the way forward, thus the justification for this study.

Applied Energy Supply equally suffers from a number of administrative inefficiencies that contribute immensely in reducing their performance levels. Quite often as observed, the company lays more emphasis on control

mechanisms, rules and procedures rather than performance, with a high level of conservatism, risk aversion and the lack of a clear mission statement. There is a greater focus on inputs through increasing expenditure on health, education and housing to the exclusion of outputs such as quantity, quality and service/client satisfaction. Inputs and supplies are not adequately put to use through capacity utilisation within the organisation; thus, leading to the current level of inefficiency, lack of clear objectives, over-staffing, lack of job description and evaluation, and the near absence of incentives that is bedevilling the performance or the productivity of the workers in the company.

Based on the foregoing, questions such as where do the human resource managers in CDC and AES-SONEL stand? How do the workers of these corporations perceive the role of human resource management services on their productivity, becomes imperative. It is against this backdrop that this study seeks to undertake a comparative analysis of the effect of reward plan and the regularity of training and development on the productivity of the corporations. Upon completion, this study might be of immense benefit to human resource officials, managers or leaders of organisations, entrepreneurs, government agencies and policy makers. It has also added impetus to existing literature that the public sector caters for the welfare, social needs and reward of employees more than the private sector.

Study Areas

The case studies for this research are the *Cameroon Development Corporation* (CDC) and the Applied Energy Supply (*Société Nationale d'Electricité* - AES-SONEL). CDC manages a workforce of 21000 employees and AES-SONE manages 3155 employees. AES-SONEL is integrated electricity utility Power Company engaged in the generation, transmission and distribution of electrical energy in Cameroon with its headquarters located in Douala. (Www.fastmr.com/prod /342778_aes_sonel_sa_strategi).

CDC was created by Ordinance No. 39 of 1946 and went operational in 1947 as a statutory public establishment. It was incorporated under decree No. 082/28 of 22nd January 1982. The corporation has its estates located in the South West, Littoral, North West and West Regions of Cameroon. CDC's major products include banana, semi-finished rubber, palm oil and palm kernels (info@cdc-cameroon.com). These organizations are occupied with the struggle to attain maximum levels of production. One of the most pressing concerns they face is performance improvement. This is simply because productivity growth is a crucial source of growth in living standards. An improvement in performance means more value is added in production. Consequently, more income is available for distribution. The nation as a whole tends to benefit a lot from a substantial growth in productivity of her institutions since productivity growth raises living standards through better wages, good working conditions and lower prices (Krugman, 1992).

Conceptual Clarification

The Chartered Institute of Personnel and Development (CIPD) (2004) define human resource management both as a function pursued by human resource managers and also as a part of every manager's job (Foot and Hook 2005: 4). It is difficult to predict the exact nature of the job human resource management officials perform in any particular enterprise (Foot and Hook, 2005: 3). However, this piece of work concentrates on those activities that most human resource officials are likely to be involved in. That is, the core functions of human resource management.

The principal objectives of human resource departments are to manage and deploy employees to further the organisation's objectives, enhance human resource effectiveness by developing programmes in response to changing employee needs and expectations, ensure and maintain a high level of employee performance, ensure compliance with legal mandates in human resource-related

manners and to review and update these policies and systems (Crane and Farmer, 1982: 20). Their contribution to gaining competitive advantage involves achieving the fundamental aims of an organisation in the field of people management more effectively and efficiently than the competitor's organisations. That involves recognising the significance of the organisation's people as an effective barrier preventing would-be rivals from the territory that the organisation holds. In achieving this, human resource departments carry out a series of policies and practices reviewed below.

Managing public service differs with managing services in the private sector. For instance, customer satisfaction as expressed by repeat business is not a relevant measure of success or profitability in the public sector. Motivation for better performance is not based on profit. It is the direct opposite with the private sector. Public programmes most often pursue the values of equity, fairness and negotiated consensus, rather than narrowly pursue efficiency and competitive performance (Schuman and Olufs III, 1988: 8). Above all, government officials operate under more open scrutiny from the public, which expects them to act with more fairness, responsibility, accountability and honesty.

It is from the above observations that we acknowledge the fact that human resource management objectives vary depending on the type of organisation and its situation. For those in the private sector, it entails the achievement and maintenance of competitive advantage, that is, a sustained period of commercial success vis-à-vis its principal competitors (Torrington et al., (2008: 15). To others, ensuring survival is a more pressing objective. In the public and voluntary sectors, notions of competition and survival are increasingly present too, but organisational effectiveness is primarily defined in terms of meeting a service need as cost efficiently as possible and to the highest achievable standard of quality. Meeting government-set targets is central to the operation of all public sector management.

Performance

Performance is a multi-dimensional issue (Armstrong, 2001: 468- 469). Its measurement varies depending on a variety of factors. It can be regarded as simply the record of outcomes achieved. On an individual basis, it is a record of the person's accomplishments. Performance is the outcomes of work (Kane, 1996 cited in Armstrong, 2001: 468).

Performance means both behaviour and results (Brumbach, 1988 cited in Armstrong, 2001:469). Behaviours emanate from the performer and transform performance from abstraction to action. Thus, behaviours are not just instruments for results; they are outcomes in their own right. They are the products of mental and physical effort applied to tasks and can be judged apart from results. Thus, when managing the performance of teams and individuals both inputs (behaviour) and outputs (results) need to be considered.

Performance is the outcome of the interaction between an individual's needs, perception of the results required and rewards being offered and the amount of effort, energy and expertise that the individual has or wishes to apply to the task at hand (Harrison, 2002: 244). Thus, there are four major influences on performance which include:

The learner, who needs the right level of competence, motivation, understanding, support and incentives in order to perform effectively; the learner's workgroup, whose members will exercise a strong positive or negative influence on the attitudes, behaviour and performance of each new recruit; the learner's manager, who needs to act as an effective role model, coach, stimulus and communicator related to performance; and the organisation which may produce barriers to effective performance if there is no powerful, cohering vision, ineffective systems or inappropriate leadership and management style.

A country's productivity can be attributed to three types of investments (Mabey and Finch-Lees, 2008: 5). These are firm-specific production, distribution and managerial capabilities. The last of them

(managerial capabilities) is widely recognised as the most important. Thus, poor performance and productivity in organisations can be linked to inferior quality of management. Good managers create conditions under which people working individually and in groups achieve high performance (Schermerhorn, 1993: 7-8).

There is an obligation on human resource management professionals to demonstrate that their programmes have a positive impact on the bottom line of an organisation (Crane and Farmer, 1982: 9). This implies that human resource officials face a real challenge in complying with state legislations that regulate human resource practices while providing an environment that offers fulfilling work, advancement opportunity and equitable rewards.

Given this complicated job environment for human resource management officials, it is necessary to evaluate whether their services can exert a positive impact on employees' performance. Employee performance is the standard against which every new human resource policy should be evaluated (Boxall and Purcell, 2003: 8).

To improve performance, human resource officials must focus on adding value and shaping business strategy (Harrison, 2002: 97-99). As such, added value can be achieved through alignment, engagement and measurement. With regards to alignment, human resource officials are expected to point people in the right direction. Engagement means developing belief and commitment to the organisation's purpose and direction while measurement requires providing data that demonstrates the improved results achieved. Consequently, the enhanced ability of individuals and teams to learn and adapt to changing business needs will make a real difference to the ability of the whole organisation to achieve its goals and make progress in its environment.

Training and Development

If sustained economic growth and societal well-being are to be achieved, there is a need for planned learning at individual, organisational and national levels (Harrison, 2002: 3). If a company is to compete successfully in a globalised economy, there must be a more effective drive for the long-term education and training that will develop knowledge workers and the support staff who can provide the infrastructure that those workers need.

In the organisational context, employee development is a process that helps people acquire and maintain the competence and commitment that will improve performance, quality, customer services and long-term organisational progress (Harrison, 2002: 1-2). Development denotes learning experiences of any kind whereby individuals and groups acquire enhanced knowledge, skills, values or behaviour (Harrison, 2002: 1-2). Harrison (2002: 1-2) continue to emphasize that its outcomes unfold through time, rather than immediately and they tend to be long-lasting. It has the objective to enhance the skills and knowledge of the workforce. Its contributions to the institution are to do with productivity, performance, knowledge development and organisational progress. Armstrong, (1999: 264), also states that its greatest benefits for individuals are personal competence, growth, adaptability and continuous employability both within and outside the organisation.

Training is also an important means of motivating employees and securing commitment to organisational goals (Mabey, et al. (1999: 97-98). What this means is that training transforms the performance potential of employees and serves to constitute employees as strategic resources. It helps employees to adopt new technology and develop flexible working practices.

Scholars have often stressed that the knowledge and experience of an organisation's staff is a highly significant source of competitive advantage largely because it is difficult for competitors to replicate (Torrington, et al., 2008: 16). Attracting, engaging, developing and retaining people effectively is thus vital. Failing to do so enables accumulated human capital to leak

away into the hands of competitors, reducing the effectiveness of commercial defences and making it harder to maintain competitive advantage (Beardwell and Holden, 2001: 328-332).

Training and development programmes focus on three areas; orientation, training and management development. Training programmes are usually made to meet organisational job or personal needs. Besides, they facilitate learning by participants and also socialises workers to behave in certain ways on the job (Blundell and Murdock, 1997: 92). Training can be done through a number of means which include apprenticeships, internships, job rotation and job training, courses, workshops and seminars, lectures, role-plays, videotaping, computer-aided instruction and computerised simulations (Harrison, 2000: 317-320).

Motivation

Motivation is concerned with factors that influence people to behave in certain ways (Armstrong, 1999: 106). To energize employees, management must make the accomplishment of work tasks contribute to the welfare of the employees as well.

Motivating other people means getting them to move in the direction you want them to go in order to achieve a result. Motivating yourself is about setting the direction independently and then taking a course of action which will ensure that you get there. People get motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward. That is one that satisfies their needs. Well motivated people are those with clearly defined goals, who take actions that will achieve those goals. Such people may be self-motivated and this is the best form of motivation (Gordon, 1986: 367).

The organisation as a whole can provide the context within which high levels of motivation can be achieved by providing incentives and rewards and opportunities for learning and growth. But managers still have a major part to play in using their motivating skills to get people to give their best and to make good use of the motivational processes provided by the organisation. This requires an understanding of the process of motivation, how it works and the different types of motivation that exist (Gordon, 1986: 370).

Effective leaders influence, motivate and inspire people. Understanding how this happens entails understanding what influences and inspires people, how it does so, what leaders do when they influence, motivate and inspire people and how they create the conditions in which motivation can emerge (Northcraft and Neale, 1990: 134; Gill, 2006: 235). Some of the motivation variables, options or plans that have been used over time include praise from the supervisor or management staff, punishment (negative reinforcement), increase in salary, letter of appreciation (recognition), promotion, incentives, welfare services, recreational facilities (canteens). While some scholars such as Vroom (1967), subscribed to the use of extrinsic motivation such as money, bonus, commission and stock compensation as the best motivation option, other scholars such as Maslow (1954), McClelland and Burnham (1976) believed in the power of intrinsic motivation such as challenging task, career growth, praise, promotion, esteem and job enrichment among others as the best motivation variables to be used in motivating employees.

There are also scholars who strongly oppose a unidirectional choice of motivation plan. They believed that the best motivation plan to be used in motivating the employees should be situational. Daft (1999: 104) shows that extrinsic motivation are best in enhancing performance in jobs that are routine, tedious and short term in nature especially those at the lower level while intrinsic motivation are best in jobs that are non-routine, flexible and long term in nature. They specifically found that intrinsic motivation work best if used in motivating middle and top level workers.

Empirical Review

An organisation can do everything else

right in management like laying down brilliant plans, draw clear organisational charts, set up modern assembly lines and use sophisticated accounting controls and still fails when it hires the wrong people or by not motivating subordinates. On the contrary, many managers, supervisors, governors and presidents have been successful even with inadequate plans or controls. This is accounted for by hiring the right people for the right jobs and motivating, appraising and developing them. This, to a large extent, is the internal responsibility of the Human Resource Management (HRM) of every organisation (Dessler, 2005: 14).

Human resource officials bring about productivity through a series of processes which include conducting job analyses to determine the nature of each employee's job, planning labour needs and recruiting job candidates. They also orientate and train new employees. While building employee commitment, they ensure that employees have equal opportunities, good health and safety (Dessler 2005: 5).

On the other hand, Chief Executive Officers (CEOs) consider human resource management as one of the most important corporate functions. One to which they look up to for help in attaining a competitive level in business (Cascio, 1992: 45). Thus, they consider that human resource services contribute in bringing high quality of talent, flexibility and innovation, superior performance and high quality customer services in their organisations.

Despite the above view on human resource management, there are a number of writers who are of the view that human resource management, especially in African countries does not give employees the chance to exhibit their skills and talents. Some scholars have always argued that every employee has a sense of direction so they should be allowed to exercise control of and direction of their own activities (Dessler 2005: 3). Thus, critiques hold that human resource management in Africa reflects a Theory X style of management which generally mistrusts human nature and has a need to impose controls on workers, allowing little worker initiative. It rewards a narrow set of skills which is simply by financial means.

Non-human resource executives have often complained about human resource management adding so little value to the organisation's total productivity (Stiffler, 2006: 88). This criticism is supported with the fact that human resource management activities are purely administrative in nature so they cannot be adding any real value to the organisation.

Judging from the views of the above mentioned scholars the role of human resource officials becomes a contradictory one: that of both positive and negative contributor to employees' performance

Methodology

Sample of the Study

A sample of 200 employees was randomly drawn from the two institutions. That is 100 respondents from CDC and 100 respondents from AES-SONEL selected from all job levels or categories through the simple random sampling and the stratified random sampling techniques. The stratified random sampling technique was used to first of all divide the study population into two strata. That is public and privatised corporations. The simple random sampling technique was then used to select respondents for the study. Within the two groups, respondents were asked to pick folded papers on which “respondent” or “non-respondent” was written. Those who picked the papers with “respondent” written on them were included in the study while those with “non-respondent” were left out of the study. This was done to give every worker equal opportunity of being selected thus, removing bias from the selection process

Instrumentation

Data was collected with the aid of a 12 item fixed-alternative questionnaire. The gathered data was analysed with the aid of the Chi Square (X^2) Test calculated at the 0.05 level of significance.

Data Analysis

Data presentation and Test of Hypotheses

Ho_1: The content and regularity of training and development programmes for employees in CDC is not higher than that of AES-SONEL in Cameroon.

Hypothesis 1 has been tested using the data presented below.

Table 1: *Observed Frequency for Training and Development*

Years in Service	SA	A	UN	D	SD	Total
1 10 years	25	40	9	160	126	360
11 20 years	35	45	5	149	126	360
21 30years	17	20	6	123	74	240
31 & above	13	23	5	130	69	240
Total	90	128	25	562	395	1200

$$X^2 = \Sigma \frac{(fo - fe)^2}{fe}$$

$$= \frac{(25-27)^2}{27} + \frac{(40-38.4)^2}{38.4} + \frac{(126-118.5)^2}{118.5} + \frac{(160-168.6)^2}{168.6} + \frac{(9-7.5)^2}{7.5}$$

$$+ \frac{(35-27)^2}{27} + \frac{(45-38.4)^2}{38.4} + \frac{(126-118.5)^2}{118.5} + \frac{(149-168.6)^2}{168.6} + \frac{(5-7.5)^2}{7.5}$$

$$+ \frac{(17-18)^2}{18} + \frac{(20-25.6)^2}{25.6} + \frac{(74-79)^2}{79} + \frac{(123-112.4)^2}{112.4} + \frac{(6-5)^2}{5}$$

$$+ \frac{(13-18)^2}{18} + \frac{(23-25.6)^2}{25.6} + \frac{(69-79)^2}{79} + \frac{(130-112.4)^2}{112.4} + \frac{(5-5)^2}{5}$$

$$= 0.15+0.07+0.47+0.44+0.3$$

$$+ 2.37+1.13+0.47+2.28+0.83$$

$$+ 0.06+1.23+0.32+0.99+0.2$$

$$+ 1.39+0.26+1.27+2.76+0$$

$$X^2 = 16.99$$

At the 0.05 level of significance, the critical X^2 value is 21.026.

The calculated X_c^2 value is less than the critical value, the null hypothesis (H_0) is therefore accepted, thus indicating that the content and regularity of training and development programmes for employees in AES-SONEL is higher than that of CDC in Cameroon. This invariably implies that the content and regularity of training and development programmes for employees in private sector organisations is usually higher than those of public sector organisations in Cameroon.

Hypotheses 2 and 3 have been tested based on the data presented below.

Ho_2: Human resource management services in AES-SONEL do not cater for the welfare and social needs of employees like in CDC in Cameroon.

Ha_3: Human resource management services in CDC do not secure better and encouraging pay packages with regular incentives for employees like AES-SONEL in Cameroon.

Table 2: *Observed Frequencies of Reward Plan in AES-SONEL*

Pay package in FCFA	SA	A	UN	D	SD	Total
30,000 100,000	27	45	8	274	126	480
101,000 250,000	29	35	8	160	104	336
251,000 400,000	20	28	7	139	70	264
401,000 and above	14	20	2	48	36	120
Total	90	128	25	621	336	1200

Source: *Field Survey, 2012.*

$$X^2 = \Sigma \frac{(fo - fe)^2}{fe}$$

$$= \frac{(27-36)^2}{36} + \frac{(45-51.2)^2}{51.2} + \frac{(126-134.4)^2}{134.4} + \frac{(274-248.4)^2}{248.8} + \frac{(8-10)^2}{10}$$

$$+ \frac{(29-25.2)^2}{25.2} + \frac{(35-35.84)^2}{35.84} + \frac{(104-94.08)^2}{94.08} + \frac{(160-173.88)^2}{173.88} + \frac{(8-7)^2}{7}$$

$$+ \frac{(20-19.8)^2}{19.8} + \frac{(28-28.16)^2}{28.16} + \frac{(70-73.92)^2}{73.92} + \frac{(139-136.62)^2}{136.62} + \frac{(7-5.5)^2}{5.5}$$

$$+ \frac{(14-9)}{9} + \frac{(20-12.8)}{12.8} + \frac{(36-33.6)}{33.6} + \frac{(48-62.1)}{62.1} + \frac{(2-2.5)}{2.5}$$

$$= 2.25+0.75+0.53+2.6+0.4$$

$$+ 0.57+0.02+1.05+1.11+0.14$$

$$+ 0.002+0.01+0.21+0.04+0.41$$

$$+ 2.78+4.05+0.17+3.20+0.1$$

$$X^2 = 20.392$$

Calculated X_c^2 value = 20.392
Degree of freedom (df) = (R-1) (C-1), where,
R = the number of rows
C = the number of columns
df = (4 1) (5 1) 3 x 4 = 12

At the 0.05 level of significance, the critical X^2 value is 21.026.

The calculated X_c^2 value is less than the critical value. The null hypothesis (H_{02}) is therefore accepted. Hence, human resource management services in AES-SONEL do not caters for the welfare and social needs of employees like CDC in Cameroon. This indicates that public sector organisations in Cameroon usually cater for the welfare and social needs of employees better than private sector organisations in Cameroon.

Table 3: *Observed Frequencies of Reward Plan in CDC*

Pay package in FCFA	SA	A	UN	D	SD	Total
30,000 100,000	153	210	9	65	43	480
101,000 250,000	83	138	6	57	52	336
251,000 400,000	72	89	7	40	32	240
401,000 and above	33	73	5	18	15	144
Total	341	510	27	180	142	1200

Source: *Field Survey, 2012.*

$$X^2 = \Sigma\frac{(fo - fe)^2}{fe}$$

$$= \frac{(153-136.4)^2}{136.4} + \frac{(210-204)^2}{204} + \frac{(43-56.8)^2}{56.8} + \frac{(65-72)^2}{72} + \frac{(9-10.8)^2}{10.8}$$

$$+ \frac{(83-95.48)^2}{95.48} + \frac{(138-142.8)^2}{142.8} + \frac{(52-39.76)^2}{39.76} + \frac{(57-50.4)^2}{50.4} + \frac{(6-7.56)^2}{7.56}$$

$$+ \frac{(72-68.2)^2}{68.2} + \frac{(89-102)^2}{102} + \frac{(32-28.4)^2}{28.4} + \frac{(40-36)^2}{36} + \frac{(7-5.4)^2}{5.4}$$

$$+ \frac{(33-40.92)^2}{40.92} + \frac{(73-61.2)^2}{61.2} + \frac{(15-17.04)^2}{17.04} + \frac{(18-21.6)^2}{21.6} + \frac{(5-3.24)^2}{3.24}$$

$$= 2.02+0.18+3.35+0.68+0.3$$

$$+ 1.63+0.16+3.77+0.86+0.32$$

$$+ 0.21+1.66+0.46+0.44+0.47$$

$$+ 1.53+2.28+0.24+0.6+0.96$$

$$X^2 = 22.12$$

Calculated X^2 value = 22.12
Degree of freedom (df) = (R 1) (C 1) Where,
R = Number of rows
C = Number of columns
df = 3 x 4 = (4 1) (5 1) = 12
df = 12
Critical X_c^2 Value = 21.026

The calculated X_c^2 value is greater than the X_t^2 (table value) so we reject the null hypothesis (H_0), hence, implying that human resource management services in CDC secures better and encouraging pay packages with regular incentives for employees than AES-SONEL in Cameroon. This also indicates that public sector organisations in Cameroon usually secures better and encouraging pay packages with regular incentives for employees than private sector organisations in Cameroon.

Discussion of Results

From the data analysis, it was observed that:

The content and the regularity of training and development of staff is higher in AES-SONEL than CDC, meaning that because AES-SONEL strives to maximise profit and compete favourably in the market, they regularly organise training and development programmes to keep pace with the changes in the industry . This was also confirmed by the hypothesis result which shows that the calculated X^2 value of 42.18 for AES-SONEL is grater than tabled X^2 value of 21.026 while CDC has a calculated X^2 value of 16.99 less than the tabled X^2 value of 21.026. Thus indicating that the content and the regularity of training and development of staff is higher in AES-SONEL than CDC. These findings corroborate the studies by West and Patterson, (1998) who assert that two significant human resource practices include acquisition and development of employee skills. That is, selection and training and the use of appraisals.

It was equally observed that human resource management in the public sector (CDC) caters for the welfare and social needs of employees more than that of the private sector (AES-SONEL). This is confirmed by the qualitative data that shows that AES-SONEL provides housing only to employees working at the power plants at Edea, Songloulou, Kribi and there are recreational facilities only for workers in Douala and Yaounde. On the contrary, human resource management services in CDC seek to enhance the welfare of employees. Quantitative data is supported by qualitative data that shows that CDC provides houses, water and electricity, free medical facilities, recreational clubs and roads to all workers. This was also confirmed by the hypothesis result which shows that

CDC's calculated X^2 value of 22.12 is grater than the critical X^2 value of 21.026 while AES-SONEL's calculated X^2 value of 20.392 is less than the critical X^2 value of 21.026. Thus, indicating that the human resource management in the public sector caters for the welfare and social needs of employees more than that of the private sector. This result is consistent with the findings of West and Patterson, (1998) who opine that factors that affect profitability and productivity include aspects of culture, supervisory support, concern for employee welfare and employee responsibility. These factors are thus considered to be important human resource variables in relation to organisational performance.

Furthermore, the public sector human resource management (CDC) equally secures better and encouraging pay packages with regular incentives for employees than that of the private sector (AES-SONEL). Unlike AES-SONEL, human resource management services in CDC offer good pay packages and incentives to employees. As inferred from the qualitative data, CDC offers regular incentives to employees. Qualitative data indicates that workers receive financial incentives when ever there is an increase in productivity in the organisation. The hypothesis test result confirmed this by showing that CDC's calculated X^2 value of 22.12 is grater than the critical X^2 value of 21.026 while AES-SONEL's calculated X^2 value of 20.392 is less than the critical X^2 value of 21.026. Therefore public sector employees earn higher and enjoy greater privileges than employees in the private sector. This finding confirms views by Peters (1989: 90-91), that public sector officials do not only receive large salaries but equally receive a variety of benefits that private sector employees do no receive. **The International Society of Performance Improvement (2000) also** confirms that if selected, implemented, and monitored correctly, incentive programs including awards in the form of money or tangible awards, increase performance by an average of 22 percent.

Conclusion

Human resource management services are a vital factor in the achievement of organisational goals and objectives whether they are placed in a public or private organisation. Effective human resource functions like selection, induction, training and development, job analysis and reward management contribute a lot to improve on workers' ability, skills, confidence and efficiency in accomplishing tasks. Their role in motivation and healthy interaction with employees at work enables employees to be efficient and highly productive. This makes employees' performance to improve.

Recommendations

With regards to the findings of this study, the following recommendations are suggested:

1. Leaders of public and private organisations should attach a lot of attention to the welfare needs of employees. The private sector in particular should endeavour to provide medical services, schools for children of employees, housing and counselling for workers with personal problems. This will improve their work morale and make them commit or focus their time and effort to work.
2 Human resource officials, organisations, the management of CDC and the government of Cameroon in particular should organise regular training and development programmes with rich packages or contents that ensure continuous development of employees' skills and abilities in order to maximise their positive contribution to the growth of the organisation (improve performance) and consequently help them to build and continue a career. Regular training of employees will enable CDC's products in particular to compete favourably in the market.
3. Private organisations should consider the implementation of elaborate and progressive reward management plans.

Adequately rewarded employees will hardly think of leaving the organisation. This will increase the productivity and profitability of the organisation through low employee turnover rates and high levels of employee commitment to their organisations. Though some employees might leave the organisation for reasons order than compensation, the organisation can not suffer the same amount of employee turnover as that induced by poor motivation and dissatisfaction in employees. Besides, while attracting prospective employees to come to the organisation, good remuneration also prevents workers from embezzling corporate funds.

4. The government of Cameroon should consider human resource management officials as partners in the achievement of development goals. Human resource management officials should also be considered as partners in fighting corruption in the public service because their dedicated interest in selecting and recruiting only competent and qualified employees contributes to reduce or prevent the employment of incompetent employees. This will equally increase administrative efficiency.
5. Considering the fact that AES-SONEL is a privatised institution, this research recommends that the government of Cameroon should reconsider its privatisation policy because when a company is privatised, the financial, social and welfare needs of employees are no longer taken into consideration. Privatised institutions seem to pursue competitive and profit goals rather than the social needs of workers.

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An Appraisal of the Marketing Strategies Adopted by Mobile Service Providers in Nigeria

Emerole, G. A. (Ph.D)
Department of Business Administration
Michael Okpara University of Agriculture,
Umudike, Abia State- Nigeria.
Email: ahamgee@gmail.com 08033337428, 08091000280

and

Edeoga, G. I.
Department of Human Resource Management
Michael Okpara University of Agriculture,
Umudike, Abia State- Nigeria.
Email:profedeoga@yahoo.com 08062742636

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Abstract

This study appraised the marketing strategies adopted by mobile phone service providers in Rivers state, Nigeria. This study is necessary because of the increasing use of mobile phone as well as the increasing number of mobile phones service providers in Nigeria. A survey design was adopted in this study. Random samples of 30 respondents each were selected from MTN, Airtel and Glo. A closed-ended questionnaire designed in 5-point Likert scale was used to source the required primary data from the respondents. Test of hypotheses was done using descriptive statistics, multiples regression analysis and analysis of variance (ANOVA). From data analysis, it was observed that the common marketing strategy used by all the service providers was focus marketing strategy. It was also found that marketing budget, number of marketers, call rate and the product offered by service providers were significant factors influencing the cost of marketing strategy. The study further found that, there is no significant difference in the marketing strategies used by each firm. The study therefore recommends that, the firm should consider the marketing budget, number of marketers, call rate and product strings in selecting a marketing strategy.

Key Words: *marketing, strategies, mobile, service, providers*

Introduction

In Nigeria there are several mobile service providers such as MTN, Airtel, Glo, Visa and Globacom among others. This has led to swift competition in the telecom market since the introduction of these mobile phone services in Nigeria.

The telecom industry is growing all over the world. More and more people are gaining access to the telecom services such as cellular phones, broadband and fixed telephones. Many developing countries are starting to invest more into this sector and it is also becoming an important sector in their economy. The prosperity within the sector attracts newcomers and this increases competition. Therefore the companies within the telecom industry, as well as other industries, have to work hard to stay competitive in order to prosper in the market (Akanbi *et al,* 2012). According to Wijtze *et al* (2001) a company must choose its activities in different ways than its competitors in order to deliver a unique set of value to its customers. Strategy is essential because there is no one ideal position in the market. If there were, operational effectiveness would be enough for the company to succeed. Even if a company is producing at its lowest cost, serving all types of customers, reducing the number of employees, offering the same products as its competitors and having the same equipment among others, the company would in the end find itself fighting evenly with its competitors. This means that operational effectiveness is not enough for the company to survive when it reaches a certain point. The company therefore needs a strategy in order to differentiate itself. But it is not only enough with a unique position, it needs to guarantee itself a sustainable advantage, otherwise there will be a risk of being copied. Trade-offs is important in order to stay competitive. If a company wants more of something, it has to choose less of something else. Strategy is therefore not only choosing what not to do but also combining activities. The company needs to fit its activities together in a chain, where its position is as strong as its weakest link. It is more difficult for a competitor to copy a company with strongly fitted activities than to imitate one particular activity. The company needs to perform many things well and succeed in integrating them not just managing a few of them. The success of a strategy therefore depends on several things (Rahman *et al.,* 2010). It is after the research that the Mobile service providers do determine whether the products they want to introduce will be viable or not. Customers come from a wide constituency and have different taste, thus, satisfying all these groups' poses a challenge to mobile phone service providers. This generation in particular is very techno savvy and tends to move from one brand to another depending on the market trends. It is therefore logical to expect that given the flare for technological advancement and the desire to be trendy at all times as demonstrated by the current generation of old and young subscribers, network providers will concern themselves with how to carve a niche in the already saturated telecom market, but the opposite is the case. Today, a cursory analysis of the activities of GSM operators in Nigeria in general and in River state in particular reveals a shocking negative disposition of most network providers in marketing their brands. Like the unpopular selling concept, network providers no longer seem to be keen about studying or researching to understand and ascertain the taste and preferences of their customers. Rather, they bother themselves with product proliferation aimed at benchmarking the activities of other network providers in the industry (William, 2009). They unnecessarily raise huge budgets that are meant to help them deliver similar products or promotional materials offer by other network providers in the industry without thinking of a program that can help them serve the huge untapped peasant populace (segment) of the already matured telecom industry. This has led to the recent over concentration of strategies and promotional activities on serving only the rich and average class in the society to the neglect of the huge peasant populace in River state. This neglect is obvious, and manifest in

the product wallets of all network providers. Today, GSM operators are no longer interested in PAY-AS-YOU-GO plan; rather, they enrich their product wallet with products such as Instant Money Transfer, Post Paid Plan, Internet Data Plan, Downloads, GPRS Location Services for security operatives and Instant Alert Services for breaking news and other information tips. All these products are targeted at the rich and average literate class without any conscious plan for the vast illiterate populace that constitutes about 56% of the River state population (Heubler, 2008). This does not only show the insensitivity of network providers to this class of people but also demonstrate their inability to recognize opportunities in their operating environment. It also does not show any justification for the huge marketing budgets of most network providers within the state if 56% of the population is no induced or served by them as observed. It is against this backdrop that this study seeks to examine the factors that determine the marketing strategies use by GSM operators in River state if a large population of the people like the lower class will be uneconomically excluded from their scheme of things in the state. It will also ascertain the common marketing strategy used by GSM operators in the state to reach their target market. Upon completion, this study will benefit the mobile service providers on the choice of their budget, call rate, product wallet, promotions and other services in order to adopt a marketing strategy that will enhance their market share and profitability.

Conceptual Clarification and Theoretical Framework

Norman (1998) and Moore (1991 & 1995) proposed Technology Adoption Life Cycle Model (TALCM). The model argued success in marketing technology products entails applying appropriate marketing strategies to different categories of adopters. Hence, unless technology vendors match stages/customers with appropriate marketing strategies, customers' satisfaction, market share and sustainable profit are compromised. Strategy is a pattern of resource allocation decisions made throughout the organization considering the goal of the company (Robson, 1997). Marketing strategy relates to customer groups and how to fashion out marketing variables to appeal to a group of potential purchasers; it entails consumer's differentiation (Aremu et al, 2012). Smith (2007) identified differential, cost and focus marketing strategies. Papadimitrion *et al* (2009) identified that cost, which later translates to price affect the market Share of the firm. The costs include the cost of products offered, promotion, switching cost and all operational cost which affects the cost of marketing strategy adopted.

Methodology

Hypotheses

Ho_1: marketing budget, number of marketers, number of products offered, call rate and switching cost has no significant effect on the cost of marketing strategies adopted by mobile service providers in River state.

Ho_2: there are no significant differences in the marketing strategies adopted by the mobile service providers in River state

Description of the Study Area

This work was carried out in Rivers State Nigeria. Rivers State is a State created on the 27th of May, 1967. Rivers state is located in the south-south region of Nigeria. Rivers state lies within approximately 4°45N and 6^{0}50E North. The state has a total land mass of 11,077km^2 (4,277 sq mi), with an estimated population of 6,689,087 people. The state capital is Port Harcourt which is our study area. It is bounded in the south by the Atlantic Ocean, to the north by Imo, Abia and Anambra states, to the east by Akwa-Ibom state and to the west by Bayelsa and Delta states respectively. Rivers state is a home for so many diverse ethnic groups. Some of these includes: Ikwere, Ijaw and Ogoni. The inland part of Rivers state consists of tropical rainforest. Towards the coast, the typical Niger Delta environment features many mangrove

swamps. Rivers state is divided into twenty three local government areas. The state is notable for its huge oil deposit and that have fast tracked the concentration of many companies in this state especially the construction companies.

Participants

The research design adopted for this study was the survey design. The sampling technique that was used involved a multi-stage sampling technique. The first stage was the purposive selection of MTN, Airtel and Globacomm GSM service providers because of their wide usage. The second stage involved the random selection of 20 marketers from the marketing department of the mobile phone service providers and the third stage involves a random selection of 10 customers each of the selected GSM service providers, making up a sample size of 90 respondents.

Instruments/Techniques

The study uses primary data that was collected using a closed-ended questionnaire meant to keep the respondents within the context of the objectives. The analytical tools that were used in data analysis and for testing the formulated hypotheses were descriptive statistics, regression analysis and Analysis of Variance (ANOVA).

Model Specification

The model for regression analysis

It is implicitly stated as follows:

$Y = F(x_1, x_2, x_3, x_4, x_5)$.

The explicit form as follows

$Y = b_o + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + b_5 x_5 + e$

Where:

Y= cost of marketing strategy in naira

x_1 = marketing budget in naira

x_2, = number of marketers

x_3, = price/ call rate in naira

x_4, = number of products offered

x_5, = switching cost in naira

e= error term

Model Justification

These explanatory variables were chosen because of their importance in influencing the cost of marketing and this model is consistent with Akanbi *et al (2011)*.

Data Presentation and Analysis

The data that was collected are presented and analyzed thus

Table 1: *Distribution of the Respondents according to their Socio-Economic Characteristics*

Educational status	**Frequency**	**Percentage**
Primary level	8	8.89
Secondary level	25	27.78
Tertiary level	51	56.67
Non-formal	6	6.67
Total	90	100
Gender	**Frequency**	**Percentage**
male	28	31.11
Female	62	68.89
Total	90	100
Marital status	**Frequency**	**Percentage**
Married	34	37.78
Single	56	62.22
Total	90	100
Total	**90**	**100**

Source: *survey data, 2013.*

From table 1 shows that 27.8 percent of the respondents had secondary education, 8.9 percent had primary education, 6.7 percent had non-formal education while 56.7 percent of the respondent's had tertiary education. This indicates that a large proportion of the respondents had formal education.

The gender of the respondents shows that, 31.1 percent of the respondents were males while 8.9 percent were females. The marital status of the respondents indicates that, 37.8 percent of the respondents were married while 62.2 percent were single.

Table 2: *Marketing Strategies Adopted by the Mobile Service Operators*

	MTN frequency	percentage	Airtel frequency	percentage	Glo frequency	Percentage
cost leadership	10	11.11	19	21.11	5	5.56
Differentiation	5	5.56	7	7.78	12	13.33
Focus	15	16.67	4	4.44	13	14.44
Total	30	33.33	30	33.33	30	33.3

Source: *survey data, 2013*

Table 2 above shows that, 11.1 percent of the respondents from MTN Nigeria, 21.1 percent of the respondents from Airtel Nigeria and 5.5 percent of the respondents from GLO Nigeria are of the opinion that the marketing strategy used in the industry is cost leadership style while 5.56 from MTN, 13.3 percent from GLO and 7.78 percent of the respondent from Airtel identified differentiation as the marketing strategy used in the industry. Only 16.67 percent from MTN, 14.4 from Airtel and Glo respectively were of the opinion that the marketing strategy used in Telecom industry is focused strategy.

Test of Hypotheses

Ho_1: marketing budget, number of marketers, number of products offered, call rate and switching cost has no significant effect on the cost of marketing strategies adopted mobile service providers in River state.

Table 3: *Regression result of the factors influencing the cost of marketing strategy*

	Linear	Exponential	Semilog	Double log+
Intercept	-87357.367	12.483	-2.531E7	-12.757
	(-0.907)	(29.207)***	(-3.882)***	(-6.460)***
Marketing budget	1.794	1.244E-6	670940.610	0.381
	(2.806)**	(4.385)***	(1.945)**	(3.649)***
Number of marketers	0.160	1.364E-7	216072.596	0.165
	(1.608)*	(3.089)***	(1.316)	(3.314)***
Number of product offered	0.378	5.345E-7	839053.516	1.408
	(2.304)**	(7.336)***	(1.463)	(8.107)***
Call rate	0.000	-1.721E-5	-13.128	-0.542
	(-14.080)***	(13.498)***	(-16.681)***	(-15.782)***
Switching cost	-7.594E-7	-3.215E-8	-0.087	-0.004
	(-1.627)*	(-1.823)**	(-1.206)	(-1.154)
R^2	0.888	0.975	0.839	0.839
R^{-2}	0.798	0.954	0.711	0.711
F-statistics	9.872	8.115	6.528	9.928

Source: *survey data, 2013. Note: values in parenthesis are t-values *,**,*** Statistical coefficient significant at 1%, 5%, 10%.*

The double log regression model was chosen as the lead equation based on the value of the R^2 which indicates that 83.9 percent of the total variation in the dependent variable can be attributed to the variation in the independent variables included in the model. The F- Statistics value was significant at 1% percent.

Marketing budget of the mobile phone operators was significant at 1 percent and positively related to the cost of the marketing strategies adopted by the enterprises. The number of marketers was significant at 1 percent and positively related to the cost and the marketing strategy adopted. Number of products offered was significant at 1 percent and positively related to the cost of marketing strategy.

Call rate was significant at 1 percent and negatively related to cost of marketing strategy adopted.

Ho_2: No significant differences exist in the marketing strategies adopted by the mobile service providers in River state

Table 4: *ANOVA table for differences in the marketing strategies adopted by the mobile service providers*

Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Columns	5953.6	1	5953.6	6.118*	0.037754	5.32
Within	7706.4	8	963.3			
Total	13660	9				

Source: *Survey Data, 2013. * Statistically significant at 10 percent*

Table 4: shows that the F calculated value of 6.18 was statistically significant at 10 percent and F critical value was 5.32.

Decision Rule: if the F calculated is greater than the F critical reject the null hypothesis and accept the alternative hypothesis. Since F calculated> F critical, the null hypothesis is rejected, indicating that significant differences exist in the marketing strategies adopted by the mobile service providers in River.

Discussion of Results

Based on the results of data analysis, it was observed that significant differences exist in the marketing strategies adopted by the mobile providers in River state. It was found that the most common marketing strategy used the mobile operators in River state was focus marketing strategy. This was confirmed by the hypothesis result which shows that significant differences exist in the marketing strategies adopted by the mobile providers in River state.

Again, the factors that were found to determine the cost of marketing strategy used by the mobile firms in River state include marketing budget, number of marketers, call rate products offered and switching cost. This was further confirmed by the hypothesis result which shows that, the number of marketers was significant at 1 percent and positively related to the cost and marketing strategy adopted. This implies that an increase in the number of marketers will cause a corresponding increase in the cost of marketing strategy adopted arising from the increases in wage bills and other logistics. This finding is consistent with earlier result by Obasan *et al* (2012) who observed that that increased number of marketers during promotions increases the cost of marketing.

Number of products offered was also significant at 1 percent and positively related to the cost of marketing strategy. This implies that as the number of product/services increases the cost of marketing services increases also. This finding corroborate the finding of Ahmed *et al* (2008) and Safaricom (2010) who opines that core services (i.e number of product) contributes to the cost of marketing.

Call rate was significant at 1 percent and negatively related to cost of marketing strategy adopted. This indicates that as the call rate increases, the marketing strategy cost reduces because more money is been generated to cushioned the effect of the cost of marketing strategy. This agrees with an earlier finding by Ahmed *et al* (2008) who also observed that price sustains revenue generation.

Furthermore, it was found that, there are significant differences in the marketing strategies adopted by the mobile service operators in River state. This led to the rejection of the null hypothesis that there are no significant differences exist in the marketing strategies adopted by the mobile providers in River state.

Implications for research and practice

From this study, there were significant differences in the marketing strategies adopted by the mobile service providers as the MTN was observed to adopt the focused strategy, the Airtel was observed to adopt the cost leadership strategy while the Globacomm was observed to adopt a mixture of the focused and differentiation strategy. The marketing budget, number of marketers, number of product offered, call rate and switching cost were found to have effect on the cost of marketing strategy adopted by the mobile service provider.

The marketing budget involves the fund

allocated to the marketing strategy adopted as its increase leads to more cost, in order to full maximize the potentials of such strategy Padimitron *et al* (2009). The number of marketers and the cost of marketing was positively related. The increase in the number of marketers results to increase in the cost of wages and logistics. The number of products offered which include 3G, tariff plans, instant message alert, application downloads etc. comes with adverts and promotion costs. While the switching cost which is the cost of migrating from one tariff plan to the other and the cost of moving from one network to the other, which is usually high or moderate and are used to hold the customers or attract new ones respectively. The increase in the switching cost was found to reduce the marketing cost as it is a means of revenue generation. While the call rate which the cost of making and receiving calls from the same network or another network, was observed to decrease the marketing cost with its increase (Akanbi *et al,* 2012).

Conclusion

The findings of this research indicates that the number of marketing cost, is as a result of the choice marketing strategy adopted which is usually influenced by the marketing budget, product offering, call rate , switching cost and number of marketers. The variation in these variables in the different service providers are the major causes of differences in marketing cost and strategy as it have been observed that there are significant differences in the marketing strategy adopted.

Recommendations

Based on the findings of this study the following recommendations are proffered.

1. The mobile phone operators should adopted the marketing strategy that best suit the nature of their service and cost of marketing.
2. Since most of the mobile operators use different market strategy; they should be marketing research effort to ensure that the right strategy is been adopted.
3. The marketing budget should be complemented with policies that will ensure the cost effectiveness of the marketing strategy implemented.
4. The number of marketers should be controlled to avoid increasing the cost of the marketing strategy.
5. The mobile service providers should ensure that they come up with more attractive and cost effective product offers.

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The Impact of Service Quality on Customer Loyalty in the Nigerian Mobile Telecommunication Industry

Ode, Egena
Department of Business Management
Benue State University, Makurdi- Nigeria
odeexpress@gmail.com, +2348069484645

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Abstract

This article examines the impact of service quality on customer loyalty in the Nigerian mobile telecom industry. The population of the study comprises 532 subscribers of mobile telecom service providers, purposively spread across the six geo-political zones in the country to give a fair representation of the entire customer streams in Nigeria. A structured closed-ended questionnaire was used to collect information on user perceptions of service quality and customer satisfaction, which are antecedents of customer loyalty and retention. The formulated hypotheses were tested using Pearson Product-Moment Correlation coefficient to determine the relationship between the variables at 0.05% level of significance with the aid of Statistical Package for Social Package (SPSS). It was observed from the result of data analysis indicates a positive relationship between service quality and customer satisfaction, and between service quality and customer loyalty. However, the analysis also indicated a negative correlation between switching intention and customer satisfaction. The study therefore recommends that, to prevent subscribers from switching, telecom service providers must ensure that their service qualities are always high to guarantee high level of customer satisfaction. In addition, service firms must strive to know the expectations of their customers in terms of service quality and how they can meet such expectations.

Keywords: *Customer satisfaction, service quality, telecommunications, customer loyalty, customer retention, switching intention*

Introduction

The mobile telecoms industry in Nigeria is very dynamic, competitive and has shown a tremendous growth since inception. The industry is considered next to the petroleum industry in Nigeria. In addition, it is the fastest growing industry in Africa and one of the fastest in the world (Ndukwe 2004). A careful look at NCC statistics shows a glimpse of the significance of the sector. NCC (2013) statistics show that the percentage contribution of telecoms to GDP has risen from 0.62% in 2001 to 8.53% as at March, 2013. This increase has been consistent and gives credence to the relevance of this sector to the Nigerian economy.

The apex regulator of telecommunication service sector, the Nigerian Communications Commission (NCC) has played and is still playing an important role in creating an enabling environment for healthy and fair competition. Consequently, as uncertain times grow more uncertain, due to the rapid change in customer taste and preferences, it has really become difficult to profitably maintain loyal customers by mobile service providers. These have consequently led to constant struggle among the telecom companies within the industry for the attention of subscribers. NCC (2013) statistics has shown the growth in mobile industry. MTN leads with 45%, Airtel (21%), Globacom (21%) and Etisalat (13%). The intense competition has made the struggle for survival by the operators interesting, with the benefits accruing to the subscribers. This struggle to maintain loyal customers must have winners and losers. To thrive and grow, telecommunications companies in Nigeria must take a fresh look at the strategies for retaining customers. One key to maintain high levels of loyalty is sustaining a consistent level of customer satisfaction (Talak and Albert, 2013).

Noteworthy is the fact that customer satisfaction does not automatically translate into customer loyalty (Oladele and Akeke, 2012). Similarly, Berndt, *et al* (2007) contends that 40% of satisfied customers defect. However, despite these statistics, customer satisfaction holds a great influence on customer loyalty and retention.

Why is customer retention so important? There are a number of reasons. Firstly, it costs about five times as much to attract a new customer as it costs to keep a current customer (Kelly, 2007). Thus, each customer has a circle of influence of about 250 people or potential customers who hear bad things about a company. Kelly (2007) also estimates that an average "wronged" customer will tell between 8 to 16 people. For these obvious facts, companies that fail to make customer retention a priority could be losing a lot of income.

Undoubtedly, a vital building block in any effort to improve organisational performance and profitability is the discouragement of switching behaviour whilst encouraging greater customer retention and loyalty. Loyalty is a function of satisfaction. This is based on the assumption that loyal customers are the ones who are committed to staying in a relationship with their service providers. This loyalty is triggered by satisfaction as dissatisfied customers will exhibit higher switching intention. In a 2010 customer acquisition & retention study by Nokia Siemens Network, the study notes that customer loyalty is decreasing slightly globally, mainly due to growth markets. It is estimated that one third of mobile subscribers are considering changing their mobile service providers. Dissatisfaction with their former service providers is the most common reason for customers switching their operator. In other words, users are not only being lured away by competing offers; they're being driven away from their service providers due to dissatisfaction with their existing service.

Apparently, this suggests that telecom service providers must invest in reducing dissatisfaction and maintaining higher levels of satisfaction as this could significantly reduce customer churn. The situation in Nigeria seems to be different. Most service providers in Nigeria do not care how the customers perceive their service quality. There are incessant cases of poor network

connectivity, overbilling, unlawful deductions of air time for calls not effectively made, high degree of hidden charges for alert services not subscribed for, frequent call statics while making calls, poor internet services for surfing and several cases of network breakdown without prior information and apologies to the customers. One begins to wonder if customers of mobile telecommunication services truly count in Nigeria and whether their satisfaction and loyalty matters to the operators in the industry. It is against this backdrop that this study seeks to measure the overall customer satisfaction with the services delivered by mobile telecom service providers in Nigeria and how it affects customer loyalty; examine the switching intentions of mobile telecom users in Nigeria as well as evaluate service quality as perceived by users of mobile telecom users in Nigeria. The findings of this study will no doubt go a long way to enrich the scarce empirical literature that exist in this area of study and consequently bridged the research gap in this area of study. The result will also be relevant to the telecoms regulatory agencies and mobile service providers as it will avail them the opportunity of knowing the perception of their customers and what they ought to do to improve on their quality and reduce or manage the switching intention of service users in Nigeria.

Literature Review

Various researchers in marketing have examined customer loyalty and its link with the continuous existence of profit oriented firms. Inamullah (2012) defines customer loyalty as the willingness of a consumer to purchase the same product and keep the same profitable relationship with a particular company. Simply put, customer loyalty is the continuous patronage of a company's goods and services by a customer over an extended period of time.

Shahin, *et al.,* (2011) define loyalty as repeat purchase behaviour led by favourable attitudes or as a consistent purchase behaviour resulting from the psychological decision-making and evaluative process. The different definitions of loyalty lay credence to the submission that loyalty possesses substantial value to both customers and the firm. In this perspective, customers are willing to invest their loyalty in any business that can deliver superior value relative to the offerings of competitors.

Customer satisfaction remains a key discourse among service marketing literature. Jani and Heesup (2011) define satisfaction as an emotional state resulting from a customer's interactions with a service provider over time.

In examining the drivers of customer satisfaction Shankar, Smith and Rangaswamy (2002) identified two types of customer satisfaction, namely, service encounter satisfaction and overall customer satisfaction. Whereas overall customer satisfaction is relationship-specific, service encounter satisfaction is transaction-specific. This study will examine the latter, overall customer satisfaction and how it affects the loyalty of telecom services users in Nigeria. Overall satisfaction refers to the cumulative effect of a set of transactions or discrete service encounters with the service provider over a period of time.

Even though the relationship between customer satisfaction and customer loyalty has been the focus of a good deal of previous research, the complexity inherent in the relationship continues to pose many unanswered questions. A customer's desire to remain loyal and purchase or use the services of an organisation in future is dependent on how satisfied the customer is (Van Es, 2012; Shanka, 2012). Thus, a company's continued survival, existence and future growth is largely dependent on the value it places on customer loyalty through maintaining satisfied customers (Kim, Park and Jeong, 2012).

In the case of Nigerian mobile telecommunication services, customer loyalty is particularly significant, given the rising customer churn and multiple loyalties as the market develops and matures. Shanka (2012) suggest that there is a strong theoretical foundation for an empirical exploration of the linkages between customer satisfaction and

customer loyalty.

Grönroos, (2000) state that a satisfied customer will share his experience with five or six other people and the likelihood of repurchasing the product is six times more. Similarly, Mohsan, (2011) and Zairi, (2000) in agreement further stated that unsatisfied customer can banish more business from an organization than ten highly satisfied customers. This suggests that with higher customer satisfaction the level of loyalty increases.

In examining the effects of service quality and customer satisfaction on re-patronage Intentions of Hotel existing customers, Tee, et al. (2012) found a significant positive relationship between customer satisfaction and customer loyalty. Also, several other studies have indeed found satisfaction to be a leading factor in determining loyalty (Shanka, 2012; Kim *et al* 2012; Madjid, 2013).

Nonetheless, in contending that loyal customers are not necessarily the satisfied customers, Hu *et al* (2011) in their study found that customer satisfaction did not have a significant direct association with customer loyalty regarding medical services in Taiwan. Likewise, Ganiyu, Uche (2012) extends Hu, Cheng ***et al*** (2011) findings by stating that customer satisfaction alone cannot achieve the objective of creating a loyal customer base and highlights trust as an important antecedent of customer loyalty. However, satisfied customers tend to be loyal customers.

A Synopsis of Mobile Telecommunication in Nigeria (1999-2013)

Arguably, the mobile telephony industry is probably Nigeria's most vibrant and competitive sector after the petroleum industry. The advent of Mobile telecommunication industry in Nigeria is traceable to 1999. Prior to 1999, telephone (landline or walkie-talkie) was seen as one of the rare luxuries of the rich. In fact, it is reported that a Minister of the Federal Republic once stated that “telephone is not for the poor”. But the coming of mobile telecommunication operators changed the situation for the better as everyone can now access one or two handsets. That is why its arrival and operation was seen as a great achievement of the former President, Olusegun Obasanjo's administration.

Looking at the growth recorded in the Nigerian Telecommunication industry within the short period mobile communication started in Nigeria (1999), it is phenomenal. Nigeria is the largest and fastest growing mobile market in Africa and one of the fastest in the world (Ndukwe, 2004). The industry has witnessed a tremendous increase in subscriber growth rate for all the mobile telecom operators.

This trend has been consistent since the introduction of mobile telecommunication in Nigeria. This growth trend could not be attributed to customer satisfaction; it is fundamentally due to the substantial growth in investment and expansion of network access during the past years. This seems a success story, and there are high hopes that the service quality delivered by the Mobile Telecommunication Networks in Nigeria meets customer expectations.

At the start, MTN, the first mobile telecommunication company in Nigeria was given license to operate followed by ECONET which metamorphosed into Vmobile, then Zain and at present Airtel and Globacom joined also. The last mobile telecommunication network but not the least is Etisalat. Apart from these four major mobile networks, there are also others that are regionally based. According to Pyramid Research (2010), the top mobile GSM operators account for over 85% of mobile subscriptions in the country.

The telecommunication sector across the globe has been identified as one with generic effect on almost all other sectors of the economy (Adedeji, 2013). Its function in any economy is described as a strategic one aimed at promoting economic growth and as one that has linkages with other sectors. Recently, the role of telecommunication infrastructure in enhancing economic growth has generated a lot of interesting discussions and debates.

Arguments are that the development of a modern nation to its full potential in the contemporary world can never be attained without adequate telecommunications infrastructure; this implies that the development of telecommunication infrastructure will significantly boost economic growth and development. Most developed economies such as the U.S, Japan, UK and France having realized this, deregulated their telecommunication sectors to allow for more investments. The results they got were not just improved telecommunication capabilities, but also increased foreign investments, boom in private sector development, more employment opportunities and better education and training facilities.

The role of NCC in the growth journey of Nigerian telecommunications can never be down-played. The apex regulator of Nigerian telecommunications has been a strong influence in ensuring that telecom operators play according to the rules of best practice. One of such milestones is the introduction of the Mobile Number Portability (MNP) policy introduced in April, 2013. The MNP introduction holds a strong potential in changing the mobile telecom landscape in Nigeria.

MNP is simply the ability of mobile telephone subscribers to retain their phone numbers when changing from one mobile network provider to another FinIntell (2013). MNP is currently available in over 50 countries, including Ghana, Morocco, the United Kingdom, Hong Kong, Pakistan, and Brazil.

Oketola and Okpara (2013) asserts that *the initiation of Mobile Number Portability in Nigeria comes as a relief to telecoms subscribers, who have been complaining about the poor quality of services being rendered by the service providers.*

Apparently, it is believed, the MNP will further expand the market place and make the deployment of new and enhanced telecoms services faster and more cost effective. More so "Mobile Number Portability will provide consumers with the option of choosing their network at any time, while retaining their numbers. It will give rise to healthy competition in the industry, enhance quality of service and improve service delivery to the consumers.

Methodology

Hypotheses

Ho_1: There is no substantial relationship between Service quality and customer satisfaction among mobile phone users in Nigeria.

Ho_2: There is no significant relationship between Service quality and customer loyalty among mobile phone users in Nigeria.

Ho_3: There is no significant relationship between service quality and customer retention among mobile phone users in Nigeria.

Participants

The population consists of individual users of the four major mobile telecom service providers in Nigeria (MTN, Airtel, Globacom and Etisalat). In order to collect data of high quality that reflects the entire customers' opinion, a customer survey of the four major mobile telecom service providers in Nigeria was carried out. The sample consists of 532 telecom subscribers of MTN, Airtel, Globacom and Etisalat in the six geo-political zones in Nigeria. This was done to give fair representation of the customer stream in industry.

Research Instrument

The data used for this study were obtained using a structured survey questionnaire designed to evaluate service quality, customer satisfaction, customer loyalty and switching intention of mobile phone users in Nigeria. The questionnaire was designed to reflect customer satisfaction with the service delivery of mobile telecommunication service providers in Nigeria and pre-tested to Ten (10) subscribers and thereafter adjustments were made to get a more effective instrument. The questions were

close ended and used a 5 point Likert scale in order to keep the responses within the content of the objectives of the study. The reliability dimension of service quality was selected as a measure of service quality with mobile telecommunication service providers in Nigeria. The dimension consists of five (5) questions which measure the ability of the service providers to perform the promised service dependably and accurately. The selection is based on a survey conducted by Arlen (2008) which identified the reliability dimension as the most important service quality dimension to customers. For the purpose of convenience, the four other dimensions of service quality (Responsiveness, Assurance, Empathy and Tangibles) are excluded from the analysis. The reliability Service Quality Dimension refers to how the company perform and complete their promised service, quality and accuracy within the given set of requirements between the company and the customer. The questionnaires were administered by hand and online.

Data Analysis Technique

The data obtained from the survey were analyzed using the Statistical Package for Social Sciences (SPSS), Version 20. The survey was conducted and restricted to subscribers using the four major GSM mobile service operators: MTN, GLO, Etisalat and Airtel. The hypotheses were tested using Pearson Product-Moment Correlation coefficient to determine the relationship between the variables.

Data Analysis and Interpretation

Table 1: *Relationship between Service quality and customer satisfaction among mobile phone users in Nigeria.*

Ho_1: There is no substantial relationship between Service quality and customer satisfaction among mobile phone users in Nigeria.

Correlations

		Q2	Q3
	Pearson Correlation	1	.388**
Q2	Sig. (2-tailed)		.000
	N	526	526
	Pearson Correlation	.388**	1
Q3	Sig. (2-tailed)	.000	
	N	526	526

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

Source: SPSS Output, 2013

The result of data analysis shows that, customers who use MTN are more dissatisfied with the services provided by the network provider. Apparently, within the sample, more subscribers use MTN regularly (75%) but customers were generally dissatisfied with the service delivery of mobile network providers. Similarly, customers of GLO were more satisfied than dissatisfied with the services provided. The question then is: why are subscribers still loyal to service providers despite the poor services received? Several reasons are responsible. Before the rise in the number of telecom service providers, MTN was the first to launch its services in Nigeria. Many subscribers joined the network because it was the only option available. Even though other options are now available, the switching cost deters consumers from shifting to better service providers. With the introduction of Mobile Number Portability (MNP) in April, 2013 by the Nigerian Communications Commission (NCC), the subscribers can now shift loyalty to a better service provider and still retain their mobile number. This will not only enhance healthy competition, but will

also enhance the service quality of telecom service providers in Nigeria and also test the loyalty of mobile phone users.

The hypothesis result also confirmed the result of data analysis. A Pearson product-moment correlation coefficient was computed to determine the relationship between service quality and the overall customer satisfaction of mobile phone users in Nigeria. There was an association between the two variables [r = 0.388, n =526, p = 0.000]. Based on the analysis, since the sig. value is less than .05, (p < .05), we can say that there is a significant positive correlation between service quality and customer satisfaction. This is consistent with the findings of Ojo (2010) who investigated the relationship between service quality and customer satisfaction in the Nigerian mobile telecommunication industry and Sharareh and Fauziah (2012) who investigated the relationship between service quality and customer satisfaction in the Australian Car Insurance Industry. The results reveal that service quality has effect on customer satisfaction and that there is a positive relationship between service quality and customer satisfaction.

Table 2: *Association between service quality and customer loyalty among mobile phone users in Nigeria.*

Ho_2: There is no significant relationship between Service quality and customer loyalty among mobile phone users in Nigeria.

Correlations

		Q3	Q4
Q3	Pearson Correlation	1	-.129**
	Sig. (2-tailed)		.003
	N	526	526
Q4	Pearson Correlation	-.129**	1
	Sig. (2-tailed)	.003	
	N	526	526

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

Source: *SPSS Output, 2013*

The analysis demonstrates a negative relationship between service quality and customer loyalty (r = - .13, N = 526, p < .01, *2-tailed.*). Higher service quality was associated with higher loyalty and a lower service quality correlates with a higher disloyalty among the subscribers. This indicates that a higher satisfaction will affect the churn rate and increase customer loyalty.

Ho_3: There is no significant relationship between service quality and customer retention among mobile phone users in Nigeria.

To evaluate the extent which service quality affect the switching intention of customer, the analysis reflects a high proportion (46%) representing 242 of the respondents expressing their desire to switch mobile service providers and 22% were not very sure (116). This illustrates how dissatisfied the subscribers are with the service delivery of mobile telecommunication networks in Nigeria. The hypothesis result was not different on this issues as it was observed thus: R1 (r = .62, N = 526, p < .01, *2-tailed),* R2 (r = .56, N = 526, p < .01, *2-tailed),* R3 (r = .48, N = 526, p < .01, *2-tailed),* R4 (r = .58, N = 526, p < .01, *2-tailed),* R5 (r = .35, N = 526, p < .01, *2-tailed*); indicating that higher service reliability was associated with increased overall customer satisfaction and a decrease in switching intentions of customers. But since most customers were dissatisfied with the services of the mobile network providers, the relationship between service quality and switching intention was inverse meaning that the higher the service quality, the lower the

switching intension of customers. Specifically as a follow up to this test results, the analysis indicated that the differences between Nigeria's four major mobile operators (MTN, Airtel, Globacom and Etisalat) were modest across all indicators for mobile telecom service providers. MTN registered higher dissatisfaction scores (75%) on quality of calls to other competing mobile operators. Etisalat scored highest on issues concerning network reliability, but differences were also modest.

In addition to the specific findings of the study already outlined, other incidental findings in the course of this study include:

* The most common network reliability issue is being cut off during a call (60%)
* 65% of respondents reported having to dial twice or more to get through when making calls
* Majority of the subscribers (70%) complained about receiving unsolicited SMS messages (spam) and calls from mobile operators (e.g. 4040).
* The analysis of Internet users' responses indicates that views on service availability and getting cut off were similar. Also, subscribers complained of high prices and low data allowances/validity period allowed.
* About 75% Internet users reported having to log-in more than once before successfully getting online.
* Subscribers rated four indicators for the recharge services highly: ability to check balance, time for credit to appear, correct amount added, and availability of the recharge service.
* The time taken to respond to a call and the time taken to resolve complaints were the most criticised aspects of complaints handling processes, closely followed by how long call centre staff took to answer calls.
* Most subscribers expressed their willingness to switch mobile operators (46%), a few were not sure (22%) and 32% had no switching intention.

Implication of Findings to Research and Practice

The study implies that service quality holds a strong influence on customer satisfaction which in turn affects customer loyalty and retention. An understanding of this by service providers and other stakeholders is necessary to enhance a dependable mobile telecommunication sector where customers are really treated as kings.

Conclusions

Based on the findings, it is obvious that an excellent service delivery along with an increase in how a company perform and complete its promised mandate within the given set of requirements, there will be a corresponding increase in customer satisfaction.

Again, customer dissatisfaction will increase the desire to switch service providers. Customers will likely stay with their telecom service providers as long as the companies are able to satisfy their changing needs and meet customer requirements.

Furthermore, it is obvious that the two constructs, service quality and customer loyalty are indeed independent but are closely related and indeed, potential partners, implying that an increase in one is likely to lead to an increase in another and similarly, a decrease in one will lead to a decrease in another.

Recommendations

The telecommunications sector in Nigeria is quite dynamic and fascinating. To improve customer satisfaction and increase customer loyalty, the Mobile telephony service providers, as a matter of necessity, must focus on the following key areas as a foundation for satisfying customers in Nigeria: review of Internet data rate, improving the ability to connect first time, quick response time to answer complaint calls from subscribers. Other areas include: improving the time used to resolve complaints, minimising/absence of spam messages and unsolicited calls from service providers, the

alignment of charges with the advertised rates and correctness of billing. Other recommendations include:

a. With the increased competition in the Nigerian Telecommunications industry and the ever-increasing influence of the Nigeria Telecommunications Commission (NCC), retaining customers is one major strategy that the companies must adopt to remain profitable. Mobile telecom service providers should focus more attention on service quality because of its close knit relationship with customer satisfaction. This is because excellent service quality can prevent churning and can lead to customer loyalty.

b. With the introduction of Mobile Number Portability (MNP) which permits subscribers to transfer to a better service provider while maintaining their existing mobile numbers, retaining customers should be a smarter option than attracting new customers since it is less expensive. To prevent subscribers from switching, telecom service providers must ensure that customer satisfaction level is high. In addition, service firms must strive to know the expectations of the customers and how they can meet such expectations.

c. In view of the fact that an increase in how a company perform and complete its promised service quality with accuracy will lead to an increase in customer satisfaction, telecom service providers should focus on providing timely services. This can include: minimising call drop rates, fast tracking SMS/MMS delivery time, prompt customer care services and responding to customer complaints without delay.

d. Most of the time, customers don't necessarily only buy products and services, they also seek solutions to problems. Mobile telecom service providers must position and train their customer care representatives to provide prompt and spot-on solutions to customer complaints. This holds a key to maintaining loyalty and minimising switching/churn.

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The Effects of Product Line Extension on Customer Retention in Fast Moving Consumer Goods

Adeyeye, Tolulope Charles
Department of Business Administration
Ajayi Crowther University, Oyo Town
Oyo State- Nigeria.
e-mail: tolulopeadeyeye1963@gmail.com +2348023712922

pp 91-101

Abstract

One of the main objectives of a product line extension is to compete with existing competitor's products in order to retain its customers and possibly acquires them. This research focuses on the effect of product line extension on customer retention with Indomie Oriental Fried Noodles as case study. The research examines how a product line extension can influence customer retention. It examines three independent variables such as: customer loyalty, customer satisfaction and favorability of a brand, which are all components of customer retention…..... The research made use of scales previously used and validated by other researchers and a screener question to ensure that the questionnaires were being administered to the right respondents. The result of the study showed that brand image, image fit, perceived availability and perceived advertising support can jointly and independently predict if the product retain customers or not.

Keywords: *Brand, Seller Market, Consumer goods, Proliferation, Cannibalization.*

Introduction

In the beginning when production of branded goods and services newly began, there were few competitors, hence, market was predominantly seller market, but as time went by and competition grew with more substitutes good and services emerging, the need to retain customers became imperative, in order not to lose them to competitors. This arises from the theory that consumers are the reason behind the success of every business.

Producers have applied many strategies to retain customers albeit- advertising, promotion and personal selling among others., this seem not to be sufficient as competition became intense, with several counter strategies such as lower price, higher product quality and new variant from competitors, that promises greater satisfaction than that, which was derived from existing brand(s), thus giving rise to the need for extension.

Extension is an attempt by producer to meet the needs of the customers or maintain equity without having to alter its original product. It allows firms to leverage the equity of an established brand when they expand to different markets (Kirman, Sood, and Bridges, 1999).

There are basically four types of extension viz: the fighter brand which charges lower prices, the flanker brand which introduces new product/ brand with increased market share, the brand extension which used an established brand name to launch new product (keller, 2007) and, the product line extension which used an established product brand name for a new item in the same product category.

Various authors have defined product line extension; Grime, et al (2005), Reddy, et al (1994). The ever increasing number of consumer goods and services offered in recent years suggests that product proliferation and in particular, line extensions have become a favoured strategy (Dragaska & Jain, 2005). For example, Guinness extended to Guinness smooth and Guinness extra smooth, Reckitt Benckiser extended from Mortein insecticide to Mortein Odorless and Mortein lemon flavor. Managers venture into product line extension because the cost of acquiring new customer is higher than the cost of serving the existing ones better. Reichheld and Schefter (2000) claimed that new customers cost from 20% to 40% more than old customers.

On the other hand, the perceived benefits notwithstanding, it was argued that the cost of wanton line extensions are dangerously high, laden with several pitfalls. To avoid these pitfalls, Quelch and Kenny (1994) offer several guidelines for sharpening product-line strategies. There proffered strategies have proved to be effective as it has become a common strategy used by big companies with its attendant advantages. The primary objective of a product line extension is to satisfy the needs of a consumer, which the parent product cannot satisfy in other to prevent the customer from switching to a different brand. But a product line cannot satisfy the needs of the consumer on its own. There are factors which influence the level of its impact on the market. Factors like the image of the parent brand, the similarities between the product line and the parent brand, the availability of the product line and the advertisement support it receive.

These factors either may positively or negatively influence the product lines' effect on customer retention.

This research work will be useful for students in the area of marketing and product development. More importantly, it will assist Dufil to know if its Indomie line extension has achieved its objective of retaining its customers or otherwise. It will also assist the management to know if the line extension is affecting the parents brand image positively or negatively. Finally, it will also help Dufil to know if the Indomie Oriental fried noodle is eating into the customer base of its competitors or just cannibalizing its parent brand.

Literature Review & Conceptual Framework

Product line typically denotes a group of products that “perform a similar function, are sold to the same customer groups, are

marketed through the same channel or fall within given price range" (Kolter, 2000). Products line is a group of products that have the same function and belong to the same quality tier and thus have the same price. For this work, horizontal line extension is discernible because of interest on the effect of number of variants in the product line on customer retention.

In Wikipedia (2013), product line extension is the use of an established product's brand name for a new item in the same product category. Line extension occurs when a company introduces additional items in the same product category under the same brand name such as flavor, forms, colours, added ingredients, package sizes etc.

Product line extension can be in two ways- Horizontal and vertical line extension. Horizontal line extension is when a product is extended in terms of variants such as flavor and colour among others, without increase in price, while vertical line extension is when a product is extended with the aim of increasing or reducing price. Vertical line extension can be Down-market stretch (in which a lower price is introduced because of possible growth opportunities), Up-market stretch (where the company wishes to enter the high end of the market for more growth, higher margin, or as fulltime manufacturers example, Toyota's Lexus Nissan's Infiniti, Honda's Acura) and finally as Two-Way stretch (such as company serving middle level might decide to stretch its line in both direction).

The impact of a product- line extension is primarily dependent on the retention of new buyers who currently either fulfill most of their requirements with competing items from other brands or have infiltrated from outside the product market. The ability of the product line extension to lure and maintain new buyer (i.e. convert them into repeat purchasers) is the primary determinant of success. Many companies adopt line extension as strategy with the aim of benefiting from brand knowledge achieved in the current markets.

When a company launch a new product and market under the umbrella of a well known brand name, failure rates and marketing costs are reduced (Keller, 1993). Keller (1993) states that more than 80 percent of firms resort to line extension as a way of marketing goods and services.

Line extension as a marketing strategy has become even more attractive in today's environment where developing a new product costs a lot of money and can be time consuming. The number of product lines being introduced into the market has increased greatly and this growth in the number of product lines can be largely attributed to companies' product strategies of creating, maintaining and enhancing brand equity. The consequence of these strategies is that most of the new products that are introduced into the market today are line extensions (Redd, et al 1994).

Despite all the need for line extension, past experiences have exposed some pitfalls of product line extension. Managers are more concerned with brand dilution and potential loss of brand equity due to failed extensions (Loken and Roedder, 1993). Despite more mature planning, financial success does not appear to have improved. More so, improved product versions tend to cannibalize currents sales. Many line extensions differentiate supply rather than address new needs and generate new sales (Buday, 1989).

Furthermore, really tapping into new market trends seem difficult due to today's consumer, whose behaviour seems less predictable than a decade ago. The success or otherwise of product line extension strategy is influenced by several variables.

Many local and even national brands have been forced to react against private label competition (Gle Amet and Mira, 1993a, 1993b). Companies have discontinued their weak brands and the weak products of their strong brands. They have moved toward "offering more for less" by price reduction and introducing line extension with new added value based on extensive research and development. They have expanded current lines in an attempt to fragment markets and make them less attractive for private labels to

penetrate. The resulting competition does however, not only helps innovation and new product development, but also causes new product success to erode quickly.

Firms may consider-introducing line extension when competition is high or when consumers' desire for variety is great. Variety may be related to multiple needs due to differences in preferences within a household, difference across usage situations, or consumers' need or desire to gain information through consumption. As markets have become fragmented and consumer behaviour has become less predictable, many manufacturers have responded by offering wider and deeper product lines (Datta, 1996). Such proliferated product lines will be successful if consumer are willing to pay for the wider range of choice offered.

Aside from above mentioned factors which are not under manufacturer's control, several other more controllable factors of line extension have been proposed in previous studies (e.g. Reddy et al., 1994). High advertising expenditure influences line extension's success positively. Although advertising is a prime success factor for any new product (Cooper, 1994), one of the hardest tasks in a brand extension is to make the consumer aware that the brand is on the market in a new product form. Reddy et al, (1994) found that line extension of large companies were more successful than those of smaller companies. Company size however, is probably a proxy variable for several other factors. In general, larger companies have better marketing resources and their management will be more experienced in dealing with line extensions, just as larger companies tend to have more brands and product lines. The larger the company's marketing budget, the more positive the influence on the line extension success.

Brand Image- Keller (1993) defines brand image as the held in customer memory. These associations refer to any aspect that link the brand with the customer's memory. (Aaker, 1996) A basic premise underlying the use of brand extensions is that, brands that consumers perceive to have high quality provide greater leverage for extensions than do brands associated with low quality (Aaker & Keller 1990). Consumer's quality perception of the parent brand and its products are an important indicator of brand equity. These perceptions act as surrogates of knowledge about the extension product which reduces purchase uncertainty and positively influence extension success (Bhat & Reddy, 2001)

Image Fit: Perceived fir is the extent to which a consumer perceives the new product to be consistent with the parent brand (Aaker & Keller, 1990). A poor fit between the parent brand and extension product may evoke undesirable beliefs and association. Empirical research shows that a high degree of fit positively influences extension success in while low degree of fit negatively influences extension success in terms of consumer's evaluation of the product (Aaker & Keller, 1990; Bhat & Reddy, 2012, Boush & Lokjen, 1991

Image Fit Image fit is the extent to which a consumer perceives the new product to be consistent with the parent brand (Aaker & Keller, 1990). A poor fit between parent brand and extension product may evoke undesirable beliefs and association (e.g extension product regarded as ridiculous or questions about the ability of the parent brand to make extension product). Empirical research shows that a high (low) degree of fit positively (Negatively) influences extension success in terms of consumer evaluation of the product (Aaker & Keller, 1990; Bhat & Reddy, 2001; Boush & Loken, 1991. There is the impact of brand image fit on interaction (Aaker & bKeller, 1990 and Bouish 1987). Brand Image has effect on level of cogency on brand image fit and evaluation of new products and services (Bhat and Reddy; Czella, 2003) Category fir reflects the similarity between new category and other products of extended brand, while brand image fit defines the extent to conception of global brand such as prestige or function (Grim et al. 2002; Czellar, 2003) and extended brand attitude directly depend upon

its level of fitness with extension processes

Perceived Availability of product in the distribution channel reflects the judgment about product quality and uniqueness. Consequently, the availability of the extension product may provide an external cue signaling high product quality to customer.

Perceived advertisement support on the other hand has a significantly positive effect on consumer's attitude towards the extension product. When exploited properly, superior marketing resources result in competitive advantage that can translate into better new product introduction as perceived advert support that the extension product receivers and its perceived availability in the distribution channel play critical role in determining the new product success (Reddy *et al,* 1994)

Customer retention on the other hand refers to the percentage of customer relationships that, once established, a small business is able to maintain on a long term basis. Customer retention is an important element of business strategy in today's increasingly competitive environment. In global business environment, customer retention is playing important role for development of the business (Sunanda, 2012) Customer retention is based mainly on customer satisfaction and customer's will be satisfied if company is sure about the persons', methods and tactics of achieving customer satisfaction. Customer retention reflects the soul of the company and state of mind of the customer about the company and its products and services when their expectations have been met or exceeded. Effective customer strategy should be able to maximize customer satisfaction, identify dissatisfied customer and determine why current customers leave.

The fit between the extension and brand is also considered important (Bhatt and Reddy, 1997). Fit is the level of perceived similarity between the extension and the brand's parent product based on substitutability, complementary, and manufacturability. Park et al (1991) add that the level of brand concept fit has to be taken into account although in the case of line extension, the similarity between the new and the original product(s) may be obvious, because both new and the original product belong to the same product category and a mismatch may still occur. Within a category, there can be quite some variation among the physical products and image. Therefore the better the (product and concept) fit, between a line extension and its parent brand, the more positive the influence of the line extension success.

Quelch and Kenny (1994) proposed reasons why line extensions have become popular strategy of marketing new products. Companies consider line extension as a low-cost, low-risk way of meeting demands of various customers' segments. Through research, they are able to identify and target finer segment with differing preferences. More so, consumers' desire for something different can be served by offering a wide variety of goods under the same brand. By increasing the brand's share of shelf space, line extension may attract more customer attention, lowering brand switching behavior. Managers favor providing pricing breadth to customers. On the other hand, higher priced extensions are able to trade customers up to premium product segments and increasing unit profitability. On the other hand, lower priced extension promise increased sales volume, economics of scale and protection from private label and price- brand competitors (Aaker, 1996).

Other reasons are access production capacity, short-term gains as line extensions offer quick rewards with minimal risk, competitive intensity which serve as short term competitive device to expand retail shelf space for the category and raise admission price to the category for new competitors. Lastly, trade pressure, whereby retailers demand special versions of brand such as certain Package sizes (Quelch &Kenny, 1994).

Consequently, a company's decision to increase, maintain or decrease its current product line length is influence by strategic considerations as well as industry constraints that prevail in the market, based on these,

(Putsis & Bayus, (2001) posits that the magnitude to increase or decrease in the length is influenced by internal and external pressures that drive the relative profitability of alternative live length decisions. Also influencing product live length are market share and relative price.

Market related and company related factors (Nijssen, 1999) such as intensity of competition, retailers, buying power and consumers' variety seeking behavior negatively influence live extension success.

Finally, the effect of product line extensions on customer retention can be summarized according to Timothy and Michael (2006) as follows: Line extensions can improve choice shares relative to novel names. Even if higher quality extension does not increase shares of line extended version, they can increase shares of lower quality versions within their brand family. Extending a name to a higher quality version can, relative to a novel name, improve that version's competiveness by increasing its ability to “steal” customers from competitors and increasing its ability to retain customers in the face of competitive attack.

Research Method

Hypotheses

Ha_1: brand image, image fit, perceived availability and perceived advertisement support will jointly and independently product customer retention.

Ha_2: there will be a significant relationship between brand image and customer retention.

Ha_3: there will be a main and interactive effect of image fit on customer retention.

Ha_4: there will be a significant relationship between perceived availability and customer retention.

Ha_5: there will be a main and interactive effect of perceived advertisement support on customer retention.

Participants

The design adopted for this study was a survey design. The study is limited to cover only Surulere and Ikeja given their high population density and their reference as the commercial hub of Lagos state. The target population thus comprises all the customers of Idomie both past and current in these two commercial areas. But since it may not be possible to identify and reach all of them for investigation, the study purposively allotted 150 each to both Surulere and Ikeja in order to have a fair representation of each area in the study. Therefore, the overall accessible population of this study was 300 customers of Indomie comprising 100 current, 100 past/switched 100 intendees to switch on equal proportion out of these, 250 were returned (150 from Surulere and 100 from Ikeja).

Instruments/Techniques

The study made use of questionnaires and personal interview. Questions were both open ended and close ended. The questionnaire was structured to contain two parts. Part A measured the demographic information and part B measured the variables. Part B was subdivided into five sections. Section A to section D measures the independent variable. Sections A & B measured the brand image on 8 items and image fit on 5 items scale respectively using 5 points Likert scale ranging from strongly disagree to strongly agree. The obtained Cronbach alpha was 0.774 for brand image and 0.659 for image fit developed by Pina and Martins (2001).

Sections C & D measured the perceived availability and perceived advertisement support respectively using a 2 items scale on a seven points scale ranging from strongly disagree to strongly agree adopted from Volckner & Sattler (2006). The perceived availability of the extension product was measured accordingly to whether the extension product is (1) available in many super markets and (2) attracted the respondent's attention on his or her last shopping trip with Cronbach alpha .918; and .924respectively and the perceived advertising pressure perceived by customers with a Cronbach alpha of .721.

Section E measured the dependent variable which is customer retention, using three sub-variables viz: loyalty intention, purchase intention and favorability. To measure loyalty intention, a four item scale using 5 points Likert scale scoring format ranging from strongly disagree to strongly agree developed by Zeithanil, et al (1996) with a Cronbach alpha of 0.7 was used. For purchase intention which measured the consumer's intention to repurchase and their willingness to recommend the branded product, five-point Likert scale ranging from 1 for very unlikely to 5 for very likely adopted from Park et, al (2002) was used with a Cronbach alpha of 0.86 obtained. To measure favorability, a four item scale using a 5 point Likert scale scoring format ranging from strongly disagree to strongly agree with a Cronbach alpha of 0.63 as developed by Buil et al (2009) was adopted. The demographic information was analyzed using frequency count and simple percentage. The hypotheses for the study were analyzed using correlation analysis, F-Test ratio and regression analysis.

Data Presentation & Analyses

Table I: *Demographic Description*

Sex	Frequency	Percentage
Male	97	38.8
Female	153	61.2
Total	**250**	**100**
Age	**Frequency**	**Percentage**
13-17	106	42.4
18_29	100	40.0
30-45	44	17.6
Total	**250**	**100**
Marital Status	**Frequency**	**Percentage**
Married	70	28.0
Single	180	72.0
Total	**250**	**100**
Education	**Frequency**	**Percentage**
Secondary	33	13.2
Undergraduate	39	15.6
Graduate	169	67.6
Post Graduate	9	3.6
Total	**250**	**100**
Profession	**Frequency**	**Percentage**
Business	94	37.6
NYSC	23	9.2
Students	127	50.8
Home Mailer	6	2.4
Total	**250**	**100**
Location	**Frequency**	**Percentage**
Ikeja	125	50
Surulere	125	50
Total	**250**	**100**

Source: *Field Survey, 2013.*

The table 1 above shows that male respondents were 97(38.8%) and the female respondents were 153 (61.2%); 106 (42.4%) were from the age group 13-17 years, 100 (40.0%) were from the age group 18-29 years, 44(17.6) were from the age group 30-45 years;

70(28.0%) were singles and 180(72.0%) were married; 33(13.2%) were still in Secondary School, 39 (15.6%) were under graduates, 169(67.6%) were graduates and 9(3.6%) were post graduates; 94(37.6%) were into business, 23 (9.2%) in NYSC, 127(50.8%) were students and 6 (2.4%) were home makers.

Test of Hypotheses

Ha_1: brand image, image fit, perceived availability and perceived advertisement support will jointly and independently product customer retention.

Table 2: *summary of Regression Analysis Showing Brand images, Image fit, Perceived image Perceived Availability and Perceived Advertising Support on Customer Retention*

Variable	F-Ratio	Significant of P	R	R^2	Adj R^2	B	T	P
Brand image	38.089	.000	.619	.383		.410	7.773	.000
Image fit						-.365	-6.954	.000
Perceived Availability						.178	5.486	.019
Advertising Support						-.154	-3.056	.029

The table 2 above shows that, the linear combination of the impact of Brand, Image fit, Perceived availability and Perceived Advertising support will jointly and Independently Predict Customer retention ($F = 38.089; R = .619, R^2 = .383$, Adj. $R^2 = .373; p < .05$). The independent/predictor variables jointly accounts for a variation of about 38.8% in customer retention. The following values show the various relative contribution and level of significance of the independent variable: Brand image ($B = .410, p < .05$), Image fit ($B = -.365, p < .05$), Perceived Availability ($B = .178, P < .05$) and Perceived Advertising Support ($\beta = -.154, P < .05$) respectively. It can be concluded that all Independent Variables, Brand Image, Image fit, Perceived Availability and Perceived Advertising support Jointly and Independently Predict Customer Retention.

Ha_2: there will be a significant relationship between brand image and customer retention.

Table 3: *Summary table showing the significant relationship between Independent Variable; Brand Image and Customer Relation*

Variable	Mean	Standard Deviation	N	R	P	Remark
Customer Retention	4.564667	.159086	250	.249**	.000	Sig.
Brand Image	4.66250	.141373				

*****Sig at .01 Level**

Table 3 shows that, there is no significant relationship between brand image and customer retention ($r = .249^{**}, N = 250, P < .05$). Hence, it could be deduced that brand image customer retention according to the study.

Ha_3: there will be a main and interactive effect of image fit on customer retention.

Table 4: *Table showing regression on main and interactive effect of the independent variables; image fit and image on customer retention*

Variable	F- Ratio	Significant of P	R	R^2	Adj R^2	B	T	p
Brand Image	43.740	.000	.511	.262	.256	.121	2.125	.035
Image fit						.465	8.171	.000

Table 4 shows the result of the analysis of the main and interactive effect of image fit and brand image on customer relation. The analysis reveals that both image fit and brand image have positive effect on customer retention. (β=.121, t=2.125, P<0.05), (β=.465, t=8.171, P>0.05). This indicates that, there will an interactive effect of image fit and brand image on customer retention.

Ha_4: there will be a significant relationship between perceived availability and customer retention.

Table 5: *Summary of table showing the significant relationship between pervceived availability and customer relation*

Variable	Mean	Standard Deviation	N	R	P	Remark
Customer Retention	4.564667	.159086	250	-.445**	.000	Sig.
Perceived Availability	6.138	.4547				

** Sig at .01 level

Table 5 shows that, there is no significant relationship between perceived availability and customer retention(r = -.445**, N=250, P<.05).Hence, it could be deduced that according to the study.

Ha_5: there will be a main and interactive effect of perceived advertisement support on customer retention

Table 6: *Summary of regression showing the interactive effect of the independent variable; perceived advertising support and perceived availability on customer retention*

Variable	F- Rate	Significant of P	R	R^2	Adj R^2	B	T	p
Advertising Support	30.840	.000	.447	.200	.193	-.453	-7.795	.000
Availability						-390	-2.671	.003

Table shows the result of the analysis of the main and interactive effect of perceived advertising support and perceived availability on consumer retention.

The analysis reveals that both image fit and brand image have a positive effect on customer retention.

Perceived advertising support (β= -.453, t = - 7.795, P<0.05), perceived availability (β= -.390, t= -2.671, P < 0.05).With these, it can be concluded that there will be main and interactive effect of perceived advertising support and perceived availability on customer retention.

Discussion of Results

From the analysis above, it was observed that brand image, image fit, perceived availability of the extension and perceived advertisement support will jointly and individually affect customer retention. That image of brand has little or no effect on the ability of its line extension to retain its customers or influence the customers of substitute brand to switch. When combined, both the brand image and the similarity between the line extension and parent brand will affect the consumer's willingness to adopt the line extension. That there are no significant relationships between perceived availability and customer retention.

That both perceived advertising support and perceived availability had a positive effect on customer retention; that most consumers of the line extension (Indomie Oriental Fried Noodles) are also the consumers of the parent brand (Indomie Chicken Noodles). Therefore, the product line extension has a far reaching effect on Customer retention. This corroborates the saying of Keeler (1986). There is also the need to strengthen the distinctive system backed up by effective advert as proffered by (Reddy, et. al., 1994, and Klink & Smith 2001).

Implications for Research and Practice

The study is not an end on itself, but a mean to an end. While it will be beneficial to

strategists in organisations, as strategic input to their product diverification, it will also assist researchers as step to further research into the area of product line extension on customer retention.

Recommendations

Bases on the findings, the study recommends the following:

- Since brand image, image fit, perceived availability and advertising support can both be independently and jointly predict customer retention, brands should create stronger fit between its parent band and its recent live extension by linking the parent brand image with the extended product through advertisement and other promotional strategies.
- More advertisement should be carried out in order to create awareness for the line extension.
- That the product should be made available at various retail outlets and supermarkets. The availability of various outlets will be the fallout of the fit and promotions carried out on the fit.
- There should be promotional strategy to link up both products at the retail outlets, because the parent brand has far-reaching effect on line extension.
- Finally, it is recommended that the extended line be allowed to go alone after a period of fit between the extended product and old product. More so, advert should also be seen as a rentable tool to sustain this new order.

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Corporate Governance, Capital Structure and Firm Performance in Nigeria

Iorpev, Luper
Department of Accounting,
Benue State University, Makurdi - Nigeria
luperiorpev@yahoo.com, Phone No: 08030789299

Kwanum, Isaac. M
Department of Accounting,
Benue State University, Makurdi - Nigeria
Kwanumisaac@yahoo.com, Phone No: 08036507723

pp 102-113

Abstract

This study examines the impact of corporate governance (CG) and capital structure (CS) on the performance of firms in Nigeria. The annual financial statements of manufacturing companies listed on the Nigerian Stock Exchange were used for this study which covers a period of five (5) years from 2005-2009. Multiple regression analysis was applied on performance indicators such as Return on Asset (ROA) and Profit Margin (PM) as well as Board Size (BS) and Duality (DL) as CG variables, Short-term debt to Total assets (STDTA), Long term debt to Total assets (LTDTA) and Total debt to Equity (TDE) as CS variables. The results show that there is significant relationship between CG (DL) and CS (STDTA, TDE) on ROA while there is no significant relationship between CG (BS) and CS (LTDTA) on ROA. There is no significant relationship between CG (BS, DL) and CS (STDTA) on PM but there is significant relationship between CS (LTDTA, TDE) on PM.This study recommends among others that firm managers should use a combination of debt and equity to achieve higher ROA. In addition if firms should improve their operational performance through PM, they should use debt financing as this is a cheap source of finance.

Keywords: *Corporate Governance, Capital Structure, firm Performance, Manufacturing Companies*

Introduction

The Financial scandals around the world and the recent collapse of major corporate institutions in the USA, South East Asia, Europe and Nigeria such as Adelphia, Enron, World Com, Commerce Bank, XL Holidays Global Grossing, HIH insurance, Ansett, Pan Pharmaceuticals, Lever brothers, Cadbury and Afribank have shaken investors' faith in the capital markets and the efficacy of existing corporate governance practices in promoting transparency and accountability. These crises demonstrate that even strong companies lacking transparent controls, responsible corporate boards and shareholders rights can collapse quite quickly as investors' confidence collapse. This has brought to the fore once again the need for the practice of good corporate governance to assist companies in the retention of public confidence which remains of utmost importance in any industry and has raised the interest on the governance structure of firms by the stakeholders.

Also , good CG prevents fraud and mismanagement, promotes sound decision making, avoids costly fines and litigation, creates/maintains positive corporate image, attracts and retains clients, financing and investment (from Commercial banks) (USAID , 2005). Corporate governance (CG) is a multifaceted term that has been indentified to mean different things to different people. Kabiru (2011) viewed CG as a system by which a corporate body is controlled and directed by the directors who are saddled with the responsibility of spearheading the process of attaining the vision of the corporate body. It is a system by which companies are governed and controlled with a view to increase shareholders value and meet their expectations.

The managers of small or large companies need to entrench good CG in the running of their organization which includes financial (capital Structure) decision aimed at mediating the agency problem between owners and managers and providing them with returns on their investment as and when due. This will help to prevent corporate failure, due to the inability of firms to meet both their short and long term maturing obligations (Dabor and Tijjani, 2011), ensure effective financial decision making as operating with high leverage can cause financial distress and bankruptcy, but good CG can reduce the cost of capital and enhance the company's performance generally.

Capital structure is the specific mix of debt and equity a firm uses to finance its operations (Abor, 2008). Though capital structure is widely researched, it still remains one of the most contentious topics in the theory of finance during the past half century (Bradley et al., 1984). The theory of capital structure and its relationship with a firm's performance has been an issue of great concern in corporate finance and accounting literature since the seminal work of Modigliani and Miller (1958). They argue that under very restrictive assumptions of perfect capital market, investors' homogenous expectations, tax-free economy and no transaction costs, capital structure is irrelevant in determining firm value. Their subsequent preference of purely debt financing due to tax shield in 1963 was a contradiction to traditional approaches which suggests an optimal capital structure (Modigliani and Miller, 1963). In reality, establishing an optimal capital structure is a difficult task (Shoaib, 2011). Thus a firm may require issuing a number of securities in a mixture of debt and equity to meet an exact combination that can maximize its value and having succeeded in doing so, the firm has achieved its optimal capital structure.

Jensen and Meckling (1976) demonstrates that the amount of leverage in a firm's capital structure affects the agency conflicts between managers and shareholders and thus, can alter manager's behaviours and operating decisions. CG also tries to mitigate the agency problem between shareholders and managers. According to Ashbaugh, Collins and Fond (2004) this is made possible as Corporate governance encompasses a broad spectrum of mechanisms intended to mitigate agency problems by increasing the monitoring

of managements' actions, limiting managers' opportunistic behavior, and reducing the information risk borne by shareholders. This clearly indicates that there is a link between CG and capital structure. This position is agreed by Harris and Raviv (1991); Graham and Harvey (2001) ; Ebaid (2009). **Ari , Juan, Haim (2011) that** Corporate governance theory predicts that leverage affects agency costs and thereby influences firm performance.

Agency costs represent important problems in corporate governance in both financial and non-financial industries. According to modern corporate finance theories, agency cost is one of the determinants of capital structure. However empirical literature on corporate governance does not provide any conclusive evidence on the existence of relationship between corporate governance, ownership structure and capital structure of firm **(Akram and Ahmad, 2010)**. Since Jensen and Meckling's argument regarding capital structure influence on firm performance, several researchers have followed this extension and have conducted studies aimed at examining the relationship between corporate governance, capital structure and firm performance.

While the literature examining the performance implications of corporate governance, capital structure choices is immense in nation's economies like USA and Europe, little is empirically known about such implications in emerging economies like Nigeria. However, those that try to look at CG and CS and firm performance are limited. This study examines the impact of corporate governance and capital structure on performance of selected manufacturing companies listed on the Nigerian Stock Exchange (NSE).Specifically, it is aimed at: examining the relationship between corporate governance, and Return on Assets (ROA) and Profit Margin (PM), and capital structure, and Return on Assets (ROA) and Profit Margin (PM). It will be significant to managers in deciding the right combination of equity and debt to finance their operations, to maximize firm value and provide returns to investors as well as to know how corporate governance affects performance.

The remaining part of this paper is organized as follows: Section two (2) takes a brief review of related literature; Section three (3) is the methodology; Section four (4) discusses the results; while conclusion and recommendations are presented in section five (5).

Literature Review

The Concept of Corporate Governance and Capital Structure

The term corporate governance has been coined only recently even though the issue has existed for as long as there have been social institutions (Tsegba, 2011, citing Kay and Silberton, 1995). CG has gained phenomenal pre-eminence recently due to the increasing incidence of corporate fraud and corporate collapse on a previously unimagined scale; collapse of socialism and centralized planning which has refocused attention on different style of capitalism which CG both exemplifies and influences; and the greedy bosses which has significantly made CG a subject also for tabloid headlines among others. Because of the large and diverse number of economic area CG covers, CG has been viewed differently. Corporate governance as a concept represents "*the system by which companies are directed and controlled*"(Cadbury Report, 1992). Based on this definition CG consists of two demission: direction and control. The direction side of CG emphasizes the responsibility of the board to attend to strategic positioning and planning in order to enhance the performance and sustainability of the company whereas, the control side emphasizes the responsibility of the board to oversee the executive management of the company in the execution of the plans and strategies.

It is characterized by transparency, accountability, probity and protection of the stakeholders rights which among others include employee, customers, creditors or providers of funds, government and its various agencies (Kabiru, 2011).

Capital structure has been defined by many authors and scholars. However, these definitions are explicit and have the same meaning. This research work adopts that of Pandey (1999) which says a company's capital structure refers to its debt level relative to equity on the balance sheet. It is a snapshot of the amounts and types of capital that a firm has access to, and what financing methods it has used to conduct growth initiatives such as research and development or acquiring assets.

From this definition, it is worth saying that capital structure is a way a corporation finances its assets through some combination of equity, debt or hybrid security and that a firm's capital structure is then the composition or structure of its liabilities.

Corporate Governance and Capital Structure theories

The following capital structure theories (Modigliani and Miller, Pecking order ,Trade-off and Agency have evolved from capital structure literature where Agency theory, Stewardship theory, Stakeholders theory and theory of firm are used to examine corporate governance.

Modigliani and Miller (MM) Theory: MM-theory is the opposite of the traditional approach. It states that there is no any relationship between capital structure and cost of capital. There will be no effect of increasing debt on cost of capital. Value of the firm and cost of capital are fully affected from investor`s expectations of future benefits accruable to the firm.(Pandey, 2007).

Pecking Order Theory: In the theory of firm`s capital structure and financing decisions, the pecking order theory was first suggested by Donaldson in 1961 and was modified by Stewart Myers and Nicholas Majluf in 1984 (Frank and Goyal, 2005). It states that companies prioritise their sources of finance (from internal financing to equity) according to the principle of least effort or of least resistance, preferring to raise equity as a financing means of last resort. Hence, internal funds are used first, and when it is depleted, debt is issued.

Tests of this theory have not been able to show that it is of first-order importance in determining a firm`s capital structure. However, several authors have found that there are instances where it is a good approximation of reality. Fama and French (2002) and Myers and Shyam-Sunder (1999) found that some features of the data they used were better explained by pecking order theory. Goyal and Frank (2003) shows amongst other things that, the theory fails where it should hold, namely for some firms where information asymmetry is presumably an important problem.

Trade-Off Theory: This theory refers to the idea that a company chooses how much debt finance and how much equity finance to use by balancing the costs and benefits. The classical version of the theory goes to Kraus and Litzenberger, who in 1973 considers a balance between the dead-weight cost of bankruptcy and the tax saving benefits of debts. This theory is often set as a competitor to the pecking order theory (Frank and Goyal, 2005).

The empirical relevance of the trade off theory has often been questioned. Miller (1977); Myers (1984) and Fama and French (2002) argues that firms do not undo the impact of stock price shocks as they should under the basic trade off theory and so the mechanical change in asset prices makes up for most of the variations in capital structure. Despite such criticisms, the trade off theory remains the dominant theory of corporate finance as the dynamic version of the model seem to offer enough flexibility in matching data, so contrary to Miller`s argument, dynamic trade off models are very hard to reject empirically (Frank and Goyal, 2005).

The Agency Theory: Agency theory is the study of the agency relationship and the issues that arise from this, particularly the dilemma that the principal and agent, while nominally working toward the same goal, may not always share the same interests. Berle and Half

originally developed the agency theory in 1932 and argued that when the difference between ownership and control of large firms is increased, it will lead to a decline in investment. The theory was developed on the thought that the interest of shareholders and managers are not accurately aligned. Jensen and Meckling (1976) mentions the importance of agency cost of equity in the financing of a company which extends from the separation between ownership and control of firms in which managers tend to their interests instead of that of the firm.

The Stewardship Theory: Stewardship may be viewed as human caring, generosity, loyalty, and responsible devotion, usually to a social group or institution (Donaldson,1990). Stewardship theory suggests that people are motivated not simply by self-interest but by service to others (Davis et al. 1997). This means that managers are not motivated by individual goals but rather are stewards whose motives are aligned with the goals of their principals. This view is supported by Donaldson and Davis (1994) that managers are good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders return. There are two assumptions that underlie stewardship theory; first the theory assumes convergence of interest between the principal and the agent, in contrast to the agency theory which assumes goal divergence between the two parties (Davis, Donaldson and Schoorman, 1997; Tsegba, 2011). The second assumption is that the stewards or agents are motivated by intrinsic rewards, such as trust, reputational reciprocity, discretion and autonomy, level of responsibility, job satisfaction, stability and tenure, and mission alignment which result from relational reciprocity (Tsegba, 2011).

Stakeholders Theory: Stakeholders is viewed as any group or individual who can affect or is affected by the achievement of the organizations objectives (Abdullah and Valentine, 2009). The proponents of this theory view the firm as a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. Turnbull (1997) argued that the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services'. This view is supported by Blair (1995) thus; "The goal of directors and management should be maximizing total wealth creation by firm. The key to achieving this is to enhance the voice of and provide ownership-like incentives to those participants in the firm who contribute or control critical, specialized inputs (firm specific capital) and to align the interests of these critical stakeholders with the interest of outside, passive shareholders". This implies that the firm is a nexus of implicit and explicit contracts among participants in the firm (Tsegba,2011) such as owners, employees, managers and others suppliers of capital (Jensen and Meckling,1976;Fema and Jensen,1983) and Kay and Silberston (1995) posits that it would be inappropriate to single out one party above others. According to Jensen (2001) the stakeholders theory offers at least two major advantages- proposes the objective to pursue maximization of the long-run value of the firm, and it offers a simple criterion to enable managers to decide whether they are protecting the interest of stakeholders. Sundaram and Inkpen (2004) contend that stakeholder attempt to address the group of stakeholder deserving and requiring management's attention.

However, a careful look at some of the theories of corporate governance and capital structure, the acceptance or otherwise of these theories has remained a puzzle to corporate finance researchers and practitioners.

Review of Empirical Studies

Many researchers have conducted studies and research on corporate governance. Kajola (2008) examine the relationship between four corporate governance mechanism (board size, board composition, chief executive status and audit committee) and two firm performance measure (return on

equity, ROE, and profit margin, PM) of a sample of twenty Nigerian listed firms between 2000 and 2006. The results provide evidence that of a positive significant relationship between ROE and board size as well as chief executive status. The results further reveal a positive significant relationship between PM and chief executive status. The study however, could not provide a significant relationship between the two performance measures and board composition and audit committee. The implication of this is that the board size should be limited to sizeable limits and that the post of chief executive and board chair should be occupied by different persons.

Onaolapo and Kajola (2010) researched on capital structure and firm performance using non-financial firms and debt ratio, Return on assets (ROA) and Return on equity (ROE) as indicators. They found a negative and significant relationship between ROA, ROE and DR and that both ROE and ROA are positive and significant to assets turnover.

Olayinka (2010) examine the impact of four board structure characteristics (board composition, board size, board ownership and CEO duality) on corporate financial performance as measured by return on equity (ROE) and return on capital employed (ROCE) in Nigeria. The finding indicates that there is a strong positive association between board size and corporate financial performance. Evidence also exists that there is a positive association between outside directors sitting on the board and corporate performance. However,a negative association was observed between directors' stockholding and firm financial performance measures. In addition, the study reveals a negative association between ROE and CEO duality, while a strong positive association was observed between ROCE and CEO duality. Suggesting that, large board size should be encouraged and composition of outside directors as members of the board should be sustained and improve upon to enhance corporate performance.

Adusei (2011) investigates the relationship between board structure and bank performance with panel data from banking industry in Ghana. Controlling for bank age, size, funs, ownership structure and listed status, the study finds that as the size of a bank'sboard of directors decrease its profitability increases, which is consistent with the extent literature. Athough board independence has negative but statistically insignificant correlation with bank profitability, yet its statistically significant positive relationship with bank efficiency implies that an increase in bank board independence results in a decline in bank efficiency. The study therefore avers that banks seeking some improvement in their performance should constitute small-sized board of directors composed of few independent directors.

Akram and Ahmad (2010) investigate the relationship between corporate governance and capital structure of listed companies from Tehran Stock Exchange. Measures of corporate governance employed are board size, board composition, and CEO/Chair duality. Impact of shareholding on financing decisions has also been examined by using institutional shareholding. Similarly influence of controlled variables like firm size and profitability on firms' financing mechanism is also investigated. Results reveal that board size is significantly negatively correlated with debt to equity ratio. However corporate financing behavior is not found significantly influenced by CEO/Chair duality and the presence of non-executive directors on the board. However, control variables firm size and return on assets are found to have a significant effect on capital structure. Therefore results suggest that corporate governance variables like size and ownership structure play important role in determination of financial mix of the firms.

Many researchers have conducted studies and research is on-going on what Pandey (1999) termed the “capital structure controversy”. Modigliani and Miller (1963) suggests that capital structure of companies should be formed completely of debt because

interest payments results in lower tax. This assertion may be valid in theory but practically, the costs of bankruptcy are proportional to the company's debt. Hence, optimal capital structure may only be accomplished if tax benefits are equal to bankruptcy costs. In this scenario, the duty of managers is to recognize the achievement of optimal capital structure and then maintain it. It is the only appropriate point where cost of financing and weighted average cost of capital are reduced resulting in enhanced performance and corporate value.

Meziane (2007) explains that two main compensations of debt financing are taxation and discipline. He contends that, interests are paid before tax payments but dividends are paid after taxation, so the cost of debt is significantly less than that of equity. Normally, due to bankruptcy, managers remain cautious and issue a given amount of debt that will not lead the company into problems of default in payment of interest. External equity also has its shortcomings. Although, dividend declaration and payment is not mandatory, it is an incentive to potential investors and may lead to increase in share price. However, it has the problem of dilution of ownership and principal-agency conflicts.

Base on empirical evidence, options have been made available on how a firm could finance its operations. Fluck (1999) reveals that the preliminary and following decisions of financing should follow a pattern: companies will float external equity and bonds initially and afterwards, use retained earnings, long term debts and external equity for subsequent financial requirements. Stenbacka and Tombak (2002) largely agree with Fluck's assertion but not the other of financing. They recommend that small companies should issue debt first to generate retained earnings and as it accumulates, managers should concurrently obtain both debt and new equity. Meziane (2009) postulates a slightly different view: start ups should be financed with owners' capital, expanding companies with venture capital or private equity while mature companies should use internal financing, more debt and equity. These options are suggested but managers should choose which one to follow in accordance with prevailing circumstances in their companies.

The review of empirical studies on corporate governance and capital structure has shown conflicting results among researchers. This is why the quest for examining their relationship with firm performance has remained a puzzle to corporate financial managers and practitioners. Therefore, there is need for empirical investigation in Nigeria.

Methodology

This research work adopts an ex-post facto design and uses data from financial statements of manufacturing companies listed on the NSE from 2005-2009. This type of design is used because of the availability of audited financial statements of the sampled companies. Audited financial statements are reliable as auditors certify them.

The population of the study is made up of the 134 manufacturing companies listed on the NSE.

The study uses judgemental sampling to select 15 manufacturing companies using the following criteria: Companies with negative and consistent losses and equity were avoided. This is because such companies produced very high debt ratios that were unreasonable in analysing the results. Companies with incomplete financial statements for the period under review were also avoided, and Companies that were not operational within the period were dropped.

The sample size is made up of International Breweries PLC, Jos International Breweries PLC, Nigerian Breweries PLC, 7-up Bottling Co. PLC, Cadbury Nigeria PLC, Floor Mills of Nigeria PLC, Nigerian Bottling Company PLC, Ashaka Cement PLC, Cement Co of Northern Nigeria, Dangote Cement PLC, Lafarge Cement WAPCO Nigeria PLC, African Paints (Nig.) PLC, Berger Paints (Nig) PLC, Chemical and Allied Products PLC and Nigerian-German Chemicals PLC.

The data obtained were analyzed using

multiple regression model. This statistical technique is used because the study seeks to establish if there is a relationship between corporate governance, capital structure and firm performance.

Definition of Variables

Board Size (BS): The board of directors is the apex body in the corporate set up, playing central role in the firm's strategic decision like capital mix. It is therefore considered an important variable to study the impact of corporate governance, capital structure and firm performance. The variable BS is measured as the logarithm of the number of Directors. Duality (DL): If a person holds slots of chief executive officer and chairman, then it may create agency problems. Higher level of control by chief executive officer (CEO) may lead to managerial opportunistic behaviour and can lead to lower gearing levels under entrenchment hypothesis. It has a value of one (1) for companies where the Managing Director is both Chairman and Chief Executive and is zero (0) if otherwise. Short term debt to total assets (STDTA): is derived by dividing short term debt by total assets. Long term debt to total assets (LTDTA): is derived by dividing long term debt by total assets. Total debt to equity (TDE): is calculated by dividing total debt by equity. Return on assets (ROA): is the quotient of dividing profit after tax by total assets. Profit margin (PM): is the quotient of dividing profit after tax by turnover. Log of total assets (LOGTA): is a control variable and is obtained by taking the natural logarithm of total assets.

Model Specification

The researcher adopts the model used by Shoaib (2007) and Onaolapo and Kajola (2010) with little modifications to construct the model. The model is as follows:

PERF = f (BS, DL, STDTA, LTDTA, TDE, LOGTA).

Using multiple regression analysis, the model can be built as follows:

$PERF = b_0 + b_1 BS, b_2 DL, b_3 STDTA + b_4 LTDTA + b_5 TDE + b_6 LOGTA + e$

Where, PERF=performance (proxied by ROA, PM), ROA =Return on Assets, PM= Profit margin;

CG= Corporate Governance, BS= Board Size and DL= Duality.

C S = Capital Structure, STDTA = Short term debts to total assets, LTDTA = Long term debts to total assets, TDE = Total debts to equity and LOGTA=Log of total assets as control variable.

b_0 = the constant, and b_1, b_2, b_3, b_4, b_5 are regression coefficients.

The hypotheses are tested at 5% (0.05) level of significance at 11 degree of freedom (11 df) calculated as follows: N p -1. Where: N = number of sample size (15) and P = number of independent variables (3). Therefore, d f = 15 3 1 =11 df (Berenson and Levine, 1999). The critical value of t-stat at 11 df under 0.025 level of significance is ± 2.20.

Presentation and Discussion of Results

The results and findings of the study is presented below

Table 1: *Regression result for CG, CS and ROA.*

Variable	coefficients	t-value	f-value	VIF	Sig	R^2
Constant	0.156	0.306	0.767	-	0.000	0.968
STDTA	0.603	-8.137	0.000	4.088		
LTDTA	0.062	0.392	0.706	3.396		
TDE	0.002	2.272	0.053	1.754		
BS	0.011	0.646	0.536	2.678		
DL	0.345	2.544	0.034	1.515		
LOGTA	0.006	-0.101	0.922	3.250		

Dependent variable: ROA

Source: *SPSS Statistics.*

Table 1 above shows the regression result used to verify the association between STDTA, LTDTA, TDE, BS, DL and ROA. The result indicates a positive relationship between all the variables and ROA.This means an increase in any of these variables by one while holding the others constant, ROA will increase by 60.3%, 6.2%, 0.2%, 1.1% and 34.5% for STDTA, LTDTA, TDE, BS and DL respectively. R^2 is 96.8% which indicates highly significant relationship between the variables, as only 3.2% of the variation is attributable to factors outside this study. VIF is less than 5 which means the independent variables are not too inter-correlated. Using the decision rule of -2.20 and +2.20, capital structure (STDTA, TDE) and corporate governance (DL) are statistically significant to ROA. The result is in line with Saeedi and Mahmoodi (2011) as well as Zeitun and Tian (2007). However, using LTDTA and BS, the result shows that there is no significant relationship between corporate governance (BS), capital structure (LTDTA) and performance (ROA). The result indicates that BS does not significantly affect ROA. It also shows that using long- term debts will not significantly affect performance but short-term debts and gearing should be watched carefully as they significantly affect performance (ROA).

Table 2: *Regression Result for CG, CS and PM.*

Variable	Coefficients	t-value	Sig	VIF	Sig	R^2
Constant	-1.733	-4.011	0.004	-	0.000	0.957
STDTA	0.017	0.274	0.791	4.088		
LTDTA	-0.520	-3.902	0.005	3.396		
TDE	-0.002	-3.272	0.011	1.754		
BS	-0.004	-0.267	0.796	2.678		
DL	0.212	1.840	0.103	1.515		
LOGTA	0.195	4.033	0.004	3.250		

Dependent variable: PM
Source: *SPSS Statistics.*

The result in Table 2 indicates that a change in any of the variables (LTDTA, TDE and BS) by one while holding others constant will PM by 52%, 0.2% and 0.4% respectively while STDTA and DL will increase PM by 1.7% and 21.2% respectively. R-square is 95.7% which means only 4.3% of the variation is attributable to factors outside this study. VIF is less than 5 and this means the independent variables are not too inter-correlated. The result indicates that corporate governance (BS and DL) and capital structure (STDTA) does not significantly affect firm performance (PM), while capital structure (LTDTA and TDE) is significant to PM. This means that using PM, the number of directors on board, whether the MD plays dual roles and the use of short term debts will not significantly affect performance. The result is in line with Shoaib (2011) who found a negative relationship and against that of Pratheepkanth (2011) who reported a weak and negative relationship.

Conclusion

The analysis made in the study reveals that corporate governance and Capital Structure has shown mixed relationships with performance. It can be concluded that ROA which determines efficiency in utilizing the assets of the firm is significant to STDTA and DL and insignificant to LTDTA, TDE and BS. This however suggests that, a mixture of debts and equity will insignificantly affect performance (ROA). In terms of PM which is operational performance measure, a significant relationship is found with LTDTA, TDE while it is insignificant with STDTA, BS and DL. This suggests that firms can use long term debts or a combination of debts and equity to drive performance (PM) and that CG

does not significantly affect PM.

This study recommends that firm managers should use a combination of debt and equity to achieve higher ROA. On the other hand, if firm should improve their operational performance through PM, they should use debt financing as this is a cheap source of finance.

More so, firms should increase the size of directors on board as this will aid in determining optimal capital structure mix of the firm.

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Mergers, Acquisitions and Corporate Growth in the Nigerian Economy: The Foods and Beverages Sector in Perspective

Barde, B.E. Ph.D
Department of Business Administration
Nasarawa State University, Keffi-Nigeria

pp 114-123

Abstract

The impact of mergers and acquisitions on corporate growth is contentious empirically than theoretical hence there is the need to examine the relationship between mergers and acquisitions and corporate growth of firms at the micro level. The study adopts the descriptive approach using secondary data collected from the statements of accounts of the firms under study. Two hypotheses were formulated in line with the objective of the study. The paired sampled t test was used to determine the performance of firms during the pre and post mergers and acquisitions periods. The co-integration analysis was equally used to examine the relationship between the variables in the study. The result of analysis revealed that there is significant difference in performance of firms during the pre and post mergers and acquisitions period. The result further revealed that there is positive relationship between the variables under study. The study therefore concludes that mergers and acquisitions could lead to corporate growth of firms.

Keywords: *Mergers; Acquisitions; Corporate; Growth; Economy*

Introduction

A business established is expected to outlive its owners or investors, except otherwise defined differently by its mission and objectives. A business either profit oriented or nonprofit making is supposed to contribute to growth from resources invested. Labour is expected to grow in terms of performance. Money is expected to grow in terms of returns. Sales or services are expected to grow in terms of volume or service delivery. When such is not achieved, that means the business is failing.

Owners and investors who think they can no longer survive failing and collapsing businesses and either adopt the selling off such businesses or arrange mergers and acquisition or adopt what is caked restructuring. When this is experienced, technical expertise us used. Business failure may either by as a result of lack of funds or managerial expertise or any other factors. Hence, he need for mergers and acquisition in Nigeria are quite recent and have not widely covered important sectors like the foods and beverages sector of the economy. The gap in this area has necessitated this study.

Mergers and takeovers or acquisitions strategy essentially involves the external approach to expansion. Basically, two or more entities are involved (Kazmi, 2002). Even though there are no much differences in the three terms used for such types of strategies and they are frequently used interchangeably. However, a suitable distinction can be made between them. According to Glueck and Jauch (1994), mergers take place when the objectives of the buyer firm and the seller firm are matched to a large extent, while takeovers or acquisitions are usually based on the strong motive of the buyer firm to acquire.

Takeover is a common way of acquisition and is defined by Thompson and Strickland (1984) as an attempt by one firm to acquire ownership or control over another firm against the wishes of the latter's management. This definition needs not be taken as absolute because in practice, a takeover may not have any element of surprise, and may not necessarily be against the wishes of the acquired firm. According to Kazmi (2002), takeovers are frequently classified as hostile takeovers which are against the wishes of the acquired firm and friendly takeovers, which are by mutual consent in which case they could also be described as mergers. In the United Kingdom, the term properly refers to the acquisition of a public company whose shares are listed on the stock exchange, in contrast to the acquisition of a private company.

Whether planned or unplanned, almost all parts of the organization undergo profound changes. These changes according to Lee & Cooperman (1989) are immediately evident in relation to financial management, performance, target setting, performance reporting, tension and dissonance in the established managerial ranks, often followed by stoic-acceptance and resignation. On the positive side, these effects may lead to a greater receptivity for new ideas, products, and technologies. To manage the impact of mergers and takeovers, both parties should trade cautiously. The acquiring firm or management should realize that transitions of acquired firms from the old style and corporate culture to newer styles of management would take some time.

The objectives of this paper is to examine the performance of firms during the pre and post merger acquisition period in the food and beverages sector of the economy and secondly, to determine the relationship between mergers, acquisitions and corporate growth of firms.

Conceptual Framework

Generally speaking an acquisition occurs when one company takes a controlling ownership interest in another firm, a legal subsidiary of one firm, or selected assets of another firm such as a manufacturing facility (Depamphilis, 2003). According to him, an acquisition may involve the purchase of another firm's assets or stock, with the acquired firm continuing to exist as a legally owned subsidiary of the acquirer. Mike (2003) defined merger as the amalgamation of two or more existing companies to form one

company. In the process, the companies cease to exist as separate units.

A merger can take place between two or more quoted companies. It can also be between a public and private company. In the new company, the old firms completely lose their identity. The shareholders of the two firms receive shares in the new company in an agreed proportion in exchange for shares in the old companies.

According to Pandey (1999), a merger is said to occur when two or more companies combined into one company, one or more companies may merge with an existing company or they may merge to form a new company. Comparing mergers with what takes place in India, the law in India uses the term amalgamation for merger. Pandey (1999) cited section 2 (1A) of the Income Tax Act 1961 of India as defining amalgamation as the merger of one or more companies with another company or the merger of two or more companies (called amalgamating company or companies) to form a new company (called amalgamated company or companies) in such a way that all assets and liabilities of the amalgamated company or companies become assets and liabilities of the amalgamated company or companies and shareholders holding not less than nine-tenth (9/10) in value of the shares in the amalgamating company or companies become shareholders of the amalgamated company.

The Company and Allied Matters Act 1990 S. 590 defines a merger to mean any amalgamation of the undertakings or any part of the undertakings or interest of two or more companies or the undertakings or part of the undertakings of one or more companies and one or more corporate bodies. The meanings given of mergers both in India and Nigeria refers to the amalgamation of two or more companies who have common goals and seek to harmonize resources for the expansion of their business objectives.

A fundamental characteristic of mergers (either through absorption or consolidation) as observed by Pandey (2003) is that the acquiring company (existing or new) takes over the ownership of other companies and combines their operations with its own operations. He defined acquisition as an act of acquiring control over assets or management of another company without any combination of companies. Thus, in an acquisition, two or more companies may remain independent, separate legal entity, but there may be change in control of companies. For the purpose of this research, the concept of merger and acquisition can be inferred to mean a situation at which companies through conditions of arrangement accept to pool their respective resources together for the purpose of business expansion or to take advantage of economy of scale, for efficient service delivery.

Merger is a tool used by companies for the purpose of expanding their operations through synergy often aiming at an increase of their long-term profitability. There are 15 different types of actions that a company can take when deciding to move forward using merger and acquisition, (Wikipedia, 2007). Usually, mergers occur in a consensual (occurring by mutual consent) setting where executives from the target company help those from the purchaser in a due diligence process to ensure that the deal is beneficial to both parties.

Mergers and Acquisitions Arrangement

The initiation and commencement of talks on mergers depend on the nature of transaction. Such mergers could be mere re-arrangement of business affairs among companies wholly owned by the same shareholders, between holding company and its subsidiaries or between two or more related companies having common core investors to consolidate their investments. Adegbite (1989) lamented that merger talks, however initiated, require formalization at the board meeting of each company involved. If the boards agree in principle that a merger be consummated, experts such as solicitors, stock brokers, financial advisers and reporting accountants are appointed to work modalities of the merger which would then be sent to each of the boards for approval.

Historically, mergers have often failed to add significantly to the value of the acquiring firm's shares as reported by Straub (2007). According to him, corporate mergers may aim at reducing market competition, cutting costs (for instance, laying off employees, operating at a more technologically efficient scale, etc), reducing taxes, removing management, "empire building" by the acquiring managers, or other purposes which may or may not be consistent with public policy or public welfare. Thus, they can be heavily regulated, for example, in Nigeria; it requires the approval of the Securities and Exchange Commission (SEC), if the companies are quoted PLCS.

It appears that an increasing number of organizations have begun to recognize the fallacies of the "Limitless growth" philosophy; however, they are yet to fully endorse "sustained growth" as a viable strategy (Cosenza, 1997). A large number of companies are discontent with their present status as he observed. Having exhausted domestic markets, as he noted, they are moving into international markets to permit their continued crusade for growth. He stated further that the growth aspirations of many corporations have become so large that even multinational marketing no longer satisfies their voracious appetites. These according to him, are moving into the global arena to demonstrate their prowess by continuing their quest for rapid and continuous growth. This trend may result in many corporations moving into businesses that require expertise that they do not possess, in addition to extensive investments in both physical and human resources.

Without careful planning, management may move too far, too fast toward global marketing in the quest for growth, which will trigger painful consequences for the organization. These activities may yield an inadequate return on investment. The increasing demands on management and the diversion of resources away from the firm's "bread and butter" operation may lead to eventual erosion of goals or standards and may produce dissatisfied customers, followed by slowing demand and reduced growth. Thus, an obsession with growth can be costly. The company may alienate current customers to such an extent that they are lost, organizational control is hampered, and financial results are reduced. Perhaps these types of problems can be avoided if corporations realize that limitless growth is not always possible- or desirable.

Mergers, Acquisitions and Corporate Growth

At times, companies discover that more growth is precisely what they don't need. According to Cosenza (1997), some researchers suggest that firms must limit their growth because those that grow beyond a certain size will see a deterioration of profits, and firms must operate within external environments of limited capacities. In this case, they need to stabilize, cut costs, and boost profits. Companies must attempt to manage their growth. The easiest way for any business to "go under" is to grow too fast, without profit.

The expanding interest in "sustained growth" has generated an increasing number of articles that offer sustained growth planning models and suggest that corporations must determine their individual growth rate. Scherer (1988) stated that once a company's sustainable growth rate is known, it can be determined if the firm's growth objectives are compatible with its financial objectives. He further explained that a trade-off may be required between more growth and some combination of additional debt and lower dividends.

Studies that have focused on the long-term performance of mergers and acquisitions also present a mixed picture. However, for merging companies, results indicated underperformance despite the inherent noise in the estimation process (Agrawal and Jaffe, 2000). This disappointing long-term performance for mergers suggests a structural overestimation of synergetic effects. In addition, the negative performance of merging companies is stronger when the merger is

equity financed.

Methodology

Hypotheses

For the purpose of this paper, two hypotheses were formulated in line with the objective of the study.

H_{o1}: There is no significant difference in the performance of firms during the pre and post mergers and acquisitions period in the Foods and Beverages sector of the economy.

H_{o2}: There is no long run relationship between mergers and acquisitions and corporate growth in the Foods and Beverages sector of the economy.

Design/Techniques

The study relied more on quantitative process and builds on existing research studies and methodologies. The secondary data was used and were sourced largely from published financial statements of the accounts of companies during pre and post mergers and acquisitions periods. The statistical techniques used in this study were the paired sample t- test and co-integration, employing the ordinary least squares for estimation. The soft ware packages used for the tests were the E-view and SPSS. These methods were used to test the hypothesis at 1% and 5% level of significance respectively. The companies under study include: Nigeria Bottling Company Plc; Sapanda Industries Ltd; Nestle Foods Nigeria Plc and Nestle Nigeria Ltd; Nigeria Brewery Plc and Diamond Brewery Plc. These companies were selected because they were the only companies involve in mergers and acquisitions during the period understudy (1993 2003) in the sector.

The Model

The Method of Least Squares is used for estimation. It is used to establish whether one variable is dependent on another or a combination of other variables. It specifies the establishment of the coefficient(s) of regression for a sample and then making inferences on the population. The linear regression equations for this model are:

$$TA = \alpha + \beta_i SL + \varepsilon_i$$

$$TA = \alpha + \beta_{iii} PAT + \varepsilon_i$$

Where,

TA = Total Assets
SL = Sales
PAT = Profit after Tax
ε_i = Error term or noise
α = Slope
β = Coefficients of regression

Where Sales (SL) and Profit after Tax (PAT) represent the contribution to growth at a particular time respectively; ε_i represent the error term, β and â represent the slope and the coefficient of regression. The coefficient of regression, β_i represents any change in the independent variables that affects the dependent variable (TA). The validity of the ordinary method of least squares depends on the accuracy of assumptions.

Data presentation and Discussion of Results

The study made a comparative analysis of the performance of the firms during the pre and post mergers and acquisitions period and ascertained the relationship between mergers and acquisitions and corporate growth in the Foods and Beverages sector of the economy.

Test of Hypotheses

Ho_1: There is no significant difference in the performance of firms during the pre and post mergers and acquisitions periods in the Foods and Beverages sector of the economy.

Table 1: *Nigeria Bottling Company Plc and Sapanda Ltd Total Assets (TA) Paired Sampled Test*

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post-Pre	9.9206E6	2.4538E6	1.0974E6	6.8738E6	1.2967E7	9.040	4	.001

Source: *SPSS*

The result in Table1 above, since P< 0.05, the null hypothesis is rejected, thus indicating that, there is a significant difference in the performance of companies in total assets during the pre and post mergers and acquisitions period in the Nigeria Bottling company plc and Sapanda Ltd.

Table 2: *Nigeria Bottling Company Plc and Sapanda Ltd Sales (SL)* Paired Sampled Test

	Paired Differences					T	df	Sig. (2-tailed)
	mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	2.2051E7	8.9807E6	4.0163E6	1.0900E7	3.3202E7	5.491	4	.005

Source: *SPSS*

From the result in the table above, since P< 0.05, the null hypothesis is rejected, thus indicating that there is significant difference in performance of companies in sales during the pre and post mergers and acquisitions period in Nigeria Bottling Company Plc and Sapanda Ltd.

Table 3: *Nigeria Bottling Company Plc and Sapanda Ltd Profit after Tax (PAT) Paired Sampled Test*

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	2.3055E6	1.6368E6	732007.69	273122.54	4.3379E6	3.15	4	.035

Source: *SPSS*

From the result in the table above, since P< 0.05, the null hypothesis is rejected, thus indicating that there is significant difference in the performance of companies in Profit after Tax during the pre and post mergers and acquisitions period in Nigeria Bottling Company Plc and Sapanda Ltd.

Table 4: *Nestle Foods Plc and Nestle Ltd Total Assets (TA). Paired Sampled Test*

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	3.6801E6	2.5390E6	1.1355E6	527505.7	6.8327E6	3.24	4	.032

Source: *SPSS*

From the result in the table above, since P< 0.05, the null hypothesis is rejected, thus indicating that there is no significant difference in the performance of companies in total assets during the pre and post mergers and acquisitions period in Nestle Foods Plc and Nestle Ltd.

Table 5: *Nestle Foods Plc and Nestle Ltd Sales (SL). Paired Sampled Test*

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	1.0782E7	4.9059E6	2.1940E6	4.6907E6	1.6874E7	4.91	4	.008

Source: *SPSS*

From the result in the table above, since P< 0.05, the null hypothesis is rejected, thus indicating that there is no significant difference in the performance of companies in sales during the pre and post mergers and acquisitions period in Nestle Foods Plc and Nestle Ltd

Table 6: *Nestle Foods Plc and Nestle Ltd Profit after Tax (PAT).* Paired Sampled Test

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	2.1301E6	890149.47	398086.94	1.0249E6	3.2354E6	5.351	4	.006

Source: *SPSS*

From the result in the table, since P< 0.05, the null hypothesis is rejected, thus indicating that there is significant difference in the performance of companies in profit after tax during the pre and post mergers and acquisitions period in Nestle Foods Plc and Nestle Ltd.

Table 7: *Nigeria Brewery Plc and Diamond Brewery Ltd Total Assets (TA).* Paired Sampled Test

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	1.6428E7	2.6734E6	1.1956E6	1.3109E7	1.974E7	13.74	4	.000

Source: *SPSS*

With the result above, since P< 0.05, the null hypothesis is rejected, thus indicating that there is no significant difference in performance in total assets during the pre and post mergers and acquisitions period in Nigeria Brewery Plc and Diamond Brewery Ltd.

Table 8: *Nigeria Brewery Plc and Diamond Brewery Ltd Sales (SL).* Paired Sampled Test

	Paired Differences					T	Df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	2.3171E7	1.2051E7	5.3895E6	8.2076E6	3.8135E7	4.299	4	.013

Source: *SPSS*

With the result in the table, since P< 0.05, thus null hypothesis is rejected, thus indicating that there is no significant difference in performance in sales during the pre and post mergers and acquisitions period in Nigeria Brewery Plc and Diamond Brewery Ltd.

Table 9: *Nigeria Brewery Plc and Diamond Brewery Ltd Profit after Tax (PAT).* Paired Sampled Test

	Paired Differences					T	Df	Sig. (2-tailed)
	Mean	Std Deviation	Std. Error mean	95% Confidence interval of the difference				
				Lower	Upper			
Pair1 Post- pre	4.5981E6	1.5496E6	692986.7	2.6740E6	6.5221E6	6.635	4	.003

Source: *SPSS*

With the result in the table, since P< 0.05, the null hypothesis is rejected, thus indicating that there is no significant difference in performance in profit after tax during the pre and post mergers and acquisitions period in Nigeria Brewery Plc and Diamond Brewery Ltd.

Re-statement of Hypothesis Two

Table 10: *Co- integration Test for Nigeria Bottling Company Plc and Sapanda Ltd*

Variables	Max-Eigen statistics	Critical value 1%	Critical value 5%	Trace statistics	Critical value 1%	Critical value 5%
Nig Bottling Company	89.65	45.65	48.75	92.25	48.45	50.85

Source: *E- view 4.0*

The co-integration test reveals that all the variables in the companies (Nig. Bottling Company and Sapanda ltd) are co-integrated. Since the Max-Eigen and Trace statistics are greater than the critical values at 1% and 5%, the variables are stationary and co-integrated of order one. It shows that there is a long run relationship between the variables.

Table 11: *Co- integration test for Nestle Foods Plc and Nestle Ltd*

Variables	Max-Eigen statistics	Critical value 1%	Critical value 5%	Trace statistics	Critical value 1%	Critical value 5%
Nestle Foods Plc	89.65	45.65	48.75	92.25	48.45	50.85

Source: *E- view 4.0*

The co-integration test reveals that all the variables in the companies (Nestle Foods Plc and Nestle ltd) are co-integrated. Since the Max-Eigen and Trace statistics are greater than the critical values at 1% and 5%, the variables are stationary and co-integrated of order one. It shows that there is a long run relationship between the variables.

Table 12: *Co- integration test for Nigeria Brewery Plc and Diamond Brewery ltd*

Variables	Max-Eigen statistics	Critical value 1%	Critical value 5%	Trace statistics	Critical value 1%	Critical value 5%
Nestle Foods Plc	91.46	45.65	48.75	99.35	48.45	50.85

Source: *E- view 4.0*

The co-integration test reveals that all the variables in the companies (Nigeria Brewery Plc and Diamond Brewery ltd) are co-integrated. Since the Max-Eigen and Trace statistics are greater than the critical values at 1% and 5%, the variables are stationary and co-integrated of order one. It shows that there is a long run relationship between the variables.

The linear regression equations for this model are:

$$TA = \alpha + \beta_i SL + \varepsilon_i$$

$$TA = \alpha + \beta_{iii} PAT + \varepsilon_i$$

Table 13:

Variable	Coefficient	Std Error	t-Statistics	Prob
SLGLW	0.556191	0.256141	2.171428	.0820
PATGLW	-7.268626	7.563016	-.961075	.3807
LPGLW	1860.335	1216.923	1.528721	.1869
C	1025134	540222.7	1.897615	.1162
R-Square	.976520	Durbin-Watson Sta	2.221978	
Adjusted R-squared	.957735			

Source: *Data output Using E-Veiw 4.0*

The standard error measured the statistical reliability of the coefficient of estimates. The standard error for SLGS of 0.256141 was considered low. Thus demonstrating that sales were statistical reliable to predict the growth in total asset. However, the standard error for profit after tax and labor productivity were relatively higher with 7.563016, 1216.923 made statistical reliability difficult to predict. The R -squared was the fraction of the variance of the dependent variable explained by the independent variables. In our result, the R-Square was 98%, implying that 98% of the total assets were explained by sales, profit after tax, and labour productivity. If more variable were to be added, the R2 would have decreased. The adjusted R-square was 96%, admitted that the variation in the independent variable, SL,PAT, and LP could be explained by the multiple regression model adjusted for number of predictors and sample size. The Durbin-Watson statistics of 2.221978 was higher than 2. This result revealed that there was an absence of autocorrelation between the residuals in the regression since its value was greater than 2

Comments on Results

The preliminary tests of the data on determining the significant difference on the performances of companies during the pre and post acquisitions were done. The individual results were significant. This therefore reveals that mergers and acquisition lead to corporate growth in the Foods and Beverages sector of the Nigerian economy.

The result of the other analysis made on the variables revealed that the data were stationary and co-integrated and do not lead to spurious regression and that there is a long run relationship between the variables in the industry.

Conclusion

The findings of the study have shown that there is significant difference in performance of firms during pre and post mergers and acquisitions period and there is significant relationship between the variables in the study. In view of this, we conclude that mergers and acquisitions lead to corporate growth in the Foods and Beverages sector of the economy.

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Effects of Working Capital Management Polices on the Financial Performance of Cement Companies Listed on the Nigerian Stock Exchange

Paul Aondona Angahar, Ph.D
Department of Accounting
Benue State University, Makurdi
E-mail: angahar63@yahoo.co.uk. Tel:+2347068010515.

and

Agbo Alematu (Mrs)
Department of Accounting
Benue State University, Makurdi
E-mail:um2004da@yahoo.com Tel:+2347031613675

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Abstract

The study investigated the relationship between working capital management policies and the financial performance of Cement Companies listed on the Nigerian Stock Exchange (NSE) for the period of eight years (2001 to 2008). Accounts receivable period (ACRP), inventory period (INVP), and cash conversion Cycle (CCC) are the explanatory variables of the study while Return on Assets (ROA) is the dependent variables for the study. Data collected is analysed with the use of Ordinary Least Squares (OLS) statistical technique with the aid of Statistical Packages for Social Sciences (SPSS) application package. The study uses only secondary data sourced from the annual reports of four out of the five cement companies listed on the NSE .The companies were purposively selected because of availability of data. Findings of the study reveals a significant negative impact of ACRP and INVP on the financial performance of cement companies listed on the NSE and a non-significant positive impact of CCC on the financial performance of these cement companies. These findings suggest that managers of cement companies listed on the NSE can improve their financial performance by reducing ACRP and INVP.

***Key Words**: Working capital management, Financial Performance, Cash conversion cycle, Inventory period, Accounts receivable period, Return on Asset.*

Introduction

Researchers such as Deloof (2003), Padachi (2006), Zariyawati and Annuar (2007), Samiloglu and Demirgunes (2008) and Mehta (2009) had carried out researches into effects of working capital management on the financial performance of firms in other countries. Their findings reveal a correlation between working capital management policies such as inventories period, accounts receivable period, accounts payable period, cash conversion cycle and the financial performance of firms. Their regression results showed that high investment in inventories and receivables is associated with lower profitability and that a longer cash conversion cycle seems to have a negative impact on profitability of firms.

Raheman and Nasr (2007) are of the opinion that the management of working capital directly affects liquidity and profitability. Akinsulire (2005) postulates that "no matter the amount spent on equipment and machinery, building and so on, if the ingredients required for production are not efficiently managed, the entire amount committed to the project will become a waste". These opinions suggest that working capital management is so vital to the financial wellbeing of any organisation and so it cannot be overlooked.

The interest accorded this area of study is as a result of its importance to the survival, growth and the overall maximization of shareholders wealth in organisations. As Home and Wachowits (1998:10) asserts, "efficiency in working capital management is so vital for especially production firms whose assets are mostly of current assets".

This can be seen to have played out in the Nigerian cement industry. Over the years, the financial performance of cement companies in Nigeria seems to be either dwindling or fluctuating. This is evidenced by their earnings per share (EPS) for 1997 to 2000.A careful observation of the profit after tax of these companies for 1997 to 2000 reveals a dwindling or fluctuating figure and also a less than 2:1 current ratio, which as Martins (1991)observed is an ideal current ratio for organisations.

This problem has become a great source of concern to captains of industries and the researchers, who intends to examine the effects of working capital management policies on the financial performance of cement companies listed on the Nigerian Stock Exchange (NSE). It is also worthy of note that there searchers have not come across a study that addressed effects of working capital management policies on the financial performance of cement companies listed on the NSE, thus, suggesting a huge research gap in this area and a one that must be bridged if our cement companies must survive the current waves of market dynamics in the industry.

Against this backdrop, the problem addressed in this study is whether or not the working capital policies adopted by cement companies listed on the NSE have any significant positive impact on their financial performance. Specifically, the study seeks to:

i. To investigate the impact of Accounts Receivable Period Policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.
ii. To investigate the impact of Inventory Period Policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.
iii. To investigate the impact of Cash Conversion Cycle Policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.

Working capital management policies in this paper represents policies with regards to Accounts Receivable Period, Inventory Period and Cash Conversion Cycle. Also, the study focuses on Nigeria because the issue of working capital management is very crucial to Nigerian cement companies due to the difficulties associated with sourcing for funds for financing businesses and also for the day-to-day manufacturing and or trading activities of the business (Akinsulire, 2005). If cement

companies in Nigeria must survive and grow to achieve their set goals, their working capital, must be efficiently managed as it has a direct impact on firm performance (Raheman and Nasr, 2007).Therefore upon completion, the study shall benefit or be relevant to the financial managers in the cement industry, students and other researchers.

The rest of the paper is organized and presented around the following related themes:

- Conceptual clarifications
- Statement of hypotheses
- methodology
- Data analysis and discussion of results
- Conclusion.
- Recommendations.

Conceptual Clarification

The concept of working capital has been defined differently by various authors, Akinsulire (2005) postulates that working capital are the items that are required for the day to day production of goods to be sold by a company. Loth (2006), on the other hand, views working capital as the difference between assets and liabilities. It measures the amount of liquid assets available for a business to use for growth opportunities. It is the capital available for running the day to day operations of an organisation (Olowe, 1998). These items could be cash, stocks, debtors, and creditors. This is to say that working capital is regarded as circulating because it keeps rotating. Martin (1991) posits that working capital is the difference between the values of a firm's current assets and its liabilities and working capital could either be positive net working capital or negative net working capital. A positive net working capital arises when current liabilities exceed current assets. A negative net working capital is not a healthy situation for firm. It is simply an indication that the firm owes more than it has in form of assets. This kind of firm cannot settle its day to day financial obligation as they fall due. Ordinarily, the relationship between current assets and current liabilities is supposed to such that, the current assets is twice the size of current liabilities but this is not the case when a firm has a negative net working capital.

Mehta (2009:2) on the other hand, views working capital as funds invested in current assets; current assets refers to those assets which in the ordinary course of business can be converted into cash within one year without undergoing diminishing value and without disrupting the operations of the firm examples are cash, marketable securities accounts receivable and inventory.

Ramachandran and Janakiraman (2007) describe working capital as the flow of ready funds necessary for the working of a concern. It comprises funds invested in current assets which in the ordinary course of business can be turned into cash within a short period and the current liabilities which are intended to be paid in the ordinary course of business within a short time.

Management of the Components of Working Capital

The management of the components of working capital is very crucial to the financial health and survival of any organization. According to Akinsulire (2005), no matter the amount spent on equipment, plant, machinery, building and so on, if the ingredients required for production are not efficiently managed, the entire amount committed to the project will become a waste. Therefore, management of the components of working capital implies determining the optimal level at which controllable items required for production should be maintained at a particular time. Management of the components of working capital includes: the level of funds that the management is ready to allocate to the different forms of current assets; how the current assets should be financed; and the relationship between the levels of fixed assets and current assets.

Scott (2007) is of the opinion that firms need to calculate their minimum capital requirement, based on the minimum amount needed to finance best practice levels of work in progress, debtors and unbilled disbursements, given the nature of their

business and plans for future development and that should be the target to achieve. Firms can test the effectiveness of WCM by asking questions such as: is our overdraft spiralling out of control? Are we able to make distributions to shareholders from last year's profits? Canwe pay next year's tax bill? Are we able to repay capital to owners of the company? What is our debt/equity ratio? Is a cash call on owners of the company likely to be required shortly? (Scott, 2007)

Financial health therefore requires understanding, planning, monitoring and controlling three interrelated aspects of the firm's financial picture: profitability, liquidity and solvency (Piven, 2008).

Cash Management: Cash is the lifeline of a company. If this lifeline deteriorates, so does the company's ability to finance operations, reinvest and meet capital requirements and payments. Understanding a company's cash flow health is essential to making investment decision. A good way to judge a company's cash flow prospects is to look at its working capital management (WCM) (McClure, 2003). The success of any firm is predicated on how the management has planned and controlled its cash flows. McMillan and Stanger (1995) upholds that cash flow is more important that the magnitude of the profit or the return on investment. Akinsulire (2005) outlines the management of cash to include cash monitoring and cash budgeting.

Cash Conversion Cycle: Different authors define Cash Conversion Cycle, differently. Bodie and Merton (2008) defines cash conversion cycle as the number of days between the date the firm must start to pay cash to its suppliers and the date it begins to receive cash from its customer. Keown,*et al.*(2003) views cash conversion cycle, as the sum of days of sales outstanding (accounts receivable period) and days of sales in inventory less days of payables outstanding. Jordan (2003), on the other hand, defines cash conversion as the number of days that pass before cash is collected from sales, measured from when actual payments was made for inventory. According to Eljelly (2004), it is the "length of time between actual cash expenditures on productive resources and actual cash receipts from the sale of products or services. Keown, *et al.,* (2003) express Cash Conversion Cycle with the following equation similar to many researchers such as Samiloglu and Dermirgunes (2008), Reddy and Kamaswari (2004).

Cash Conversion Cycle = days of sales outstanding + days of sales in inventory days of payables outstanding.

In the formula above, the three variables to which cash conversion cycle is dependent are defined as follows:

Days of sales outstanding

$$= \frac{\text{Account receivables} \times 365}{\text{Sales}}$$

Days of sales in inventory

$$= \frac{\text{Inventories} \times 365}{\text{Cost of goods sold}}$$

Days of payables outstanding

$$\frac{\text{Accounts payables} \times 365}{\text{Cost of goods sold}}$$

Cash Conversion Cycle (CCC) is used as a comprehensive measure of working capital as it shows the time lag between expenditure for the purchases of raw materials and the collection of sales of finished goods (Padachi, 2006; Zariyawati, *et al*. 2007).

According to Hutchison, *et al,*(2007), CCC is likely to be negative as well as positive. A positive result indicates the number of days a company must borrow or tie up capital while awaiting payment from a customer. A negative result indicates the number of days a company has received cash from sale before it must pay its suppliers. They argue that, the ultimate goal is having a low CCC, and if possible a negative one. Because the shorter the CCC, the more efficient the company isin managing its cash flow. To Padachi (2006), the shorter a firm's CCC, the better a firm's profitability. This shows less of external financing and less of time for cash tied up in current assets. A longer

CCC will hurt firm's profitability. This is because low liquidity affects firm's risk. However, if a firm has higher level of account receivable due to the generous trade credit policy, it would result to longer CCC. In this case, the longer CCC will increase profitability.

Furthermore, Uyar (2009) stated that cash conversion cycle is a useful way of assessing the liquidity of firms because the shorter the CCC, the more cash is available for use by the organization. A longer CCC seems to have a negative impact on the cash flow of an organization. Jose *et al,*(1996), argue that CCC is a dynamic measure of on-going liquidity management, since it combines both balance sheet and income statement data to create a measure with a time dimension.

Accounts Receivables Management: Trade credit arises when a firm sells its goods or services on credit and does not receive cash immediately for the sales made. Akinsulire (2005) states that a firm grants trade credit to protect its sales from competitors and to attract potential customers to its products at favourable terms. Trade credit creates receivable or book debts which the firms is expected to collect in the near future.

Nickels *et al,* (1999), assert that the major problem with selling on credit is that as much as 25 percent or more of the business assets could be tied up in its accounts receivable. This implies that the firm needs to use some of its available funds to pay for the goods or services already given customers who bought on credit. This outflow of funds suggests that financial managers must develop efficient collection procedures, cash or quality discounts should be given to customers who pay their debts by a certain time.

Salek (2006), postulates that the foundations behind accounts receivable are the policies and procedures for sales. For instance, do you have a credit policy or when and how do you evaluate a customer for credit? You should be able to ascertain who should get credit and who should not, if you carefully consider past payment histories.

Accounts Payable Management: Accounts payable should be viewed as a source of finance for businesses. An organization therefore must not always take cash discounts. It is the duty of the financial manager to weigh the benefits of cash discounts vis-à-vis the benefits of utilizing the accounts payable up to the due date for payment. For instance, a business involves certain term such as 3/10, net 30. This implies that the buyer can take a 3% discount for paying within 10 days. The total bill is due (net) in 30 days if the buyer does not take advantage of the discount. It is the duty of the financial manager therefore, to carefully check whether it is more beneficial (in terms of cash flow) to take the 3% cash discount, or to pay within the specified 30 days for payment. Van Horne (2002) upholds that for maximum use of cash, payments should be made on the due dates, not before and not after.

Kurfi (2006) suggests three strategies for managing accounts payables. They are: stretching payables, zero-balance accounts and remote or controlled disbursing.

Inventory Management: Inventories represent a significant portion of most firms' assets and therefore require substantial investments. In order that investments in inventories do not become unnecessarily large, they must be managed efficiently. Inventories provide an important link in the production and sale of a product. For instance, an organization that is into manufacturing, a certain amount of inventory is required in the production of the product. Generally, there are three types of inventories namely: raw materials, work in progress and finished goods (Akinsulire, 2005).

Financial Performance Measures

The following financial measures shall be discussed (i) liquidity (ii) solvency (iii) profitability (iv) repayment capacity and (v) financial efficiency.

Liquidity: Piven (2008) defines liquidity as “the ability to convert an asset to cash with relative speed and without significant loss in

value". The less liquid assets or liabilities are those that will take longer to be converted to cash (Wild, 2000).

Liquidity measures the ability of the firm to meet financial obligations as they come due, without disrupting the normal on-going operations of the business. Liquidity can be analysed both structurally and operationally. Structural liquidity refers to balance sheet measures of the relationship between assets and liabilities and operational liquidity refers to cash flow measures. A frequent cause of liquidity problems occurs when debt maturities are not matched with the rate at which the business assets are converted to cash (Crane, 2004).

Solvency: The ability of an organization to meet financial obligations as they fall due is referred to as solvency (Piven, 2008). Solvency measures the amount of borrowed capital used by the business relative to the amount of owners' equity capital invested in the business. Solvency measures provide an indication of the business ability to repay all indebtedness if all the assets were sold.

Profitability: Profitability is the ability to earn enough income to attract and hold investment capital (Needless, *et al*, 1994). It measures the extent to which a business generates a profit from the factors of production, labour, management and capital. To Piven (2008), profitability is "the ability to create an excess of revenue over expenses". To Wild (2000) however, it is the ability to provide financial rewards sufficient to attract and retain financing.

Four useful measures of firm profitability are the rate of return on firm assets (ROA), the rate of return on firm equity (ROE), operating profit margin and net firm income. The ROA measures the return to all firm assets and is often used as an overall index of profitability, and the higher the value, the more profitable the firm. The ROE measures the rate of return on the owners' equity employed in the firm (Crane, 2004). It is useful to consider the ROE in relation to ROA to determine if the firm is making a profitable return on their borrowed money.

Repayment Capacity: Edward (2010) defines repayment capacity as a measure of the degree to which cash generated from an organization and other sources will be sufficient to pay principal and interest payments as they come due.

Financial Efficiency: Financial efficiency measures the degree of efficiency in using labour. Management and capital efficiency analysis deals with the relationship between inputs and outputs (Crane, 2004). Five measures of financial efficiency are the asset turnover ratio, operating expense ratio, depreciation expense ratio, interest expense ratio and net income from operations ratio.

Working Capital Management Policies

Working capital management policies refer to the firm's policies regarding target levels for each category of current operating assets and liability, and how current assets will be financed. Generally, good working capital management policy under conditions of certainty is considered to be one in which holdings of cash, securities, inventories, fixed assets and accounts payables are minimized. The level of accounts receivables should be used as a means of stimulating sales and other income (Peterson and Rajan, 1997). Working capital management policies include decisions (policies), such as: How much inventory to be held? How much cash/bank balance should be maintained? How much the firm should provide credit to its customers? How much the firm should enjoy credit from its suppliers? What should be the composition of current assets? What should be the composition of current liabilities? (Mehta, 2009).

Previous researches such as those carried out by Deloof (2003), Padachi (2006), Zariyawati and Annuar (2007), Samiloglu and Damirgunes (2008) reveals that there is a correlation between Accounts Receivable period, Inventory Period (or inventory turnover in days) and Cash conversion Cycle

and the financial performance of firms. The way accounts receivable (debtors) is being managed impact either negatively or positively on the financial performance of companies. For instance, it if takes an organization a long time to recover its debts from debtors, cash that is needed for the day to day running of the organisation will be tied down in the hands of these debtors, thereby straining the cash flow of the organization especially in a situation where the organization does not have adequate internally generated source of financing its activities. This is similar with the situation of having a long inventory period (short inventory turnover in times) and a longer cash conversion cycle.

It is in this light that the researcher adopted accounts receivable period, inventory period and cash conversion cycle as working capital policies for this study.

Methodology

In order to investigate the impact of working capital management policies on the financial performance of cement companies listed on the Nigerian Stock Exchange the following hypotheses have, therefore, been formulated and stated in their null form.

$H0_1$: There is no significant impact of Accounts Receivable Period Policy on the financial performance of cement companies listed on the Nigerian Stock Exchange;

$H0_2$: There is no significant impact of Inventory Period Policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.

$H0_3$: There is no significant impact of Cash Conversion Cycle Policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.

The design adopted for this study is a quantitative, non-experimental design. The population of this study comprises all the cement companies listed on the Nigerian Stock Exchange as at December 2008.These companies are (a) Benue Cement Company Plc (BCC) (b) Ashaka Cement Company Plc (c) Cement Company of Northern Nigeria Plc (d) West African Portland Cement Company Plc (WAPCO) (e) The Nigeria Cement Company Plc. The study uses purposive sampling technique. A sample of four (4) out of five (5) Cement Companies listed on the NSE were therefore selected for this study, giving a rate of 80% of the population. Ordinary least squares (OLS) with the aid of statistical packages for social sciences (SPSS), was used as a statistical technique for data analysis for this study. The ordinary least square technique is the simplest and a very common estimator of linear regression

Variables of the Study

Dependent Variables: In this study, the proxy used for the dependent variable under investigations "financial performance measures", was Return on Assets (ROA).

a. Return on Assets (ROA): the return on assets measures the return on total assets after interest and taxes. It could also be viewed as a measure of firm's ability to employ its assets to generate earnings. The return on assets is a component of operating efficiency (Wild, 2000) and could be measured in any of the two ways:

i. Earnings before interest and tax expense to total assets (EBIT/TA)

ii. Profit after tax (Net Income) to total asset multiplied by 100 (PAT/TA X 100/1).

The study adopts method (ii) since it gives a better explanation of what is due to the shareholders of the firm.

Independent Variables: The independent variables used for this study are: Accounts Receivable Period, Inventory Period and Cash Conversion Cycle.

Models of the Study

Multiple regression model which investigates the impact of one dependent variable on two or more independent variables

is used for this study. This study adopts the multiple regression model as specified below:

Model :

ROAi = $ROAi = \alpha_i + \beta_{i1}ACRPi + \beta_{i2}INVPi + \beta_{i3}CCCi + ei$

Where αi = constant

βi_{1-3} = coefficients of variables 1 through 3

ei = residual term

ROAi = Return on Assets

ACRP = Accounts Receivable Period

INVP = Inventory Period

CCC = Cash Conversion Cycle

Methods of Data Analysis

Ordinary Least Squares (OLS): Ordinary least squares (OLS) with the aid of statistical packages for social sciences (SPSS), version 22 was used as a statistical technique for data analysis for this study. The ordinary least square technique is the simplest and a very common estimator of linear regression (Cohen*et al,* 2003).

Data analysis and discussion of results

In an attempt to test the hypotheses postulated for this study, data was collected on ROA, EPS, ACRP, INVP and CCC from the Nigerian Stock Exchange (NSE) for BCC, Ashaka Cement, Cement Company of Northern Nigeria and WAPCO for a period of eight years (2001 2008). ROA and EPS are some of the indices for financial performance and they are the independent variables for the study. These variables have their descriptive statistics as follows:

Table 1: *Descriptive Statistics of Variables*

	N	Means	Standard Deviation
ROA	8	.032713	.1027788
EPS	8	74.751250	121.4050127
ACRP	8	33.059450	23.0826828
INVP	8	166.612750	54.8963676
CCC	8	-146.135575	295.2782012

Source: *Regression Results*

The average values for ROA, EPS, ACRP, INVP, CCC, as shown from the descriptive statistics of the regression analysis table are 3.3%, 74k, 33 days, 167 days, (146) days respectively. This implies that Cement Manufacturing Companies listed on the Nigerian Stock Exchange made an average of 3.3% on their assets for the eight years under investigation (2001-2008). Their EPS is 74k for the eight years. Their average ACRP is 33 days, which implies that they collect payments from their debtors after 33 days. The average INVP of 167 days, which is an indication that they pay their creditors on average for the eight years, after five months of supplies from their suppliers. Their CCC of (146) days implies that it takes up to 146 days from when they purchased inventories, to settle their creditors. In other words, the average number of days between cash receipts and cash disbursements for the eight years is 146 days.

A co-linearity diagnostics test was carried out to check for violation of assumptions. We have the coefficients table below:

Table 2: *Coefficients of Variables for Multiple Regression Model*

	Unstandardized Coefficients		Standardized Coefficients			Collinearity statistics	
Model	B	Std. Error	Beta	T	Sig	Tolerance	VIF
(Constant)	.254	.030		8.349	.001		
ACRP	-2.696E-03	.001	-.606	-5.707	.005	.514	1.944
INVP	-7.348E-04	.000	-.392	-4.274	.013	.689	1.456
CCC	6.848E-05	.000	.197	1.643	.176	.404	2.477

a.Dependent Variable: Return on Assets

Source: *Regression Results*

Checking for multico-linearity assumption using Variance Inflation Factor (VIF), ACRP, INVP and CCC have VIF of 1.944, 1.456 and 2.477 respectively, which are below 10.

Myers, (1984), Bowerman and O'Connel, (1990) and Andy, (2005) postulates that a VIF of above 10, indicates a strong linear relationship with other variables used in the regression analysis.

Test of Hypotheses

As can be seen from table 2 above, results of the regression show that there is a negative (-0.606) correlation between ACRP and the Financial Performance (ROA) of cement companies listed on the NSE. This negative correlation is an indication that an increased ACRP tends to reduce the financial performance of cement companies listed on NSE and a shorter ACRP leads to an increase in the financial performance of the cement companies listed on the NSE.

In order to investigate the significance of the impact of ACRP on the Financial Performance (ROA) of cement companies listed on the NSE, the following hypotheses were tested.

Ho_1: There is no significant impact of ACRP policy on the financial performance of cement companies listed on the Nigeria Stock Exchange.

To test this hypothesis, Table 2 was used. It was observed that ACRP has negative impact on the financial performance of cement companies listed on the NSE. The strength of the impact is measured by t value which is = -5.707 with a degree of freedom (df) = (8-3-1) = 4 and a probability (p) = 0.005. Since 0.005 = P < 0.05, the null hypothesis is rejected, thus, indicating that a significant positive correlation exist between ACRP and the financial performance of cement companies listed on the NSE.

This finding corroborates the empirical findings of Samiloglu and Demirgunes (2008) that reveals that there is a correlation between Accounts Receivable period, Inventory Period (or inventory turnover in days) and Cash conversion Cycle and the financial performance of firms.

As can be seen from the result of the regression, there is a negative (-0.392) relationship between INVP policy and the financial performance of cement companies listed on the NSE. This implies that when inventories stay longer before being sold (INVP), it leads to tie down cash which could be used for the day to day running of the business and hence reduce the financial performance of these cement companies.

Ho_2: There is no significant impact of INVP policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.

See Table 2, The results of the regression as shown in Table 2, indicates that INVP has a t value of -4.274 with a df of 4 and a P = 0.013 which is less than 0.05. The study therefore rejects the null hypothesis, hence implying that there is no significant impact of INVP policy on the financial performance of cement companies listed on the Nigerian Stock Exchange. This finding is consistent with the works of Padachi (2006), Zariyawati (2007), Samiloglu and Demirgunes (2008) who unanimously observed in their various studies that there is a correlation between Accounts Receivable period, Inventory Period (or inventory turnover in days) and Cash conversion Cycle and the financial performance of firms.

As seen from Table 2, CCC has a positive (0.197) relationship with the financial performance (ROA) of cement companies listed on the NSE. This implies that as CCC increases, it leads to an increase in financial performance of cement companies listed on the NSE or vice versa.

Ho_3: There is no significant impact of CCC policy on the financial performance of cement companies listed on the Nigerian Stock Exchange.

See Table 2. CCC has a t value = 1.643

with df = 4 and P = 0.176. Since 0.176 = P> 0.05, the null hypothesis is accepted, indicating that there is no significant impact of CCC policy on the financial performance of cement companies listed on the Nigerian Stock Exchange. In summary therefore, the relationship between CCC policy and the financial performance of cement companies listed on the NSE is positive but no statistically significant relationship was observed to exist between them.

Analysis of Model Summary for Regression Model

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df 1	df 2	Sig. F. Change
1	.988	.977	.959	.0206928	.977	56.230	3	4	.001

Source: *Regression Results*

Table 3 is the model summary for multiple regression analysis. As shown in Table 3, the R value is 0.988 and R^2 which is a measure of how much of the variability in the outcome is accounted for by the predicators is 0.977. The R^2 value of 0.977 implies that the independent variables jointly explains 97.7% of the variation in the financial performance (ROA) of cement companies listed on the NSE while 2.3% of the change in the financial performance, is accounted for, by other factors not included in the regression model.

We can state here that there is a significant relationship between the independent variables (ACRP, INVP and CCC) and the financial performance (ROA) of cement companies listed on the NSE.

With the results of the regression coefficients (Table 2), the multiple regression modelcan be substituted with the B values to give the following regression model for cement companies listed on NSE.

ROA = 0.254 0.002696ACRP 0.0007348INVP + 0.00006848CCC

With the above model, a prediction can be made of the financial performance of cement companies listed on the NSE at any given time, in respect of ROA, given the values of ACRP, INVP and CCC.

Conclusion

The following conclusions are drawn from this study:

- Accounts receivable period policy has a negative impact on the financial performance of cement companies.
- Inventory period policy has a negative impact on the financial performance of cement companies.
- Cash conversion cycle policy has a negative impact on the financial performance of cement companies.

Implications to Research and Practice

The research into the effect of working capital management policies on the financial performance of cement companies listed on the Nigerian Stock Exchange has contributed knowledge by giving financial managers of cement companies, better insights on how to effectively and efficiently manage their working capital in order to maximize firm's value. The knowledge that would be gained from this research shall assist the management of these cement companies in their working capital policies. This shall in turn improve the liquidity and profitability of their firms, thereby improving their earnings.

Recommendations

Proactive measures should be employed in order to ensure prompt payment of debts thereby reducing the Accounts Receivable Period and improving the financial performance of cement companies listed on the NSE. Trade and cash discounts could

motivate debtors to pay their debts promptly. A schedule indicating the aging of accounts receivable should be kept. This is a useful step in evaluating credits and collection policies and alerting it to possible problems.

Just in Time (JIT), inventory control should be implemented in order to shorten INVP and hence enhance a higher inventory turnover thereby improving the financial performance of cement companies listed on the NSE. Managers of these companies should identify the level of inventory, which allows for uninterrupted production but reduces the inventory in raw materials and minimizes reordering costs and hence increase cash flow.

Deceleration of cash payment should be minimized and acceleration of cash collection should be maximized as long as itis realistically possible in order to reduce the cash conversion cycle of these cements companies. Managers of these cement companies should always strike a balance between profitability and liquidity in their effort to manage working capital.

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Rethinking Voluntary Sustainability Reporting: An IFRS Framework for Monitoring Environmental Behavior of Global Firms

Onoja, Anthony
Department of Accounting,
Benue State University, Makurdi-Nigeria
tonybrightdestiny@gmail.com; +2348072536407

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Abstract

The paper examines whether International Financial Reporting Standards (IFRS) can be used for monitoring environmental degradations. It has argued that voluntary approach to environmental reporting cannot be sustainable. Qualitative-archival research methodology is adopted to identify the type of information that can be recognized and disclosed within financial statements of global companies that are operating in environmentally sensitive sectors. It is found that financial statements though claim to comply with IFRS specific standards such as IFRS 6, IFRIC 5, IAS 37, IAS 27, IAS 8 and IFRS 8, did not disclose key environmental information. The paper proposes two policy options of either requiring a separate statement of environmental assets and liabilities, or the disclosure of minimum set of environmental information through the existing set of comprehensive financial statements.

Key words: *Voluntary, Sustainability, Disclosure, International, Standards and Environment.*

Introduction

Growing social and environmental concerns have pressured companies towards a more systematic treatment of sustainability reporting **(Ioannis and Serafeim, 2011)**. Closely linked to this concern is the growing disquiet over the increasing pervasiveness of multi-national companies in shaping global politics and economics. Consequently, increased awareness about the environment has led to calls for better management of global resources and for ways in which to make the corporations that benefit the most from the exploitation of these resources, more socially accountable and environmentally responsible.

Mining and Oil companies continue to be at the centre of this debate. Despite the companies' immense contributions to society, they are regarded as multi-national companies with a questionable record of environmental sustainability practices and a low level of accountability and transparency (Babatunde, 2005). In an attempt to respond to these criticisms, the companies started producing corporate social responsibility (CSR) reports; voluntary reports containing disclosure about their social and environmental sustainability activities. Through reporting, the firm would disclose how it is utilizing, developing (or depleting) and more generally affecting human capital and natural resources. The current Global Reporting Initiative (GRI) guidelines offer flexible approach for voluntary sustainability reporting.

However, as a result of several high-profile corporate scandals and the recent global financial crisis, there has been a general sense of distrust regarding companies' ability to self-regulate (Negash, 2009) and a belief that existing company disclosures tell an incomplete story regarding past corporate performance and future prospects (Walden and Schwartz 1997). Researchers have argued that the firm's environmental disclosure effort is a self serving exercise of obtaining social legitimization. Social researchers (DiMaggio and Powell 1983; Freedman and Jaggi 2006; Chen and Chen 2009; Cho et al., 2009) argue that the firm achieves this through isomorphism. In other words, firms engage in impression management, and want to create an image of environmental friendliness when in fact the nature of their activity is environmentally sensitive. To this extent, the paper argues that voluntary disclosure cannot be sustainable.

When the existing body of International Financial Reporting Standards (IFRS) is examined from an environmental perspective, a number of insights can be made. A glance through the conceptual framework and a number of standalone standards provide useful grounds for monitoring environmental assets, liabilities and expenditures. Also because accounting is characterized by recognition, measurement and disclosure, mandatory accounting for the environment would bring accountability to the boardroom. Added to this, is the fact that IFRS has legal backing in over 100 economies, and hence has a unique advantage of bringing environmental accountability into both financial markets and regulatory frameworks.

The central question that needs to be answered is whether the current International Accounting Standard Board (IASB) standards provide the conceptual and technical grounds for the preparation of a separate standardized and auditable statement of corporate environmental assets and liabilities. Is it also possible to define the elements of such a statement, and identify the type of emerging recognition, measurement and disclosure issues? Upon completion, this paper shall not only outline the environmental information that can be produced within the current framework of IASB standards to benefit national and global policy on environmental protection but also draw research attentions to the inadequacy of corporate voluntary disclosures and self regulation mechanism.

The remaining sections of the paper are organized as follows. Section 2 reviews extant

literature, 3 outlines the methodology, 4 examines relevant financial reporting standards, 5 discusses results and proposed a statement of environmental assets and liabilities. Section 6 concludes the paper.

Review of Literature

Theoretical Framework

The theoretical framework for this paper is based on the two more acknowledged explanations for voluntary corporate disclosure, namely the stakeholder and the legitimacy theories. The aim is to establish a theoretical rationale for management's motives in making voluntary corporate disclosure and thereby provide a theoretical context for the review of literature.

Stakeholder Theory: Freeman, (1994) and Gray *et al.*, (1996) define a stakeholder as any human agency that can be influenced by, or can itself influence the activities of an organisation. To Ullman (1985), the stakeholder theory is a systems-oriented theory which recognises the dynamic and complex nature of the relationship between the company and its environment; providing a justification for incorporating strategic decision making into the field of corporate social responsibility. Stakeholder theory suggests that by voluntarily making corporate disclosure, management is responding to the concerns of, and seeking to influence its stakeholders (McGuire *et al.*, 1988). Ansoff (1965) linked stakeholder theory to corporate objectives by describing same as the ability to balance the conflicting demands of the various corporate stakeholders.

Legitimacy Theory: Suchman (1995) defines legitimacy theory as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions. Relying upon the notion of a social contract, legitimacy theory 'appears to be the theoretical basis most frequently used in attempts to explain corporate social and environmental disclosure policies' (Deegan *et al.*, 2002; Patten, 1992; Guthrie and Paker, 1989). There are two approaches to legitimacy theory. The one focuses on the legitimacy of individual organisations e.g. Royal Dutch Shell's reaction to the Gulf of Mexico oil spill, April 2010; and the other, based on Marxian principles, focuses on the legitimacy of the system in its entirety such as justifying the existence of a socially unacceptable company, for example a cigarette manufacturing company, on the basis that it creates employment.

Similar to stakeholder theory, legitimacy theory also recognises corporate reaction to external stimuli. While the stakeholder theory focuses on the driving force behind the stimuli, legitimacy theory is more interested in the response to the stimuli and the media employed, or actions taken, in responding to them. It is this action that constitutes legitimacy behaviour and it could take the form of voluntary corporate disclosure, which the stakeholder theory also regards as an important means of corporate communication with its stakeholders.

Review of Previous Studies

The term “sustainability”, “Corporate Social Responsibility” (CSR), “Corporate Governance” (CG), “Corporate Citizenship” (CC), “Green Accounting” (GA), “non-financial” or “Environmental Social and Governance” (ESG) reporting have been used interchangeably in the past, to describe reports with different degrees of focus on environmental, social or governance issues. For the purpose of this paper, the author term “sustainability report” as a firm-issued general purpose non-financial report, providing information to investors, stakeholders (e.g. customers, employees, non-governmental organizations (NGOs), and the general public about the firm's activities around social, environmental and governance issues, either as a stand-alone report or as part of an

integrated (e.g. financial and sustainability) report. Haripriya (2000) outlines four non-mutually exclusive environmental accounting systems to include: pollution expenditure accounting; physical accounting that measures the stocks of environmental assets over time; Green indicators, a system closely linked to conventional GDP measure and adjusted to the Nordhaus-Tobin measure of economic welfare; and the United Nation's System of National Accounts (SNA).

The environmental economics literature analyzes welfare measurement, sustainability, technological change, externality and green accounting within the framework of general equilibrium models (Aronsson, et al., 1997). Lange (2003) shows the link between “environmental accounting” and “sustainable development”. For him, environmental accounting research purports to find indicators of potential pollutant industries, and suggests policies on how best to regulate these industries. Furthermore, Lange (2003) links the discussion on “sustainable development” to inter-generational altruism, and follows the Brundtand Commission, (1987) which in turn states that “sustainable development is meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.”

A cluster of literature links environment with technology. Van-Berkel (2006) for example shows the link between technology and the environment. Eco-efficiency concept relates to five prevention practices (process design, input substitution, plant improvement, good house-keeping, reuse, recycling and recovery) and five resource productivity factors (resource efficiency, energy use and greenhouse gas emissions, water use and impacts, control of minor elements and toxics and by product creations). Van-Berkel, (2006) argues that ecoefficiency can be fostered at three distinct mutually reinforcing innovation platforms: operations, plant design and process technology. Derwall, et al., (2005), show that firms that score high in ecoefficiency ratings are associated with superior financial performance. Burnett, et al., (2009) confirm Wisner et al., (2006) that firms that adopt ecoefficient business strategies have improved market values.

Mathews (1997) notes that the sustainability research domain has not been attracting the attention of mainstream accounting researchers. Some studies attempt to find an association between environmental disclosure index and financial performance. Cormier and Magnan (2007) analyzed the “information dynamics” between corporate environmental disclosure and financial markets (proxied by financial analysts' earnings forecasts) and public pressures (as proxied by a firm's media exposure). Using information from print and web sources, and sample from Belgium, France, Germany, Netherlands, Canada and the United States, they concluded that enhanced environmental disclosure leads to more precise earnings forecasts by analysts especially in environmentally sensitive industries. Murray et al., (2006) examined whether UK's financial markets care about social and environmental information. Barth and McNichols (1995), using Compustat data, examined whether the stock market values environmental liabilities and clean up costs. Klasson and McLaughlin (1996) used event study methodology to examine the link between financial performance and environmental performance.

Other strand of literature including Cormier et al., (2005) identified the determinants of environmental disclosure using theories embedded in economic incentives, public pressure and institutional theory. They found that risk, ownership, fixed assets age and firms size determine the level of environmental disclosure by German firms. Konar and Cohen (2001) examined whether there is an association between firm-level environmental performance and intangible assets, and reported that poor environmental performance has a significant negative effect on the intangible-asset value of publicly traded

firms. Konar and Cohen (2001) argued that major corporations voluntarily over-comply with environmental regulation, and externally portray an image of being environmentally concerned. The authors provide evidence that this image is rewarded. This view was reflected in the legitimization-social contract and reputation risk management theory of Bebbington, Gonzalez and Abadia (2008). Cho et al., (2009) examine potential explanations for the corporate choice to disclose environmental capital spending amounts. The overall results of these studies suggest that companies use the disclosure of environmental capital spending as a strategic tool to address their exposures to political and regulatory restrictions.

From the review of the relevant literature one observes the following: First, environment is a multidisciplinary study, and setting a coherent set of national and global policy is not an easy task. Second, the environment is partly a private (trade-able) good and partly a public (non trade-able) good. Third, to the extent trans-boundary emissions and river systems affect the quality and sustainability of life, the environment is also a global (international) good. This paper argues that the voluntary disclosure mechanism is infeasible for monitoring public goods such as the environment. Hence, in order to prevent market failure and improve allocation efficiency, treaties and regulations are necessary.

Methodology

Three global companies with Sub Saharan African (SSA) connections were selected for the study. There are number of reasons for this. First, mining (extraction of oil & solid minerals) is one of the environmentally sensitive industries. Second, mining is an important growth engine for many SSA economies. Third, mining is often associated with the "resource curse" problem of many SSA countries. Fourth, since the companies are global entities, it might be easier to enforce international environment standards through the financial market system, and also provide for actual and contingent liabilities (if any) arising from these firms' past activities. The companies are Anglo American Plc, Royal Dutch Shell and PetroChina International. Anglo American Plc traces its root to South Africa and, through its subsidiaries the firm operates in a number of SSA countries in mining and non mining sectors; Royal Dutch Shell has been operating in Nigeria since the 1960s and Petro China International is a new entrant into the SSA mining and exploration markets.

Content analysis of the annual reports has been performed to examine the extent of compliance with existing IASB provisions. The choice of content analysis is because accounting research, particularly, corporate disclosure studies (Wolfe, 1991; Milne and Alder, 1999) have adopted it. The annual reports of the companies for 2010 financial year were obtained from their respective websites.

Relevant Financial Reporting Standards

IFRS as global reporting framework broadly include International Financial Reporting Standards (IFRSs), interpretations originated from the International Financial Reporting Interpretations Committee (IFRICs), Standing Interpretations Committee (SIC), List of Reporting Standards and International Accounting Standards (IAS). As noted earlier, a number of existing standards and interpretations directly and indirectly deal with environmental issues. In this respect, IFRS 6 for example, directly deals with extractive industries. IFRIC 5 provides the guidance for decommissioning, rehabilitation and restoration of environment related expendinture. IFRIC 3 and IAS 38 (intangibles) deal with government allocated emission rights, trades in these rights and the impairment of the emission allowances. Furthermore, it is important to note that a number of other standards provide an indirect

support for the recognition, measurement and disclosure of environmental assets and liabilities. IAS 37 (provisions for contingent liabilities and assets) can be linked to environmental liabilities. IFRS 3, IAS 27, IAS 28, IAS 31, IAS 24 and IFRS 8 respectively deal with business combinations, investments in joint ventures and associates, related party disclosures, and specify the reportable segments of a geographically dispersed global company.

Listed global companies, subject to certain exemptions, are expected to comply with IFRS. An environment perspective to global financial reporting standards therefore provides a new insight; an insight that is useful for monitoring and protecting the environment. The relevant standards are discussed below.

IAS 37 Provisions, contingent liabilities and contingent assets requires "an entity to recognize any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken the exploration for and evaluation of mineral resources". Paragraph 3 of IAS 37 defines *provisions* as "*liabilities of uncertain timing or amount*"; and *contingent liability* is defined as "*a liability that arises from past events*, and its existence will be confirmed only by the occurrence and non-occurrence of one or more of uncertain future events that are not wholly within the control of the entity." Furthermore, paragraph 14 of IAS 37 requires that provision should be recognized when (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and (c) a reliable estimate can be made of the amount of the obligation. Paragraph 17 further defines an "obligating event" as a past event that leads to present obligation. It states that for an event to be an "obligating event", it is necessary that the entity has no realistic alternative to settling the obligation created by the event. Finally, paragraph 27 of IAS 37 deals with the disclosure conditions for contingent liabilities. If the liability is not expected to lead to an outflow of resources and where an entity is jointly and severally liable for an obligation, that part of the obligation that is expected to be met by other parties is treated as contingent liability. The standard therefore provides the technical ground for the recognition of environmental liabilities that arise from past events (activities) that lead to, for example, the deterioration of air and water quality.

IFRIC 3 (emission rights) was prepared against the backdrop of the Kyoto Agreement on the environment, and the trend in government preparations for reductions in greenhouse gas emissions. The economic concept is largely founded on the externality theorem, and the long held European subscription to the polluter pays principle (PPP) for example while polluting a trans-boundary water. The policy assumes that the government can create an artificial scarcity by limiting the amount of total emissions of pollutants during a period of time. This approach makes sense at global level if the effects of the emissions are distributed equally across the globe. Furthermore, given that there are about 200 political jurisdictions in the world, each country's contribution to global permissible emissions is different, and the incentives for not observing a treaty (if any) are many, hence the issue becomes complex. Hence, the interesting question again is whether global financial reporting standards have a role in influencing and implementing monitoring mechanisms from intergovernmental change of emission rights to microeconomic level trade in these rights and their derivatives. Since non-polluting or under-polluting countries can also issue sovereign emission, production, depletion, project and urbanization rights, designing the appropriate mechanism and product might lead to the reallocation of resources globally.

The main issues in the original draft have not changed. Rights (allowances) to emit

pollutant continue to be treated as intangible assets to be accounted for according to IAS 38 (Intangible Assets). When the rights are allocated by government department for amounts less than its fair value, the difference is recognized as deferred income (liability) in the statement of financial position. When the firm starts polluting, it records provisions according to IAS 37. The original draft did not raise issues about past events. Deloitte in May, 2008 defines emission trading scheme as a "*an arrangement designed to improve the environment, in which participating entities may be required to remit to an administrator a quantity of tradable rights that is linked to their direct or indirect effects on the environment."* In its November 2009 meeting of IASB the technicalities of defining an "obligating event" and the timing of recognition of liability at cost or market value and recording of initial government allocation right (at cost of market) and provisions, whether it should be treated as intangible asset and face impairment annual test are finalized. However, the lesson from this IFRIC is that a number of standards IAS 38 (Impairments), IAS 20 (Government Grant), IAS 37 (Provisions, contingent liabilities and contingent assets) and the standards that relate to financial instruments (IAS 32, IFRS 7 and IAS 39) will be affected, and require amendments.

IFRIC 5 (decommissioning, restoration, rehabilitation and similar liabilities) deals with accounting for trust funds set aside for the environment. Paragraph 1 of IFRIC 5 defines the purpose of the fund as "to segregate assets to fund some or all of the costs of decommissioning plants (such as a nuclear plant) or certain equipment (such as cars) or in undertaking environmental rehabilitation (such as rectifying pollution of water or resorting mined land), together referred to as "decommissioning". Paragraph 2 states that contributions to this fund may be voluntary or required by regulation or law, and the fund might be established by a single contributor or multiple contributors for individual or joint decommissioning costs. In other words, even though the discussion does not appear to have linkage with IAS 37, here too the standard setters appear to be prudent in providing the guidance for the management of the funds set aside for provisions and contingencies that relate to past events.

IAS 8 deals with selecting and applying accounting policy. Changes in accounting policies, changes in estimates and correction of prior period errors are complex issues. The scope of IAS 8 covers fundamental errors, retrospective adjustments of financial statements (as far back as practicable, per paragraph 26), and when and how material omissions or misstatements should be practically treated, and corrected. The only unsettled matter is whether the retrospective restatement of financial statements for environmental costs and liabilities is impractical and indeterminate (paragraph 5 of IAS 8). IFRS 8 also requires firms to disclose their products, services and the geographical areas in which they are operating. Paragraph 13 of IFRS 8 sets the quantitative thresholds of 10% of combined revenue. However, both paragraph 23 and paragraph 33 are silent about segment risks and rewards arising from engaging in environmentally sensitive activities in each of the geographical areas that the company is operating. When IFRS 8 is examined in conjunction with IAS 27 (consolidation) and the above mentioned standards, the implication for global companies operating in environmentally sensitive industries would be to produce environmental information in a clear, concise, consistent and comparable format.

IAS 32, IFRS 7 and IAS 39 (IFRS 9) respectively deal with presentation, disclosure, and recognition and measurement of financial instruments. Hedge accounting (cash flow hedge, fair value hedge and hedge of net investment in foreign operations: paragraph 86 and 87 of IAS 39) require that gains and losses, and effective and non

effective hedges be reported in the comprehensive statement of income. Given the rise of carbon related financial instruments, and increases in pending lawsuits against companies the combined impacts of IAS 27, IAS 37, IFRS 6, IFRIC 5, IAS 8 and standards that deal with derivative instruments is to strengthen the political costs (Watts and Zimmerman, 1986) for global companies that are operating in environmentally sensitive industries.

Discussion of results

The 2010 annual reports of the three companies were inspected in respect of IFRS 6, IFRIC 5, IAS 37, IAS 8, IAS 32, IFRS 7 and IAS 39. The content analysis revealed that all the financial statements were prepared in accordance with IFRS (IFRS 1 and IAS 1).

Anglo American Plc documented that costs for restoration of site damages are provided for at their net present values, and charged against profits as extraction progresses. The changes in the measurement of a liability relating to the decommissioning or preparation of site are adjusted to cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the income statement. The company's annual report also states that for its South African operations, it makes an annual contribution to a dedicated environmental rehabilitation trust fund, which it controls and consolidates. It is not clear whether it is doing the same for its non South African mines. Furthermore, the size and adequacy of the provision are not disclosed. The number of times offsetting (netting) of assets against liabilities (disallowed per IFRS) is done, remains unclear.

Royal Dutch Shell indicated that provisions are recorded at the balance sheet date at the best estimate, using risk adjusted future cash flows of the present value of the expenditure required to settle the present obligation. With regard to decommissioning and restoration costs in respect of hydrocarbon production facilities, value determined using discounting methods and liability is recognized. With regard to provisions for environmental “remediation” resulting from ongoing or past operations, events are recognized in the period in which an obligation, legal or constructive to a third party arises, and amounts are reasonably estimated. In other words there are no provisions.

PetroChina's annual report states that there were no material litigations and arbitration events in respect of the environment during the year. With regard to IFRIC 5, it states that when the conditions for provisions are not met, the expenditures for decommissioning, removal and site clearance get expensed in the income statement when they occur. It does not state whether there are provisions.

With regard to IAS 32, IFRS 7 and IAS 39, there is little or no disclosure in the financial statements of the three companies about emission rights and/or carbon derivatives. As regards IFRS 8 and IAS 27, all three companies are preparing their consolidated financial statements and mention the regions in which they are operating. However, it was not also clear how many segments were consolidated.

None of the three global companies separately disclosed the amount of normal provisions or provisions set aside for contingent liabilities in respect of the environment.

The overall conclusion from the three financial statements can be summarized as follows. First, the notes and descriptions appear similar, indicating the global convergence of financial reporting practices and the entrenchment of the audit industry. Second, from a compliance perspective, it is impossible to conclude that the companies are indeed meeting the requirements of IFRS. Third, all the three global companies do not disclose the size and the adequacy of the provisions that they had set aside for normal

provisions and contingencies in respect of the environment. In other words, the three global companies did not produce a separate statement on the environment.

Proposed Statement of Environmental Assets and Liabilities

The above discussion leads to two financial reporting policy alternatives that the IASB board might wish to consider. The first option is a mandated separate statement that focuses on the environment. The second option is to require the disclosure of certain elements of information within the existing reporting framework and strengthening the offsetting rule. As the world continues to be preoccupied by issues of environmental degradation, trans-boundary issues get confused with non-trans-boundary issues. The production of a separate statement on the environment would be a preferred policy to decouple trans-boundary issues from non-trans-boundary issues in the context of segment (geographical) reporting. The statement can combine nonfinancial and financial information. The minimum information that ought to be disclosed in the proposed statement can be determined by amending IAS 1 and providing a transition clause in IFRS 1. The standards that deal with provisions (IAS 37) and changes in accounting policy (IAS 8) can be revised to require that provisions for the environmental liabilities or asset replacements/impairments be backed by ring fenced cash or cash equivalents. IFRIC 3 and IFRS 6 can be connected, and a standalone standard on environmental sensitive sectors might be necessary. Table 1 contains some of the elements of the proposed separate statement for the environment.

Table 1: *Statement of Environmental Assets and Liabilities as of December 31, 20XX*

Financial information:-	**Comparative year**
Environmental assets:-	
Cash in trust funds	
Investments in trust funds at fair value	
Emission rights held	
Emission rights held for sale (at fair value)	
Insurance & similar products held against environmental risks	
Contributions to voluntary & mandatory schemes	
Inventory of natural & biological assets & depletions	
Investments in air & water quality	
Capitalized research & development	
Capitalized net site preparation & restoration costs	
Environmental Liabilities and uncertain liabilities (provisions or contra asset accounts)	
Present value of decommissioning, restoration & rehabilitation	
Legal and constructive liabilities arising from past events	
Deferred income from government allocations of emission rights	
Uncertain liabilities (Provisions or contra asset accounts)	
Provision for decommissioning, restoration & rehabilitation (current)	
Provision for decommissioning, restoration & rehabilitation of (past)	
Provision for contingent liabilities from past events	
Net adjustments to retained earnings for past errors & material omissions	
Net surplus (deficit) for current year	
Estimate of net environmental assets (liabilities)	

Conclusions

This paper examined whether global financial reporting standards can be used as a device for monitoring the environmental behavior of global mining and oil companies. The paper reviewed literature in economics, finance, environmental accounting, technology, and examined the voluntary-mandatory mechanisms of corporate disclosure. Furthermore, the paper examined using content analysis, the annual reports of three companies with US listings and are operating in the SSA region. The study thus presents first world environmental accountability regulatory and financial reporting regimes to the third world operations of mining and oil companies. On the technical side, it is found that the financial statements though claim to comply with IFRS specific standards such as IFRS 6, IFRIC 5, IAS 37, IAS 27, IAS 8 and IFRS 8, they did not enable firms to disclose key environmental information. The author surmises that mandatory rather than, voluntary disclosure of sustainability information would have significant consequences on corporate disclosure practices. Consequently, the paper proposes two policy options of either requiring a separate statement of environmental assets and liabilities, or requiring the disclosure of minimum set of environmental information through the existing set of comprehensive financial statements.

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Earnings Management and Value Relevance of Accounting Information: An Empirical Review

Agbo, Alematu (Mrs.)
Department of Accounting, Benue State University, Makurdi
Email:davealem2004@yahoo.com, davidagbo52@yahoo.com,
Tel: +2347031613675, +2348091122642

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Abstract

The purpose of this paper is to undertake an empirical review of the relationship between earnings management and value relevance of accounting information. There are evidences in extant literature that earnings management distorts information flow as it affects the value-relevance of accounting information. The argument is that the reliability of accounting information determines its relevance to the market. Managers' discretionary behavior towards earnings affects the reliability of accounting information hence the value relevance of accounting information. The study basically used secondary documents to extensively reviews empirical literature on the issues under investigation and interrogates the positions and arguments of scholars on the relationship between earnings management and value relevance of accounting information as reported in their various research results. From the review , it was observed that there is a significant negative relationship between earnings management and value relevance of accounting information as most arguments and results of earlier studies shows that managers manipulate earnings to: obtain bonus, achieve a designated earnings target, influence short-term stock prices, deceive or mislead users of accounting information and reduce the likelihood of violating lending agreements. It was therefore recommended that earnings management should be minimized, as it is commonly believed to reduce transparency of accounting information by obscuring the "true" earnings of the company.

Keywords: *Earnings, Earnings Management, Value Relevance, Reliability, Relevance, Accounting Information.*

Introduction

Earnings management is an important aspect of financial reporting in which managers, manipulate reported earnings. It allows management of organizations to adjust earnings to better reflect the performance and position of firms, which in turn affects the relevance, and reliability of accounting information. Beaver and Engel (1996); Dechow *et al* (1996); Wu (1997); Teoh *et al* (1998). Holland and Ramsay (2003) uphold that management manipulates the accrual component of earnings to reach specific earnings target. Graham *et al* (2005) had done a survey with Chief Financial Officers and observed that they manage earnings to maintain or increase the stock price of their firms. Watts and Zimmerman (1978) argue that managers alter reported accounting numbers to maximize their bonus, avoid tripping debt-covenants written on accounting numbers or to reduce their firms' political visibility.

No matter the excuses given for adjusting the earnings of an organization, the damage that the adjustment or the manipulation of earnings cause the users of accounting information is colossal and has a tendency of not only misinforming the investing public but also leads them into making unviable economic decisions. The adverse effect of such decisions is even more severe on people who finance major parts of their investment with debt capital as they rely on the assumed reliability of the information provided to determine a firm's value in the market. Given the critical nature of accounting information to the users especially the investing public and tax authorities, any distortion on the reliability of such information will not only mislead the public but will also reduce the income generating capacities of the country. It is therefore sad when most managers take advantage of the degree of freedom allowed by Generally Accepted Accounting Principles (GAAP) to exploit and manipulate the accrual component of reported earnings for their selfish interest without minding the damage they are causing to the users of such information. As Habib and Hosain (2006) observed, low quality earning resulting from increased earnings management can lead to, at the very least, a misallocation of capital and inefficient contracting between the company and the external contracting parties, thus confirming that if this information is manipulated to suite the managers interests, the entire stakeholders or users of accounting information such as investors, standard- setters, debt financiers, regulators, the government, tax authorities, and the general public will be mislead.

Despite the importance or relevance of reliable accounting information to users of accounting information as herein observed, it is however not clear as to whether the reported financial statements published by some firms especially in Nigeria show a true picture of what it purports to portray. While efforts are made in developed countries to check distortions and manipulation of accounting information as cases such as the corporate fraud of Enron, WorldCom and Tyco indicates, it is still not clear whether Nigerians are even thinking towards this direction. This is even made worse as there is paucity of studies in this area, thus suggesting a huge research gap. It is on this premise and in an effort to bridge the research gap in this area that this study is undertaken to empirically review literature on the relationship between earnings management and value relevance of accounting information. Upon completion, this study shall benefit tax authorities, current and potential investors, financial analysts, the government, standard setters, future researchers and indeed the general public.

Conceptual Clarification

The Concept of Earnings Management

Earnings management (EM) is the use of accounting techniques to produce financial reports that may paint an overly positive picture of a company's business activities and

financial position. It occurs when managers use their judgment in financial reporting and in structuring transactions to either alter the financial reports to mislead some stakeholders about the underlying economic performance of the company or even to influence contractual outcomes that depend on reported accounting numbers (Healy and Wahlen, 1999).

According to Lev (1989), EM is defined as reasonable and legal management decision making and reporting intended to achieve stable and predictable financial results. Young (2000), states that the term earnings management covers a wide variety of legitimate and illegitimate actions by management that affect an entity's earnings. The definition of EM by Healy and Wahlen (1999) is adopted in this study because it is more appealing to the researcher.

Value Relevance of Accounting Information

Value relevance is the ability of financial statement information to capture and summarize firm value. It is measured as the statistical association between financial statement information and stock market values or returns. To Barth *et al* (2001), accounting information has value relevance if it is predicted to have significant relationship with stock price and when it reflects the reliable information for investor to evaluate the company's value. Francis *et al* (2004) argues that the value relevance of accounting information is one of the basic attributes of accounting quality.

Earnings Management and Value Relevance of Earnings and Book Value

The relationship between earnings management and value relevance of accounting information can be explained through earnings quality. Lo (2007) argued that earnings management is associated to earnings quality. Lo (2007) also stated that highly managed earnings have low quality. It then means that earnings management action will reduce earnings quality (i.e reliability of earnings). The relevance of accounting information in valuation of a firm can be affected by markets insight of reliability of the information (Whelan and McNamara, 2004). The alleged lack of earnings reliability has consequences in the market inclusion, less reliance on earnings in the stock valuation process. That means that earning management actions influences value relevance of earnings negatively.

Ahmad (2011) argues that the quality of earnings improves the usefulness of accounting information in the decision making process. This is important because the Financial Accounting Standard Board (FASB) considers the usefulness of accounting information as the primary objective of financial statements (FASB, 1978). More so, the Statement of Financial Accounting Concepts No.2 of 2008, which addresses qualitative characteristics of accounting information, upholds that "relevance and reliability are the two primary qualities that make accounting information useful for decision making". That is to say that, accounting information is very vital for decision-making and indeed to all users of accounting information. If the information provided by accounting is not reliable and relevant, its purpose will be defeated and the economy at large will suffer.

To Hellstrom (2005) "High quality accounting information is a pre-requisite for well functioning capital markets and economy as a whole as such should be of importance to investors, companies and accounting standard setters".

Staurt *et al* (2003) on the other hand argues that, "because of potential adverse market reactions, companies often take unusual action to avoid reporting losses". This is a reality since users of accounting information generally have the belief that firms that report losses or low earnings are not doing well. As a result, managers smooth

earnings in order to deceive or mislead the users of accounting information.

In the recent past, the corporate fraud of Enron, Tyco and Worldcom call into question the reliability of reported earnings. These firms were well known worldwide as big firms that many could not imagine will collapse but due to creative accounting otherwise known as earnings management, they did. When this happened, many users of accounting information began to doubt the reliability of reported earnings of many organizations.

Healy and Wahlen, (1999) have this to say:

> to ensure that financial statement users are not misled by poor quality financial statements, organization are required to prepare the statement based on accounting standards promulgated on the basis of Generally Accepted Accounting Principles (GAAP), However, GAAP cannot be overly restricted and have to allow for flexible reporting because managers have made better information about the operating environment of their businesses than external parties. This increases the value of financial reporting as a relevant and credible form of communication. However, this same use of judgment also creates opportunities for earnings management where managers choose reporting methods and estimates to bias the earnings figures for their own benefits.
>
> Levith, (1998) assert that earnings management poses the treat of misleading users of accounting information, hence their decision making process has been identified as a significant treat to financial reporting credibility.

Review of Empirical Studies

The review of empirical studies addresses articles that addressed the concept of earnings management and its impact on the value relevance of accounting information.

Peasnell *et al* (1999) researched into detecting earnings management using cross-sectional abnormal accruals models. They used standard Jones and Modified-Jones Model alongside with a newly developed model labeled "the marginal model". The main purpose of the study was to examine specifications and power issues in relation to cross-sectional models used to estimate abnormal accruals. They assessed the power of each model to detect accrual management using simulation procedures that gives room for three different forms of earnings management namely: revenue manipulation, expenses manipulation (excluding bad debts) and bad debt manipulation. Findings of this research shows that the standard-Jones and Modified-Jones models are substantially more powerful at detecting subtle revenue and bad debt manipulations, while the marginal model is significantly better at detecting non-bad debt expenses manipulations. Findings of the research suggest that all three procedures are capable of generating reasonable powerful tests for economically plausible level of all three forms of accruals management. They argue that since accruals-based measures are now widely used in testing the earnings management hypothesis, a significant obstacle associated with the implementation of this approach is the need to accurately separate reported accruals into their managed (discretionary) and unmanaged (non-discretionary) components. Findings of the study show that the marginal model appears to be more powerful at detecting non-bad debt expenses manipulations. Contrary to the works of Dechow *et al* (1995), this work failed to document any significant difference in the relative power of the Jones and Modified - Jones Model.

Results of this study therefore suggest

that there is a negative relationship between earnings management and value-relevance of accounting information since abnormal accruals were detected during the course of investigation.

Luez *et al* (2003) on the other hand, researched into "earnings management and investor protection: an international comparison", using descriptive cluster analysis. The study examined systematic differences in earnings management across 31 countries. The authors proposes an explanation for these differences based on the notion that insiders, in an attempt to protect their private control benefits, use earnings management to conceal firm performance from outsiders. Their analysis was based on financial data from 1990 to 1999 for over 8,000 publicly traded non-financial firms selected from these countries. The main aim of the study was to investigate if earnings management has any relationship with investor protection. Their argument was that strong and well-enforced outsider rights limit insider acquisition of private control benefits. This implies that the stronger the outsider investor control, the weaker the pervasiveness of earnings management employed by insiders (management). Furthermore, they were of the opinion that incentives to misrepresent firm performance through earnings management arise, in part, from a conflict of interest between firms insiders and outsiders. They also argued that insiders could also use their accounting discretion to overstate earnings, conceal losses, and create reserves for future period by understating earnings in year of good performance thereby effectively making reported earnings less variable than the firm's true economic performance.

The findings of this research show that earnings management varies systematically across the selected countries and that outsider economies with relatively dispersed ownership, strong investor protection and large stock markets exhibit lower levels of earnings management than insider countries with relatively concentrated ownership, weak investor protection and less developed stock markets. Their regression results show that earning management is negatively associated with the quality of minority shareholder rights and legal enforcement.

Since the findings of this study highlight an important link between investor protection and the quality of accounting earnings reported to market participants, there is therefore a negative relationship between earnings management and the value relevance of accounting information.

Philips *et al* (2003) investigated into earnings management: new evidence based on deferred tax expenses. The study aimed at evaluating the use of deferred income tax expenses as a metric for detecting earnings management. Their work was based on the works of Burgstahler and Dichev (1997). They argued that deferred tax expenses could be used to better measure managers' discretionary choices under Generally Accepted Accounting Principles (GAAP) because the tax law, in general allows less discretion in accounting choice relative to the discretion that exists under GAAP. The target of their investigation was the usefulness of deferred tax expense in identifying earnings management to avoid (i) reporting an earnings decline (ii) reporting a loss and (iii) failing to meet analysts' earnings forecasts. The results of their investigation show that increases in deferred tax expenses increase the probability of managing earnings to avoid reporting an earnings decline. It also show that increase in deferred tax expanses increase the probability of managing earnings to avoid reporting a loss. They found no evidence that deferred tax expenses or the abnormal accrual metrics detect earnings management to avoid failing to meet or beat analysts' earnings forecasts, although total accruals is positively related to the probability that a firm manages earnings in their setting.

Results of their findings suggest that researchers should incorporate deferred tax expense into their research designs in order to

detect the effects of earnings management more fully than relying solely on accrual-based proxies of managerial discretion, thus confirming the argument of Peasnell *et al* (1999).

The third finding of this research which show that there is no evidence that deferred tax expenses detect earnings management to avoid failing to meet or beat analysts earning forecasts is inconsistent with evidences in extant literature. Existing literature argue that firms manage earnings upward in this setting (see Schwattz, 2001; Matsumoto, 2002; Burgstahler and Eames, 2002). It is however commendable that the researchers included a new variable in detecting earnings management.

It is therefore obvious from the study that there is a negative relationship between earnings management and the quality of accounting information since total accruals is positively related to earnings management.

Stuart *et al* (2003) researched on "an analysis of income smoothing detection methods". The aim of this study was to investigate various income smoothing detection methods. Using a SEC identified sample of firms that were charged with violations of GAAP due to earnings manipulations and a matched samples of firms, they tested seven popular models to determine which provide the best identification of income smoothing.

The finding shows that, there is no significant difference between six out of the seven detection methods. After looking at different income smoothing detection models, they concluded that researchers should conduct further studies into the different income smoothing detection models, while also indicating that different methods are not equally suited to determine all forms of income smoothing.

The result of this study is consistent with the works of Hans-Peter & Matthias (2004) but inconsistent with the works of Peasnell *et a*l (1999), thus there is no significant negative relationship between earnings management and the value relevance of accounting information.

Whelan (2004) examines "the impact of earnings management on the value - relevance of earnings and book value: a comparison of short- term and long term discretionary accruals". Total discretionary accruals were estimated using the Jones model. He developed new models to estimate short- term and long term discretionary accruals. These models enabled him to carry out an investigation of the differential impact of earnings management via Long-term discretionary accruals. His primary proposition is that earnings management via long-term accruals has a greater impact on the value-relevance of earnings and book value than earnings management via short-term discretionary accruals. His findings show that: (i) low reliability of information reduces the value-relevance of earnings and book value using Australian data (ii) earnings management via total discretionary accruals has no impact, (iii) when examined independently, earnings management via either short-term or long-term discretionary accruals reduces the value-relevance of earnings but has no impact on the value-relevance of book value. (iv) earnings management via short-term discretionary accruals has no impact, whereas earnings management via long-term discretionary accruals reduces the value-relevance of book value.

The summary of his findings is that earnings management via long-term discretionary accruals has a greater impact on the value-relevance of earnings and book value than earnings management via short-term discretionary accruals. Findings of this study suggest that the market is able to distinguish between short-term and long-term accrual choices.

The second result of this study is thus consistent with the findings of Jamal (2011). There is therefore a significant negative

relationship between the management of earnings and value relevance of accounting information via long-term discretionary accruals than short-term discretionary accruals.

Kang (2005) conducted a study into "economic development and the value-relevance of accounting information- a disclosure transparency perspective". His investigation aimed at discovering if there is a difference in the degree of disclosure transparency of developed and emerging economies, on the value relevance of their accounting information.

His findings show that the accounting summary measures of developed economy entities are more value-relevant than emerging economy entities. It implies that the disclosure practice of developed economy entities tend to be more transparent than that of emerging economy entities thus confirming the argument of Leuz et al (2003).

It is thus clear from this study that there is a more significant negative relationship between earnings management and value-relevance of accounting information of developing economies, than those of developed economies.

Ralf and Wagenhofer (2005), on the other hand investigated "economic effects of tightening accounting standard to restrict earnings management". The study examined the claim that tighter accounting standards reduce earnings management. He used rational expectations equilibrium model to discover that earnings quality increases with tighter standards. He also found that managers increase costly real earnings management because the higher earnings quality increases the marginal benefits of real earnings management. Furthermore, his investigation shows that, tighter standard can increase rather than decrease expected accounting and total earnings management and finally, the expected total costs of earnings management can increase.

The results of this research suggest that Accounting Standard Setters should tighten the standards in order to reduce management discretion for earnings management. This is in line with the requirements of the "Improvement Project" of the International Accounting Standards Board of 2003 (IASB, 2003). They further observed that, "an accounting standard setter can tighten standards to restrict the discretion for accounting earnings management" (Ralf, 2005). They define real earnings management as strategies adopted by management to change the timing or structuring of real transactions. That is to say that the managers deviate from an otherwise optional plan of action only to affect earnings, thus, imposing a real cost to the firm.

The study findings show that a tighter accounting standards increases earning quality, which in turn increases the marginal benefits of earnings management but this rather leads to an increase in real earnings management, which is costly and directly reduces firm value. Also, that tighter standards makes accounting earnings management less effective but they do not always reduce earnings management in equilibrium (Ralf, 2005). The result of this study further suggest that managers always seek for an escape route in the issue of earnings management and confirms the arguments of Kang (2005) and Barth et al (2008).

There is therefore a significant negative relationship between tighter accounting standards and earnings management and thus a negative relationship between management of earnings and value-relevance of accounting information.

Barth *et al* (2008) examine if International Accounting Standards (IAS) and Accounting Quality is associated with higher accounting quality. They tried to see if the application of IAS shows the combination effects of features of the financial reporting system, including standards, interpretation, enforcement and their litigation. IAS from 21 countries was sampled using matching

procedure. They discovered that firm applying IAS from 21 countries generally evidence less earnings management, more timely loss recognition, and more value relevance of accounting amount than do matched sampled firms applying non-U.S domestic standards thus confirming the argument of Ralf & Wagenhofer (2005) . This is because International Accounting Standards are tighter accounting standards. They concluded that research design features mitigate the effect of both change in financial reporting system and change in forms incentives and the economic environment.

There is therefore a negative relationship between IAS and earnings management and thus a negative relationship between management of earnings and value-relevance of accounting information.

Inna & Isabel (2009) examine "determinants of accounting quality: empirical evidence from the European Union after IFRS adoption". The aim of the study was to examine earnings management construct often used to assess accounting standards quality. Sample analysis were based on 1084 firm-year and 1147 firm-year observation using multivariate regression analysis on firms accounting data from 2006 to 2008. Their results provide evidence that large firms have lower cross-sectional absolute discretionary accruals or less earnings management. They further discovered that firms with debt issuing would have higher cross-sectional absolute discretionary accruals or more earnings management. In addition, firms whose financial statements are audited by a "Big 4" do not appear to have a clear impact on accounting quality thus consistent with the arguments of Barth *et al* (2008), Ralf & Wogenhofer (2005) and Whelan (2004).

There is therefore a negative relationship between IFRS and earnings management and thus a negative relationship between management of earnings and value-relevance of accounting information.

Juana *et al* (2010) examine macro corporate governance factors and the in formativeness of accounting earnings. They investigated the effects of the IFRS adoption on the in formativeness of accounting earnings, measured by the earnings-return relation and they examined the influence of country level institutional factors in this relation across 14 member State integrated by 1,575 listed companies with 11,951 firm-year observations from 1999 to 2007. Using regression panel model to examine earnings return sensitivity during pre-IFRS and post IFRS adoption period. Findings show that companies exhibit a higher earnings return sensitivity during the pre-IFRS adoption period than companies adopting IFRS after 2005, and its proxies for an incentive to improve its earning equality. They concluded that earnings quality increase strong investor protection and corporate control mechanisms, and a development of financial systems which effects is capable to be strengthened by IFRS thus confirming the arguments of Luez *et al* (2003), Barth *et al* (2008), Inna & Isabel (2009).

The findings of this study therefore suggest a negative relationship between management of earnings and value-relevance of accounting information.

Jamal (2011) on the other hand, examines "value relevance of accounting information in the United Arab Emirates (UAE)". The study examined the impact of regulatory reforms in UAE on information in pre and post periods of International Financial Reporting Standards implementation using regression and portfolio approaches for sample of the United Arab Emirates. The value-relevance of book values does not significantly change when earnings management is being measured using total discretionary accrual thus confirming the argument of Whelan (2004).

There is therefore no significant negative relationship between earnings management and the value- relevance accounting information.

Subektic (2011) in the same vein researched into same area using both earnings management measures and aggregate earnings measures (i.e combination of both earnings smoothing and earnings management measures). His result show significantly negative relationship between value-relevance of book value of equity and earnings (combined model) and value- relevance of earning (earning model) thus inconsistent with the findings of Jamal (2011).

There is therefore a significant negative relationship between earnings management and the value- relevance accounting information.

Sholihah (2013) further examines "the effect of earnings management on the value relevance of earning and book value". He used Modified Jones Model with ROA as earning management proxy. The researcher used purposive sampling method to select 108 manufacturing firms listed on the Indonesia stock exchange with the highest discretionary accruals and 108 non-indicated earnings management firms with the lowest discretionary accruals. The period of the study was 2009 to 2011. The researcher aimed at investigating the link between earnings management and firm valuation by assessing the impact of earnings management on the value-relevance of earnings and book value. The results show that (i) earnings and book value affect stock price. It proves that earnings and book value are value relevant. (ii) earnings management reduces the value-relevance of earnings and book value. This implies that the higher the earnings management, the lower the value relevance of earnings and book value. His findings suggest that the integrity of financial reporting process should be improved upon. Findings of this study, is consistent with the findings of Whelan (2004) and Subektic (2011) thus there is a negative relationship between earnings management and the value- relevance accounting information.

Methodology

This study seeks to review empirical literature on earnings management and value relevance of accounting information. The researcher used secondary information obtained from journal articles, Statement of Financial Accounting Concepts and Ph.D Theses for the review. The choice of secondary information is due to the topic under study. Works of authors from 1978 to 2013 were used for the review.

Summary of Findings

This study documents thirteen (13) empirical reviews. Eleven (11) representing approximately 85% out of the thirteen reviews show a negative significant relationship between earnings management and the value-relevance accounting information, while two (2) representing approximately 15%, do not show a significant negative relationship between earnings management and the value-relevance accounting information.

Furthermore, the findings of this study reveal that the level of earnings management is higher in firms in developing countries, than in firms in developed countries. It also shows that, the stronger the outsider control the weaker the pervasiveness of earnings management employed by managers, debt - issuing firms show higher earnings management than larger firms. It was also discovered that tighter accounting standards, reduces the degree of earnings management.

That is to say that, empirical evidences in extant literature, confirms the a priori expectation of the study that earnings management has a negative impact on reported accounting numbers.

Conclusion and Recommendations

This study examines earnings management and the value-relevance of accounting information. The findings of the study show that there is a significant negative relationship between earnings management and the value- relevance of accounting

information. This implies that the higher the degree of earnings management, the lower the value-relevance of accounting information thus confirming the findings of Hans-Peter & Matthias (2004), that discovered that firms with low (high) degrees of earnings management, display lower (higher) degrees of information uncertainty.

Since earnings management reduces the usefulness and reliability of current earnings for forecasting future earnings and hence increases the information uncertainty of reported earnings, which is injurious to the value- relevance of accounting information, the following recommendations is made thus:

- Standard setters should take action to tighten accounting standards in other to reduce earnings management.
- Relevant stakeholders should take relevant steps to minimize the level of earnings management perpetuated by managers of organizations.
- A supervisory body and machinery should be in place, to check distortions and manipulations of reported earnings by management, hence enforcing a stronger outsider control.
- Management of firms with aggressive earnings management should be, appropriately sanctioned, to serve as a deterrent to other firms. The case of Enron Corporation is a good example.
- Future researchers should do a more comprehensive study on the subject of earnings management, especially in developing countries.

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Assessment of the Contributions of Capital Market to Economic Growth in Nigeria: A VECM Approach

Andohol Jerome Ph.D
Department of Economics
Benue State University, Makurdi.
Torsaa2002@yahoo.com +2348035999111

and

Gbahabo Paul
Department of Finance
University of Ghana Business School, Legon, Accra-Ghana
Paulgbahabo@yahoo.com

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Abstract

This paper empirically examines the relationship between capital market and economic growth in Nigeria. The neo-classical growth model which employs the Vector Error Correction Methodology to estimate the results was used as the basis for the model specification. Secondary data , which was sourced from Central Bank of Nigeria(CBN) statistical bulletins was used for the analysis. The study finds a long-run positive relationship between Capital Market and Foreign Direct Investment as well as a long-run negative relationship between Capital Market and Domestic Investment within the period 1986 to 2011. The disequilibrium error of 17.1% implies that in an event of a shock in the system in any given year, it will take a little over four years to correct the shock. The study recommends that regulatory authorities should initiate policies that will alleviate the challenges faced by domestic investors.

Keywords: *Capital Market, Economic Growth, Vector Auto Regression.*

Introduction

In the last few decades, the strategic role of the capital market as an efficient conduit of financial intermediation has been well recognized by researchers, academics, and policy makers as one of the key drivers of the economic growth of a country. Oke and Adeusi (2012), Yabara (2012), Ewah et al (2009) and Akingbohungbe, (1996) in their contributions to literature avails that capital market (which consist of equity markets and bond markets) can be defined as the market where medium to long-term finance can be raised for expansion in firms that consequently fosters the economic growth of a nation. They described it as a platform through which long-term funds are made available by the surplus economic units to the deficit economic units. Since capital market has very profound implication for socio-economic development, it offers a variety of financial instruments that enable economic agents to pool, price and exchange risk, through assets with attractive yields, liquidity and risk characteristics. It also encourages saving in financial form, which is very essential for government and other institutions in need of long term funds (Nwankwo, 1991). On the whole, Capital market is a veritable tool that mobilizes resources at a lower cost for medium or long term use by firms or Government, which is critical to economic growth. On the other hand, Ezeoha et al (2009) simply avails economic growth to occur when there are annual increases in per capita Gross Domestic Product (GDP). The components of GDP depend on whether it is mathematically estimated from an expenditure approach or from an income approach. However, either of the approaches in use for the computation of GDP would yield the same aggregated result. Mishra, *et al* (2010) provide evidence from cross-country studies to support the view that an efficient functioning capital market provides liquidity. Their study also contributed to the capital formation-investment risk reduction nexus, by offering knowledge on the opportunities that exist via portfolio diversification. Levine (1996); Mohtadi and Agarwal (2004) articulates on the influences of capital portfolio diversification and economic growth. They revealed that a well functioning capital market should have market depth, breadth and sophistication so as to avoid the tendency of being equity dominated but rather comprising other fixed instruments such as bonds. Patoda and Jain (2012) further argued that diversification decreases the risk of portfolios, which is a combination of different investment products to include stocks and bonds. As an investment, stock market typically is viewed as a financial asset that will fluctuate and influence political, social, or economic fabric of a country. In this regard, a company's performance will necessitate its investors to invest in different sectors with different bonds to diversify the risk of losses. According to Yartey and Adjasi (2007), inefficient capital market has led to the over-dependence on bank market with negative consequences which include inability to raise finances for a wide range of infrastructure projects that directly contribute to economic growth and development; potential for over-valued equity markets as there is limited alternatives; exposure of borrowers to short term market volatilities; funding mismatch arising from the funding of long term capital projects with short term borrowings.

There exists voluminous literature concerning the role of the well functioning capital market in the process of economic growth of a country. Some of the early contributions in this regard came from Schumpeter (1912), McKinnon (1973) and Shaw (1973). These early works, though insightful, lack rigorous analytical structures. The 1990s witness a growing body of works, which built on a series of analytical frameworks that showed how a well functioning financial intermediary and market contribute long run economic growth. Mishra and Mishra et al (2010) citing Levine (1996), Jacque (2001),Tufano (2003), Chou (2007),

Agarwal (2000),S arkar (2006), Capasso (2006), Kamat and Murphy (2007), Agrawalla and Tuteje (2007), Deb and Mukherjee (2008), and Chakraborty (2008) indicated how all these scholars have contributed a lot to the literature in this direction. These studies dwelled on the relationship between capital market as it relates to certain macro economic variables such as business returns, inflation, interest rates, exchange rates and market volatilities. The results have revealed mixed relationships ranging from positive to negative and in some instances inconclusive.

In view of the debate as to whether a well developed capital market or the lack of it suggests positive effects on economic growth and development, this study intends to complement works in literature in this regards. Specifically, the study seeks to assess the extent to which the Nigeria capital market impacted on its economic growth given the background of the global economic crisis. Upon completion, this study shall benefit or be relevant to the government, policy markers and all players in the Nigerian capital market. For this purpose, the rest of the paper is organized as follows: Section 2 outlines the review of related literature; Section 3 discusses the data and methodology; Section 4 analyses the data; and Section 5 highlights implication for research and concludes the discussion.

Literature Review.

Levine and Zervos (1996) examines whether there is a strong empirical association between stock market development and long-run economic growth. The study used pooled cross-country time-series regression of forty-one countries from 1976 to 1993 to evaluate this association. The study toed the line of Demirguc-Kunt and Levine (1996) by conglomerating measures such as stock market size, liquidity, and integration of the world markets into index of stock market development. The growth rate of Gross Domestic Product (GDP) per capita was regressed on a variety of variables designed to control for initial conditions, political stability, investment in human capital, and macroeconomic conditions; and then include the conglomerated index of stock market development. The finding was that a strong correlation between overall stock market development and long-run economic growth exist. This means that the result is consistent with the theories that imply a positive relationship between stock market development and economic growth.

Nyong (1997) made great strides to develop an aggregate index of capital market development and used it to determine its relationship with long-run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. Four measures of capital market development, the ratio of market capitalization to GDP (in percentage), the ratio of total value of transactions on the main stock exchange to GDP (in percentage), the value of equities transaction relative to GDP and listings were used. The four measures were combined into one overall composite index of capital market development using principal component analysis. A measure of financial market depth (which is the ratio of broad money to stock of money to GDP) was also included as control variable. The result of the study was that capital market development is negatively and significantly correlated with long-run growth in Nigeria.

The results of a study carried out by Adjasi and Biekpe (2006), which examined the effect of stock market development on economic growth in 14 African countries, revealed a positive relationship between the two and indicated that stock market developments played a significant role in growth only for moderately capitalized markets. On the basis of these results, they recommended that low income African countries and less developed stock markets needed to grow more and develop their markets to elicit economic gains from stock markets.

Ewah et al (2009) appraise the impact of capital market efficiency on the Nigerian economy using time series data from 1961 to 2004. The study found that the Nigerian capital market is capable of inducing growth, but has not contributed meaningfully to the GDP of Nigeria because of the following factors; low market capitalization; low absorptive capitalization; illiquidity; misappropriation of funds among others.

Osinubi and Amaghionyeodiwe (2003) also found that stock market development had no significant effect on economic growth in Nigeria. They interpreted the results to mean that the Nigerian Stock Market was unable to make significant contribution to rapid economic growth because of the existence of certain policies that blur the effectiveness of the vehicle or transmission mechanism through which stock market activities influence economic growth. They observed that bonds listed on the NSE are rarely traded owing to high transaction costs and inefficient pricing. Expensive corporate bond issuance costs and processes also make the bond market relative to bank and equity finance unattractive for many corporations; liquidity is still considerably low in relation to global and emerging market peers. The low liquidity is attributable to the short (3 hour) trading day, high cost of trading securities and the absence of market makers; The Debt Management Office charged with regulating the market has not quite found its bearing. The so-called Over-the-Counter-Market that was set up for trading in bonds is neither transparent nor accessible to the average investor; where as there are a lot of publications intimating investors on the latest stock market indices, there is inadequate report on bond market indices; the dearth of knowledge by both citizens and domestic investors who do not fully understand capital market operations and so have less to say or do with it, was observed as another impediment. These results reaffirms the position of Singh (1999) that the stock market might not perform efficiently in developing countries and that it may not be feasible for all African markets to promote stock markets given the huge costs and the poor financial system.

Similarly, Lin (2009) argues that the size and sophistication of financial institutions and markets in the developed countries are not appropriate for low-income markets. He further asserts that efforts to create African stock markets have not borne much fruits because there are relatively too few listed shares in the stock markets of sub-Saharan countries. He therefore, concludes that capital markets are not the best conduit for economic development for poor countries such as those in sub-Saharan Africa, excluding South Africa, since the annual value of traded shares relative to GDP in Africa is below 5%.

Ezeoha et al (2009) adopted *the Johansen Cointegration model in examining the long-run trends on extrapolated macroeconomic data from 1970-2006. They used the vector error correction model (VECM) in estimating the relationship between investment growth, on one hand, and stock market development on the other. The study found that development in the Nigerian stock market over the years was able to spur growth in domestic private investment flows, but unable to do so in the case of foreign private investment; and that development in the country's banking system rather had some destabilizing effects on the flow of private investments.* Their result conform to the empirical positions of Levine and Zervos (1998), Mohtadi and Argawal (2004), as well as Greenwood and Smith (1996). These works revealed a *positive and* significant relationship between stock market development and long-run economic growth, whilst the contrary is the case with growth in foreign investments.

Evidence also exists of a positive impact of capital market development on the economic performance of an economy as provided by Caporale *et al*, (2004) and Levine (1997). Shahbaz *et al*, (2008) substantiated these findings while using Auto Regressive

Distributed Lag (ARDL) to reveal a strong relationship between capital market development in Pakistan and economic growth both in the long-run and the short-run periods. They observed that the relationship is bi-directional in the long-run but uni-directional (from stock market to economic growth) in the short-run.

Atje and Jovanovic (1993) found in a cross-country study of stock and economic growth of 40 countries from 1980 to 1988 that there was a significant correlation between the average economic growth and stock market capitalization.

The findings of Kolapo and Adaramola (2012) aligns with those of Ariyo and Adelegan (2005) and Ewah et al.(2009). They found that the capital market in Nigeria has the potentials to induce growth but has not contributed significantly to economic growth of Nigeria due to low market capitalization, small market size, few listed companies, low volume of transactions, illiquidity among others. Their result also supports Demirgue-Kunt and Asli (1996) and Harris (1997) who found no strong evidence to support a positive relationship between stock market and economic growth, contrary to the vast amount of literature.

Data and Methodology

The hypothesis of this work stated as Nigerian Capital market does not significantly affect its economic growth can be tested via several approaches. However, this work which seeks to empirically examine the effect of the Nigerian capital market relative to economic growth, adopts the computational methodology of the Vector Auto Regression model within the e-views 7 software. The study period which spans from 1986 to 2010, made use of secondary data sourced from statistical bulletins of Central Bank of Nigeria.

The tools of analysis used for this work were the Dickey-Fuller unit root test to check the time property of the series; the Johansen Cointegration test to check for the long-run relationship; the Granger causality test to check for the direction of causation between the variables; and the Vector Auto regression technique was used to estimate the long-run and short run effects as well show the extent and time of adjustment of correcting a disequilibrium error. All the variables were transformed by the application of logarithms to enable ease of computation and interpretation of results in their elasticities

Model Specification

This work adopted the neoclassical growth model which explains the source of growth in an economy. The retransformation of this model into the aggregate production function (whose variables are originally stipulated as labour, capital and technology) has become inclusive of several other determinants in literature, which has received wide econometric application and acceptability. See Akinlo and Ayoledele (2000) Levine and Sara (1996) Collier and Gunning (1998) Demirguc-kunt and Ross(1996), Owolabi and Ajayi(2013). Following the adoption of the production function framework and its subsequent transformation by taking logarithms, the model for this work is specified as follows

$Log\ CMI = \alpha + \beta_1 Log\ FDI + \beta_2 LogGCF + \beta_3\ Log\ GDP$; where CMI, FDI, GCF, GDP are defined below and α is the autonomous constant, while $\beta_1, \beta_2, \beta_3$ are the estimated coefficients.

Where;

CMI= value of Capitalization Market Index(CMI) measured in billion naira, proxy for captal market

FDI=Foreign Direct Investment (FDI) measured in million naira, as an indicator or proxy for the breadth of capital market activities in Nigeria

GCF=the Gross Capital Formation or

Investment (GCF) measured in million naira, as a proxy or indicator for the depth of capital market activities in the Nigeria

GDP= the Gross Domestic Product (GDP) measured in million naira

Data Presentation and Analysis

Table 1: *Summary of Data Presented for some Selected Variables used in the Study.*

	CMI(NB)	FDI(NM)	GCF(NM)	GDP(NM)
Mean	2189.284	167758.7	713216.5	392216.2
Median	285.8000	152409.6	242770.3	310890.1
Maximum	13294.60	543908.0	4009729.	775525.7
Minimum	6.800000	9313.600	11761.46	204806.5
Std. Dev.	3756.828	154319.5	1039476.	174867.7
Skewness	1.790153	0.949181	1.892561	0.863419
Kurtosis	4.933763	3.022611	5.799325	2.363116
Jarque-Bera	17.24795	3.754470	23.08685	3.528743
Probability	0.000180	0.153013	0.000010	0.171294
Sum	54732.10	4193968.	17830413	9805406.
Sum Sq. Dev.	3.39E+08	5.72E+11	2.59E+13	7.34E+11
Observations	25	25	25	25

Source: *Researcher's Computation using e-views 7*

A look at table 1 shows that from the 25 observations, the mean value of Capitalization Market Index(CMI) measured in billion naira, Foreign Direct Investment (FDI) measured in million naira, the Gross Capital Formation or Investment (GCF) measured in million naira, and the Gross Domestic Product(GDP) measured in million naira revolved around N2,189.3B; 167,758.7M; N713,216.5M and N392,216.2M , while the median value(i.e. the ideal statistics considered for price stability) for each of the variables was reported at N285.8B; N152,409.6B; N242,770.3B; N310,890.1B respectively.

The maximum value of each of the variables CMI, FDI, GCF and GDP presented in table 1 above revealed a statistic of N13,294.6B; N543,908M; N4,009729M;N 775,525.7M , while the minimum value accounted for N6.8B; N9,313M; 11,761.46M and N204,806M respectively.

Worthy of note is the total summation of each of the variables(CMI, FDI, GCF and GDP) in their respective units which account for the sum- statistics and it is recorded at N54732.1B; N4,193,968M; N1,783,0413M and N9,805,406B respectively.

The Jarque- Bera test of normality of the series revealed moderate bias for CMI, slight bias for FDI, high bias for GCF and low bias for GDP series, respectively as reported by the low and high probability values, as well as low and high skewness (i.e. distribution of the series along its mean) and Kurtosis (i.e. the peakness and flatness of a normal curve) Statistics as the case might be. A trend analysis of the 25 observations on each of the variables of interest in this work revealed the following on Fig.1 below;

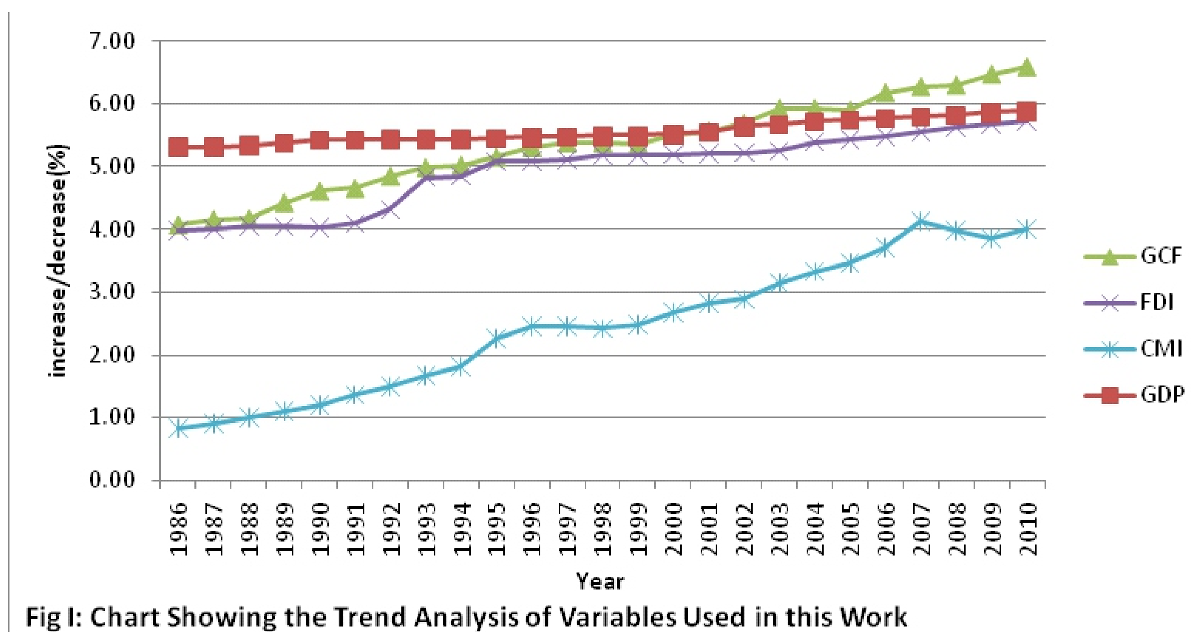

Fig I: Chart Showing the Trend Analysis of Variables Used in this Work

Source: *Researchers' Computation using e-views 7*

A cursory look at Fig 1 above shows that between the period 1986-2010 all the variables studied has seen insignificant but positive percentage increases which have hovered between 5.1%- 6% for GDP; 4%-6.5% for GCF; 4%-5.5% for FDI and 1%- 4% for CMI.

Test of Hypothesis

The use of the tools of analysis and the testing of the hypothesis has revealed the following results tabulated on tables 2, 3, 4, and 5.

ADF Stationarity Test

The results of the unit root test using Augmented Dickey- Fuller Approach as shown on table 2 below reveal that all the variables exhibit stationarity at first difference and integrated at order 1.

Table 2: *ADF Unit Root Test*

Series	ADF Test Statistics	0.05 critical Value	Order of Integration
D(CMI)	-4.412734	-3.004861	I(1)
D(FDI)	-3.849438	-2.998064	I(1)
D(GCF)	-6.155462	-3.004861	I(1)
D(GDP)	-6.695225	-3.004861	I(1)

Source: *Researchers" computation as an output from e-views 7*

Cointegration Test

The Johansen Cointegration test for the existence of long run relationship amongst the variables is justified due to the order of integration of the series used for this study. The results have shown that there exists a long-run relationship amongst the variables studied as shown on table 3 below.

Table 3: *Johansen Cointegration Test for Long run Equilibrium*

Hypothesized		Trace	0.05		Max - Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**	Statistic	Critical Value	Prob.**
None *	0.757533	54.64002	47.85613	0.0101	32.58843	27.58434	0.0104
At most 1	0.527762	22.05159	29.79707	0.2957	17.25625	21.13162	0.1602
At most 2	0.177951	4.795347	15.49471	0.8302	4.506967	14.26460	0.8023
At most 3	0.012460	0.288380	3.841466	0.5913	0.288380	3.841466	0.5913

Trace test and Max -Eigen Statistics indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: *Researchers' Computation using e-views 7*

Results in table 3 above show that the trace statistics and the Max-Eigen values converges, since either suggested the existence of one cointegrating equation, as such the decision to uphold the Maximum eigen value as a superior statistics in an event conflicting cointegrating results arise does not hold ground. Johansen and Juselius (1990)

Pairwise Granger Causality Tests

The Pairwise Granger causality test at one- lagged for the period 1986-2010 revealed three unidirectional causations i.e. from Gross Capital Formation to Capital Market Index proxied as Capital Market Capitalization; from Gross Capital formation to Foreign Direct Investment; and from Gross Domestic Product to Gross Capital formation. These results are depicted on table 4 below.

Table 4:*Pairwise Granger Causality Tests at One lagged period*

Null Hypothesis:	Obs.	F-Statistic	Prob.
GCF does not Granger Cause CMI	24	3.42489*	0.0783
CMI does not Granger Cause GCF		0.84188	0.3693
GCF does not Granger Cause FDI	24	4.16066*	0.0542
FDI does not Granger Cause GCF		0.09304	0.7633
GDP does not Granger Cause GCF	24	2.6531**	0.1183
GCF does not Granger Cause GDP		0.04738	0.8298

Note: that (*) is significant at 5% level and (**) is significant at 10% level
Source: *Researchers' Computation using e-views 7*

Vector Error Correction Estimates

The Vector Error Correction Model which captures both the long-run equilibrium equation and the short run disequilibrium error is undertaken at a 2-year lagged with the results presented on table 5 below.

Table 5: *Vector Error Correction Estimates*

Included observations: 22 after adjustments			
Cointegrating Eq:			
CMI(-1)	**1.000000**	**Std Error**	**t-stats**
FDI(-1)	2.344312	(0.53698)	[4.36572]
GCF(-1)	-3.660457	(0.73550)	[-4.97683]
GDP(-1)	1.830238	(1.44557)	[1.26610]
D(CMI(-1))	0.552020	(0.20637)	[2.67488]
D(CMI(-2))	-0.379078	(0.20441)	[-1.85447]
D(FDI(-1))	0.103714	(0.21408)	[0.48446]
D(FDI(-2))	0.780729	(0.21344)	[3.65789]
D(GCF(-1))	-0.604574	(0.39849)	[-1.51718]
D(GCF(-2))	-1.033093	(0.34246)	[-3.01668]
D(GDP(-1))	2.584657	(1.41071)	[1.83217]
D(GDP(-2))	0.427480	(1.33560)	[0.32007]
Error Correction:	-0.171167	(0.08792)	[-1.94687]
R-squared	0.713002	0.742003	0.518123
Adj. R-squared	0.497754	0.548506	0.156715
F-statistic	3.312467	3.834692	1.433623
Log likelihood	26.12429	31.24966	29.99939
Akaike AIC	-1.465844	-1.931787	-1.818126

Source: *Researchers' Computation using e-views 7- change to Times New Romans.*

A look at the aggregate statistics also revealed that the coefficient of determination represented by unrestricted R^2 and the restricted R^2 have shown high correlation coefficients amongst the variables studied of about 71% and 50% respectively. In other words, as the case might be for the unrestricted (restricted) model, about 71% (50%) of variations in CMI are captured in the model leaving 29% (50%) as unexplained variations. The F-statistics have shown that the explanatory power of the model is significant. The Akaike information criteria has shown its lowest values at -1.47 depicting that the maximum lagged period in use for the specification of the model has been achieved, as well as assist reduce errors associated with non-serial independence of the disturbance term. The log likelihood statistics has further substantiated our claims in this regard.

Discussion of Results

A cursory look at Table 5 shows the results of the long run relationship and its accompanying short-run dynamics. In the long run, the results obtained are conflicting and in two folds, that is the ability of foreign investment serving as a precipitate of capital market growth to enhance economic growth on one hand, and the ability of domestic investment negating capital market growth, which impedes on economic growth. It is worthy to note that both FDI and GCF do significantly influence variations in CMI. In terms of degree of impact, the positive relationships amongst FDI, GDP and CMI which is in consonance with our apriori expectations, revealed that a 10% increase in FDI and or GDP will increase CMI by 2.3% or 1.8% respectively. This finding corroborates with earlier studies of the Nigerian capital market by showing that growth in the market size of both equity and bonds as indicated by an increasing market capitalization portends well for the economy and is positively correlated with the ability to mobilize capital and diversifiable risk in the economy (Agarwal, 2000); Donwa and Odia 2010).

Their arguments further articulates that the development of a well functioning and vibrant capital market will no doubt have very far-reaching implications for foreign investment with its concomitant multiplier effect on the growth of the economy.

On the other hand, the relationship between GCF and CMI is negative and insignificant. That is a 10% increase in GCF will decrease CMI by 3.06%. Studies by Lin (2009) Singh (1999) Osinubi and Amaghionyeodiwe (2003) have supported this kind of relationship. They found that capital market development do not perform efficiently in developing countries given the huge costs and the poor financial system. Their argument portends that the size and sophistication of financial institutions and markets in the developed countries are not appropriate for low-income markets found in Africa, where efforts to create stock markets have not borne much fruits because there are relatively too few listed shares in the stock markets of sub-Saharan countries. They therefore contend that capital markets are not the best conduit for economic development for poor countries especially those in sub-Saharan Africa.

The short- run relationships for the lagged values of CMI have revealed conflicting information. On the one hand, one year lagged value of CMI has shown significant and positive relationship with the current values of CMI. This means that a 10% increase in DCMI (-1) will explain variations in current values of CMI by 2.6%. While on the other hand, the second year lagged value of CMI do reveal an insignificant and negative relationship with its current value.

The short run dynamics have also revealed insignificant but positive relationship between the one-year lagged values of FDI and the CMI, while the second-year lagged value of FDI is significant and has a positive relationship on CMI. In essence, a 10% increase in either FDI (-1) or FDI (-2) will explain positive variations in CMI by 0.1% and 0.78% respectively.

Further short run relationships have shown that both the one-year lagged (not statistically significant) and second-year lagged (statistically significant) values of GCF revealed negative relationships with CMI. A 10% increase in either GCF (-1) and or GCF (-2) in the short run would decrease CMI by 0.6% or 1.03% respectively.

The short run relationships of the one-year and second- year lagged values of GDP has revealed positive but insignificant relationship. This means that a 10 increase in either of GDP (-1) and GDP (-2), will increase CMI by 2.6% and 0.43% respectively.The disequilibrium error which reported a statistic of -0.17 is correctly signed. This means that while it takes about 17.1% for a disequilibrium or shock to be corrected in the current year, it will take a total of about four years and three months to correct for any disequilibrium error, in an event of a shock to the system.

Implications for Research and Practice

Based on the findings of this work, it can be envisaged that activities of the practitioners in the capital market are more beneficial to foreign investors than the domestic investors. This has a likelihood of creating capital flight or expropriation of resources outside the country. This might explain the liquidity squeeze which is a harbinger of low investment by domestic investors in the market. This is further substantiated by the fact that the ratio of contribution of domestic investment to gross domestic product is stunted despite the marginal positive effects capital market activities have on the gross domestic product. In the event of a shock, practitioners should exhibit calm as it will take about four and half years tapering of the disequilibrium error to return to zero levels. The extent of capital flight and its concomitant effect on economic growth is an area of neglect in this work which further research can be carried out.

Conclusion

Based on the findings of this study, it is obvious to conclude that the operations or activities in the Nigeria Capital Market are more beneficial to Foreign investors than the Domestic investors. This has the propensity of leveraging capital flight, which will decimate the little gains on the economy due to foreign investible funds. Given the Short run results reported in this work, the disequilibrium error reported a statistic of -0.17 which is correctly signed. This means that while it takes about 17.1% for a disequilibrium or shock to be corrected in the current year, it will take a total of about four years and three months to correct for any disequilibrium error, in an event of a shock to the system.

Recommendations

Based on the results of the model, the study suggested that:

1. The Security and Exchange Commission (SEC) should establish structures that will expand market offerings to bring about increase in the depth, breadth and sophistication of market products.
2. To address the problem of low liquidity in the capital market, companies should be required to disclose their unfunded pension liabilities and their level of compliance with the Pension Reform Act 2004 in their published audited company accounts. This will help increase market liquidity because the pension fund industry is one of the key drivers of growth in the capital market.
3. The regulatory framework should be strengthened so as to improve the effectiveness of market regulation, supervision and oversight.
4. The SEC should work with market operators to devise a training program that will increase investor awareness on the availability of alternative market instruments and certification of other market participants. Investor education programs should make liberal use of the internet as well as promote awareness through other programs.

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Banks' Credit and Economic Performance in Developing Nations: Empirical Evidence from the Production Sector of the Nigerian Economy

Eleje, Edward Ogbonnia Ph.D
Management Science Department,
College of Peace and Management Sciences,
Salem University, Lokoja,
Kogi State, Nigeria.
Eddieelyg@yahoo.com. Tel: 08030674738 / 08124840835

and

Ani Wilson Ph.D
Banking and Finance Department,
Micheal Okpara University of Agriculture,
Umudike,Umuahia, Nigeria.
Wilsonani2007@yahoo.com. Tel: 08036660080

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Abstract

Nobel prize laureates and other influential development economists disagree sharply about the role of the financial sector in economic growth. While some dismiss finance (credit) as a major determinant of economic growth and calling its role as being "over-stressed", others argue that,"the idea that financial markets contribute to economic growth is a proposition too obvious for serious discussion." It is on the premise of the foregoing arguments that this study seeks to evaluate the impact of banks credit on economic performance in Nigeria.To achieve this, the study used secondary data sourced from Central Bank of Nigeria Bulletins on Banks credit to the production sector on one hand and on the contribution of the production sector to the Gross Domestic Product on the other hand for a period of 23 years. The data was analyzed using Time series analysis while a computer-based bi-variate linear regression approach using the current statistical package for social science (SPSS) version 17 was also used in the test of the hypotheses. The results show positive and significant effect of commercial banks' credit to production sector on GDP proxied by agriculture, manufacturing, and mining/quarrying respectively. Based on these findings, the study conclude among others that, commercial banks' credit influences growth and economic performance. The study therefore recommends among others that government of Nigeria should intensify efforts on directing credits not just to the production sector but to other relevant sectors of the Nigerian economy to foster long-run overall economic growth and boost the nation's standard of living.

***Keywords**: Commercial Banks, Bank Credit, Production Sector, Economic Growth, GDP*

Introduction

Extant literature have shown that, about 70 per cent of the population in most developing countries such as Nigeria are engaged in the informal agricultural sector, mining, local manufacturing, and other forms of crude extractive occupations (Eleje and Emerole, 2010; and Tajudeen, 2012). For sustainable growth and development in developing countries to be attained, the financial empowerment of their production sector has been advocated by captains of industries and scholars. Studies including Okafor (2000), Olaitan (2006) Adenuga and Akpan, (2007), and Owolabi et.al. (2010) have shown that if effective growth strategies via credit and intellectual capital empowerment are adopted and the latent entrepreneurial capabilities of these large segments of people are sufficiently stimulated and sustained, positive multiplier's effects will be felt throughout the economies. This explains the crucial role of the money market as a veritable engine of economic growth and development. So much has been stressed on this point that it has assumed prominence in the literature of growth and development in the world today.

Commercial banks play a leading role in the money market segment of any financial system. The banks' credit is very pivotal in stimulating effective economic performance. According to Nzotta (1999), commercial banks' credit influences positively the level of economic activities in any country. It influences what is to be produced, who produces it, and how much is to be produced. The Central Bank of Nigeria (CBN, 1992) specifically identified commercial banks as monetary institutions owned by either government or private businessmen for the purpose of profit making. In pursuit of this objective, the commercial banks perform a number of crucial functions. One of these functions is the acceptance of deposits from the public. These deposits are given as loans to different segments of the economy. Government as part of her monetary policy role also directs commercial banks' credit to certain national interest areas to facilitate growth and better economic performance.

The use of directed credit controls by the Nigerian government has over the years undergone several transformations decorated with different numenclature including commercial bill financing scheme; rediscounting and refinancing facility; small and medium enterprises equity investment scheme (SMEEIS), among others. The form oftentimes has been the sectoral allocation of commercial banks' loans and advances within the credit limit specified by the Central Bank. Under the arrangement, the production sector comprising agriculture, Manufacturing enterprises as well as Mining/quarrying are allocated the bulk of commercial banks credit. But the effectiveness of regulated credit policy has been challenged. Presently, there is an ongoing controversial debate between the monetary authorities and the real sector operators that a lot of resources have been channeled to the sector but the impact is yet to be felt in the economy. Admittedly, much theoretical studies including **Allen and Ndikumana (1998), Mishkin (2007) as well as** Essien and Akpan (2007) have attempted to establish the validity of this argument but emipirical evidence in this respect is still insufficient. This study while contributing to existing literature on finance-led-growth also filled the aforementioned research gap. Specifically, the paper empirically evaluated the possible impact of commercial banks' credit to the production sector on the Nigerian economy proxied by the contributions of agriculture, manufacturing and mining/quarrying to the GDP. Upon completion, the study shall benefit banks and other financial intermediaries, economic watchers, market regulators, governments, policy analysts and the global public.

Review of Theoretical and Empirical Literature

The existence of a relationship between finance and growth seems incontestable as many researchers have worked on the issue and positively confirmed it. What is debatable is the direction of causality between finance and growth. According to Levine (2003), finance and growth theory illuminate many of the channels through which the emergence of financial resources, instruments, markets and institutions affect and are affected by economic development. Theoretical debates on the direction of causality between finance and growth have given rise to three distinct hypotheses viz; supply-leading hypothesis (Schumpeter, 1912; Patrick, 1966; Mckinnon, 1973; etc); demand-leading hypothesis (Robinson, 1952; Gurley & Shaw, 1967; Goldsmith, 1969; Lucas, 1988; etc); and the bi-directional hypothesis (Demetriades & Hussein, 1996; Demetriades & Andrianova, 2004; etc) respectively. When causal relationship runs from financial development to growth, it is termed supply-leading because it is believed that the activities of the financial institution increase the supply of financial services which creates economic growth. Similarly, when the growth within the economy results in increased demand for financial services and subsequently motivates financial development, it is termed demand-leading hypothesis. But when causal relationship runs in both directions, it is termed bi-directional. Theoretical arguments over the years have spurred a growing body of empirical analyses, including firm-level studies, industry-level studies, individual country-studies, time-series studies, panel studies, and broad cross-country comparisons all in attempt to demonstrate a link between the functioning of the financial system and long-run economic growth.

Cross-Country Time Series Empirical Studies

Substantial time-series literature examined the finance-growth relationship using a variety of time-series techniques. These studies frequently used ordinary least square (OLS) regression tests, Granger-type causality tests and vector autoregressive (VAR) procedures to examine the nature of the finance-growth relationship. Jung (1986) and Demetriades and Hussein (1996) used measures of financial development such as the ratio of money to GDP. They found that the direction of causality frequently runs both ways, especially for developing economies. According to them, the positive impact of finance on growth is particularly strong when using measures of the value-added provided by the financial system instead of simple measures of the size of the financial system, as documented by Neusser and Kugler (1998).

In a broad study of 41 countries over the 1960-1993, Xu (2000) used the VAR approach and improved upon the early works of Jung (1986) as well as Arestis and Demetriades (1997). The VAR approach permitted the identification of the long-term cumulative effects of finance on growth by allowing for dynamic interactions among the explanatory variables. Xu (2000) rejected the hypothesis that finance simply follows growth. Rather, the analyses indicate that financial development is important for long-run growth. Christopoulos and Tsionas (2003) used panel unit root tests and panel cointegration analysis to examine the relationship between financial development and economic growth in ten developing countries. They noted that many time-series studies yielded unreliable results due to the short time spans of typical data sets. Thus, they used time-series tests to yield causality inferences within a panel context that increases sample size. In contrast to Demetriades and Hussein (1996), Christopoulos and Tsionas (2003) found strong evidence in favor of the hypothesis that long-run causality runs from financial

development to growth and that there is no evidence of bi-directional causality. Furthermore, they find a unique cointegrating vector between growth and financial development, and emphasize the long-run nature of the relationship between finance and growth. Rousseau and Wachtel (1998) conducted time-series tests of financial development and growth for five countries over the past century using more comprehensive measures of financial development. They used measures of financial development that included the assets of both banks and non-banks. They documented that the dominant direction of causality runs from financial development to economic growth. Similarly, Rousseau and Sylla (1999) expanded Rousseau's (1998) examination of the historical role of finance in U.S. economic growth to include stock markets. They used a set of multivariate time-series models that relate measures of banking and equity market activity to investment, imports, and business incorporations over the 1790-1850 period. Rousseau and Sylla (1999) found strong support for the theory of "finance-led-growth" in United States. Moving beyond the U.S., Rousseau and Sylla (2001) studied seventeen countries over the period 1850-1997. They also found strong evidence consistent with the view that financial development stimulate economic growth in these economies. In a study of stock markets, banks, and economic growth, Arestis, Demetriades and Luintel (2000) found additional support for the view that finance stimulates growth but raise some cautions on the size of the relationship. They used quarterly data and applied time series methods to five developed economies and showed that while both banking sector and stock market development explain subsequent growth, the effect of banking sector development is substantially larger than that of stock market development.

Individual Country Time Series Empirical Studies

Some time-series studies focus on the experience of a single country. For instance, in a study of the Meiji period in Japan (1868-1884), Rousseau (1999) used a variety of VAR procedures and concluded that the financial sector was instrumental in promoting Japan's explosive growth prior to the First World War. In a different study, Rousseau (1998) examined the impact of financial innovation in the U.S. on financial depth over the period 1872-1929. Innovation was proxied by reductions in the loan-deposit spread. The impact on the size of the financial intermediary sector was assessed using unobservable components methods. The paper found that permanent reductions of 1% in the spread of New York banks are associated with increases in financial depth that range from 1.7% to nearly 4%. **Again, Cem (2010)** investigated the relationship between credit market development and economic growth for Turkey over the period of 1961-2008 using an ARDL-Bounds testing approach. He tested whether credit market development spurs economic growth taking into account the negative effect of inflation rate as an intermittent variable on credit market and growth. He also tested the relationship between bank credit and GDP growth and estimated the short-run and the long-run elasticities. It was found that bank credit increased GDP growth both in the short and the long run until 2002 after which the impact reversed. The empirical results indicated that credit market development has a positive effect on economic growth until the period of the over-financialization in Turkey.

In Nigeria, researchers have also attempted to examine the relationship between the financial market development and economic growth. However, most of the existing empirical studies focus more on the capital market with very little money market evidence. Adam and Sanni (2005) examined the roles of stock market on Nigeria's economic growth using Granger-causality test

and regression analysis. The authors discovered a uni-directional causality between GDP growth and market capitalization and a bi-directional causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth turnover ratios. Similarly, Abu (2009) examined whether stock market development raises economic growth in Nigeria, by employing the error correction approach. The econometric results indicated that stock market development proxied by market capitalization to GDP ratio increases economic growth in Nigeria. Other recent studies such as Osinubi and Amaghionyeodiwe (2003), Obamiro (2005), Kolapo and Adaramola (2012) amongst other also examined the relationship between Nigeria stock market and economic growth and found positive relationship between the stock market and economic growth. Particularly, Ezeoha et al (2009) investigated the nature of the relationship that exists between stock market development and the level of investment proxied by domestic private investment and foreign private investment flows in Nigeria. They discovered that stock market development promotes domestic private investment flows thus suggesting the enhancement of the economy's production capacity as well as promotion of the growth of national output. However, the results show that stock market development has not been able to encourage the flow of foreign private investment in Nigeria. Nyong (1997) developed an aggregate index of capital market development and used it to determine its relationship with long-run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. Four measures of capital market development, the ratio of market capitalization to GDP, the ratio of total value of transactions on the main stock exchange to GDP, the value of equities transaction relative to GDP and listings were used. The four measures were combined into one overall composite index of capital market development using principal component analysis. Result showed that capital market development is negatively and significantly correlated with long-run growth in Nigeria. Ewah et al (2009) appraised the impact of capital market efficiency on economic growth in Nigeria using time series data on market capitalization, money supply, interest rate, total market transaction, and government development stock between 1961-2004. By applying the multiple regression approach and ordinary least squares estimation techniques, they found that the capital market in Nigeria has the potential to induce growth, but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capacity, illiquidity, misappropriation of funds among others. Above all, Oluitan (Undated) examined the significance of bank credit in stimulating output within the real sector and the factors that prompted financial intermediation within the economy. Evidence from the work shows that real output causes financial development, but not vice versa. It was also observed that export of oil and non-oil export are not significant in driving financial development; but growth in the financial sector is highly dependent on foreign capital inflows.

Methodology

Empirical Design and Data: The paper employed the *ex-post facto* research design in obtaining, analyzing and interpreting the relevant data. The justification for the choice is that *ex-post facto* design allows the researcher the privilege of observing one or more variables over a period of time. Accordingly, the research variables for this study were observed over a 23 year period 19862008. The timeframe is justified as it coincides with the structural adjustment period of the Federal Government of Nigeria and covers all other subsequent federal government credit programmes. The paper utilized secondary data on contributions of agriculture,

manufacturing and mining/quarrying on Nigeria's Gross Domestic Product (GDP) at current producers' price and commercial banks' credit to agriculture, manufacturing, and mining/quarrying respectively (*see appendix 1*). Data were from the Central Bank of Nigeria (CBN) Statistical Bulletin. The extracted data were subsequently analyzed and tested using time series and bi-variate linear regression analysis respectively with the aid of the Statistical Package for Social Science (SPSS) computer *version 17* to determine the impact of commercial banks' credit on economic growth performance in Nigeria as proxied by the Gross Domestic Product (GDP).

Research Hypotheses: Three major hypotheses were formulated in the null form to guide the study as follows:

H_{01}: There is no significant effect of Nigeria commercial banks' credit to agriculture on Nigeria's total Gross Domestic Product.

H_{02}: There is no significant effect of Nigeria commercial banks' credit to manufacture on Nigeria's total Gross Domestic Product.

H_{03}: There is no significant effect of Nigeria commercial banks' credit to mining and quarrying on Nigeria's total gross domestic product.

Analytical Econometric and Justifications: The adopted model for this paper draws theoretical strength from Endogenous growth models. Endogenous growth models among other things demonstrate the channel by which trade financial policies affect economic growth and development. Accordingly, the model chosen is consistent with previous local and foreign studies on finance and growth including Adam and Sanni (2005), Abu (2009), Demetriades & Andrianova (2004), Ghirmay (2004), However, the study specifically patterned the bivariate model developed by Ghirmay (2004). The model is of the form: -

$$LY_t = \beta_0 + \beta_1 LC_{t-1} + \varepsilon_t \text{------} (i)$$

where: -

LY = Log of Real Gross Domestic Product growth

LC = Log of Real Private Sector Credit growth

β_0 and ε_t are the constant and the error terms respectively

The above function is patterned to model our three hypotheses as follows:

$$LGDP_{agric} = \beta_0 + \beta_1 LBank_{agrict-1} + \varepsilon_{t....} \text{................} (ii)$$

$$LGDP_{man} = \beta_0 + \beta_1 LBank_{mant-1} + \varepsilon_{t...} \text{...............} (iii)$$

$$LGDP_{min/Q} = \beta_0 + \beta_1 LBank_{min/Qt-1} + \varepsilon_t \text{.............} (iv)$$

Where:-

$GDP_{agric/man/min}$ =Contributions of agriculture, manufacturing, and mining/quarrying to Nigeria's Gross Domestic Product at current producers price

$Bank_{agric/man/min}$ = Commercial banks' credit to agriculture, manufacturing, and mining/Q

Results and Discussions

Table 1 & 2 are summary statistics of the results emanating from the SPSS computer output *(See appendix 2):*

Table (1) :	**Coefficients (@ 95% Confidence Interval for B)**					
	Constants of the Regressors			**Indepnt Variable (Bank Cr)**		
Hypo Variables	**Beta**	**t-stats.**	**t-sig.**	**Beta**	**t-stats.**	**t-sig.**
H01 Agric	-191563	-0.560	0.581	58.638	8.763	0.000
H02 Manf	64353	3.908	0.001	0.774	9.992	0.000
H03 Min/Q	2651.485	2.846	0.010	0.049	11.527	0.000

Source: *Computed from SPSS Output in appendix 2*

Results arising from the coefficient table (1) above made striking revelations for the three hypotheses. For hypothesis one, the constant value is -191563. The value is negative and statistically not significant at 0.581. The constant value is the intercept of the regression line indicating that agriculture contribution to gross domestic product (GDP) in Nigeria will be less 191563 units assuming other explanatory variables are zeros. The coefficient of commercial banks' credit to agriculture is 58.638. This value is positive and statistically significant (i.e, 0.000) at both 95% and 99% significant values respectively. This means that for every one unit increase in commercial banks' credit to agriculture in Nigeria holding other variables constant, agriculture contribution to GDP will increase by 58.638 units. On the other hand, the constant term for hypothesis two is 64353 and statistically significant at 0.001 implying that the contribution of manufacture to GDP will be 64353 units if other explanatory variables are zeros. The coefficient of commercial banks' credit to manufacturing sector is 0.774. This value is also positive and statistically significant (i.e, 0.000) at both 95% and 99% significant values respectively. This means that for every one unit increase in commercial banks' credit to manufacturing sector in Nigeria holding other variables constant, manufacturing sector contribution to GDP will increase by 0.774 unit. Similarly, the constant term for hypothesis three is 2651.48 and statistically significant at 0.010 implying that the contribution of mining to GDP will be 2651.48 units if other explanatory variables are zeros. The coefficient of commercial banks' credit to mining is 0.049. This value again is positive and significant (i.e, 0.000) at both 95% and 99% significant values respectively. This means that for every one unit increase in commercial banks' credit to mining/quarrying in Nigeria holding other variables constant, mining contribution to GDP will increase by 0.049 unit.

Table 2: *Relationship and Variance Statistics*

Hypo	Variables	Pearson	R	R^2	Adj. R^2	F	F-Sig
H_{01}	Agric	0.886	0.886	0.785	0.775	76.784	0.000
H_{02}	Manf	0.909	0.909	0.826	0.818	99.843	0.000
H_{03}	Min/Q	0.929	0.929	0.864	0.857	132.866	0.000

Source: *Computed from SPSS Output in appendix 2*

The above submission is further confirmed using relevant descriptive statistics summerized in table 2. The Analysis of Variance (ANOVA) tested for the acceptability of our model from statistical significant viewpoint by looking at the goodness of fit from the F-statistics. Accordingly, the significant values of the F-statistics from the ANOVA table are 0.000 for the three models. 0.000 is less than 0.05, an indication that the models did good job in explaining the variations in the dependent variables. The signs of the Pearson correlation coefficient between $GDP_{agric/man/min}$ and $Bank_{agric/man/min}$ are 0.886, 0.909, and 0.929 respectively. This is an indication of strong positive relationship between production sector contribution to GDP and commercial banks' credit to production sector in Nigeria. The multiple correlation coefficient (R) for the three models are similar to the pearson correlation coefficients, an indication of strong relationship between the predicted and the observed values of the dependent variables. The R square statistics are 0.785, 0.826 and 0.864 implying that 78.5%, 82.6%, and 86.4% of the variations in the dependent variables respectively are explained by the independent variables. Again, the R square adjusted are also high at 0.775, 0.818, and 0.857 signifying that after adjusting for errors, 77.5%, 81.8%, and 85.7% of the variations in

the dependent variables are still explained by the independent variables in the models.

Empirical Validation of Hypotheses and Implications

Recall, the specific objective of this paper is to empirically evaluate the possible impact of commercial banks' credit to the production sector on the Nigerian economy as proxied by the contributions of agriculture, manufacturing and mining/quarrying to the GDP. Evidence from the above discussion of results indicates that this major objective is achieved. Arising from the discussions are three major findings highlighted as follows:

- There is positive and significant effect of Nigeria commercial banks' credit to agriculture on Nigeria's total gross domestic product.
- There is positive and significant effect of Nigeria commercial banks' credit to manufacture on Nigeria's total gross domestic product; and,
- there is positive and significant effect of Nigeria commercial banks' credit to mining and quarrying on Nigeria's total gross domestic product.

These findings are confirmed by the results of the three formulated hypotheses. Existing hypothesis decision rule is to reject the null hypothesis and accept the alternate hypothesis when the computed t-value is greater than the tabulated t-value or decide otherwise when the computed t-value is less than the tabulated t-value. The tabulated t-value for the study from the statistical table at 95% confidence interval is 1.7171. This is less than the computed t-values of 8.763, 9.992, and 11.527 for banks credit to agriculture, manufacturing, and mining/quarrying respectively in table 1. Accordingly, the study rejected the three null hypotheses and accepted their alternate hypotheses and thus submits that there is positive and significant effect of commercial banks' credit to agriculture, manufacturing, and mining on the gross domestic product in Nigeria. The above findings of this study are consistent with numerous existing studies including McKinnon (1973), Shaw (1973), Nzotta (2002), Ezeoha et al (2009), Kolapo and Adaramola (2012), Ogboi and Oladipo (2012), among others who postulate that financial deepening among other things stimulates investment and boost economic performance in a nation.

The findings have certain implications to policy makers. First, credits directed so far to the production sector contrary to popular opinions by the government authorities and other concerned analysts have to a significant extent been judiciously used for production purposes hence, the positive and significant effect on GDP as evidenced. Secondly, out of the three production variables considered, agriculture had the highest contribution to the GDP, followed but not closely by manufacturing. The mining/quarrying industry's contribution has been very minimal. Evidence from the discussion of results precisely shows that for every one unit of credit directed to mining/quarrying subsector, its contribution to GDP was far less than unity (0.049 unit). The implications are double fold: It could be that the mining industry has not received adequate financial vitality to optimize its productive capacity or that the credits so far advanced have been unduely misappropriated.

Conclusions and Recommendations

One major conclusion of this study is that finance leds growth and can stimulate economic performance in Nigeria especially when measured using the production sector's experience. Another is that the credits directed to the production sector are not often being wasted as earlier suggested in some studies, rather they are in most cases appropriately invested. This is evidenced in the effects of such credits on productivity and economic growth of the Nigerian economy. From the above implications and conclusions are four

major recommendations for fasttracking and optimizing the value-added impact of banks credit in Nigeria:

- The positive performance of banks credit to the production sector is an indication of its usefulness in steering up balanced growth in other sectors of the Nigeria economy. Regulatory authority such as the CBN should therefore initiate more policies that would encourage more sectors accessibility to banks credit easily and affordably. They should however be proactive in their surveillance role in order to check sharp practices that could undermine market integrity and erode investors' confidence.
- Meanwhile, there is still urgent need for more supervision and monitoring of banks credit in the production sector. The performance experience of the mining/quarrying unit of the sector is a pointer to that effect. Hence, banks credit officers should endeavour to consistently supervise projects for which purpose bank credits are granted and ensure that the credits are accordingly utilized for that purpose.
- The poor contribution of mining/quarrying subsector to the GDP can be adequately improved for it to contribute meaningfully to development. This can be achieved through injection of more financial vitality via loans, grants, or even subsidies to optimize the subsector's productive capacity and enhance its performance.
- Finally, the case of credit misappropriation in the mining /quarrying subsector is not impossible and as such should be investigated. The economic and financial crime commission should investigate the volume of credits so far allocated to the mining/quarrying subsector and confirm if such finances were appropriately invested into productive projects. Any case of misappropriation or embezzlement should be properly and legally sanctioned.

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Appendix 1

NIGERIAS GDP AT CURRENT PRODUCER PRICES (=N=MILLION)				DISTRIBUTIONS OF COMMERCIAL BANKS CREDIT TO PRODUCTION SECTOR (=N=MILLION)		
ACTIVITY SECTORS				ACTIVITY SECTORS		
Year	*Agriculture*	*Manufacturing*	*Mining/Q*	*Agriculture*	*Manufacturing*	*Mining/Q*
1986	28,043.80	9,355.04	239.65	1,830.3	4,475.2	208.0
1987	39,363.46	10,600.25	274.05	2,427.1	4,961.2	246.3
1988	58,083.30	15,637.96	310.84	3,066.7	6,078.0	227.3
1989	69,922.67	17,706.98	578.17	3,470.5	6,671.7	271.6
1990	84,585.09	20,867.68	652.64	4,221.4	7,883.7	362.4
1991	97,717.29	27,472.71	735.05	5,012.7	10,911.3	541.8
1992	145,569.91	38,327.83	916.45	6,978.9	15,403.9	759.7
1993	232,338.11	55,335.96	1,202.87	10,753.0	23,110.6	1,424.1
1994	349,991.16	89,273.14	1,548.72	17,757.7	34,823.2	-
1995	621,045.90	149,441.60	2,067.67	25,278.7	58,090.7	12,071.6
1996	843,089.45	188,625.96	2,406.34	33,264.1	72,238.1	15,049.5
1997	955,395.77	204,536.59	2,816.40	27,939.3	82,823.1	20,611.0
1998	1,059,685.66	200,831.40	3,731.67	27,180.7	96,732.7	22,848.2
1999	1,129,975.49	214,244.25	4,129.09	31,045.7	115,759.9	24,683.6
2000	1,195,473.71	238,501.48	4,581.76	41,028.9	141,294.8	32,288.6
2001	1,598,017.79	280,466.86	5,990.93	55,846.1	206,889.0	70,477.1
2002	3,360,090.50	330,956.74	7,055.66	59,849.7	233,474.7	70,170.0
2003	3,628,553.19	396,796.76	8,401.33	62,102.8	294,309.6	95,976.4
2004	3,908,926.29	479,128.22	13,037.93	67,738.6	332,113.7	131,055.6
2005	4,779,429.71	426,087.40	17,286.35	48,561.5	352,038.3	172,532.1
2006	5,947,992.21	493,365.68	27,261.45	49,393.4	445,792.6	251,477.1
2007	6,766,333.93	528,218.90	31,427.07	149,578.9	487,576.0	490,712.9
2008	7,990,329.99	595,073.56	36,158.59	106,353.8	932,799.5	846,942.8

Source: CBN Statistical Bulletin 2010

APPENDIX 2:Bank Credit to Agric and Agric Contribution to GDP

Descriptive Statistics

	Mean	Std. Deviation	N
GDPagric	1951737	2417643.204	23
BANKagric	36551.33	36535.40418	23

Correlations

		GDPagric	BANKagric
Pearson Correlation	GDPagric	1.000	.886
	BANKagric	.886	1.000
Sig. (1-tailed)	GDPagric	.	.000
	BANKagric	.000	.
N	GDPagric	23	23
	BANKagric	23	23

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	.886[a]	.785	.775	1146751.84	.785	76.784	1	21	.000	1.745

a. Predictors: (Constant), BANKagric

b. Dependent Variable: GDPagric

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1E+014	1	1.010E+014	76.784	.000[a]
	Residual	3E+013	21	1.315E+012		
	Total	1E+014	22			

a. Predictors: (Constant), BANKagric

b. Dependent Variable: GDPagric

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	5% Confidence Interval for		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-191563	342056.0		-.560	.581	-902907.132	519781.545					
	BANKagric	58.638	6.692	.886	8.763	.000	44.722	72.554	.886	.886	.886	1.000	1.000

a. Dependent Variable: GDPagric

Collinearity Diagnostics [a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	BANKagric
1	1	1.715	1.000	.14	.14
	2	.285	2.453	.86	.86

a. Dependent Variable: GDPagric

Residuals Statistics [a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-84237.5	8579458	1951737	2142366.310	23
Residual	-1813124	3243221	.00000	1120386.207	23
Std. Predicted Value	-.950	3.094	.000	1.000	23
Std. Residual	-1.581	2.828	.000	.977	23

a. Dependent Variable: GDPagric

Descriptive Statistics

	Mean	Std. Deviation	N
GDPman	217863.2	190564.55214	23
BANKman	172445.7	223732.89640	23

Correlations

		GDPman	BANKman
Pearson Correlation	GDPman	1.000	.909
	BANKman	.909	1.000
Sig. (1-tailed)	GDPman	.	.000
	BANKman	.000	.
N	GDPman	23	23
	BANKman	23	23

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.909[a]	.826	.818	81309.74828	.826	99.843	1	21	.000	.647

a. Predictors: (Constant), BANKman

b. Dependent Variable: GDPman

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7E+011	1	6.601E+011	99.843	.000[a]
	Residual	1E+011	21	6611275165		
	Total	8E+011	22			

a. Predictors: (Constant), BANKman

b. Dependent Variable: GDPman

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			5% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	4353.488	1586.461		3.908	.001	39461.984	129244.991					
	BANKman	.774	.077	.909	9.992	.000	.613	.935	.909	.909	.909	1.000	1.000

a. Dependent Variable: GDPman

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	BANKman
1	1	1.619	1.000	.19	.19
	2	.381	2.061	.81	.81

a. Dependent Variable: GDPman

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	87818.24	806538.8	217863.2	173216.87526	23
Residual	-211465	137648.0	.00000	79440.30877	23
Std. Predicted Value	-.751	3.398	.000	1.000	23
Std. Residual	-2.601	1.693	.000	.977	23

a. Dependent Variable: GDPman

Bank Credit to Mining/Q and Mining/Q Contribution to GDP

Descriptive Statistics

	Mean	Std. Deviation	N
GDPminQ	7513.5078	10533.75129	23
BANKminQ	98595.03	198498.26829	23

Correlations

		GDPminQ	BANKminQ
Pearson Correlation	GDPminQ	1.000	.929
	BANKminQ	.929	1.000
Sig. (1-tailed)	GDPminQ	.	.000
	BANKminQ	.000	.
N	GDPminQ	23	23
	BANKminQ	23	23

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.929[a]	.864	.857	3983.11373	.864	132.866	1	21	.000	.828

a. Predictors: (Constant), BANKminQ

b. Dependent Variable: GDPminQ

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2E+009	1	2107949061	132.866	.000[a]
	Residual	3E+008	21	15865194.99		
	Total	2E+009	22			

a. Predictors: (Constant), BANKminQ

b. Dependent Variable: GDPminQ

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	5% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	2651.485	931.509		2.846	.010	714.306	4588.664					
	BANKminQ	.049	.004	.929	11.527	.000	.040	.058	.929	.929	.929	1.000	1.000

a. Dependent Variable: GDPminQ

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	BANKminQ
1	1	1.453	1.000	.27	.27
	2	.547	1.629	.73	.73

a. Dependent Variable: GDPminQ

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2661.7419	44416.83	7513.5078	9788.55793	23
Residual	-8258.24	12208.86	.00000	3891.53566	23
Std. Predicted Value	-.496	3.770	.000	1.000	23
Std. Residual	-2.073	3.065	.000	.977	23

a. Dependent Variable: GDPminQ

The 2005 Bank Consolidation and the Performance of the Manufacturing Sector in Nigeria

Okwori, Joseph
Department of Economics
Benue State University, Makurdi
e-mail: okworij@yahoo.com

pp 187-196

Abstract

This study takes a cursory look at the 2005 bank consolidation exercise in Nigeria and how it has impacted on the manufacturing sector in the country. Following from the lofty justifications advanced by policy makers pre-consolidation, the paper employed the simple statistical tool of pie charts to analyse pre-and-post consolidation indices especially as regards performance of the manufacturing sector in Nigeria. The study found that though there has been an appreciable post-consolidation increase in banks lending to the manufacturing sector, the increase in the sector's contribution to GDP is not commensurate and manufacturing sector capacity utilisation is on the decline. The study therefore recommends a wholesome reform of the manufacturing sector with substantial improvement in the supporting infrastructure and appropriate policy making especially with regards importation of foreign goods and consumption of domestic manufactured products.

Introduction

In the early years of independence the composition of Gross Domestic Product (GDP) by economic activity showed that the Nigerian economy was agrarian with agriculture accounting for 64.1 and 47.6 percent of GDP in 1960 and 1970, respectively (CBN, 2000). The dominance of this sector relegated every other sector to the background, thus the fate of manufacturing sector in Nigeria was determined right from the early days of the country's independence. The discovery of petroleum in the mid-1970s marked the era of declining share of agriculture to the GDP. Government attention shifted from agriculture (which hitherto sustained the economy) as evidenced by low capital expenditure to the sector to 1.2% of total expenditure in 2010. Agricultural sector contribution to GDP stood at a budgeted 6.55 percent of total expenditure in 1990 and declined constantly to 3.07, 1.40 and 1.31 percent in 1994, 1998 and 2001, respectively (CBN, 2003). The industrial sector has not fared any better as manufacturing sector contribution to GDP remained constantly low at about 4.8, 8.2, 8.2 and 6.2 percent in 1960, 1970, 1980, 1990 ad 1998, respectively.

According to Afolabi (1999), the industrial sector and specifically the manufacturing sub-sector of most modern economies serves as the vehicle for the production of goods and services, the generation of employment and the enhancement of income. The sector can be regarded therefore as the major force driving the modern economy. Issues of productivity in the sub-sector are therefore, crucial in the growth and development process of every economy.

Given the important role of the industrial sector in any developing economy, and being conscious of the weak performance of the manufacturing sub-sector, Nigeria has employed a number of strategies aimed at enhancing the productivity of the sector in order to enhance economic growth and development. Such strategies include: The import substitution industrialization strategy during the First National Development Plan (1962-68) which was consolidated during the "oil boom" era in the Second National Development Plan (1970-74); and the Stabilization Measures of 1982, which was aimed at encouraging policy and stringent exchange control measures of 1984, the failure of which resulted in the introduction of the Structural Adjustment Programme (SAP). This marks the beginning of economic liberalization policies like privatization, commercialization and deregulation of various sectors and industries in Nigeria which has continued to date.

These strategies have failed to yield any substantial improvement in manufacturing output in Nigeria. The sector has remained with its problems of low level of technology, low level of capacity utilization, low investments, and high cost of production among others, which has persistently resulted to low output thus poor contribution to GDP. The problem of high cost of production has maintained top position among the salient issues that affect the Nigerian manufacturing industry. According to Olekah, *et al* (2003), "virtually all the cost items, materials, wages and salaries, energy and interest rates contributed to the escalating costs". To collaborate this fact, available statistics from the CBN revealed that the aggregate cost of raw materials rose by 85.5, 62.8, 11.3, 12.1, 24.8 and 21.6 percents, in 1995, 1996, 1997, 1998, 2000 and 2001 respectively, while the average increase in the cost of raw materials for the period was 36.4 percent (CBN Statistical Bulletin, 2010).

Various reasons have been adduced for the high aggregate cost in the sector. Chief among them is the nature of the banking credit to the sector, largely because of the perceived risk in lending to the sector and the consequent high rate of self-financing, which analysts estimate to be above 60 percent among indigenous firms. Consequently, many firms

rely heavily on internally generated funds, owing to their obvious advantages over other sources of business finance especially bank loans. The problem however is that this self financing does not provide adequate funding to power a vibrant manufacturing sector that will sustain the demands of a developing economy.

Current economic reforms in Nigeria seek to correct this abnormality and a major reform item towards this direction is the 2005 bank consolidation exercise. The banking industry in Nigeria before now was made up of 89 banks of relatively small capitalization, which could not sufficiently mobilize international and domestic capital for development of investments in the key sectors. The banking industry was bedeviled with distress signals at the doors of some banks and there was dwindling confidence in the banking system. Furthermore, the industry was associated with high interest rate charges and there was emphasis on short-term lending to the neglect of manufacturing, agriculture and other capital intensive projects. At the wake of the consolidation, the then reforming Governor of the Central Bank of Nigeria (CBN), Professor Charles Soludo in a pre consolidation press briefing remarked that, "it became necessary to take pre-emptive measures to avoid the cycle of boom and burst" adding that, "it is now time to set up a structure that creates a strong base relative to the kind of economy we are operating where banks become channels to do proper intermediation". Premised on the foregoing reasons for the banking sector reforms and against the backdrop of the claim that recapitalisation of the banking sector will reposition the banking firms to vigorously support the manufacturing industry, this paper seeks to comparatively assess the level of success so far made towards actualizing this dream and to investigate prospects for evolving a banking system that will appropriately play its role in evolving a functional manufacturing sector. Upon completion, the study shall benefit or be relevant to policy makers at the central bank of Nigeria, commercial banks, government ministries and agencies, as well as the non-governmental public. Again, given the paucity of empirical data in manufacturing research, this study upon completion will go a long way to bridge the obvious research gap that exist in this area by contributing to the existing scarce academic debate and enriching the sparse empirical data that limits researches in this area.

Banks as Catalyst for the Development of the Manufacturing Sector

Contemporary literature continues to emphasize the importance of banks in the economic growth of any country specifically through the development of its manufacturing sector. Obanuyi, Edun and Kayode (2010) investigated bank lending, economic growth and the performance of the manufacturing sector in Nigeria. Using cointegration and vector error correction model (VECM) techniques, the study concluded that manufacturing capacity utilisation and bank lending have significant effect on manufacturing output in Nigeria. It recommends therefore that government should make efforts to encourage a review of growth and lending policies and provide appropriate macroeconomic environment, in order to encourage investment-friendly lending and borrowing by the financial institutions. This conclusion provides an important basis for assessment of the banking reforms in Nigeria and how it has impacted 0n the economy. Odi (2013) studied Impact of pre and post bank consolidation on the growth of Nigeria economy. The study observed that post consolidation have significant positive effect on the growth of the Nigerian economy. It recommended a further upward review of bank capitalisation to boost profitability through effective intermediation and investment diversification.

Bank is a commercial institution that

mobilises deposits from surplus spending units and lend same to deficit spending units in order to maintain balance in the financial system. Invariably, banks accept deposits and advances loans to individuals and organizations. Akingbola (2008) simply posits that banks are concerned mainly with making and receiving payments on behalf of its customers, accepting deposits and making loans to private individuals, companies, public organizations and governments. Banks also provide money transmission and other monetary intermediation services to their customers.

Banks as economic agents perform certain functions to the general public. Their functions include what is grouped as traditional functions as well as other functions. The traditional or essential functions of a bank are outlined by Ajayi (1999) are as follows:

1. Safe keeping of wealth
2. Savings mobilization and
3. Loan creation

The other roles of banks in the economy are: Financial advisory services, financial intermediation, medium of payment, trade services. The efficacies with which the banking sector in an economy performs these functions determine the level of impact of banks on such an economy.

The core role of bank in an economy is hinged on its function as financial intermediaries. Banks provide the link between the deficit and the surplus sectors of any economy. If the link does not exist, the surplus sector will have excess funds which will probably be held as idle balances instead of saving such funds to earn interest. On the other hand, there will exist elsewhere people in the deficit sector who can invest profitably but there is no fund. Both sides will lose but it is in fact the economy that sustains the highest lose because economic development will be hindered due to low level of investment arising from poor capital formation. The overall economic effect therefore is that financial intermediation leads to better aggregation of savings and therefore help in capital formation and investment in the economy.

Bank consolidation is justified in an economy via the theoretical requirements of financial intermediation. According to Afolabi (1999), for financial intermediation to succeed, three qualities are essential. These are usually called the three C'S of intermediation which include; cost, convenience and confidence.

Cost refers to the transaction cost that the saver or borrower is made to bear in the process of his dealing with the intermediary. Thus, costs like bank charges, commission and interest payable must be considerably low. The level of interest charges in Nigerian banks before consolidation show that this requirement was far from being met in the industry, whether there has been an improvement or not is in the subject of discussion in subsequent sectors.

Convenience has to do with the ease with which people transact business with the intermediary which include, among others, the formalities involved. Simplicity of operation must be ensured such that it does not require specialist knowledge or certain level of education to deal with an intermediary. The conditions for transactions, especially with regards to loan acquisition in Nigerian banks obviously provides a clear opposite of this requirement.

Confidence is perhaps the most important pillar upon which financial intermediation rotates. A banking sector which is known for distress and constant loss of depositor's funds cannot effectively perform its intermediation roles. Thus, as banks pursue its goals of profitability, cogency and liquidity, regulatory responsibility must be undertaken by the Central Bank for maximum benefits to customers in particular and the economy in general. This is the background or rationale for the consolidation exercise in Nigeria.

The central bank of Nigeria has identified the characteristics of the

consolidated banking system as:-

i. A system having a larger capital base (from under US$3 billion to over US $9billion).
ii. Higher ratings of Nigerian banks by international ratings agencies (S and P, Fitch).
iii. Increase in branch network from 3,200 in 2004 to 3,866 in April 2007.
iv. Decline in non-performing loans/total loans from 23 percent to about 7 percent in 2006.
v. Rapid growth in credit to the private sector.
vi. Longer-tenured deposits growing relative to total

Overview of the Nigerian Manufacturing Sector

According to the NEEDS document (2004), manufacturing sector has various segments in Nigeria and its contributions to GDP and employment remain small. The activity mix in the sector is also limited, dominated by input dependent processes and factors. The sector has continued to face a number of constraints which the NEEDS document itemized as follows:

- ❖ Lack of demand for the products and services of small and medium size enterprises, and ineffective linkages between industry and research institute and universities.
- ❖ Lack of political will to implement local content and technical know-how policies.
- ❖ Lack of engineering capacity to translate scientific research results into finished goods and maintain existing machinery: low level of entrepreneurial capacity, complete lack of institutional mentoring and technological support and paucity of trained artisan skills.
- ❖ Unfair competition from dumped, second level counterfeit, smuggled, and substandard product.
- ❖ A weak legal framework; weak financial, and information management systems and practices; and underdeveloped payment system.
- ❖ Systematic and operational constraints that impede the competitive capacities of large manufacturing companies.

These constraints therefore, have rendered the sector unattractive for investment. It bothers the mind as to the prospects of the consolidated banking system turning around the sector. Observed trend has shown that even the scarcely available bank loans to the private sector are not channeled to the manufacturing sector. Rather, investors prefer to invest in quick and high yielding importation activities that will earn enough profit to offset the high interest charges of the banks. The Manufacturing association of Nigeria at various times decried the menace of cloning and counterfeiting of manufactured products in the African sub region by Asian countries with dire consequences for many Nigerian Manufacturers who are losing export markets as a result. (The Nation Newspaper, 22nd December, 2013)

Methodology

This paper seeks to assess the level of success/failure recorded so far with the implementation of the consolidation programme. The study used only secondary data sourced from CBN statistical bulletins and other relevant publications. The span of the study covers a period of 11 years from 2000 to 2010. Using the method of percentage comparative analysis, and adopting analytical tools of tables and charts, the study compares the yearly total loan to the manufacturing sector with the yearly contribution of the sector to GDP in order to ascertain if the increase in loans to the sector were equivalent or proportionate to the growth and development in the sector after the consolidation of the banking sector in Nigeria within the period under investigation. Available pre and post-consolidation data

were therefore used for the analysis.

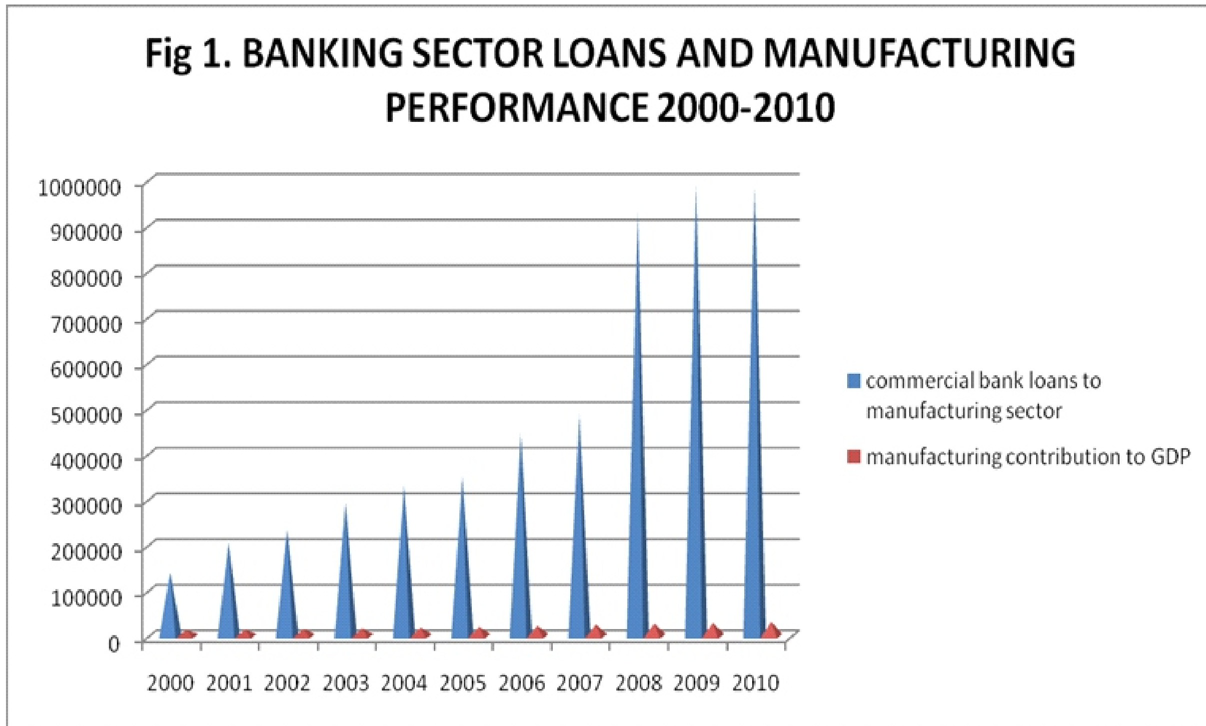
Post Consolidation Performance of the Nigerian Banking System and its Impact on the Manufacturing Sector

The controversies that heralded the consolidation exercise in Nigeria provide the platform for assessment of the exercise. Renowned economists like Okagbue and Aluko (2004) as quoted by Sere-Ejembi (2008), saw the reforms as necessary to bring about a strong and reliable banking sector that will ensure the safety of depositors money, play active development roles in the Nigerian economy and become competent and competitive players both in the African and global financial systems. One the other hand, Teriba (2004), as quoted in the same Sere-Ejembi argued that the reform would create problems for the banking sector in particular, and the Nigerian economy in general.

A successful consolidation exercise in Nigeria according to the ministry of information and national orientation publication on the Obasanjo reforms must be seen to have addressed the pre consolidation problems of the system which include among others;

- ❖ Inability of the banking sector to adequately finance real sector economic activity in Nigeria.
- ❖ Illegal business in the banking system.
- ❖ A large percentage of money supply is outside the control of the banking sector.
- ❖ Declaration of fake profit to boost organizational ego beyond reality.
- ❖ A high interest rate on loans against low interest payment in deposits which discourages effective intermediation in the economy.
- ❖ The problem of security both of the lives of the employees and the funds deposited in the banks due to incessant armed robbery incidents.
- ❖ The efficacy of customer service delivery of the Nigerian banks.

The above qualitative factors weighed against the quantitative factors form the bases of score as regards the extent of success in the banking system consolidation exercise. Fig.1 below show the trend in growth of banks credit to the manufacturing sector as against that of the level of manufacturing contribution to GDP. The credit level which stood at N141294.8 Million in 2000, grew slowly to N352038.3 Million in 2005 and the post consolidation growth amounted to a high N987641.0 Million. Though the post consolidation growth of 2006 and 2007 amounted to just N445792.6 million and N487576.0 million respectively, this could only be explained as the impact lag period of consolidation. The amount of commercial bank credit to the sector jumped from the 2007 value of N487576.0 to N932799.5 million in 2008, about 100% rise. This could be attributed to the solid base of the banks with high liquidity and robust capital base which enabled them to embark on larger risk-asset creation, thus the success of the consolidation exercise. However, this appreciable increase in credit to the sector does not seem to have significantly impacted on its level of performance in the economy. Manufacturing sector's contribution to GDP stood at N13958.8 million in 2000 and only rose to a mere N21305.1 million in 2005. The post consolidation growth of the sector's contribution to GDP remained slow at N23305.1 million, N25535.5 million, N27806.76 million, N29990.9 million and N32281.3 million in 2006, 2007, 2008, 2009 and 2010 respectively. The almost 100% leap in credit to the sector between 2007 and 2008 notwithstanding, the contribution to GDP only grew by a mere 8.2%. Figure 1 below clearly shows this contrasting relationship.



Source: *Analysis of table 1. As presented in the appendix.*

Pre-consolidation credit of commercial bank to manufacturing sector (2000 2005) was 29% compared to 71% post-consolidation credit (2006 2010). This is as represented in figure 2 below. The 42% increase in credit advanced by commercial banks to manufacturing sector can be seen as a clear indication of successful consolidation exercise. What has remained in question is the impact on manufacturing sector. The performance indicator shows a mere shift from 43% to 57% pre and post consolidation contribution to GDP. This 14% increase is obviously a far cry from the 42% increase in credit advanced to the sector. A-priori expectation is that percentage increase in GDP performance of the sector should be higher than credit advanced owing to the fact that there are other sources of fund beyond the banking sector.

commercial banks loans to manufacturing sector (N' Million)

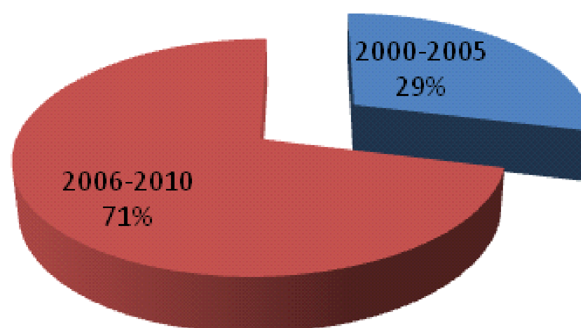


Fig.2

manufacturing contributions to GDP at 1990 constant basic price(N' Million)

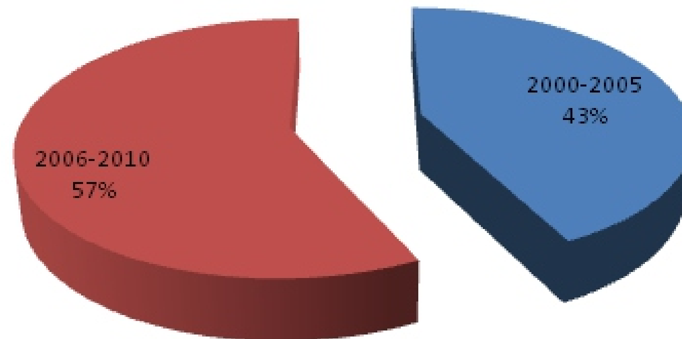


Fig.3

The analysis of manufacturing capacity utilization in figure 4 below clearly confirms that though banking sector consolidation has helped to increase sector funding, the resultant increased capacity was largely underutilized. This is evidenced from the pre consolidation (2000 2005) 53% capacity as against 47% post consolidation (2006 2010). The falling capacity utilization in the sector can possibly be attributed to non financial encumbrances of the sector as mentioned earlier in this paper. The sector faces problems which stems from poor infrastructure to over reliance on imported products in the economy among others and this has resulted in lowering capacity utilization.

Average manufacturing capacity untilization (percent)

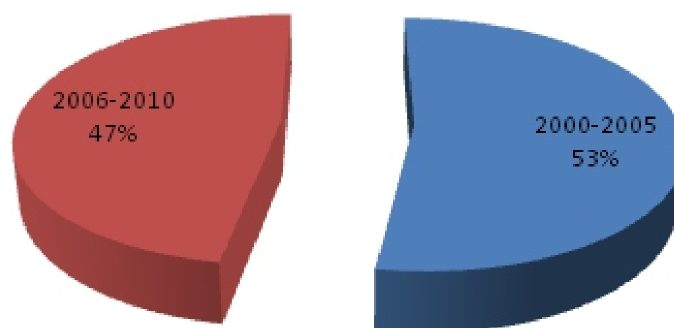


Fig. 4

Conclusion

It is pertinent to conclude that although some quantitative indicators as released by the Central Bank has shown positive benefits of the consolidation exercise, quality of service delivery especially to the real sector remains poor. Despite the benefits, the Nigerian banking sector is still too small to actualize the rationale and vision for the reform. The sector is still below global competitiveness in Key economic and financial indicators such as mobilization of deposits and intermediation and redistribution of funds from surplus spending units to deficit spending units, implementation of monetary policy through which monetary impulses are transmitted to the real sector, funding of infrastructural development, improvement in the payment

system, employment generation, financing investment in the rent sector and facilitation of trade financing. With all these yet to be achieved, one can conclude that it is yet too early to celebrate the gains of the banking system reforms in Nigeria. The system can only be said to have developed when lending rates are lowered and borrowing rates are heightened so that the transformation of household savings into productive capital investment is faster.

Recommendations

The second aspect is the fact that the problem of manufacturing in Nigeria cuts across board to other areas like power supply, preference for foreign goods, as well as general inefficiency in the use of funds, all these are topical issues for further research. However, the poor capacity utilization in the midst of increased available funds occasioned by the consolidation exercise emphasizes the fact that the problems of the manufacturing sector go beyond funding. The sector must therefore be subjected to a holistic reform to complement that of the banking system before it can witness any appreciable growth. The is also need, as observed from literature, for government to ensure strict compliance to import policies and even improve such towards protecting domestic manufacturers and encouraging patronage and consumption of locally manufactured products. Infrastructural improvement is vital to improved performance of the country's manufacturing as well as overall industrial sector.

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APPENDIX

Table 1**:** *Commercial Bank And Manufacturing Sector Performance*

Year	Commercial banks loans to manufacturing sector (₦' million)	Manufacturing contribution to GDP at 1990 constant basic price(₦' million)	Average manufacturing capacity utilization (percent)
2000	141294.8	13958.82	36.1
2001	206889	14935.1	42.7
2002	233474.7	16439.36	54.9
2003	294309.6	17369.63	56.7
2004	332113.7	19436.78	55.7
2005	352038.3	21305.05	54.8
2006	445792.6	23305.05	53.3
2007	487576	25535.5	53.4
2008	932799.5	27806.76	53.8
2009	993457	29990.92	55.4
2010	987641	32281.31	55.5

Source: *CBN Statistical Bulletin (2010)*

Assessment of Economic Reforms in Nigeria: The New Contributory Pension Reform in Perspective

Rotimi Mathew Ekundayo
Department of Economics, Federal University Lokoja
Kogi State-Nigeria
mathewrotimi@yahoo.com, +2348169138017

and

Fashagba Mathew Olasehinde
Department of Business Administration,
Ibrahim Babangida University, Lapai,
Niger State-Nigeria.
mfashagbaoo.com, +2348037285579

pp 197-204

Abstract

This study seeks to ascertain the relationship between the level of acceptance of the New Contributory Pension Scheme and the old Pay As You Go scheme. The study used random sampling method to select five universities from south west Nigeria. Questionnaire was administered to the employees of the selected universities. Simple tables and percentages were used for data presentation while normal distribution test was used for data analysis. The study found that employees see this new contributory pension scheme as better than the old scheme. The study recommends that the enforcement of the new scheme should be consolidated to enhance the employees' morale that is found to be improving already.

Key Words: *Pension, Reform, Old Scheme, Employees, Economy*

Introduction

Nigeria is one of the sub-Saharan countries. It is classified as an underdeveloped country. The underdeveloped characteristics include mass poverty, economic stagnation, endemic corruption, political instability, weak institutions and socio-economic conflict. These evolve the unsteady economic and socio-political phenomena within the economy as well as poor and unstable regulatory environment in which socio-economic behaviours and wellbeing operates. Also, the economy contains welfare supporting scheme and economic determining factor such as pension and banks as well as their challenges. These challenges range from ineffectiveness through corruption to poor funding. As a result of the challenges confronting the Nigerian economy, the government has repeatedly attempted to overhaul the entire economy via perennial efforts aimed at institutional change. As part of the efforts to overhaul the economy and instill stable and effective economic performance as well as sustained welfare measures and strategies, the government has put in place reforms: the pension reform which seeks to address one of the biggest challenges facing governments at all levels.

The increasing pension burden on government, coupled with the attendant inability of some pension schemes, particularly amongst the parastatals and government owned companies to pay pension necessitated the need for reforms that would usher in a functional pension scheme in Nigeria. The strategies and reforms which brought about the introduction of the new pension scheme was meant to simplify retirement benefits delivery and make it beneficial to retirees in the public service but practical experiences of retirees as reported in most national dailies show that the scheme has not delivered on it mandate. Eight years after the establishment of the new pension act, there is still speculation among Nigerians about the success of the scheme as to whether the new pension act will be able to address the many problems associated with retirement schemes in the past. Specifically, some have asked whether the Contributory Pension Act of 2004 would be able to address the problems of corruption, poor administration of pension fund, embezzlement, inadequate build-up of pension fund, poor monitoring, evaluation and supervision of pension fund that usually characterized pension schemes in Nigeria. Consequently, workers often ask whether they would ever have financial security after retirement. What is the fate of their children and other household after retirement? Does life after retirement means signing bond with poverty? These questions among others occupied the minds of workers in Nigeria. One begins to wonder if the new pension scheme will be fully accepted by Nigerian workers given their better experiences with past reforms in pension administration. It is against this backdrop that this study seeks to ascertain the relationship between the level of acceptance of the new contributory pension scheme and the old Pay As You Go system.

Conceptual Clarification

The Pension Reform

Pension simply put is a post retirement entitlement paid to a disengaged employee by the employer. Ogobuchi (2007) views pension as a subset of the social security arrangement as envisaged by international standard. In a very simple sense, pension is a part of the total security welfare packages. Booth and Chadburn (2005) approached pension from the legal perception and defined pension plan "as a financial contract between a pension provider and the member(s) of the plan, established for the purpose of providing an income in retirement for the member(s).

Therefore, pension can be viewed in two perspectives. The first perspective is to view pension as social security and the latter is to view pension in term of legal context. Taking pension from the social security context, pension is provided to the old, retired

employee to ensure that the employees' welfare is reasonably sustained. In essence it is to protect the pensioner from suffering at retirement. It is part of the social security packages provided through various available media in order to maintain the overall society welfare. Ogobuchi (2007) cited from Prest (1997) that social security is a must for a self-respecting society.

On the latter perspective, pension is seen as a contract binding on the parties as variously defined. The legal backing that empowers the enforcement is derived from the fact that pension is earned along with the monthly salary. In other words pension is a deferred part of employee compensation for service rendered toward the growth of the employer's business. Hence, pension payment is obligatory and not optional.

Otinche (2012) expresses support for this view. According to him, 'it is a legal and economic obligation in which employers of labour are mandated to fulfill their contractual relationship with employees'. The economic view expressed pension as part of rent for trade for effort or payment for contribution while the legal concept refers to contractual agreement side of pension which makes it to be binding on the parties especially the employer. The consideration for the contract is the excess of the employee's effort above the immediate reward.

2004 Pension Reform in Nigeria

The 2004 Pension Reform in Nigeria for the first time introduced a significant deviation from the traditional pay-as you-go system. Prior to this reform, what was known in the Nigerian pension scheme has remained minor changes which are more or less restricted to the public service. The enforcement was largely implemented in the public sectors.

Reasons for the 2004 Pension Reform

The pension administration was at the verge of collapsing as it was marred by diverse problems. The most appropriate description for the scheme about the time it was replaced in one word is 'failure'. There was acute shortage of fund to meet for the payment of pension due to the pensioners as the budgetary provision was always inadequate of the current need, talk less of the outstanding debts; a situation that led to the untimely death of many of the beneficiaries of the scheme.

The factors that led to the collapse of the old scheme can be categorized into two major groups. These are the immediate practical factors and the remote theoretical factors

Immediate factors

The factors that are directly linked to the collapse of the Pay-As-You-Go PAYG are identified to include but not limited to the followings:

Inadequate provision of funds: Inadequate budgetary provision of fund to pay the retirees pension benefit was one major factor that contributed to the failure of the old scheme. Abdulkadir (2005) observed that failure of the government to provide enough funds to meet the yearly need of pension was among the factors that led to the collapse of the scheme. Odia and Okoye (2002) estimated the accumulated pension debt as at the time of the reform as hundreds of billions naira. Specifically, the debt was estimated at about ₦2.56 trillion as at December, 2005. Hence, the debt will continue to increase if the status quo is retained. Therefore, the best thing that could happen to the Nigerian pension system was the reform as at that time.

Corruption: corruption in the nation political landscape did not exempt pension sector as it was manned by the same set of corrupt political players. It is not uncommon for both politicians and senior civil servants who are in charge of pension management to divert funds meant for pension payment to other areas that is of private benefit to the manager of the fund other than the real purpose. Outright stealing from the fund by the management personnel was also not uncommon. A recent popular case

of pension fund stealing is the controversial case between Abdulrasheed Maina and the senate in 2012.

Negligence and lack of political will: there is also the problem of negligence of the pensioners or not seeing pensioners as important people. For instance, a former civilian state governor in North Central Nigeria once referred to the pensioners as the dead among the living. According to him, 'the living has not received attention and the dead are talking' the statement was credited to the governor in response to the agitation from the state pensioners for several months of nonpayment of their pension entitlements. The mentality that the pensioners are not important among employers was a popular concept hence the system could not be sustained.

Remote causes for the failure of the old scheme

Studies have revealed that pension system was not sustainable for many reasons. First and foremost, the scheme did not provide for fund for the pension payment (Oladipo &Fashagba, 2012; Author & Booth, 1998). Another factor put forward by Arthur and Booth (1998) is that the scheme lacks equity. They observed that the scheme is not fair to the current generation that expects the scheme to provide for their livelihood, infrastructural development of the society as well as the pensioners who did not save for their old age. Besides the equity problem, for the system to work, the working population must keep increasing their contributions to the fund to ensure adequate provision of funds that will meet the pension needs of the increasing number of retirees. On the contrary, the working population has been declining while the pensioners population has been increasing as a result of improve Medicare (Oladipo & Fashagba 2012).

The heavy demand of the system from the working population in term of taxes was the natural consequence of retaining the scheme. The aged population is increasing while the working population is reducing. The inverse growth relationship automatically demands that the employees' taxes keep increasing to be able to meet the ever increasing pensioners' pension payment as was the case in the European nations. The logical thing to do was to seek for alternative scheme which would provide funds for employees' pensions when the employee is still on the job. This will save employer the problem of forcing the current employees to pay the old pension which was not convenient for either party. Thus the old scheme PAYG is gradual being replaced with Contributory Pension Scheme.

Feature of the 2004 Pension Reform in Nigeria

The scheme provides for Contributory pension. While the employers were solely responsible for their employees retirement benefit under the old scheme, the new scheme provides that both employers and the employees should jointly contribute 7.5% of the employees monthly emolument toward the employee retirement benefit payment. The scheme provides for a fully funded scheme. Unlike the previous scheme where retirement is funded through budgetary provision, the new scheme requires the creation of fund with Pension Fund Administration (PFA) for the purpose of the employees retirement benefit. With this provision, employees are required to keep a pension saving account with a PFA of the employees' choice. It should be noted that no withdrawal can be made by the employee from the statutory 15% jointly contributed funds until a specified period by the scheme.

Universality: The scheme was to apply to both public and private sectors. The enabling law of the scheme provided that the scheme should cover employees in both public and private sectors provided that employees are four or more in the employers' payroll. This was emphasized in the reform objective as employees in the service of the federation,

federal capital territory and private sector shall operate under similar pension rules and regulations. There is no doubt that the regime has imparted significantly on pension system as before the reform, it was common to find that some private sector operators and even parastatal of government receives their retirement benefits along their service income. Those employers reward their employees with good packages while on the job but a disappointing retirement packages upon retirement.

The 2004 Pension Reform Agency

There are majorly three agent empower to operate with the reform. The three are in essence to ensure that employees' pension saving account are secured. The three bodies are National Pension Commission (PENCOM), Pension Fund Administration (PFA) and Pension Fund Custodian (PFC) (PRA, 2004)

National Pension Commission (PENCOM)

The reform empowers the National Pension Commission to oversee the pension management of the contributory pension scheme. The activities here include licensing other operators in the scheme which include Pension Fund Administrators and Pension Fund Custodians. The commission is also responsible for regulating the activities of most stakeholders i.e. Employers', PFA' and PFC's activities in respect to pension.

One major problem identified with failure of the old scheme was the absence of institutional framework to regulate pension activities under the regime. National Pension Commission PENCOM was established with the reform to prevent recurring of the same problem. Therefore, PENCOM was charged with the responsibility of supervising and regulating pension activities in Nigeria under the new scheme.

The functions of the commission among others include the supervision of the activities of agency; regulating such activities to ensure that the reform objectives are achieved, and enforce compliance. Supervisory role of the commission is in essence to ensure compliance to the reform's provision. Regulation on the other hand, is necessary to avoid pension agencies to deviate from carrying out the expected defined responsibilities such as fund management in terms of the composition of investment security, regularity of pension payment as well as ensures that the risk and return on the investment is exposed.

It is also important to mention here that PENCOM partner with Central Bank of Nigeria, Debt Management Office, Security and Exchange Commission, National Insurance Commission, Nigeria Accounting Standard Board etc to achieve its objectives

Pension Fund Administrator

This is the second body established by the 2004 pension reform act. It was charged with the responsibility of managing pension saving account of the employees. They have direct dealing with employees whom they motivate to patronize them. Employees are expected to open their Pension Savings Account (PSA) with the Pension Fund Administrator (PFA) who is expected to judiciously manage the saving in the best interest of the account holders.

Pension Fund Administrators are not expected to keep the PSA funds as well as the assets that proceed from the funds. Adeleye-Adekoyejo (2005) referred to the reform and asserts that the act prohibits a pension fund administrator from keeping funds standing to the credit of the retirement saving account holders

Organization will only be allowed to save as a pension fund administrator after the organization has applied for license and the licensed is granted. The operations of pension fund administrator is subject to strict regulations of the National Pension Commission according to the provision of the reform act (PRA, 2004)

Pension Fund Custodian (PFC)

This is the third main body recognized in the reform law to function along others to ensure that the system succeeds. According to Adeleye-Adeleye (2005), the primary function of this custodian is to provide safe custody for the funds remitted to it. In addition however, the custodian shall maintain all pension funds and assets in its custody and shall not utilize any pension fund or assets in its custody to meet its own financial obligation to any person whatever (PRA, 2004).

The pension Custodian is only charged with the responsibility of keeping contributions from the potential pension on behalf of the Pension Fund Administrator. The employees' fund kept in their custody for the Pension Fund Administrator cannot and should for no reason be used to meet their financial need. Organization shall only be allowed to function in the capacity of Pension Fund Custodian only and if only it is duly licensed by the National Pension Commission.

The entire credits of the PSA in whatever asset form are also kept by them. Also, the pension Fund Custodian is prohibited from having any dealing with the employees in relative to the pension matters (PRA, 2004).

Methodology

Hypotheses

Ho_1: Pension scheme does not significantly affect employees' perception.

Ho_2: The new Contributory Pension Scheme is not significantly better than the old scheme

Participants

The study adopted the survey designed due to the nature of the objectives of the study. The study covers the employees of the universities in the southwest of Nigeria. There were 35 approved universities in the area as at the time of this field work. A random sampling method was used to select five of the universities. Thus, samples of five universities were used. Convenient sampling method was used to select 600 of both academic and non-academic staff from the selected five universities.

Instruments

Questionnaire was used as instrument for data collection. The method is justified for its flexibility. Also, the study used of current employees as the respondent is justified because they are the one to benefit from the new pension scheme. Finally, normal distribution method was used for data analysis.

Data Presentation and Analysis

The study presents the data with simple table and percentage. The data as obtained from the study questionnaire is presented in table 1 below:

Table 1. *Respondents Bio Data and Research Data*

	Frequency	Percentage
Sex		
Male	229	63.8%
Female	130	36.2%
Universities		
Public	161	44.8%
Private	198	55.2%
Category of Respondents		
Academic	163	45.4%
Non-Academic	196	54.6%
Pension as a sector for employee for employees motivation		
Mean	3.1	
N	359	
S.D	1.266	
Contributory pension scheme compared with old pension scheme		
Mean	3.59	
N	359	
S.D	0.999	

Source: *Questionnaire Administration and Authors' Computation*

The data in table 1 shows that 63.8% of the respondents were male while 36.2% were female. The sex distribution reflects or gives a true picture of employment preference in an average Nigerian university especially the academic staff that are usually dominated by males.

The composition of respondents from public universities in the study was 161, while the respondents from the private universities were 198. This shows a fairly balance distribution between the two groups of universities. This distribution shows that the data is acceptable as employees from both sectors are fairly represented.

Also, the distribution indicates that academic staff were 163 and non-academic are 196. The fairly equitable distribution between the academic and non-academic further reveals the wide range of demographic characteristics represented in the respondents used.

Data Analysis and Test of Hypotheses

The Hypothesis

The study employed normal distribution test for the test of hypothesis at 95% level of significance.

Ho_1: Pension scheme does not significantly affect employees' perception.

The table 2 below presents the results of the test

Table 2: *Statistics of the relationship between pension scheme and employee's perception*

Z	N	Mean	Std. Dev.	Std. Error	DF	Mean Diff	98% Confidence Interval
1.4966	359	3.1	1.266	0.06681	358	0.1	1.96

Source: *Authors' Computation*

From the result presented in table 2 above, the Z value of 1.4966 is less than the significant value of 1.96. Thus, the null hypothesis is accepted. This position reveals that pension scheme does not significantly affects the employees' perception

Ho_2: The new Contributory Pension Scheme is not significantly better than the old Pay As You Go scheme

Table 3: *Statistics of the relationship between new pension scheme and the old scheme*

Z	N	Mean	Std. Dev.	Std. Error	DF	Mean Diff	98% Confidence Interval
11.1901	359	3.59	0.999	0.052	358	0.59	1.96

Source: *Authors' Computation*

From table 3 above, the result shows that the Z Value 11.1901 is greater than the confidence interval. Hence the null hypothesis is rejected, thus indicating that the new contributory pension scheme is significantly better than the old Pay As You Go scheme.

From the results, it is found that pension scheme does not significantly affect employees perception while the new contributory pension scheme is found to be significantly better than the old Pay As You Go scheme.

Conclusion and Recommendation

The study concludes that the reform in pension is an appropriate one as the new scheme is viewed as a better option by the employees. Since, the employees are the one that will benefit from the scheme it is important therefore for the scheme to be seen as a better option to achieve the reform objectives. The study recommends that the scheme enforcement should be consolidated to enhance worker's perception of the possibility of using the new contributory scheme to address cases of frauds, corruption, delays and non funding that characterized the old Pay As You Go scheme.

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Otinche, S. I. (2012). Pension Administration in Nigeria: Issues in Theory and Practice

Oil Production and Rentierism in Nigeria: A Retrospective Analysis (1958-1989)

Ibrahim Yusuf-Didamson
Department of Political Science, Federal University,
Lokoja, Kogi State-Nigeria
didamson@gmail.com +2348035518929

and

Idoko Ahmed Itodo
Department of Economics, Federal University,
Lokoja, Kogi State-Nigeria.
Idgambit@yahoo.com +2348067182410

pp 205-217

Abstract

The paper examined oil production, rentier states and rentierism in Nigeria. A careful examination of the situation in Nigeria was undertaken and the analyses of oil production and rentier syndrome made. However, as a prerequisite to this analysis, there was a need to establish the relationship between oil production and economic growth in Nigeria, in view of the relationship between economic growth and development. This relationship was established by regressing oil economic growth (proxied by Gross Domestic Product) against Oil production (proxied by oil revenue) between 1981 and 2012. The result of the estimated relationship reveals a positive and statistically significant relationship between economic growth and oil production in Nigeria. However, it was discovered that because of the large quantum of rents the government collects externally, these revenues were mismanage rather than being used to create forward and backward linkages in the economy. The ruling class has been blamed for this senseless mismanagement of the economy. This in effect has resulted to poverty, astronomical growth in corruption among public servants, and general underdevelopment in Nigeria .The paper opined that for Nigeria to develop commensurate to her economic wealth there is the need to look inward by engaging into production (industrialization) rather than being an allocation state. The government should adopt a policy of privatization that is transparent enough for optimum result. The economy should be diversified and since the ruling class are responsible for the destruction of the economy, a group of technocrats be draft in to drive the economy.

Key Words: *Rent, rentier state, rentier mentality, rentierism and oil production.*

Introduction

The dynamics of oil producing states and the complexities or fluctuation of oil prices at the international market couple with local and international politics of oil producing countries calls for concern. Petroleum which is a highly marketable commodity globally and has been the necessity which the world superpowers (most developed countries of the world) seeks for the development and sustenance of their economies, has turn to be the major factor of conflicts amongst the political class thereby leading to underdevelopment. Nigeria which is among the top oil producing countries of the world is consider a renter state. It has been producing oil since 1960s without commensurate impact on the lives of the citizenry, a situation which is seen as a common feature of rentier states, particularly oil producing states. One expects that being a leading oil producing state, Nigeria should have attained the highest level of development but, unfortunately the reverse is the case.

The theory of the rentier state is complex with associated ideas concerning the pattern of development and the nature of state in economies dominated by external rent, particularly oil rent. The purpose of this paper is to justify the arguments that Nigeria as rentier state exhibit rentierism thus, there is no significant relationship between oil production and economic development of the nation. This is owing to the fact that, given the enormous amount of oil revenue generated within the period under investigation, there was no commensurate or significant translation of the oil wealth into meaningful economic development. Most of the citizens till date still lives below the poverty line in the country. Most public utilities like water, roads, and light and health facilities are still the exclusive prerogatives of the few rich in the country. Access to basic education has eluded the masses and governance structures have been infiltrated by corrupt public servants. The vast oil resources of the country is controlled by the few elite who constitutes less than 20% percent of the population and in most cases, millions of these monies are carted away by them across the Atlantic to Swiss banks where the government may not be able to trace or recover even when they die. This has plunged the vast majority of the citizenry into untold hardship and abject poverty with consequent effects on economic underdevelopment. If this trend continues, Nigeria may face serious threats of economy bankruptcy and consequent shot down like the Greece economy. It is against this backdrop that this study seeks to examine the relationship between retierism and economic development of Nigeria between 1981-2012. The essence is to interrogate the trends and come up with strategies that will guarantee effective wealth distribution that may eventually translates into significant economic development of Nigeria. Therefore, this study upon completion will benefit Nigeria on how oil revenue should be manage by the ruling class in order to promote development; oil rent should be used to bring about forward and backward linkages to the economy with aim of preventing oil shocks. Nigeria should go beyond the collection of rent on daily bases from oil instead should begin to design a programme that will encourage local industrialisation as against the stipends being receive from oil rent. This can be achieve by designing an educational policy that will encourage human capital development towards industrialisation as against importation, consumption and reckless expenses. This will as well help Nigeria to own her oil by being involved in the production and commercialisation of the product. Finally, corruption must be dealt with as it has remained the only monster that is responsible to Nigeria's development.

History of Crude Oil Production in Nigeria

Oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta after half a century of exploration. The discovery was made by Shell-BP, at the time the sole concessionaire.

Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 bpd. After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the EA field was discovered by Shell in shallow water southeast of Warri.

In 1970, the end of the Biafran war coincided with the rise in the world oil price, and Nigeria was able to reap instant riches from its oil production. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and downstream sectors [Blair 1976, pp. 98-120].

Following the discovery of crude oil by Shell D'Arcy Petroleum, pioneer production began in 1958 from the company's oil field in Oloibiri in the Eastern Niger Delta. By the late sixties and early seventies, Nigeria had attained a production level of 1.6 million bpd in 1971(World bank, 1974) and over 2 million barrels of crude oil a day. Although production figures dropped in the eighties due to economic slump, 2004 saw a total rejuvenation of oil production to a record level of 2.5 million barrels per day. But Omeje (2009) puts the figures at 2.6million bpd. Current development strategies are aimed at increasing production to 4million barrels per day.

Petroleum production and export play a dominant role in Nigeria's economy and account for about 90 % of her gross earnings. This dominant role has pushed agriculture, the traditional mainstay of the economy, from the early fifties and sixties, to the background.

While the discovery of oil in the eastern and mid-western regions of the Niger Delta pleased hopeful Nigerians, giving them an early indication soon after independence economic development was within reach, at the same time it signaled a danger of grave consequence: oil revenues fueled already existing ethnic and political tension and actually "burned" the country. This tension reached its peak with the civil war that lasted from 1967 to 1970. As the war commenced, the literature reflected the hostility, the impact, and fate of the oil industry.

Nigeria survived the war, and was able to recover mainly of the huge revenues from oil in the 1970s. For some three years an oil boom followed, and the country was awash with money. Indeed, there was money for virtually all the items in its developmental plan. The literature of the post war years shifted to the analysis of the world oil boom and bust, collectively known as the "oil shock." Starting in 1973 the world experienced an oil shock that rippled through Nigeria until the mid - 1980s. This oil shock was initially positive for the country, but with mismanagement and military rule, it became all economic disaster. The larger middle class produced by the oil boom of the 1970s gradually became disenchanted in the 1980s, and rebellious in the 1990s.

The enormous impact of the oil shock could not escape scholarly attention. For almost twenty years (1970s - 1990s), the virtual obsession was to analyze the consequences of oil on Nigeria, using different models and theories. A set of radical-oriented writers was concerned with the nationalization that took place during the oil shock as well as the linkages between oil and an activist foreign policy. Regarding the latter, the emphasis was on OPEC, Nigeria's strategic alliance formation within Africa, the vigorous efforts to establish the Economic Community of West African States (ECOWAS), and the country's attempts to use oil as a political weapon, especially in the liberation of South Africa from apartheid.

If many had hoped that oil would turn Nigeria into an industrial power and a prosperous country based on a large middle class, they were to be disappointed when a formally rich country became a debtor nation

by the 1980s. The suddenness of the economic difficulties of the 1980s "bust years" had an adverse effect on class relations and the oil workers who understood the dynamics of the industry. As if to capture the labour crisis, writings on oil workers during this period covered many interrelated issues, notably working conditions, strikes, and state labour relations. To be sure, labour issues were not new in the 1980s, since the left-oriented scholars had made a point of exposing labour relations in the colonial era. What was new after 1980 was the focus on oil workers, unions, and class conflict [OPEC annual report 1983].

Conceptual Clarifications/Theoretical Framework

1. **Rent**: In classical economic theory, rent was understood as any surplus left over after all the cost of production had been met, and was paid to the owner of the land for use of its natural resource. In petroleum economics, the rent is defined as the deference between the price of a given quantity of oil sold to consumers in the form of petroleum product "and the total average cost incurred in discovering, producing, transporting, refining and marketing the oil"(Yates,1996:16).
2. **Rentier**: The rentier is a social agent who does not actively participate in the production process yet still shares in the fruits of the product. The rentier is the violator of the most sacred of the liberal ethos: Handwork. Is it any surprise that the classical economist were wont to factor rent as an effect of nature, or more banal, price? The rentier, absent from the value- added process, reaps a reward that does not make sense in the economic world of the protestant work ethic Yates (1996:17-18).
3. **Rentier Economy**: this is an economy in which rent play's a major role, and in which that rent is external to economy. It could come from oil, Gold, Copper and any other natural resource (Kuru, 2002).
4. **Rentier Mentality**: is a psychological condition with profound consequences. Because income is distributed, rather than earned, individuals develop a rentier mentality. This mentality, in which income and wealth are not related to work, but rather to chance or situation, is distinguished from standard economic behaviour by essentially breaking the work-reward causation. For productivity: contracts are given as an expression of gratitude rather than as a reflection of economy rationale. Civil servant see their principal duty as being available in their offices during working hour; businessmen abandon industry and enter into real estate speculation or other special situations associated with a booming oil sector; the best and the brightest abandon business and seek out lucrative government employment; manual labour and other work considered demeaning by the rentier is formed out to foreign workers, whose remittances flood out of the rentier economy and so on. In extreme cases income is derived simply from citizenship" (Levins, 2013).
5. **Rentier Class**: the rentier class does not need to create a national mythos giving credibility to the notion that it represents the common good. Because its speeds and does not tax, the rentier class is liberated from the reliance on legitimacy by its society and thus suffers no serious challenges to its power (Yates, 1996).

Characteristics of a Rentier Economy

Hazem (cited in Yates, 1996) in his contribution to the theory of rentier state delineates four characteristics of a rentier economy. They are: i), rent situation must dominate since there is really no such thing as a pure rentier economy. ii), the rent must come

from outside the country.iii), in a rentier state, only the few are engaged in the generation of rent, while the majority is involved in its distribution and consumption. Translated, this means that government handle the deals and take in the revenue and then allocate same to the public, which is not involved in creation of the wealth. iv), the government must be the principal recipient of the external rent in the economy. The point here is that external rent liberated the state from the need to extract income from the domestic economy (Yates, 2006) the government can embark on large public expenditure programmes without resorting to taxation. The government becomes an allocation state, which is very different from Production state. A production state relies on taxation of the domestic economy for its income, taxpayers stay involved in government decisions by supporting them with onerous taxes.

An allocation state, by contrast, does not depend on domestic sources of revenue but rather concerns itself with the management of the resources of the domestic economy. The primary goal of the allocation state's economy is spending. They import more than export, primitive accumulation (corruption), and mismanagement of the economy are the common features of such state.

Theoretical Framework

Elite theory's origins lie most clearly in the writings of Gaetano, M. (1858-1941), Vilfredo, P. (1848-1923), and Robert, M. (1876-1936). Mosca emphasized the ways in which tiny minorities out-organize and outwit large majorities, adding that "political classes" Mosca's term for political elites usually have "a certain material, intellectual, or even moral superiority" over those they govern. Pareto (1915/1935) Postulates that in a society with truly unrestricted social mobility, elites would consist of the most talented and deserving individuals; but in actual societies, elites are those most adept at using the two modes of political rule, force and persuasion, and who usually enjoy important advantages such as inherited wealth and family connections. Pareto (1915/1935) sketched alternating types of governing elites, which he likened, following Machiavelli, to lions and foxes. Michels (1915/1962) rooted elites ("oligarchies") in the need of large organizations for leaders and experts in order to operate efficiently; as these individuals gain control of funds, information flows, promotions, and other aspects of organizational functioning power becomes concentrated in their hands. Emphasizing the inescapability and also the relative autonomy of elites, all three men characterized aspirations to fully democratic and egalitarian societies as futile (Higley, 2010:1)

Elites (ruling class) may be defined as persons who, by virtue of their strategic locations in large or otherwise pivotal organizations and movements, are able to affect political outcomes regularly and substantially (Higley, 2010). Put differently, elites are persons with the organized capacity to make real political trouble without being promptly repressed. They consist not only of prestigious and "established" leaders top politicians, important businessmen, high-level civil servants, senior military officers but also, in varying degrees in different societies, relatively transitory and less individually known leaders of mass organizations such as trade unions, important voluntary associations, and politically consequential mass movements(Higley,2010). "Counter-elites" are subsumed by this definition because they clearly have the organized capacity, although perhaps mainly through negation, to affect political outcomes regularly and substantially. Thus, these elites (ruling class) have spearheaded and manipulated most of the oil rent to their advantage and to the detriment of the majority.

Rentier State and Rentierism

The concept of the "Rentier State" was postulated by Hussein Mahdavy with respect

to pre-revolutionary Iran in 1970. The theory in its broadest sense defines rentier state as those countries that receive on a regular basis substantial amounts of external economic rent. The theory of the rentier state says that countries that receive substantial amounts of oil revenues from the outside world on regular basis tend to become autonomous from their societies, unaccountable to their citizen, and autocratic. The theory was used to explain why Iran, the Gulf States, many states (Nigeria, Gabon) and other countries with abundant resource wealth perform less well than their resources poor counterparts. How does this happen, according to the rentier state theory? The short answer, according to Yates, (1996) is that a rentier state and rentier economy leads to a renter mentality, which dooms a country's economy and long term prospects.

There are quite a few numbers of scholars who have written on the rentier state, but their conception/perception of rentier state seems to be similar.

For instance, Yates (1996), Beblawi and Luciani (1987) appears to accept the definition of Mahdavy. Other writers like Omeje (2009) equally agree with the conceptualization of the rentier state. However, as events unfolding in rentiers states continues, new dimensions to the study and concepts begin to increase. For example, Hazem and Luciani (1987) preferred the term “rentier economy” to rentier state. Suggesting that the nature of the state is really a subset of a rentier economy and that the nature of the state is best examined primarily through its size relative to that economy and the sources and structures of its income.

A rentier economy is an economy in which “rents play a major role, and in which that rent is external to the economy (Yates, 1996). This rent may not necessarily mean oil rent, but an economic remittance that comes into a government account as a result of the sales of economic resources. As these monies continue to come, it develops a rentier mentality among the ruling class who instead of using such money to create /develop forward and backward linkages for the economy, squanders it thereby resulting to economic stagnation, poverty and general underdevelopment.

Origin of the Rentier State Theory

The rentier state theory originally developed in relation to Iran's Mid-20th century economy. The west became involved with Iran's oil in the following ways. In 1941, Germany invaded its former ally, the Soviet Union, which quickly re-allied with Great Britain. The British and the Soviet then occupied Iran, but were afraid that its leader, Reza Shah, may align its oil rich country with Germany. The Shah's son, Mohammed Reza, came to the throne and Iran become the major conduit for British and later American through the USSR in what came to be known as the Persian corridor. Mohammed Mossadegh forced the Shah to flee from Iran in 1953, even though he was the nation's prime minister and “godfather of populist petroleum politics (Yates, 1996:12). After negotiations for higher oil royalties failed in 1951, the Iranian parliament, led by Mossadegh, voted to nationalize Iran's oil industry and replaced the British-owned and-operated Anglo-Iranian oil company (infuriating Winston Churchill and, President Eisenhower) with the National Iranian Oil Company. Mossadegh's nationalization of Iran's oil subsequently served as a model for the nationalization of the Suez Canal by Nasser in 1950, which in turn set a precedent for the northern and Sub-Saharan African nationalization such as Algeria (1967), Libya (1970), Nigeria (1970), and Gabon (1974). A joint Anglo-American secret operation over threw Mossadegh in 1953 and reinstated Mohammed Reza who, over the next 25years, allocated oil revenues to build up a huge military base, among other things. His increasingly autocratic governance in combination with the pent-up nationalism (blew up since Mossadegh's overthrow) erupted in 1979 Iranian revolution that swept Ayatollah Khomeini into power. Hussein

Mahdavy, the economist who first popularized rentier state theory, believes that the 1951-1956 periods represent a landmark in the economic history of the Middle East. Massive amount of foreign currency and credit generated by petroleum development flooded into the state coffers and Mahdavy argues, turned at least some oil producing countries into rentier states. Kuwait and Qatar are extreme examples of the phenomenon, with limited capacities for industrialization and few alternatives to rentierism. The case of Iran was very important to Mahdavy because, given its size and potentials; it has alternatives that the extreme cases lacked.

Nigeria as a Rentier State

It will be an academic suicide to deny the fact that Nigeria is not a rentier state. According to Forrest (1993:133), "After the end of the civil war, oil revenue rose steadily to constitute 60 percent of total federal revenues and over 80 percent of export earnings by 1973. By 1974 due to the increase or rise in oil price, the total federal government revenue rose to 80 percent. With this increase in revenue, the government still lag behind in terms of development.

There was an increase of federal government expenditure to 100 percent in 1974 and 104 percent in 1975. Oil revenue continues to rise but caution was not taken by those controlling the leavers of power. Brick (1977:1) argued that one of the greatest challenges of the Nigerian state is that of mismanagement of the economic resources and the revenue accruing from the sales of crude oil. He cited the example of the national development plan of 1975-1980 which envisaged a capital expenditure of 30 billion naira as against 3 billion and 2.2 billion naira in the two preview plans. This recklessness in expenditure is typical of a rentier state. There are number of unforeseen and unintended consequences of large oil revenue:

First, the rentier nature of the income that comes daily to the central government meant there were strong pressure to minimize current oil revenue and increase public expenditure. This led the government to begin to over look other sectors of the economy which is responsible to our dilemma of massive oil wealth without any corresponding development. Bad governance, corruption, poverty and the near collapse of the system have greeted the Nigerian political landscape today.

Secondly, the increase in expenditure affected the public sector negatively. Less attention was given to tariff and accounting, while states government increase their dependency on the federal government.

Thirdly, the rapid growth of oil revenue set up levels of government expenditure and imports that could not be sustained. This oil dominance shows that economic expansion depends largely on oil earnings. This led to building of debt far more quickly than anyone for saw.

Lastly, Forrest(1993)went further to expatiate on the rentier nature of the Nigerian state by positing that, large government expenditure had effect of raising income, especially urban incomes and large increase in market demand will normally follow.

The real expenditure rate rose by 87 percent in 1970. Agro industry export disappeared, groundnut crushing industry closed down while vegetable oil was imported (Forrest, 1993:134-135). Describing the pathetic situation of the Nigeria's rentier state Nore and Turner (1980: 202) asserts "the pre-colonial commence established in Nigeria a comprador state with a group of comprador bourgeoisie who had little or no knowledge about economic policies, plans and development. Therefore, they turned out to be parasites to the economy squandering all the resources accumulated and meant for the public, and leaving a weak economy that could not withstand societal pressures and demand for development."

Dependence on oil is manifested in terms of oils contribution to government

revenue, foreign exchange earnings, and GDP. The oil boom of the 1970s led Nigeria to neglect its strong agricultural and light manufacturing bases in favour of an unhealthy dependency on crude oil (Azaiki, 2006:15).Concerned over the poor performance of oil exporting countries over oil consuming nations couple with the volatility nature of oil prices and risk, the central bank of Nigeria (CBN) through its economic and financial review (2008) suggested savings and investment strategies for Nigeria. The report maintained that "stabilization or savings fund eliminates the effect of oil price fluctuation if oil volatility is temporary." The rentier state has a mono-economy which can be affected by price fluctuations.

Nigeria's Oil Sector Statistics 1981 2012

The performance of the Nigerian oil sector has not been static as available data shows. From 1958-1976, the total oil revenue stood at N4, 833.7 billion with the central government controlling the larger share. This has made the central government richer and has been conceived and used by its occupants as the centre of primitive accumulation (Siddique and Eboh: 1986: 28). While the total revenue for all the state governments from 1978-1979/82 stand at N22.697 billion, the center alone controlled over 50% within the same period.

From 1977-1983, Nigeria have produced a total of 3,894.3 billion barrels Siddique (Eboh, 1986: 103). Yet there is no any appreciable impact in the life of the citizenry. Though some scholars have argued that these took place during the military regimes, but in the opinion of the authors, development can take place given the political will. There are a number of countries in the world such as Indonesia who were developed by the military and are by far better than Nigeria. What brings development is the determination and willingness of a people to be developed.

Between 1970 and 1989, Nigeria produced a total of 12,241 barrels of crude oil. Still under the same period (1979-1989), the oil export as percentage of total export stood at 18. 07 percent: and from 1970-1989, the oil revenue generated was, N170.709 billion naira. Akanni, (2007), has put the figures that the government has generated from oil proceeds to over $300 billion. Recently, The Organisation of Petroleum Exporting Countries (OPEC) has put the value of Nigeria's petroleum exports in 2012 at $94.64 billion (N15.1 trillion).

OPEC in its Yearly Statistical Bulletin for 2012 released and published in "The Citizen Newspaper "of August 13,2013 put the country's value of export at $142.52 billion and value of import at $35.71 billion.

According to OPEC, "Nigeria's natural gas exports increased from 25,941 million standard cubic feet in 2011 to 28,266 million standard cubic in 2012, representing nine per cent increase from the previous year. It discloses that Nigeria's natural gas gross production increased from 84.004 million standard cubic feet (mscf) in the previous year to 84.845 mscf in the year under review. The country marketed gas production was put at 42.571 mscf; flared 13.182 mscf; re-injected 20.520 mscf and had shrinkage of 8.573 mscf in 2012.

The report said that the country produced 1.954 million barrels per day of crude oil in 2012, representing a decrease of one per cent from the 1.974 mbpd it recorded in the previous year. With this figures, one will not be surprise for the struggle to capture power at the centre. This has resulted in loss of control and complete indiscipline among the political class as they struggle to either capture power or retain power at all cost in order to appropriate all the benefits that come with power in Nigeria.

Looking at the statistics of revenue collected from oil sells from 1981-2012, it shows that the ruling class did not used the proceeds generated from oil rent to bring about forward and back ward linkages to the entire

economy. Instead, the rentier mentality /syndrome blocked the expansion and development of other sector of the economy. With the above mentioned data, it points to the fact that the rentier economy destroys the domestic economy, neglect taxation and over rely on foreign rent. This trend is responsible for the serious economic dislocation Nigeria is going through with attendant effects on the citizenry. Bad governance which is responsible for this problem is orchestrated by the ruling class who have cornered the state resources into their personal property thereby heating the polity with different conflicts ranging from ethnic, religious, economic and political crisis.

In a rentier state, the role of labour unions is equally of utmost importance. For instance, oil workers in countries like Trinidad and Tobago went on rampage demanding interest in pay and improvement in the condition of service (Nore and Tuner, 1980: 99).

Like in Nigeria, we have labour unions such as: the Nigeria Labour Congress (NLC), NUPENG and PENGASSEN etc. these trade unions in most cases exhibit traits of rentier mentality. Though, there is nothing wrong with demanding for better conditions of service, however, it must not be base on selfish reasons which is against national interest.

Methodology

This study focuses on the role oil production in the development of Nigeria. The emphasis is to validate the claim based on empirical evidence literature, and exploration of prevailing economic conditions, that oil production has failed to impact positively on the development of the country. However, as a prerequisite for this analysis, there is a need to establish the relationship between oil production and economic growth in Nigeria, in view of the relationship between economic growth and development.

The main tools of analysis in this study are descriptive and analytical tools of analysis. While the descriptive tools include; ratio, charts and percentage, the major analytical tool is Ordinary Least Square (OLS). In this connection, Gross Domestic Product (Y) was regresses against oil production(x1) (proxied by oil revenue) between 1981 and 2012. The start date of 1981 is significant because it correspond to the era of dwindling oil revenue in Nigeria. While the terminal date of 2012 is because data beyond that point were not available at the time of conducting this research. These data were sourced mainly from the Central Bank of Nigeria (CBN) statistical Bulletin.

Finally, various test of goodness of fit were conducted on the parameters of the estimated model. These tests include the Durbin Watson test for autocorrelation, the student T test, the F statistics test and coefficient of determination (R^2). These tests were conducted at 5% level of significance. As a result, using their probability values, any probability value below 5% was considered statistically significant.

Model Specification

The model is in the form:

$Y=B_0+B_1 X1+U$

Where:

Y=Economic growth (proxied by GDP)

X1=Oil production (Proxied by oil revenue)

U=Error term

b_0 and b_1=parameter to be estimated.

A Priori Expectation:

It was expected that both parameters (b_0 and b_1) be positive. That is, both b_0 and b_1 should be greater than zero.

Data Presentation and Trend Analysis.

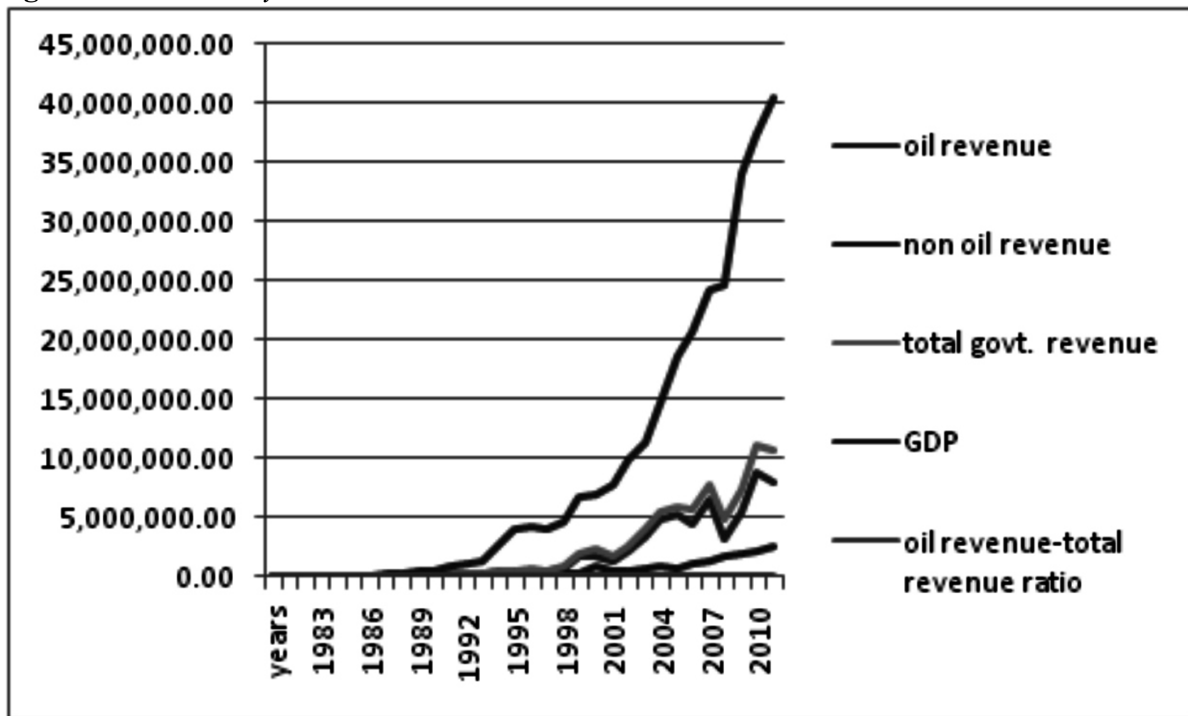
The variables of this study include data on oil revenue, non-oil revenue, total government revenue, Gross Domestic Product (GDP) and Oil revenue total government revenue ratio from 1981-2012.

Table 1: *Selected Economic Variables (millions of Naira).*

Years	oil revenue (X1)	Non-oil revenue	Total govt. Revenue	GDP (Y)	oil revenue -total revenue ratio
1981	8,564.40	4,726.10	13,290.50	94,325.02	0.6444
1982	7,814.90	3,618.80	11,433.70	101,011.23	0.683497
1983	7,253.00	3,255.70	10,508.70	110,064.03	0.69019
1984	8,269.20	2,984.10	11,253.30	116,272.18	0.734824
1985	10,923.70	4,126.70	15,050.40	134,585.59	0.725808
1986	8,107.30	4,488.50	12,595.80	134,603.32	0.643651
1987	19,027.00	6,353.60	25,380.60	193,126.20	0.749667
1988	19,831.70	7,765.00	27,596.70	263,294.46	0.718626
1989	39,130.50	14,739.90	53,870.40	382,261.49	0.726382
1990	71,887.10	26,215.30	98,102.40	472,648.75	0.732776
1991	82,666.40	18,325.20	100,991.60	545,672.41	0.818547
1992	164,078.10	26,375.10	190,453.20	875,342.52	0.861514
1993	162,102.40	30,667.00	192,769.40	1,089,679.72	0.840914
1994	160,192.40	41,718.40	201,910.80	1,399,703.22	0.793382
1995	324,547.60	135,439.70	459,987.30	2,907,358.18	0.705558
1996	408,783.00	114,814.00	523,597.00	4,032,300.34	0.780721
1997	416,811.10	166,000.00	582,811.10	4,189,249.77	0.715174
1998	324,311.20	139,297.60	463,608.80	3,989,450.28	0.699536
1999	724,422.50	224,765.40	949,187.90	4,679,212.05	0.763202
2000	1,591,675.80	314,483.90	1,906,159.70	6,713,574.84	0.835017
2001	1,707,562.80	903,462.30	2,231,600.00	6,895,198.33	0.765174
2002	1,230,851.20	500,986.30	1,731,837.50	7,795,758.35	0.71072
2003	2,074,280.60	500,815.30	2,575,095.90	9,913,518.19	0.805516
2004	3,354,800.00	565,700.00	3,920,500.00	11,411,066.91	0.855707
2005	4,762,400.00	785,100.00	5,547,500.00	14,610,881.45	0.858477
2006	5,287,566.90	677,535.00	5,965,101.90	18,564,594.73	0.886417
2007	4,462,910.00	1,200,800.00	5,715,600.00	20,657,317.67	0.78083
2008	6,530,600.00	1,336,000.00	7,866,590.38	24,296,329.29	0.830169
2009	3,191,900.00	1,652,700.00	4,844,592.34	24,794,238.66	0.658858
2010	5,396,100.00	1,907,600.00	7,303,671.55	33,984,754.13	0.73882
2011	8,879,000.00	2,237,900.00	11,116,900.00	37,409,860.61	0.798694
2012	8,025,953.48	2,628,771.39	10,654,724.87	40,544,099.94	0.753276

Source: *Central Bank of Nigeria Statistical Bulletin (2012)*

Figure 1. *Trend Analysis.*



Source: *Authors' computation.*

From the table above, earnings from oil has accounted for a significant portion of total revenue accruing to the Nigerian government since 1981. Oil revenue fell from 8,564.4 million naira in 1981 to 7,814.9 million naira in 1982 and 7,253 million naira in 1983. By 1986 it has risen to 19,027 million naira. This upward movement continued up till 2008 when it fell to 3,191,900 million naira from 6,530,600 million naira in 2007 and by 2012, it stood at 8,025,953.48 million naira.

Between 1981 and 2012, oil revenue has accounted for the largest component of total government revenue as against non-oil revenue. For most of the period under review, oil revenue accounted for over 70% of total government revenue except in 1981, 1982, 1983, 1986, 1998 and 2009 in which oil revenue accounted for a little below 70% of total government earnings. This can also be seen clearly on figure 1 above which shows oil revenue lying above non-oil revenue for all the periods under review.

The data on gross Domestic Product (Y) presented in table 1 shows an upward trend in GDP between the period of 1981 and 2012. GDP rose from

Result of the Estimated Model

The result of the estimated model presented below indicates a positive and statistically significant relationship between total oil revenue (X1) and economic growth in Nigeria (Y). Here, the intercept, is 735292.9, while the slope is 4.36 with a probability value of 0.00. The estimated model also has a good fit as both the coefficient of determination (R^2) and adjusted (R^2) lie above 91%. The F statistic which stands at 333.15 is also statistically significant.

Although there exist a little presence of positive autocorrelation as the Durbin Watson (D-W) statistic lies at 1.44, the estimated relationship enjoys a good fit since the D-W statistics is greater than the R^2. According to Gujarati and Porter, (2009), as a rule of tumb, an estimated relationship in which the R^2 is less than the D-W statistics implies a good fit. This result emphasizes the impact of oil production on economic growth in Nigeria.

However, after many years of oil production in Nigeria, revenue from this sector has failed to impact on the general development of the country. Nigeria still ranks among the world's poorest countries with high

level of unemployment, illiteracy rate, poor infrastructural development and many more indices of which present her as a poverty stricken nation, are very common features across the different regions of the country. This has reaffirmed the claim by many that oil production is more of a curse than a blessing to Nigeria.

Chiefly among the many factors responsible for this unfortunate state is corruption. Nigerians and observers world over are unanimous in their affirmation of this position. As a leading contender for one of the world's most corrupt countries as presented by Transparency International, the world's corruption Monitoring agency, Nigeria has gradually sunk under the overwhelming strength of this evil.

Both public office holders and those in the private sector have collaborated strongly to steal and loot the nation's treasury, thereby culminating in the non availability of funds for the development of the country.

Conclusions

Based on the findings of this study, it is obvious that the rentier "is a parasite" who violates the most sacred doctrine of the liberal ethos: "Hart Work". The rentier state can still rise above its present position or predicament to a productive state through policies and programmes that promote national economic development. This can be achieved through careful planning by leaders that have vision and determine to liberate their people from imperial extirpation and economic dependence.

Recommendations

1. Diversification and privatization: Since the ruling class have failed to meet up the expectations of Nigerians, and it appears they do not have any solutions to the problem at hand. Therefore, there is the need to diversify the economy by going into other sectors of the economy like the solid mineral sector rather than complete dependence on remittances from crude oil. To further strengthen the economy, most government own companies are to be privatised. The private sector should be brought in to drive the economy as this will help reduce the recklessness of the ruling class.
2. Less expenditure as against more expenditure: The high rate of expenditures as witness in importations, mismanagement and senseless travelling abroad using taxpayers money most stop. Similarly, the execution of elephant projects that may not be completed at the end of the day should stop.
3. Production and not allocation state: Nigeria should channel her huge oil wealth in the development of other sectors of the economy. Its high time Nigeria should start massive industrial production. Nigeria has the manpower to attain any height of industrialisation and with that we will no need to depend on oil.
4. Good leadership: Bad governance is the leading problem of Nigeria as a country. Corruption which has reached its apogee remains a monster that Nigeria is fighting. For Nigeria to become relevant in this world, corruption must be dealt with. Corrupt public servants and politicians should be arrested and tried according to the law to serve as a deterrent to others.

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Determinants of Traffic Congestion in the Metropolis of Douala: The Cyclical trap of Urban Growth with Monocentricity

Njimanted, Godfrey Forgha, PhD
Associate Professor of Economics
University of Buea, S.W.R, Cameroon
Email: unicalub@yahoo.com Tel: (+237) 77924471

and

Mbohjim Othniel Mobit
Lecturer of Agricultural Economics
Catholic University Institute of Buea
Email: mobitothniel@yahoo.com Tel: (+237) 77476841

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Abstract

Urban transportation is seen to be cardinal in enhancing economic growth especially in the advanced countries of the World. This might not be true in developing countries where traffic congestion especially in urban metropolises is highly recorded. It is on the bases of the ongoing problem that this work is carried out to investigate the determinants of traffic congestion in the Douala metropolis. A survey research designed was adopted for this study with a combination of primary and secondary data. Primary data were obtained via observation at points of traffic congestion and the secondary data from the World Bank Data base. The secondary data was analysed using the Vector Autoregressive (VAR) Based on the VAR analyses. The study reveals that urban economic growth positively influenced the growth per capita income, real fuel consumption and further urban agglomeration. On the other hand urban agglomeration used as a proxy for traffic congestion has a negative effect on urban growth. Based on these results, the study recommends putting in place a remedial infrastructural development plan and a more sustainable polycentrism land use pattern with alternative efficient mode of public and private transportation.

Keywords: *Urban Transportation, Urban Agglomeration, Road Traffic Congestion, Agglomeration Economies, Monocentricity and Polycentrism*

Introduction

Traffic congestion seen as part of urban economics has over the years gained credible attention. This is basically, because urban centres have grown to metropolis as such facing numerous serious problems among which is traffic congestion, pollution, increase cost in fleet maintenance and increase fuel consumption. These different forms - areas have become the foundation for the new area in Economic Geography championed by Paul Krugman and Masahisa Fujita especially in trying to explain issues on development in major metropolis. The goal of this new area of knowledge is to explain the formation of a large variety of economic agglomeration or concentration in geographical space. This agglomeration or the clustering of economic activity occurs at many geographical levels, having a variety of compositions. According to Fujita and Krugman (2004) there is need for a general equilibrium model that explains this agglomeration and dispersion because it is all embedded in the global economy which turns to produce some dualism of North-South Structure. The theories of the new economic geography evolved from the works of Solow and Vickrey (1971), Solow (1972), Kanemoto (1976), and Arnott (1979), which have formed the basic macroscopic model of traffic congestion into the monocentric city model of the new urban economics.

Cities especially those in African have grown rapidly around port or rail stations areas for purpose of trade. However, there are new factors introduced in the models of agglomeration economics where theories like Coarse theorem and the Von Thünen theory as well as other international trade theories of specialization have failed to explain. Thus, the dynamics of agglomeration or concentration economics have evolved in recent times seriously and the net result is traffic congestion. Consequently, there is the need for a general equilibrium model which is expected to discuss both the centripetal forces of agglomeration or concentration and the centrifugal forces of dispersion especially in the advent of industrialization policies of multiple Centre Business Districts (polycentricism) and changing land uses as it is the case in Douala. As such, some considerable amount of controversies still lingers in two folds about the impact of road improvement as way of reducing traffic congestion. That is, will an improvement in road infrastructure induce real economic growth or will it function as a lead or lag factor in real economic growth? While attempts have been made to answer the above question by policy makers in different rapidly grown cities in the world, no clear cut conclusion has been arrived at in developing countries thus creating a huge research gap in this area.

African cities mostly rely on the road transport system especially as it handles about 80 percent of goods movement and 90 percent of passenger movement within the continent (UTIP, 2010). This make the road transport system very vital in the land uses pattern and the growth of African metropolis. On the one hand, the distribution of road network within the continent shows that of Africa's total road network of 2,423,393km just over 580,066km about some 23.9 percent has been paved (UTIP). The distribution of these 23.9 percent of paved roads revealed that Northern Africa ranks highest with 49 percent, followed by Southern Africa with 27 percent of paved roads, West Africa with 13 percent, Eastern Africa with 10 percent and Central Africa with just 1 percent of paved roads (World Development Indicator, 2008). Although the above statistics is old, by the speed of adjustment between 1970 till date none of these zones in Africa has improved upon its situation for more than 1 period of pervious value. Furthermore, a study by NEPAD in 2006 and reported in UTIP, 2010 showed that there were over 20 million road vehicles in Africa; 58 percent in Southern Africa, 21 percent Western Africa, 11 percent Eastern Africa and Central Africa 2 percent. This indicates a deficiency in road transport

facilities within the continent. This is evident as Africa has a road density of 8.3 km per 100 sq. Km low compared to those of Asia (over 18 km /100 sq. Km) and Latin America (over 12 km/100 sq. Km) (United Nations Economic and Social Council (UNESC, 2009).

This has resulted in the proliferation of various modes of road transportation especially with the inefficiency in public transportation due to poor road networks. Consequently, there is the prevalence of motorbikes in major African cities like Douala, Bamenda and Kampala just to name these few. UNESC (2009) reported that, the use of motorbikes for commercial transport started growing significantly in Douala and Kampala since 2000 due to the inefficiency of the bus and taxi service arising from poor roads. However, the nature of the cars used as commercial buses and trucks in Africa with an average age of 20 years as opposed to the average of less than 10 years from industrialized countries (UNESC, 2009) is also a call for concern. These and many more are predicted to have accounted for traffic congestion in African cities. It is against the backdrop of coming up with a strategy that will efficiently address the problem of traffic congestion in Douala that this study seeks to ascertain the determinants of traffic congestion in the economic metropolis of Douala. Specifically the study shall investigate the extent to which infrastructure, urbanisation and economic growth among other influenced traffic congestion in the economic metropolis of Douala and the most efficient approach that can be adopted in order to tackle the problem of traffic congestion in the economic metropolis of Douala shall also be explored. Upon completion, this study shall be of immense benefit to the Transport and logistics industry, Ministry of Town planning and Urban Development, the private firms and the government of Cameroon at large.

The Study Area

Douala the economic capital of Cameroon determines a lot about the growth and development of Cameroon. Due to her closeness to the sea, Douala has attracted a lot of manufacturing firms producing for domestic consumption and exportation. The speeds at which production and distribution are expected to flow are retarded because of traffic congestion. The demand for mobility or transportation services is sequel to the day to day demand for critical economic services, as labour services are required daily to power other sector, business ideas are shared on face-to-face business interaction and goods and services are also required to be delivered on just-in-time basis. All of these utilities put together depends on road transports services especially in the port city of Douala. This explains why road transport efficiency affects regional/national economic growth. It is in this light that the Industrial Free Trade Zones of Bonaberi, Bassa and Ndizengué were established. However, the economic crises of the late 80s that resulted in austerity measures and retrenchment pushed many people into the public transport sector with no corresponding increase in the road transport infrastructure. This increased the demand for second handed cars that are used as taxis to compensate for the fallen income. It also affected the activities of the Douala port as the activities of the port dropped from 4.5 million tonnes 3.7 million tonnes of cargo by 1993 (UTIP, 20101). By 1995, the Douala City Council (CUD) in collaboration with the central government created the *Société des Transports Urbains du Cameroun* (SOTUC) in an attempt to decongest the roads but the inefficiency of the SOTUC due to the poor nature of the roads caused the company to face out by 2000 with stiff competition from over 10,000 illegal taxis (UTIP, 20101). By 2001, the government liberalized the public transport sector, without increasing the paved road network of Douala as Douala's total road network of 1,800 km square just about 470km square had been

paved giving Douala a road density of 0.7km/1000 inhabitants less than that of Kinshasa, Brazzaville and Lome with 0.9, 1.10 and 1.7 km/ inhabitants respectively (UTIP, 20101). Despite the replacement of the "city contract" with the "contract of objective" as well as the ad hoc measures of clearing houses and business extension to the roads such as payment of fines for poor parking, wrong usage of roads, land to motorbikes for using some parts of the roads, nodal congestion, parking congestion and many other forms, traffic congestion remain a major menace to the economic growth of the region and the nation. However, besides the poor nature of the roads, many other factors associated with land use such as lack of parking lots, poorly planned markets, and non functional traffic control lighting system are common characteristics of Douala. This problem of traffic congestion in Douala and its corresponding effects on regional/national economic growth in the metropolis of Cameroon therefore necessitates this study to critically examine the determinants of traffic congestion in the metropolis of Douala.

Looking at the morphology of the Douala metropolis, most activity seems to be centralised in Akwa and Bananjo. Akwa has a concentration of commercial activities while Banajo has a concentration of administrative functions. Despite the 1990 Free Trade Zone Legislation which should have produced a polycentric morphology of the Douala metropolis, the poor nature of road and the insufficient road infrastructure only made the bottleneck element of roads in Douala worse with the classic examples of Bonaberi and Ndogpassi which have heavy traffic from the South West Region and periphery towns of the Littoral Region besides the industrial Free Trade zone of Bonabéri and flows from Yaoundé besides the Industrial Free Trade Zone of Ndizengué Edea respectively.

Theoretical Literature

Men as rational beings always want to maximise the utility gotten from a product or service. Likewise all economic agents seek profit maximisation and/or cost minimisation. This is the one attitude that guides economic agents when taking decision about locations of business activities or the supplies of labour. This justifies the centripetal forces within metropolis that is either agglomeration or concentration economies - monocentricity. However, an efficient transport system which is reliable and cost efficient serves as a centrifugal force of a metropolis that is monocentric. Thus, the availability of alternative transport modes with poor accessibility will be inefficient and redundant. In other words the essence of transport service is easy accessibility for the free flow of goods and services. It is in this light that congestion economics becomes central for regional and national economic growth. Traffic congestion therefore refers to; recurrent congestion, non recurrent congestion and the pre congestion dimensions. This classification is based on the predictability of congestion by Brownfield et al., (2003). However, there are other elements or categorization of traffic congestion which is the nodal congestion. This refers to urban travel intersection congestion and freeway entrance and exit congestion (Fujita and Krugman, 2004). Other forms of congestion include pedestrian-car interaction, entry into and exit from parking, merging, and phenomena deriving from the physical length of cars such as gridlock and from the interaction between different vehicle types (Fujita and Krugman, 2004). In addition, all of these forms of congestion are summed up as transport services efficiency. This includes the microscopic model decision of drivers wanting to maximise travel by avoiding points of nodal congestion or charging higher fare (Fujita and Krugman, 2004). The choice of road transport service has been justified by other scholar to be due to the central role road transport service plays in the intraurban travel

and the nodal congestion that inter urban transport faces. All of these play a key role in the level of economic activities. This thus translates itself into the rate of the growth of the region and even the nation especially when the centrifugal forces exceed the centripetal forces of agglomeration and concentration (Fujita and Krugman, 2004).

Regional and national economic growth which refers to a growth in the volume of economic activities within the region or national territory within a given period of usually a year has a positive trend in Cameroon within the past 5 years (World Bank 2010). However, regional growth and development is premised on efficiency as the economist argues. Efficiency to an economist can be achieved when there is a continuous fall in the average cost of production as production increase. Therefore, any element of production that increases the cost of production as production increases is seen as some form of inefficiency in production. Production here is not limited to the transformation of raw materials to finished goods only but the entire production chain. Firms always try to minimise cost by moving close to a thick market or concentrating in a defined geographical space to benefit from agglomeration economies. This agglomeration produces elements of diseconomies such as congestion, pollution or a rigid labour market especially when an organised labour union is created (Fujita and Krugman, 2004). These are the elements which urban economists qualify as centrifugal forces to build model like the core periphery model in a monocentric urban setting (Fujita and Krugman, 2004).

The volume of economic activities in an economy makes up the sum total of income earned or the sum total of expenditures on goods and services within this economy for a given period of usually year (Jhingan, 1990). A reduction in the volume of economic activities due to delays in traffic congestion actually reduces the level of economic activities and thus the gross domestic product of that economy (Jhingan, 1990). Also these delays sometimes results in artificial shortage and cause the price to increase without a corresponding improvement in the quality of the transport service (Jhingan, 1990). In sum, the factoring (internalising) of congestion cost in the production function only inflates the gross domestic product (GDP) with no corresponding increase in the quality of the good and service in the presence of Monocentricity when the Coase Analysis is considered (Jhingan, 1990). Most urban economists argue in favour of a traffic toll so as to restore efficiency in the economy. However, traffic toll only get back the congestion costs excess of the price but does not correct the economic behavioural especially when the factors of inertia are better than the traffic toll (Fujita and Krugman, 2004). Monocentricity is the key element that introduces industrial inertia or agglomeration inertia

Empirical Review

Empirically, a series of write-ups come to the consensus that the identification of the determinants of traffic congestion is the very first step in addressing the problem of traffic congestion. This ranges from the micro factors of road space, travel time to the macro factors of land use patterns and investment on infrastructure. As adopted from Amudapuram and Ramachandra, (2012), this study affirms the fact that the demand for transport services strongly depends on the socio-economic and population factors. This therefore implies that the demand for road transport infrastructure comes with the growth in economic activities as indicated in the growth in GDP. Amudapuram and Ramachandra, (2012) like other works associate the supply of road transport facilities with either the construction of new road space or the reduction of existing road space. This argument is usually controversial especially with the high rate of urbanization in African metropolis. The argument is usually polycentrism of

metropolis's CDB and the improvement in road transport facilities with provision of alternative modes of transport which are very efficient. This leaves the travellers with the economic choice of choosing among alternatives of an efficient public transport, owning of a car or agglomerating to beat traffic congestion. This actually reduces the decision to an economic decision that either increases or reduces the capacity number of motorised road users. Also, the effects of firms location and integrated transport was investigated by Moah et al 2005 and they observed that, distance from CBD highway proximity, population size, household density and agglomeration economies influence firm location. Their argument agrees with the study that an innovative integrated approach to spatial distribution of firms be adopted as they opined that decentralisation of jobs and multinucleated regional and urban forms will improve transport efficiency.

On the basis of the peculiar challenges that poor road transport facilities posses to most developing African countries, series of arguments on how to tackle traffic congestion dominates most public discussions and academic debate today. While most scholars call for infrastructural development others are of the opinion that regional and urban forms or land-use patterns should be multinucleated. Thus, this study suggests that and Integrated Approach to Spatial Distribution with tallies with the recommendations of Maoh et al (2005).

Methodology

Nature and Sources of Data

Both primary and secondary data were used for this study. The primary data was obtained through observation at the point of traffic while the secondary data was obtained from the World Bank Database (2010). A time series data for traffic congestion, urban agglomeration and economic growth (GDP), Road transport services (Tnx) and Road Sector Fuel Consumption (Te) were all obtained from the World Bank Database (2010).

Data Analysis Techniques

To address the objectives, this study adopts a restricted augmented aggregate demand function specified thus:

$$\Delta Y = \alpha_0 + \alpha_1 Tnx_t + \alpha_2 Ua_t + \alpha_3 Te + \varepsilon_t \ldots\ldots\ldots\ldots 1$$

Where

ΔY is growth rate in regional Gross Domestic Product (GDP),

Tnx is the net export of goods and services proxy for road transport services of the port city of Douala,

Ua is Urban agglomeration for the Douala metropolis which does not only captures urban growth but goes further to capture the land use pattern in terms of agglomeration.

te is the road transport sector fuel consumption for the Douala metropolis and

T is the time frame which ranges from i = 1990 to T= 2012,

$\alpha 1$, $\alpha 2$ and $\alpha 3$ are estimated coefficients for the variables defined above.

In this model both net export of goods and services and urban agglomeration affect the demand for transport service and the growth of economic activities (?Y) positively or negatively. The premise made economic growth endogenous. This is because economic growth as a proxy for the demand for economic growth is measured with and error.

$$\Delta Y = T + \varepsilon_y \ldots\ldots\ldots\ldots 2$$

The usage of growth in GDP as a proxy for the demand for transport service is because this study seeks to interpret the impact of growth GDP as a factor that attracts labour and can influence the land use pattern especially in the absence of an efficient transport network with limited or no alternative mode of transport. Econometric theory provides that in order to correct for endogenity with the contemporaneous error term lag variables

need to be introduced.

The number of selected lag is justified by the lag criteria of Akiake Information Criteria (1990), Schwarz Information Criteria (1990) and the Langrange Multiplier test (1990). Furthermore, the introduction of the lags also enables this study to trace the implication of policies affecting the variables included in the models and show how they impact on economic growth and the demand for transport services especially with the Impulse Response Function (IRF). Thus a priori expectation by the argument of the travel cost and housing cost trade off theory justify the fact that people and firms agglomerate for the purpose of agglomeration economies which leads to economic growth. This is support by the transport efficiency assumption that, if the transport system is efficient, the volume net export trade increases and this will increase the regional or national growth (Fujita and Thisse, 2002). In the case of high transport cost due to traffic congestion or the pigouvian toll, firms and households will tend to agglomerate near the CBD and introduce competing land uses in a bit to maximise the cost of the high rents.

Due to the huge critique on the micro measures of congestion such as speed, travel time index, this study used the macro measure of agglomeration to capture the pressure on urban land with resultant congestion outcomes such as poor location of market, buses stops, manoeuvres, and poor driving habits on the poor and inadequate road transport facility as described in Figures 2 8 below. With the introduction of lags in the model, the study adopts the Vector Autoregressive method of estimation with distributed lags to take care of the autocorrelation in evaluating the determinants of traffic congestion in the Douala metropolis. Consequently, model 1 and 2 take the generic form with distributed lags.

$$\Delta Y = \sum_{t=1990}^{2012} \alpha_i X_t + \sum_{t=1990}^{2012} \alpha_i x_{t-n} + \varepsilon_{1t} \quad ....3$$

Where

X is the exogenous variables Tnx, Te, ΔY and Ua

t-n is the distributed lag of the exogenous variables with n numbers of lag been defined by the lag criteria and

Δ_t is the stochastic term for both models.

Data Analysis and Discussion of Results

Figures 2 to Figure 9 give a clear picture of the determinants of traffic congestion in the Douala Metropolis.

FIGURE 2: *Narrow nature of Major Entrance into Douala at Tunnel Ndokotti*

FIGURE 3: *Non functionality of traffic control Lighting and the non categorisation of users at Tunnel Ndokotti*

Source: *authors' Archive*

Figure 2 & 3 portrays how the nature of road to the major entrance at Ndokoti with the absence of functioning traffic lights creates bottlenecks and results in pre-congestion and congestion at the Ndokoti crossroad (Tunnel Ndokoti). This crossroad has four routes with about 8m width each. The 8m wide roads serve as a two-way lane with no pedestrian path or motor cycle path. This crossroad is expected to handle the huge traffic flow from the BASSA Industrial Zone in terms of freight as well as the commercial inter-urban transport flow from Yaoundé, Yabassi, and all the East Mungo towns. The situation is made worst by the carefree movement of commercial motorbike riders who transport the settlers in this part of the town especially as they do not respect the traffic flow control lighting. Thus, the narrow nature of the roads and the absence of a proper traffic control lighting system, results in recurrent congestion at this spot. Traffic congestion at this point is recurrent and results in long hours of delays ranging between 4 hours on average. Most often, freights and persons are stuck in traffic at this point for long hours during rush hours. However, this shows the pre-congestion and congestion conditions based on the reliability of the transport system in the economic growth process which show that potholes on roads not properly addressed and in time, widens and results in induced travels congestion.

Furthermore, the Bonabéri Bridge that is also a major link between the CBD and Yaoundé, Yabassi is 1,800m long and about 6m wide combining both the road and railway feeding the Douala port and with a motorisation rate of about 40 vehicles per 1000 inhabitants make the flow high beyond it carrying capacity during rush hours. This major entrance also handles inter-urban traffic flows from the South West Region to other towns west of the Littoral Region heading for Centre Region and towns east of the Littoral Region.

FIGURE 4 *Deplorable nature of roads at New Bell Source: Authors' collections*

Source: *Authors' Collections*

FIGURE *5 Large potholes which has widen over time during the rainy season*

The nature of road poses huge cost in terms of vehicle and flight management, slowdowns or limited market. The poor nature of roads limits the volume of economic activities and thereby limiting the scope of economic activities. This usually results in induce travel as the nature of the road drive traffic flow to already congested roads. The poor nature of these roads at New Bell drives traffic flow to the already congested Akwa stretch. This increases the traffic flow on this stretch and makes the stretch always congested especially as it has a lot of business centres which use part of the road as a car park as well as extension of their shopping centres to the road making the road always congested.

Figure 6a *Potholes*

Source: *Authors' Collections*

Figure 6b *Bad road*

Source: *Authors' Collections*

Figure 6a and 6b depicts the pre congestion conditions as a result of potholes from poorly paved segments of the road. This road serves as a major feeder road between "Marche Centrale" and "Marche Congo" which are major shopping centres in Douala. This road links the huge Muslim community of New Bell to Akwa and Mboppi. In avoiding traffic congestion, most workers prefers to live in Akwa and New Bell for the purpose of easy accessibility to these shopping centres and other business avenues in the Central Business District. Hence, the continuous increase of settlers in these areas results in increased demand for transport services.

Given the poor nature of the paved roads and the absence of maintenance, small potholes grow wider and deeper making motorcycles the most reliable means of transport in these areas. This is because of the fear of being stuck in traffic by most taxis due to slower traffic flow as a result of bad roads that destroy these taxis. Consequently, induced driving behaviours can be noticed by both taxi drivers and motorcycle riders to manage the bad road and slowdowns (Pre-congestion). This often results to slowdown as drivers do not respect drivers' code. Figure 6a

Figure 7: *Market Extension induce driving behaviour and Traffic Congestion at the Mboppi market stretch*

Source: *Authors' Collections*

Urban agglomeration results in competing Land use such as car parks, markets or other commercial centres. This is the case with the Mboppi market as settlers agglomerate around BASSA industrial zone and this has introduced competing land uses such as the bus stop at Ndokoti competing with the road as this activity extends to the road and causing recurrent traffic congestion at the former Total fuel station Ndokoti. This is the same case with the Mboppi market especially as the agglomeration raises the need for a market but the absence of proper town planning in terms of a proper car park, shops and transportation causes activities to extend road that causes recurrent traffic congestion at this point. See figure 7 above.

Figures 8 and 9 are some illustrations of how potholes on the road produce pre-congestion conditions which grow to full congestion and even hyper congestion because of the constant inflow of road users. This occurs most especially at rush hours beginning from 4:00 Pm and sometimes by 2:00Pm. This is the case at the Rail market at Bonabéri which is the main entrance for interurban transport from the South West, West and North West regions. Figures 8 - 9 try to illustrate the phases involved in the process as illustrated below.

FIGURE 8 *Potholes and Pre-Congestion conditions at Rail - Bonabéri*

Phase II

Phase III

Source: *Authors' Collections*

FIGURE 9*Potholes role in the Pre-congestion and Congestion conditions at the major Entrance (Rail Bonaberi)*

Phase IV

Source: *Authors' Collections*

Figures 8 & 9 portray the role of potholes in determining the reliability of the road transport system. These figures begin with the pre-congestion condition which is a slowdown in travel speed due to the presence of potholes. This slowdown induces vehicle manoeuvres by drivers so as to improve travel speed which most often ends up in vehicle crashes or accidents. This is common at Rail-Bonabéri especially when the potholes grow wider and deeper. This is in conformity with Newbery (1989) which looks at road damage externalities and user charges. During these incidents there is a continuous traffic flow and congestion starts to grow from the pre-congestion condition as travel speed continues to drop. This may even grow to the level of hyper congestion. That is when there are almost no movements and vehicles seem to stand at the same point for hours. Congestion grows from the fact that after the crash the road capacity is reduced as both parties involved in the crash, wait for a police situation report to be established. The time taken to have a police officer to draw up the crash situation report results in the second and third phase of congestion as illustrated by Figure 8. This is due to the fact that Bonabéri is the major road for Inter and Intra Urban transport. Consequently, the speed of entering the jam is greater than that of leaving thereby producing congestion as presented in Figure 8 & 9.

In sum, figures 2 9 show the inadequacy of the road transport facility such as paved roads, non functional traffic flow control lighting, narrow roads, single narrow entrance and exit points such as the Bonabéri Bridge, poor public transport services and poor road usage. This fact is supported by the fact that of Douala's total road network of 1800km, just over 500km has been paved with a road density of 0.72 km per 1000 (UTIP, 2010).

The effects of these determinants are statistically confirmed with the VAR model thus

Table 1: ***VAR estimation of the major determinants of traffic congestion in the Douala Metropolis***

PARAMETER	DLOG(GDP)	DLOG(NTX)	DLOG(UA)	DLOG(TE)
DLOG(GDP(-1)	1.934503* [2.78852]	-2.982783* [-2.78873]	-6.063213* [-2.28346]	1.935320* [3.78886]
DLOG(GDP(-2)	-7.276843* [-3.78953]	1.855457* [2.30598]	2.288967* [4.28485]	-7.271878* [-6.78900]
DLOG(TNX(-1)	-0.093808* [-7.78970]	0.781726* [5.29445]	0.973087* [8.28489]	-0.089168* [-6.78852]
DLOG(TNX(-2)	-0.764820* [-11.7883]	0.992845* [8.66335]	2.398394* [2.28332]	-7.655458* [-7.78845]
DLOG(UA(-1)	-8.114220* [-6.93548]	0.119850* [3.85457]	-0.154643* [-4.42308]	-0.115405* [-7.93579]
DLOG(UA(-2)	-6.276186* [-2.43994]	0.085962* [3.39090]	1.383172* [3.11205]	-6.276282* [-4.43995]
DLOG(TE(-1)	-1.934583** [-1.78853]	2.982937 [0.78875]	6.062985* [2.28344]	-1.935399* [-3.78887]
DLOG(TE(-2))	0.257109* [3.78863]	-1.852787* [-3.30616]	-0.281018* [-4.28431]	7.252143* [2.78810]
Constant	4.403688 [1.22056]	-0.005915 [-1.06362]	-0.008318 [-0.26444]	4.403826 [1.22061]
R-squared	0.947611	0.999979	0.939882	0.954058
Adj. R-squared	0.843401	0.999961	0.858000	0.831223
F-statistic	9.911610	53854.68	8.883506	9.935660
Observations	22	22	22	22

Note:* statistically significant at 1 percent " level, ** statistically significant at 5 percent " level

The VAR results build the grounds for the synthesis of the determinants of traffic congestion in the Douala metropolis. The equation for economic growth DLOG (GDP), reveals that a percent growth in the volume of net Export reduces the contemporaneous of economic by 0.09 and 0.7 percent respectively. This is an indicative efficiency of the road network system and services. The finding corroborates the study of Maoh et al (2005) that found that firm locations are influenced by agglomeration economies besides other factors such as distance from the CBD, and Highway, household density, population size

The equation for net export (Tnx) shows that a percent growth in the road sector fuel consumption results in a 2.9 percent growth in the volume of net export in the first lag year but a 1.85 percent decrease in the volume of net export in the second lag year because traffic congestion would have set in. This is further supported by how fast congestion determining factors can set in given the competing land use within the Douala Metropolis. This result is also consistent with view of Kanemoto (1980) that asserted that there is a strong interdependence between urban transport and landuse pattern in the presence of monocentricity

The model for urban agglomeration, an explanatory factor or variable for traffic congestion reveals that, a percent increase in economic growth (GDP) actually result in a 6.06 percent decrease in urban agglomeration in the first lag year but the second lagged year due to determinants of limited or narrow and few road infrastructure with poor connectivity, urban agglomeration will increase by 2.28 percent. This finding also corroborates the finding of Fujita and Krugman (2004) who studied returns variation as a function of transport cost and concluded that increasing returns determines the land-use pattern in its spatial distribution forms

The explanatory power or goodness of fit of the various distributed lag for net road export (TNX), urban agglomeration (UA) and road transport sector fuel consumption (TE) ranges between 83 to 99 percent showing that the models explain to a larger extent the dynamics of economic growth and traffic congestion in Douala. The explanatory power 0.84, 0.99 0.86 and 0.83 ascertains the fact that the respective models of economic growth, road transport service, Urban agglomeration and Road sector per capita fuel consumption best explains the dynamics of traffic congestion and economic growth. These models are statistically reliable as they have F-Statistics ranging from 8.88 to 53854 which is statistically significant at the 1 percent) Δ-level. This justifies the reliability of the models in explaining the causality between the variable and highlighting the major determinants of traffic congestion in Douala and setting the basis for apt policy recommendations to improve on the situation. With the support of the granger causality tests and the impulse response function, the established causality of the estimated parameters accentuates the figures above as the major determinants of traffic congestion in the Douala metropolis.

Conclusion

Based on the findings of this study, urban agglomeration and metropolis' polycentricity are very necessary for efficient economic decision of regional and urban growth as the play a key role in determining the spatial distribution of metropolis. Thus, their feedback effect or two way relationships emphasises the element of a trade-off between the CBD growth urban agglomeration and regional or metropolis economic growth

Recommendations

Based on the findings and as a strategy to reduce congestions in Duala metropolis, the study recommends that:

1. Government should construct many major entrance/exit roads or separate the interurban entrance/exit roads from the intra-urban entrance/exit roads which

link the suburbs of Kotto, Bonaberi, Bassa and Ndizengue and the CBD of Akwa and Banajo. This is so because since Douala road network handles inter-urban travels as well, it would be logical and transport efficient if there is the creation of a road network that links periphery towns of the Littoral Region that does not necessary passes through the CBD of Douala. For example constructing a road that links the South West, and West Region to the centre region without passing through the Douala metropolis

2. Also, the improvement of road transport infrastructure which includes well defined bus, taxi and motorbike stops should be done by the relevant agencies of government. In order words, let there be a well define system of linkages between the various modes of transportation. That is, motorbikes should feed the ancillary roads, where taxis runs, and large buses for purpose of economies of scale serve the various districts. This will not only restore sanity in the public transport and logistics sector but will also improve on the efficiency of the public transport sector in the Douala Metropolis.

3. The industrial free zones even though established to promote industrialisation, should incorporate elements of specialisation. The purpose of industrial specialisation is polycentrism of the Douala metropolis. That is, all weight losing firms and industries should be located at the suburban and all the gaining firms and industries be located at the CBD. That is, Arterial Road should link the various urban centres of the Douala Metropolis while all the urban roads should be the motorways. In other words road types design and construction should be guided by the estimated settlement population and the purpose of the road. Furthermore, their maintenance should be designed by law to be carried out at a given interval by a particular specialised authority like is done elsewhere in developed countries such as the Road Act in the United Kingdom.

4. Finally, the institution of Automatic Traffic flow Counters (ATC) becomes necessary in the planning and management of road transport given that the demand for mobility is an induced demand from economic growth. This will give room for continuous planning which is consistent and sustainable than mere ad hoc road planning, development and maintenance strategies put in place by particular authorities both at local or central government levels. This will make the market mechanism of the demand and supply for road transport infrastructure more efficient in terms of pricing and the estimation of congestion cost.

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Economic and Socio-cultural Implications of Divorce in the Coastal Region of Mtwara Mikindani Municipality-Tanzania

Doki Naomi Onyeje Ph.D
Faculty of Social sciences,
Benue State University, Makurdi-Nigeria
Onyeje80@yahoo.com, +234 (0) 7035945857

and

John Chrisostom Pesha
Johnpesha@yahoo.com, +255 682 970056

and

Gilbert A. Msangi
Faculty of Arts and Social Science
Stella Maris Mtwara University College, Mtwara Tanzania
msangigly@gmail.com, +255 787 097855

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Abstract

Divorce is a growing threat to functional societies and should not be ignored. Close looks need to be taken by all concerned because the home is extremely important in shaping lives of the future generations. This study in that light examines factors that contribute to the problem in Mtwara Mikinduni Municipality in Tanzania. The study aligns with three theoretical perspectives- the symbiotic interaction, the structural functionalism and the conflict theory of divorce. The study employed a survey research design, used purposive sampling to select the areas and a disproportionate random sample to select the 50 respondents that participated in the survey. Descriptive statistical tools were used to present and analyse the data gathered. The findings of the study reveals that, economic hardship and rising incomes during harvesting period significantly influence divorce in Mtwara Mikinduni Municipality in Tanzania. Further, other socio- economic factors that significantly induce divorce in Mtwara Mikinduni Municipality in Tanzania include: gender violence, early marriage and religious differences. This study therefore suggests that, family members should participate fully in family matters regardless of their sex, education and economic status in order to learn the basic ways of managing and sustaining marriages in difficult and challenging situations that may lead to divorce.

Key words: *Divorce, conflict, Economic, Socio- cultural*

Introduction

It is often said that the main reflection of the society is the family. Every individual, whether he or she is good or bad, responsible or irresponsible or healthy or physically challenged belongs to a family. That is, he is a product of a sexual union between a man and a woman. The intention of the creator of mankind was for children to be born and nurtured within healthy family units. However the nature of human behaviour as we experience today is increasingly going against this intent. Many children are conceived and born out of wedlock and even more of them who were born in structured family units loose those structures to death and/or divorce. When death is the cause of the loss, it is a matter for the "gods" but when divorce is responsible for the loss, it calls for concern. This is because the synergy of material and non- material resources from parents is no longer optimized and this may compromise the children.

Divorce can be defined as the legal ending of marriage Homby, (2000). This social phenomenon prevails in both developed and developing countries. Rwechungura (2013) points out that between 1970s and 2010, marriages in the EU member states became less stable, as reflected by the increase in divorce rate, which almost doubled from 1.0 divorce to 2.2 divorces per 1000 inhabitants. Bonfiglio's report (2010) recorded that divorce rate in the United States of America reached 4.95 per 1000 population. These statistics reveal clearly that the problem of divorce continues to bring adverse effects to many families in industrialized countries.

Over the past 20 years, Gulf Cooperation Council Countries (GCC) have witnessed rising divorce rates, and there are no signs of the pace slowing down. The GCC region's highest total divorce rate is reported in Kuwait, at 37.13% of marriages while the lowest (20 %) in Saudi Arabia AlMunajjed, (2009). This problem prevailed in some GCC countries because of improper behavior among women Machimu, (2013). According to Wikilslam (2012), 36% of divorce in Qatar occurs because of insolent bahaviour of women and only 9% of such cases came into being because of jealousy among men (husbands).

Many African States have adopted more liberal divorce laws, in the last two decades. Consequently, divorce has become a more practical option in new generation families than in the past because the general increase of income at family level coupled with the availability of free legal aid for some poor people, has meant that more couples can afford the traditionally high legal costs of divorce proceedings **Adegoke,(2011).** Tanzania being part of Africa continues to experience this problem in both urban and rural communities. Statisticians from the Registration Insolvency and Trusteeship Agency (RITA) revealed that divorce rates increased from 28% in 2006/2007 to 54 in 2008/ 09, though they doubt that more than 405 divorces in the decade might have gone unregistered Rwechungura,(2013).

Machimu (2013) affirms that the rate of divorce in Mtwara Mikindani Municipality has increased since 2000s when the government set a law that requires all pregnant women to go for HIV testing before delivery. Data from Mtwara District Court indicates that divorce cases increased from 25% in 2009 to 33.3% in 2012.

Many reports have shown that divorce is on the increase. Being a social problem affecting the welfare of the household members and community at large, this study aims at examining the causes of divorce in Mtwara Mikindani Municipality by investigating to ascertain the factors that significantly contribute to divorce in this area and to examine possible solutions to divorce in the area. This study upon completion will contribute to the existing literature on specific socio cultural factors that need to be addressed in order to tackle this very important problem.

Theoretical Framework

There are two interesting thoughts on the subject of divorce. The first is the "soul mate" thinking which supposes that there is only one woman for every man with whom absolute happiness can be found and divorce takes place because partners were not meant to be together in the first place. The second is the "work it out" thought which supposes that a relationship can be successful no matter how different partners are through communication and effort at problem solving. It is called the commitment model. Ngolite, (2008). In this case divorce is a result of low or no commitment of partners to make the marriage work.

We proceed with three divorce theories, the Symbiotic Interaction, the Functional Analysis and the conflict theories in brief.

The Symbiotic Interaction theory was born from American pragmatism, the work of George Herbert Mead (1863- 1931). It was a term coined by his student Herbert Blumer (1900- 1987). It suggests that people act towards things and each other based on the meanings they have for them and these meanings are derived from social interactions and modified through interpretation. (www.wikipedia.org) Herbert (1969) submits that the theory has three core principles; meaning, language and thought. As it applies to the relationship between couples, what the theory says is that one persons meaning and interpretation of an event or experience may be completely different from the others. It explains increasing levels of divorce in terms of the changing symbols associated with both marriage and divorce. Changes in ideas about love, marital satisfaction , children, parenting, money, success, roles of husbands and wives put extreme pressure on today's married couple and taken together, provide a strong push towards divorce.

The Structural Functionalism theory is a framework that sees society as a complex system whose parts work together to promote solidarity and stability. Spencer (1820- 1920) presents these parts of the society as organs that work together towards proper functioning of a stable cohesive system. With regards to divorce, the advantages of technological advancements which play a significant part in enhancing a functional society encourage behaviors that affect marriage negatively. New technology like computers, social networking and cell phones that can do anything such as online dating and exposure to social websites make our lives easier but can also make people to cause damage to their relationships intentionally and unintentionally.

The conflict Theory is about authority and power. This theory describes the struggles of the haves and the have-nots, the patricians and the plebeians. It is a situation whereby even in peace, there is still struggle for power and for superiority between both groups Saget B (2011). In marriage traditionally, the man goes to work, provides for the home and stays in charge and controls everything while the wife bears and nurtures children. In contemporary society this status quo has shifted somewhat such that wives work outside the home and earn incomes that contribute to keeping the home and as such are beginning to demand some power and respect as well. When this struggle is not properly managed, the relationship could break down and divorce results.

Following from this discourse on theoretical perspectives is a summary of the causes of poverty from the lens of psychologist Saget B. (2011)

1. infidelity,
2. changing life stages,
3. growing apart
4. traumatic events
5. response to prolonged stress, financial or mental,
6. not meeting emotional needs
7. boredom
8. no respect

9. stonewalling and defensiveness
10. domestic violence
11. addictions
12. irresponsibility
13. unrealistic expectations
14. no support
15. no communication
16. no concern or care

This list may not necessarily be exhaustive but in her opinion, most divorces are a result of a combination of some of these factors. Some of these factors constitute the variables investigated in this study.

Methodology

Description of the Study Area

The study was conducted in Mtwara - Mikindani Municipality in Mtwara District. This district is one of the five districts in Mtwara region. This municipality is located at Latitude 11 03' 45"S and Longitude 38 19' 08" E. The Municipal covers an area of km^2 16,707 and has the ability to accommodate 200,000 people. In this Local Government Authority, there are 15 wards and more than 150 streets.

Furthermore, the economic activities taking place in Mtwara - Mikindani Municipality include agriculture, fishing, trade and construction activities. The 2002 and 2012 censuses indicate that the most dominant groups are the Makonde, followed by the Makua and Yao. Other ethnic groups include Hehe, Pare, Chaga, Zaramo and Mwera. The study selected Chikongola and Magomeni areas because data from Registration Insolvency Trusteeship Agency (RITA) and district court reported the presence of high rate of divorce in these wards.

Participants

This study employed a cross sectional survey research design. The population of the study comprises all the divorced people in the district. Fifty (60) respondents made up the sample for the study, selected via a disproportionate sample. In order to strengthen the results, 2 social welfare officers, 6 cell leaders and 2 religious leaders, one Christian and the other a Muslim were selected to participate in the survey.

Instruments

The study used purposive sampling for selecting two wards, government officials and religious leaders. Convenience sampling was applied for selecting the divorced people. Different methods were used to collect data. Primary data were collected through questionnaire and interview and were supported with secondary documents such as books, journals and various publications on divorce from Stella Maris Mtwara University College Library, Mtwara Regional Library and internet source. The data were analyzed using both content analysis and SPSS Version 16.

Data Analysis and Discussion of Results

The study distributed 60 questionnaires to respondents who had a practical experience of divorce- directly or indirectly, hence the inclusion of the cell leaders and the religious men to strengthen the results. Forty two questionnaires were returned valid for analysis. This represents a 70 per cent response rate. This participation rate of respondents helped the researcher to conduct the exercise of data collection correctly and smoothly. The resultant data is presented thus:

Table 1: *Demographic and Socio-economic Characteristics of the Respondents*

Variables	Frequency	Percentage
Age		
15- 30	14	33
31- 45	16	38
46 and above	12	29
Total	**42**	**100**
Gender		
Male	21	50
Female	21	50
Total	**42**	**100**
Marital Status		
Married	0	0
Divorced	42	100
Other	0	0
Total	**42**	**100**
Occupation		
Farming	12	29
Fishing	4	10
Trade	14	33
Civil Servant	6	14
Jobless	6	14
Total	**42**	**100**
Educational Qualification		
No Schooling	10	24
Primary Education	24	58
Secondary School	8	19
Tertiary Education	0	0
Total	**42**	**100**
Children		
Yes	41	99
No	1	1
Total	**42**	**100**

Source: *Field Survey 2013*

The presentation in Table 1 shows that respondents were aged 15 and above but most of them fell within the ages of 31- 45. This is the acceptable age range for marriage and therefore is realistic for the possibility of divorce. An equal number of men and women participated in the survey and all of them were divorced. Majority of them i.e. 99 per cent had children from the marriages. Most of the respondents in the survey were into farming and trading (29% and 33% respectively) as the sources of their livelihoods. Only 14% of them were completely not engaged in any meaningful economic activity and described themselves as jobless. In terms of educational pursuits, 24 per cent had no formal schooling but the remaining 76 had at least a secondary education but none had tertiary educational experience.

The bio-data of the respondents presented in table 1 above indicate that they posses the necessary competence to provide incisive information needed to achieve the research objectives.

Table 2: *Economic factors contributing to divorce in Mtwara Municipality*

Variable	Frequency	Percentage
Economic hardship	17	41
Rising of family income	16	38
Family bankruptcy	6	14
Total dependence on husbands	3	7
Total	**42**	**100**

Source: *Field survey, 2013*

The survey shows that 41% of the respondents are of the opinion that income poverty is the major cause of divorce among the people in Mtwara-Mikindani Municipality. 38% of the respondents subscribed to the rise of family income, 14% to family bankruptcy and only 7% to total dependence on husbands as causes of divorce among the people in Mtwara-Mikindani Municipality. The findings was strengthen or corroborated by the interview reports which reveal thus: The cell leaders who were interviewed argued that, income poverty paves a way for hunger, diseases and other sufferings which force women to ask for divorce. To social Welfare Officers, poverty causes divorce when men decide to go away from their families seeking for job opportunities hence their long absence leads to family breakdown. This finding is in line with Machimu (2013) who opines that, divorce is more frequent among the poor people than those in middle and upper class. Also it is consistent with Doherty (2011) who states openly that individuals with higher incomes have a lower chance of divorce compared to those people with lower income

On rising family income, Social Welfare Officers interviewed on this issue were of the opinion that, high rate of divorce occurs during the time of harvesting cashew nut when men (farmers) sell their products and earn income. High income gives farmers (men) power to look for new wives and divorce their former wives. Also, the cell leaders from Magomeni and Chikongola wards share this view as they posit that, divorce is usually high during harvest seasons. Adding to the foregoing, the religious leaders described this practice as *"kusafisha ghala* "(thus, to clean the stock/store). This implies that, majority of men in the area continue to hold a perception that polygamy is a sign of prestige and wealth.

On family bankruptcy, majority of the interviewees are of the opinion that, family bankruptcy contributes to divorce. They argued that many women decided to ask for divorce when the family runs bankrupt. Economically, modernization has brought new demands, appetites, and stresses - all of which are being cited as contributing factors to the rising incidence of divorce. They further added that most women in urban areas perceive marriage as a tool of becoming rich and having a good life. Most of them ask for divorce when they fail to get what they expected from marriage. These findings corroborate media reports which indicate that, in the United Arab Emirates rising prices and rents, as well as the desire of some couples for luxurious lifestyles, have led to heavy debttriggering numerous family disputes and in some cases even divorce (AlMunajjed, 2009).

In summary, the leading economic factors contributing to divorce in Mtwara Municipality are income poverty and rising incomes. What this means is that money- the absence of or presence of much of it contributes to marital problems and ultimately divorce.

Table 3: *Socio - Cultural Factors Contributing to Divorce in Mtwara Municipality*

Variable	Frequency	Percentage
Gender violence	16	38
Early Marriages	8	18
Religious differences	7	17
Polygamy	8	18
Infertility among couples	3	9
Total	**42**	**100**

Source: *Field survey, 2013*

Table 3 shows that 38% of respondents agreed that there is a link between gender violence and divorce in Mtwara Municipality, 18% ascribed divorces to early marriages, 17% to religious differences, 18% to polygamy and only 9% of the respondents attributes divorces to infertility among couples in Mtwara Municipality. The interview results on these issues also confirmed the presence or the prevalence of the above socio-cultural factors as the major causes of divorces in Mtwara Municipality. The interviews were unanimous that: many violent cases have been reported at the household level where a large number of women are dehumanized, beaten and treated with disrespect. This undesirable cultural practice causes women to experience sufferings and finally ask for divorce. This finding is consistent with the result of earlier study by Rwechungura (2013) which revealed that gender violence is one of the factors leading to high divorce rate among families in urban areas.

Again, on early marriages, the survey pointed out that the rate of early marriages in Mtwara Municipality is very high because of high dropout rate in primary and secondary schools, economic hardships in many families and illiteracy among urban dwellers. To them, marriage at a very young age increases the likelihood of divorce, especially in the early years of marriage. Those who marry in their teens have much higher divorce rates. They also submitted that from their observations over time, those who delay marriage until their 20s are usually more mature and able to make better marriage decisions and handle the challenges of married life better than those who marry in their teens. Marriages among couples from different religions were also observed by them to be more likely to end up in divorce compared to marriages of the same faith or denomination. Specifically, most men were observed to divorce their wives because their faiths allow them to marry more women. This position supports Machimu (2013) who argues that, "inter faith marriage tend to be less stable than same faith marriage…" and further validated the findings that low level of educational attainment contributes to the prevalence of divorce cases in Mtwara Municipality since none of the respondents had tertiary education.

On polygamy as a contributory factor of divorce in Mtwara Municipality, the interviewees perceived polygamy as another source of divorce in the area. They agreed that the tendency of men to marry more than one wife has caused misunderstandings between the couples or among women. These conflicts have contributed to divorce. During the interview, one the respondent reported that "*I decided to ask for divorce because my husband had two wives and he was not ready to take his responsibility as the father in the family*". This situation has been common in many communities where polygamy is permitted. This finding is consistent with Cohen's (2007) findings which found that in communities where polygamy is permitted, hundreds of divorce cases have been reported.

However, infertility among couples was not a strong socio cultural factors contributing to divorce in Mtwara Mikindani Municipality

as observed during the interview. Their reservation on this factor agrees with the result of bio-data analysis where 99 per cent of the respondents had children. Specifically, the Social Welfare Officers from the Department of Health and Social Welfare in the municipal office agreed that higher rate of divorce is common to families without children than those with children. The Ten Cell leaders from Chikongola ward on other hand pointed out clearly that the primary objective of marriage is to get children. Presence of children brings happiness, unity and stability in the family. The absence of children leads to unending conflicts among couples, family members and at the end contributes to divorce.

In summary, the socio cultural factors that contribute to divorce in the study area include early marriage, religious ideology, polygamy, infertility and gender violence.

Table 4: *Possible measures for combating the problem of Divorce*

Variable	Frequency	Percentage
Equal participation in decision making	17	40
Proper use of family income and resource	10	24
Having a positive attitude of hard work among parents	7	17
Teaching Social Ethics at all levels of Education	8	19
Total	**42**	**100**

Source: *Field survey, 2013*

Equal participation in decision making

On the issue of measures to manage and minimize cases of divorce in Mtwara Mikindani Municipality, table 4 above reveals that, 40% of the respondents suggested equal participation in decision making, 24% recommended proper use of family income and resources,19% subscribed to teaching social ethics at all levels of education while only 17% of the respondents recommended a positive attitude of hard work among parents in Mtwara Mikindani Municipality. The interviewees were also unanimous on the effectiveness of the variables mentioned in table 4 as measures of tackling divorce in Mtwara Mikindani Municipality. Specifically, they are of the view that the problem of divorce can be solved if couples have the equal opportunities in making decisions. To them, family stability could be attained if couples had equal opportunities for making proper decisions on social, economic and cultural affairs touching their families. The need for equal participation stems from the fact that one party always feel suppressed by the other and therefore seeks some respect and validation from their partner. As observed by them, many family women are not given opportunity to participate in decision making. Men have the autonomy to make decisions on each and everything. This attitude has brought chaos in many families and hence contributes to divorce. The only solution to this problem according to them is to ensure equal participation among family members in decision making.

On proper use of family income, the interviewees proposed that family members should use their resources in a proper and sustainable way. The income obtained from various economic and social activities must be utilized by all family members in a sustainable way. This submission is a call for the structures within the marriage relationship to be reorganized to allow for maximum benefits, stability and performance within it. Again, the interviewees ascribed the high rate of divorce to economic hardship. According to them, the only way to solve this problem is to ensure that parents develop the attitude of hardwork. This attitude will ensure actual development and eliminate income poverty in the family. This finding corroborate the result of an earlier work by Micheal (2002) who argued that

laziness should be stopped in order to avoid divorce. The best way to fight against laziness is to engage in productive roles and earn income which will be utilized for the welfare of the whole family.

Besides developing an attitude of hard work, the interviewees further suggested that social ethics as a subject must be taught from primary to tertiary level. The provision of ethical education to the children, youth and mature people will ensure stability from the individual to the community level. According to them, government should collaborate with Faith Based Organizations in conducting seminars for the parents and other members of the society. Through this education, the community members will develop morally, maintain peace and love, become tolerant, obedient and transparent.

Implications of Divorce to Mtwara Municipality

Economic

It is interesting to see that the presence as well as the absence of money has implications for divorce. On the other hand, the emotional and psychological effects of divorce can hinder productivity and income earning capacities especially when it is not anticipated and is accompanied by hurt and betrayal. It could also motivate hard work as a result of the need to survive which may be good for economic fortunes or enshrine laziness and other vices if a defeatist mode is activated. On individual levels as shown, it could be a good or bad thing. Actual economic variables-income structures, price, inflation and GDP are not directly but indirectly through the players in the economic space.

Socio-cultural implications

The socio cultural implications are the reflections on relationships between the individuals concerned, children and extended families and the society at large and this is mostly negative. Except for cases where the divorce is necessary to save lives in abusive situations, divorce breeds, anger, hurt, bitterness and many other negative emotions which do not help anyone be their best. It could foster promiscuity in the society and this could threaten the survival of communities (HIV/AIDS) and water down the strong cultural values of morality and justice on which our African traditions were built.

Divorce affects the couple in many negative diverse ways but affects the children even more. These children in turn may unleash their anger on the society at large by involving social vices and crimes that inhibits the security of lives and property within the region. Few examples will suffice:

Many children whose parents were divorced experienced socio economic challenges which affect their wellbeing. Most of the children became street boys because of being mistreated by their step fathers or mothers at the household level. Majority of them may take to drugs and abuse alcohol in the society. 99% of criminals or social vices are more likely to come from family backgrounds characterized by parental conflict and parental rejection, thus, linking divorce directly to alcohol and drug abuse. Hence, indicating that if divorce is not checked in Mtwara, the possibility of the incidence resulting to drug abuse, prostitution, alcoholism among the youth, crimes and other social unrest is very high. This may eventually make the area ungovernable and inhibit investment by other people in the area.

Again, if divorces cases or the prevalence of it is not properly tackled or managed, many of the children from broken homes may not be able to access better education and this will contributed to high rate of illiteracy in the coastal regions. Common knowledge from every day interaction shows that divorced homes performed more poorly in examinations and repeated a grade more frequently than children with both parents, indicating that the educational future of the coastal area will be jeopardized if the rate of divorce in the region is not timely and

adequately checked

Furthermore, any element of negligence in nibbling this vice on the bud will lead to high cases of psychological stress among the children in the coastal area thereby leading to the necessity for the government to increase their health budget to take care of this situation. Experience and the research result has shown that children who have undergone forced separation from one of their parents in the absence of abuse, including cases of parental alienation, are highly subject to post-traumatic stress. The prevalence of this case may lead to the prevalence of mad children in the coastal area, meaning that the area may not have future since majority of the youths that are supposed to be the leaders of tomorrow may not have the emotional stability to truly lead tomorrow.

Conclusion

The nature of divorce is such that its causes and effects are in a complex interwoven system. The effects of the problem are not restricted to the key participants, the married couple but it extends to children and extended family members and these effects threaten the viability and success of those affected. The problem should be taken very seriously by scholars and social workers so that in cases where it is unavoidable, the negative effects can be reduced as much as possible especially for the children who are the life and leaders of tomorrow.

Recommendations

Proper use of family income and resource

The respondents reported that misuse of family income and resource contributes to divorce. The income obtained from various economic and social activities must be utilized by all family members in a sustainable way. This submission is a call for the structures within the marriage relationship to be reorganized to allow for maximum benefits, stability and performance within it.

Having a positive attitude of hard work among parents

Hard work as we have seen can help build good relationship between a husband and wife as they will feel that they are working as a team. The way to solve this problem is to ensure that parents develop the attitude of hard work. This attitude will ensure actual development and eliminate income poverty in the family.

Teaching Social Ethics at all levels of Education

Early exposure to the values that build good relationships, from being a good person to doing good things can be learnt, i.e., they should be taught to children in formal environments since the homes may be failing in this regard. The provision of ethical education to the children, youth and mature people will ensure stability from the individual to the community level. The government should collaborate with Faith Based Organizations in conducting seminars to the parents and other members of the society. Through this education, the community members will develop morally, maintain peace and love, become tolerant, obedient and transparent.

Most importantly, divorce is a problem that arises from being a wrong person and doing wrong to another person. Stakeholders have a huge responsibility to pursue self-improvements and peace with all men.

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The Role of Government in Promoting Sustainable Environmental Management practices in Cameroon

Fuamenya, A. Francis, Ph.D
Department of Economics and Management,
Faculty of Social and Management Sciences
University of Buea Cameroon, P.O Box 63, Buea Cameroon
Email: fuamenyaf@yahoo.co.uk Tel: (237) 99 81 10 10

and

Ochugudu, A. Ipuele, Ph.D
Department of Business Management,
Benue State University,
Makurdi, Benue State-Nigeria
Ochugudu74@gmail.com, +2347038960277

pp 245-254

Abstract

This paper seeks to assess the level of awareness of coastal line communities of Douala, kribi, Tiko & Limbe of their vulnerability to industrial hazards arising from the industrial activities in their areas, and the factors that significantly accounts for this gross lack of awareness. It also explores intervention strategies particularly the Environmental Management System (EMS)that the government of Cameroon can institute to guarantee a sustainable environmental management practices that will consequently curb the unnecessary exposure of the residents of these coastal line communalities to environmental hazards. A survey design was adopted for this study. Structured questionnaire was used to source primary data from the purposively selected respondents drawn from the 51 enterprises operating in Douala, kribi, Tiko & Limbe that participated in the study. It was observed from the results of data analysis that these communities were unaware of both the physical and social hazards associated with industrial activities in their areas. Also, poverty, illiteracy and the absent of environmental education programmes to inform and educate the communities were found to commutatively increase the vulnerability of these community, town and cities to related industrial hazards. The study recommends that government should use instruments such as self regulatory instruments, direct regulatory instruments, cooperative instruments and information instruments to institute and encourage sustainable environmental management practices along the coastal communities.

Kew Words: *Environment, Management, Industrial hazards, Coastal communities, Cameroon*

Introduction

Little attention has been paid to the environment before the publication of the broad land commission land mark report. Our common figure, in1987, and the holding of Rio summit in 1992, the commitment of enterprises to environmentalism (e.g. protection) and cooperate social responsibility has greatly increase worldwide.

The brunt land report advocated the need for companies and industries to acknowledge and recognize the environment as a stakeholder, and for the enterprise to be accountable for their adverse impact on the environment and present a veritable vision for sustainable development under globalization i.e. meeting the need of the present generation without jeopardizing the need of the features generations (WCED, 1987). That can be best achieve through the improvement of environmental management practices and socio economic performance

Generally, different tools avail or exist for the purpose of making a company or an industry more environmental friendly and proactive. These tools are no doubt very important because they have that ability to give the company or industry the information pertaining to the prevailing or actual environmental situation, helps to ameliorate the structure of environmental work and thereby offer the ideal conditions for corporate environmental decision making processes. It is well established as we know that substance flow analysis, strategic environmental assessment, environmental impact lifecycle assessment and environmental management system (EMSs) are only a few of such fundamental tools available and useful for these goals (Emission and Hjelm 2002).

Contrary to the conventional stand-alone environmental auditing practices and review processes, which are only directed at assessing the environmental situation of an enterprise, the EMSs makes sure that the organization's environmental goals and objectives are always effectively pursued.

In true practice, an EMSs links audits, reviews or controls any other important environmental management processes through an overall network of daily management actions, procedures, documentations and records (correspondences and communications) and is arrange with the purpose of promoting continuous environmental management practice improvement,(Hilson and Nayee, 2002). Meanwhile, the ISO 14001 has emerged as the only international standard for environmental management schemes. Therefore, most environmental proactive companies, enterprises and industries now implement EMSs. That notwithstanding, an EMSs does not need to be certified to be effective or efficient (Hilson and Nayee, 2002). These scholars submit that EMSs should as a matter of principles feature the necessary environmental management components or elements for cleaner productivity and address issues such as pollution within areas of operation.

Importantly, these elements include identification of company or industry important areas and their impact on the environmental policy that addresses the environmental ambitions of the company or industry; objectives and targets (i.e. company /industry I indicators) for each environmental problem or situation; laid down procedures for correspondences or communication i.e. documentation and records of either remediation or mitigation; operational policies and procedures for risk and emergency; environmental education, training and information; laid down regulatory and statutory or legal compliance and lastly environmental review audits are enviable indeed.

In Cameroon, the implementation of environmental management systems by companies, enterprises and industries active along the coast of Cameroon constitute about (75-85 %) of national production which has no doubt effected the natural environment in a

very significant way. It's alarming to note that annually, a total of about three million tons of hazardous wastes ends up in the coast of Cameroon's large marine eco-system of the gulf of Guinea (Angwe and Gabech 1997). Today, the new company, enterprise and industrial tendency is towards environmental pollution prevention, the reduction of environmental impacts of hazardous wastes, the disposal of waste products and the use of clean technologies (McCormick, 1995; Van der Linde, Getzner, 1999).

As a response to the threats that the emission of hazardous substances pose to the lives of both the residents and workers of the companies operating along the coastal lines in Cameroon, the government of the Republic of Cameroon has in recent times shown greater determination to protect the ecological integrity of Cameroon's abundant natural resources from industrial pollutions and other forms of chemical emissions into the environment at both international and national levels. This effort of the government has met the responses or co-operation of her partners from the private sector (the companies and industries) that seem to show more and, greater commitments now than before towards sustainable environmental management practices especially in the manufacturing sector. This notwithstanding, it is not clear whether both the residents and workers in these coastal communities are aware of these government efforts or the industrial hazards they have been exposed to all these years as a result of the economic activities/operations of companies operating in their communities. It is also not clear as to whether the efforts of the government in this direction is effectively paying off given the gross negligence and refusal of some of the companies operating along the coastal lines to adopt international standard practices in managing waste and other industrial hazards arising from their operations till date. It is against this backdrop that this study seeks to assess the level of awareness of coastal line communities of Douala, kribi, Tiko & Limbe of their vulnerability to industrial hazards arising from the industrial activities in their areas, and the factors that significantly accounts for this gross lack of awareness. It also explores intervention strategies particularly the Environmental Management System (EMS) that the government of Cameroon can institute to guarantee a sustainable environmental management practices that will consequently curb the unnecessary exposure of both the residents and workers of companies operating in these coastal line communalities to environmental hazards. Upon completion, this study shall be beneficial to the government, the management of companies operating along the coastal lines, workers in these companies and the residents of coastal communities in understanding the consequences or the impact of industrial operations on their environment and the necessary actions that needs to be taken to prevent both lost of lives and the deterioration of the eco-system at large. Again, since most research on EMSs is limited to developed countries or advanced economies, it is evident that there is glaring absence of empirical studies and literature within the context of most developing countries and less advanced economies including Cameroon. This study seeks to commence in a very humble manner a debate and/or contribution that will address that knowledge gap and at the same time, offers a take off point for future findings in Cameroonian manufacturing industries and other developing nations of the world. The findings of this study will no doubt greatly enrich the paucity of empirical data that hitherto exist in this area.

Conceptual Clarification/Empirical Review

There are divergent views as to what constitute an environmental management system in literature but over the years, most writes unanimously described and defined this concept thus, “an environmental management system (EMSs) may be considered as an

industrial tools that helps a company or organization to systematically control or oversee its level of environmental performance (day in-day-out), and which helps the management of that organization to systematically oversee or control its level of environmental performance, identify potential environmental impact arising from activities, set appropriate environmental objectives, established veritable programmes to achieve corporate environmental objectives or goals and review activities to ensure that corporate environmental objectives are always properly carried out (Bergeron 1997).

Generally, there exist different types of EMSs. That notwithstanding, EMSs standards are formulated with due reference to the fundamental principles of the International Standards Organizations (ISO), EC regulations on eco-management and audit schemes (EMAS), the BS 7750 or any other similar standards. The primary objective is assurance that corporate environmental performance is improved continuously. This objective is only achieved where the organization through its strategies lays bare its environmental issues of its organization in an environmental review process (ISO, 1996).

In essence, organizations via their strategies formulate priority commitments in line with their environmental management stewardship. These commitments then constitute their environmental policy or environmental management policy. An environmental policy may be described as the central or most important document (reference) of the EMSs in that it outlines the organization's goals and spells out its fundamental principles in environmental practices (Emilsion and Hjelm, 1997). This policy is made public and provides the fundamental framework for environmental management processes and traditionally it must be assured to comply with the requisite environmental status and legislation. Accordingly, routine procedures are put in place to reassure that mission to enhance the fulfillment of environmental goals, objectives and management practices are realized. Environmental auditing is also very important in the environmental practices and processes. Whenever an organization decides to choose and use the ISO 14001 for the purpose of practice and designing of its EMSs, the general practice procedure is that the EMSs is simultaneously controlled, evaluated, and reassure that cooperate/industrial environmental goals and objectives are accordingly carried out by external environmental auditors. Also, whenever the organization decides and chooses ISO14001 with the aim of designing its EMSs, such an organization may also choose that the validation and certification of its EMSs is done by an environmental auditor formally recognized and duly accredited by the ISO accreditation board. In general, the overall fundamental importance of the EMSs cannot be over emphasized. There are numerous benefits derived from EMSs such as the ISO 14001 practice compliance adoption and certification (Adeleke 2003; and Sunderland, 1997). Some of the derived benefits according to Auzel and Nchoji 1999; and Sunderland, 1997) are as follows:

- Overall improvement of environmental management performance of such organizations;
- Strategy and strategic business advantages in an ever increasing competitive market environment;
- Encouraging and facilitating trade while reducing or removing trade barriers;
- The most efficient and effective cost savings for the organizations through more efficient use and reduction of wastes disposals costs;
- And encouraging and installing that health of environmental accountability and responsibility in organizations, and amongst the employees of these organizations as well as their surrounding immediate communities.

Empirical Review

Concerted effort has been made by both scholars and development organizations worldwide to research on the best management practices that can be adopted to management the natural environment and the quantum of industrial emissions that found their ways into our environment on daily basis as a result of the economic actions of industries or companies operating in our communities. Even though most of these studies were carried out in developed countries, the results of the various studies show preference on Environmental Management System (EMS) as the best approach. These early contributions represent far reaching and convincing evidence of the numerous drivers, abundant benefits and banners stemming from the practices of EMSs execution in the advanced economies notably in Europe. Of relevance to this study based on the predicators for using EMS include the following:

In the Kingdom of Denmark, research studies carried out to ascertain the major reasons for using EMS shows that compliance with prevailing status and legislation with the subsequent reduction in the overall risks on applied sanctions were amongst the driving forces to EMSs practices in companies, enterprises and industries (Madsen and Illhoi, 1999).

In the United Kingdom, It was found from several research results that one of the primary purposes for carrying out EMSs in some oil and gas companies as well as other manufacturing industries was simply compliance driven i.e. to show that they had met the prescribed requirements of the international environmental management standards' board '(Strachan et al, 2003). From this study, it was further concluded that:

i. Those companies have attained improved performance;
ii Increased their general awareness (knowledge. education. experience and information) of environmental matters. Meanwhile, the clear absence of communications and gross high level of employee ignorance on environmental issues remain very worrisome.
iii. Implementation of EMSs in the United Kingdom resulted in improving the image of those companies and industries (Del Brio, 2000).

In Italy, EMSs implementation in Italy by Italian companies and industries was found to improve the relationship between the different external stakeholders, namely, shareholders, government, public institutions and the public opinion (Azzone et al l997).

In German, the findings on German companies, enterprises and industries were in line with those results from Italy (Wittman, 1996).

The Results of studies in some European countries however show contradictory results from the ones reviewed above. From inquiries on European companies, enterprises and industries, these conclusions resulted:

- Existent regulations and laws were complex and therefore, very unclear for the implementation of EMSs.
- Lack of Financial support to encourage EMSs implementation which was generally considered as too costly (Adinna, 2001).

Also, like in the European experience, the experience from Africa presents a paradox as there is little or nothing to offer in terms of studies on the implementation of EMSs in African countries to date with Cameroon inclusive. However, findings of a research by Mbohwa and Madzinga (2000) concluded that the reasons for the implementation of EMSs in few companies in Africa include: persistent pressure from international customers, public purchase or procurement conditionality, good or better corporate citizenship and culture, and stringent legislations and regulations. On the other hand, illiteracy, absence of information, lack of communication and education, knowledge, experience and finances further

compound the difficulties of EMSs implementation in Africa (Mbohwa and Madzinga, 2000).

Methodology

Participants

A survey design was adopted in this study. 10 senior staff (the environmental managers or directors or their equivalents) and 10 junior staff (factory line workers) each were drawn from the 51 enterprises operating in the coastal communities of Douala, Kribi, Tiko and Limbe to participate in this study so as to have a fair representation of opinion on the issues under investigation. Also, 40 residents each were purposively drawn on the basis of their residential proximity to the operating areas of the selected companies in the four coastal communities under study to participate in the study since the awareness of their vulnerability to industrial hazards was also a critical factor of determination in this study. In all, 1180 respondents comprising 1020 corporate staff and 160 residents form the sample size of the study.

Instruments

The major instrument used in data collection was the questionnaire. This question based survey was initiated between September 2011 and March 2012 amongst some enterprises and industries in the coastal communities of Douala, Kribi, Tiko and Limbe in Cameroon. The questions in the questionnaire were both professional and simple to understand given the background of our target population. On the spot administration and collection of questionnaire was adopted to enhance speedy collection and the opportunity to clarify certain questions in the questionnaire where necessary. 95% return rate was achieved. The reason for choosing the questionnaire based survey in this study was because of the high concentration of the population under study. Another reason was the speed with which data can be generated using the questionnaire.

The questionnaire was divided into two parts. Part A address bio data like location, your organizations, human resources or personnel, and products manufactured. Part B derives its content from the objectives of the study. It addresses issues like the type of environmental management practices in use, wholly or partly application of EMSs, the degree of awareness of the residents of their vulnerability to industrial hazards and factors if any that accounts for such lack of knowledge in this area. On the whole, a 18 item questionnaire designed in both closed-ended and open-ended form was used in gathering the required primary data for this study. Tables and percentages were subsequently used in analyzing the collected data.

Results and Discussions

Out of the 1180 copies of questionnaires distributed, 1121 copies representing 95% of the total copies of the questionnaires distributed were retrieved for analysis. This shows a high response rate and the fact that the views express herein will sufficiently represent the views of the entire population elements under study.

On whether the residents and workers of companies operating in the coastal communities of Douala, Kribi, Tiko and Limbe in Cameroon are aware of their vulnerability to environmental and industrial hazards arising from the operations of the selected companies under study, the result shows that 617 participants representing 55% of the respondents who were largely the junior staff and residents were not aware of their vulnerability to the environmental and industrial hazards arising from the operations of the companies in their communities while 45% of the respondents were fully aware of the hazards they were exposed to. This result, particularly from this category of people is expected because of their level of education and the desire to do any kind of job to earn a living.

Also, on the factors that could account

for this gross lack of knowledge about the hazards that they are exposed to on daily basis, the result of data analysis shows a unanimous attribution to poverty, illiteracy, absence of information, lack of communication and education, knowledge, experience and availability of related information from government agencies. 80% of the respondents subscribed to these factors while 20% of the respondents were indifferent on this issue. Expectedly, this result corroborate the findings of a study conducted by Mbohwa and Madzinga, (2000) who also found factors such as illiteracy, absence of information, lack of communication and education, knowledge, experience and finances to be responsible for the difficulties in implementing EMSs in most African organizations.

Again, on whether the selected companies operating along the coastal communities of Douala, Kribi, Tiko and Limbe in Cameroon implements EMSs, it was observed that, 75% of the companies (largely small, medium scale and a few large companies) does not implement or conform to EMSs standards such as environmental strategy, environmental policy, environmental education, environmental information, environmental communication, compliance with the legal and regulatory requirements; structure and responsibility. These firms simply misinterpreted environmental protection or management to waste disposal and cleanliness of their equipments and operating environments. They attribute their non compliance to EMAs standards to illiteracy, absence of information from the regulatory agencies, lack of communication and education, lack of manpower/experienced personnel and poor financial resource to implement and sustain such expensive environmental management practices. This finding is also consistent with the result of an earlier study by Mbohwa and Madzinga, (2000) who as stated earlier attributes the challenge of implementing EMSs standards in developing countries, particularly in Africa to illiteracy, absence of information, lack of communication and education, knowledge, experience and finances. The 25% of the organizations that implement the EMSs or practice environmental management were all observed to be in oil and gas, mining, extraction and plastic/chemical industries. The explanation here is that the daily operations of these firms have a very high environmental impact on both the workers and residents of the operating areas; hence they are usually subjected to constant public watch, press criticism, strict legislations and regulations, and even social pressure from the host communities. This finding corroborates the argument of Alhelt and Koogh (1999) and Opschoor et al., (1994) who opines that companies in the oil and gas, mining and chemical industries with high environmental consequences on their operating environment are more likely to be environmentally responsible as a result of the pressure from both the government and the host communities for high environmentally friendly operating standards and corporate social responsibilities.

Besides the specific findings of the study, other incidental discoveries that were found in the course of this study reveal that out of the 25% of the organizations that observed standard environmental management practices, 18% of the firms derived some benefits in observing standard environmental management practices. Such gains as the study reveals include: improved customers satisfaction with their products; no fines over litigations for violations of regulations; financial savings with no payments made to the government or departments or agents in due violation of environmentally required legislations; improved relationship with regulatory agencies generally and financial gains as a result of the support from international environmental funding institutions because of good stewardship in environmental practices. Only 7% of the firms reported no significant gains in observing EMSs even though they had controlled

pollution, reduced wastes, reduced risks and accidents at production lines, improved energy management, reduced solid waste emission and gaseous and liquid pollutants as well as protected workers and ensures their good health in their operations. This implies that, environmental management is not only a cost center but also a revenue centre as adherence to standard environmental management practices not only project firms who are environmentally friendly as good corporate citizens but also strengthens their competitive position in the market for more profit. This position is consistent with the argument of Hilary (1997), Ibbitson (1997), Ako (2005) and Mbohwa and Fukuda (2002) who strong hold that there is a strong positive association between adherence to standard environmental management practices and firm's competitive strength and profitability.

Implications of Findings to Research and Practice

Since the major factors attributable to the gross lack of awareness of both the firms, workers and residents of the coastal communities of Douala, Kribi, Tiko and Limbe in Cameroon of their vulnerability to environmental and industrial hazards as well as the non implementation of EMSs by the operating firms were illiteracy, absence of information from the regulatory agencies, lack of communication and education, lack of manpower/experienced personnel and poor financial resource to implement and sustain such expensive environmental management practices, it therefore means that the government of Cameroon and its environmental regulatory agencies are not sufficiently aware of the changing trends in environmental management and the officers in charge of these agencies are not doing enough to educate and sensitized the public as well as firms in Cameroon about their mandatory responsibilities in terms of environmental management. It also implies that the existing laws and legislative framework in this area are weak and lacks the necessary bite to enforce compliance. It therefore means that for a positive turn around to be achieved, more researches in this area should be supported and encouraged to help bring to the fore changes and standard practices in environmental management to guide both the government and the operating firms to do what is globally required to protect our environment and safe guard the lives of both workers and residents of the host communities.

Recommendations

Based on the findings of this study, the following recommendations are suggested:

1. There should be a vigorous campaign and awareness creation by both government agencies and firms about the dangers of environmental degradation and industrial hazards in Cameroon through the instrumentally of radio giggles, television adverts, on-site talks by environmental management consultants, workshops for staff by companies and induction courses to educate and enlighten all stakeholders about the benefits, modalities and necessities of adherence to standard environmental management practices especially along the coastal communities with high density or presence of manufacturing companies or firms. This will go a long way to bridge the knowledge gap that exist in this area and consequently reduce the quantum of emissions and environmentally unfriendly acts of most firms.
2. Government should insist on the inclusion of environmental management courses in the teaching curriculum at all levels of education to ensure that our youths have the basic knowledge of environmental management right from the primary to the tertiary level. In the universities, colleges of education and polytechnics, basic general courses in environmental management must be

made compulsory for every student so that our graduates can acquire the basic knowledge of standard environmental management practices that will help them in future when they graduate and become employable especially in the manufacturing sector.

3. The government of Cameroon should formulate policies that clearly specify the standard environmental management practice requirement of all categories of firms with stringent penalties and punishment for non compliance. This will keep every firm in Cameroon on their toe on issues of environmental management and consequently reduce the level of emissions into the environment.

4. The government should also motivate the firms to be environmentally friendly by providing waivers such tax relief, tax holiday and some special award of excellence for being environmentally friendly. This will naturally motivate most of the firms to aspire for these benefits and recognition, thus making them to put in place environmentally friendly policies and practices at various levels in their organizations, hence improving the safety of our environment.

5. Government can partner with other multinational companies or international institutes for environmental management to train some of her staff in the Ministry of environment and other environmental management agencies on the basic international standard practices and techniques of controlling emission and preserving the natural eco-system. This will help the government to improve on the quality of her existing decayed manpower that is completely deficient in handling the current challenges of environmental management in Cameroon especially along the coastal communities with high presence of manufacturing firms.

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The Impact of Trade Policies on the International Trade of Nigeria

Onwusiribe Ndubuisi C
Department of Agribusiness and Management.
Michael Okpara University of Agriculture,
Umudike, Abia State, Nigeria.
Email : ndubuisichigo@gmail.com 08063724608

and

Ayogu Deborah Uche
Department of Business Administration
Michael Okpara University of Agriculture,
Umudike, Abia State, Nigeria.
Email: uchedbrh@yahoo.com

pp 255-264

Abstract

This study examines the impact of international trade policies on the international trade of Nigeria. The uses secondary data that was sourced from the publication of the Central Bank of Nigeria from 1980 to 2012. The international trade policies were proxy by trade openness and the period of structural adjustment program while the international trade was proxied by the volume of export and import. The data was analyzed using trend analyses and multiple regression analysis at 1% level of significance. It was found that trade openness and structural adjustment program had significant effect on the international trade and the economy (GDP). The period of structural adjustment program was found to have a negative impact on the international trade. The study recommends among others that government should promote policies aimed at opening up the economy for international trade.

***Keywords**: International, trade, policies, openness, economy*

Introduction

International trade is an important issue which continuously attracts the increasing attention of policy makers and scholars which have resulted to the General Agreement on Tariff and trade, the United Nations Millennium Development Goals, the World Trade Organization etc. According to Oluwosola *et al* (2012)

> "*The role of international trade in economic development is considerable. The classical and neo-classical economists attached so much importance to international trade in a nation's development that they regarded it as an engine of growth. Over the past several decades, the economies of the world have become greatly connected through international trade and globalization. International trade has been identified as the oldest and most important part of a country's external economic relationships. It plays a vital and central role in the development of a modern global economy. Its impact on the growth and development of countries has increased considerably over the years and has significantly contributed to the advancement of the world economy. The impact of international trade on a country's economy is not only limited to the quantitative gains, but also structural change in the economy and facilitating of international capital flow. Trade enhances the efficient production of goods and services through allocation of resources to countries that have comparative advantage in their production*".

One of the major reasons why the nation engages in international trade is because of the principle of comparative advantage. Countries engage in trade with one another because of these major differences and international trade has opened up avenues for nations to exchange and consumer goods and services which they do not produce. Differences in natural endowment present a case where countries can only consume what they have the capacity to produce, but trade enables them to consume what other countries produce. Therefore countries engage in trade in order to enjoy variety of goods and services and improve their people's standard of living (Oluwosola *et al,* 2012).

Nigeria is an oil-producing country and exports over 80 per cent of its crude petroleum. Currently, nearly 9 per cent of the country's foreign exchange earnings come from petroleum exports, and about 90 per cent of Government revenue is derived from the oil sector. It is also realized that production activities in all sectors of the economy are heavily dependent on imported inputs, and consumption patterns throughout society are heavily dependent on imported goods. Since petroleum export earnings provide the source of finance of the import-dependent production and consumption activities, it may be stated that the Nigerian socioeconomic system is intricately bound with the fortunes of crude petroleum in the international market. This heavy oil export dependent economy and a heavy importer of inputs and finished goods have been faced with trade policy issues such as the structural adjustment program and the import substation strategy mostly as trade restrictive measures. The trade liberalization measures came through economic integration such as the ECOWAS and other international bodies. According to statistics released by the National Bureau of Statistics, Nigeria's total trade figure for the second quarter of 2009 was N 2, 210.3 trillion. Though, this figure reflects a decline of 37.9 % when compared with the corresponding period in 2008, it indicates an

increase of 11.9% over that of the first quarter of 2009 and this trend is expected over the long term due to the persistent call for increased trade liberalization to foster economic growth across the world (Umoru, 2013; Analogbei, 2009; Oluwasola *et al,* 2012; and Ige, 2006).

The economy remains vulnerable to externalities such as changing world prices for crude oil and rising prices of imports. The resulting external and internal imbalances have manifested themselves in an adverse balance of payments position, severe unemployment, low capacity utilisation in manufacturing industries and deteriorating quality of life (UNEP, 2005). International trade is the exchange of goods and services among countries for money. This involves the importation and exportation of goods and services. Rising imports generate a decline in employment if it leads to a decrease in the demand for the country's domestic output. In addition, employment will fall rising import rate eliminates low productivity firms through import competition (Umoru, 2013). Nigerian is an oil rich country and been affect by the *resource curse or Dutch disease* phenomenon [OECD, 2001 in Umoru, 2013), which might make the relationship between exports and employment to be negative. Intensive exportation of her oil resources might make the real exchange to appreciate strongly, which in turn might make exports to be expensive, unprofitable and therefore globally uncompetitive. This leads to decline in traditional exports which consequently leads to declining in the output of other sectors. Increase in exports is due to increased out of the country border's reprocessing which leads to a declining domestic production.

Many countries in the world are faced with problems engaging in international trade successfully. However international trade is one of the major determinants of a countries economic growth. Ideally every country should export more goods and services than it import goods and service. This differs on the natural resources, technology and labour force. Nigeria is Africa's most populous country with a population of over 150 million people. It is one of the largest oil producers in the continent creating huge inflows of foreign income. Without question it holds enormous commercial potential as recent administrations have focused on developing the non-oil economy and tackling corruption. Currently Nigeria is faced with so many problems affecting the international trade which is the buying and selling of goods and services with other countries. Nigeria has experimented two distinct trade regimes, namely, restricted trade and the open or liberalized trade regimes (OECD, 2001). In recent years, the negative pressure which the volatile capital market of the advanced capitalist economies exerts on the developing countries has given rise to counter opinion which supports the negative aspects of openness and questions are being asked as to whether developing countries actually share in its benefits. Thus, it becomes an issue of great relevance to investigate the effect of trade policies-(restrictive and open trade policies) on the volume of international trade (volume of export and import) in Nigeria. It is against this backdrop that this study seeks to examine the trade policies and their effect on the international trade and economic growth of Nigeria.

This study upon completion will benefit policy makers and scholars as it will be a material that will provide useful information in the area of international trade policies.

Conceptual Clarification

The international trade policies of Nigeria could be measured by some important policies such as the structural adjustment programme, the level of trade openness of the country, the nation's import and export. In the study of Oluwasola *et al* (2012) the Nigerian foreign trade was measured by the volume of imports and exports which was found to have a sign positive effect on the economic growth of the nation using regression. Umoru (2013)

used trend analysis to examine the flow of imports and exports and observed that their increase improved the international trade flow which improves the foreign direct investment and employment, as Marquez-Ramos (2010) noted that the degree of import to export of a nation shows the degree of openness of international trade. Afaha *et al,* (2012) was of the opinion that openness and the rate of GDP growth, comparing the results from cross section and panel estimates while controlling for country effects and concluded that correlation across openness measures seem to be positively associated with GDP growth. The more open the economy, the higher the growth rate or the more protected the local economy, the slower the growth in income.The SAP influenced the direction of Nigeria international trade (Obansa, 2005) as Nigeria adopts policy measures to increase exports and reduce the import of non input goods.

Trend of Nigerian trade polices

The international trade policies of Nigeria was captured by the degree trade openness and structural adjustment program (SAP). Trade openness is the degree in which the country relates to other economies by allowing or permitting trade among the nations, while the structural adjustment are the period of policies by the international monetary fund and world bank in developing countries which change the conditions of getting low loans or obtaining lower interest loans. The trade openness and the SAP are the two economic measures of international trade relations of Nigeria with other nations (Braumoeller et al, 2002). Due to the glaring evident deficiencies in the pre-SAP macro-economic policies of import substitution, the federal government introduced the SAP program to create an economically competitive and conducive environment to foster private sector growth through restrictive measure on importation (NISER, 1983). Therefore, it could be understood that the SAP involved the deregulation and liberalization of the Nigerian economy. This policy thrust of this program dovetailed nicely with the emerging international orthodoxy to the effect that deregulation and economic liberalization would yield the optimal allocation of scarce resources, reduce waste, and promote rapid economic growth in developing countries. Unfortunately, there has been no significant progress made in the achievement of these objectives. The openness of the economy has significantly increased in the past four decades (Alum, 2010). This extreme openness of the economy could be disadvantageous in that it makes the country highly susceptible to internationally transmitted business cycles, and, in particular international transmitted shocks (like commodity price collapse). A good example of this effect on the Nigerian economy is that of the global food crisis of 2007 and the current global economic/financial crisis (Gbadebo, 2008).

The Trend in Nigeria International Trade

The international trade of Nigerian mainly consists of the Nigerian exports and as well as the import, which is the sum total of the movement of goods and service into and outside the sovereign boarders of Nigeria. By the time the oil boom began in earnest in 1974, petroleum exports accounted for approximately 93% of all exports. The relative share of agricultural exports in total exports had shrunk to 5.4% while other products accounted for the remaining 1.9%. Since 1974, with the exception of 1978 when the relative share of petroleum in total exports has exceeded 90%. Indeed, since 1990, the relative share of petroleum in total exports has exceeded 96%. Agricultures contribution has fluctuated between 0.5% and 2.3% while the share of other products has fluctuated between 0.5% and 1.7% . Thus petroleum exportation has totally dominated the economy and indeed government finances since the mid-1970s (Alum, 2010). The relationship between export, import and economic growths have found export growth to be associated with

increase in output or GDP while the import leads to its decrease, International trade also impacts the economic growth of countries through the attraction of foreign direct investment (Oluwosola, 2012). However, as a result of trade liberalization gospel of the SAP, the Nigeria external sector really experience dramatic growth. For instance, the total domestic exports of Nigeria in 2006 amounted to N755141.32 million against N6621303.64 million in 2005 showing an increase of 14.10%. Domestic exports recorded negative growth rates in 1993 (7.70%), 1994 (45.5%), 1997 (2.03%), 1998 (38.48%) and 2001 (27.06%); while it recorded positive growth rates in other periods. The largest increase in domestic exports was witnessed in 1995 (448.42%). Total imports stood at N2922248.46 in 2006 as against N1779601.57 million in 2005 recording an increase of 64.20%. Total imports also recorded negative growth rates in 1994(45.72%),1998(9.41%) and 2004(18.07%) while it is positive all through other years. The value of total merchandise trade amounted to N10477389.78 million in 2006 as against N45272.24 recorded in 1987. External trade was dominated by domestic exports between 1987 and 2006 averaging 67.17% while imports averaged 32.82%, consequently, the trade balance was positive between 1987 and 2006. Oil export remains the dominant of export trade in Nigeria between 1987 and 2006 accounting for about 93.33% of total domestic exports. On the other hand, non oil exports accounted for a small value of 6.67% over the same period. (NBS report, 2008 in Alum, 2010).

Methodology

Hypotheses

Ho$_1$: the Nigerian trade policies have no significant impact on the international trade of Nigeria**.**

Ho$_2$: the Nigerian international trade and policies have no significant impact on the economic growth of Nigeria.

Data Source and Test Statistics

The data for this study was basically secondary data collected from the CBN statistical bulletin from 1980 to 2011. The study used trend analysis and multiple regression in testing the formulated hypotheses.

Model Specification

For objective there

$Y=b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + ei$

Y = international trade (import +export)

X_1 = trade openness (import +$^{Export}/_{GDP}$)

X_2 = import

X_3 = export

X_4 = GDP at current price

X_5 = SAP $\left[\begin{matrix}\text{SAP Period} = 1 \\ \text{Non SAP Period} = 0\end{matrix}\right]$

b_0 = constant

b_i = co-efficient

Model Justification

This study uses the ordinary least square technique. This technique will emphasize regression and correlation analysis which will help to derive estimates of the parameters as well as determine the nature, direction and degree of the relationship between the explanatory and dependent variables. Specifically, the mode of the technique is the single equation regression model. The ordinary least square method produces the best linear unbiased estimates Oluwasola *et al* (2012). The signs of these variables are based on apriori expectation. That is, the direction of the relationship between the respective independent variables and the explained variable is according to their relationship in standard economic theory.

Therefore, based on economic theory, the following should be expected.

$\beta 1>0, \beta 2 > 0, \beta 3 > 0, \beta 4 > 0, \beta 5 > 0$

Data Presentation and Analysis

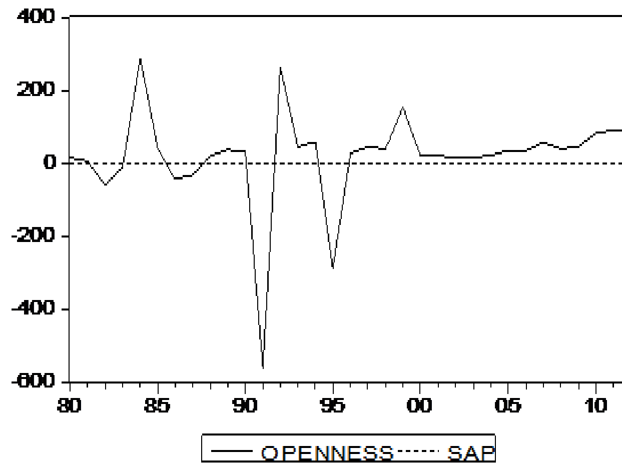
This section contains the analysis of Nigeria international policies (proxied by

trade openness and structural adjustment) and the trends on Nigeria international trade (proxied by imports and exports from 1980-2011 in Nigeria).

Trend of Nigerian trade polices

The Trend in Nigeria international trade

Fig. 1: *Trend of Nigeria International trade policies*

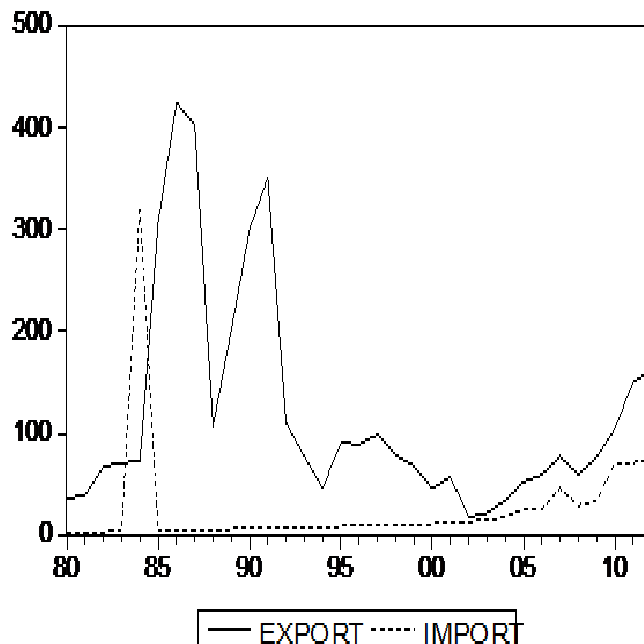


Source: *computed from CBN statistical Bulletin various issues*

From the trend we can see that the trade openness of Nigeria assumes an irregular trend experiencing an increase in the early 1980's before the structural adjustment era. The SAP era witness a more irregular trend in the trade openness of Nigeria. The openness reduced in the early 1990's with the policies that seem to promote Nigerian exports. The trade openness of Nigeria have maintained a relatively stable trend since the year 2000 and experiencing a slight increase in 2011 and 2012.

The Trend in Nigeria international trade

Fig. 2: *Trend of Nigeria International Trade*



From fig. 2 above, the import of Nigeria experience a sharp increase during the early 1980's which, could be attributed to the import substitution policies of the government. The export of the Nigerian economy increases during the late 1980's and early 1990's because of the oil exports which kept the import on the increase as well, but the Nigerian oil export was increasing tremendously forcing the Nigerian import to follow similar trend since 2005.

Test of Hypotheses

Ho_1: the Nigerian trade policies have no significant impact on the international trade of Nigeria**.**

Table 1: *effect of international trade policies on international trade*

Dependent Variable: TRADE
Method: Least Squares
Date: 05/14/13 Time: 12:49
Sample: 1980 2012
Included observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
OPENNESS	4.35E-16	1.07E-16	4.073061	0.0003
SAP	-4.39E-14	2.38E-14	-1.847010	0.0753
EXPORT	1.000000	1.18E-16	8.46E+15	0.0000
IMPORT	1.000000	2.38E-16	4.20E+15	0.0000
GDP	0.000000	1.91E-15	0.000000	1.0000

R-squared	0.900128	Mean dependent var	146.6556
Adjusted R-squared	0.923457	S.D. dependent var	118.5962
S.E. of regression	7.20E-14	Sum squared resid	1.45E-25
Durbin-Watson stat	1.870174	F statistics	4.6721

Source: *computed from CBN statistical Bulletin various issues using Eviews*

The R^2 value of the model was 0.9233 indicating that 92.33 percent of the variation in international trade was caused by changes in the trade policies within the period under investigation. Trade openness was significant at 1% and positively related to the international trade of Nigeria. The structural adjustment program (SAP) was found to be significant at 10% and negatively related to the international trade of Nigeria. Export was significant at 1% and positively related to the international trade of Nigeria. Import was statistically significant at1% and positively related to the international trade. The Durbin Watson value of 1870 that is close to 2 indicates the presence of no autocorrelation.

Ho_2: the Nigerian international trade and policies have no significant impact on the economic growth of Nigeria.

Table 2: *effect of trade policies on the economy of Nigeria*

Dependent Variable: GDP
Method: Least Squares
Date: 05/14/13 Time: 12:57
Sample: 1980 2012
Included observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXPORT	0.015530	0.011108	1.398142	0.1727
IMPORT	0.001993	0.023103	0.086260	0.9319
OPENNESS	0.119819	0.010329	11.63107	0.0003
SAP	6.750060	1.937567	3.483782	0.0016
R-squared	0.366904	Mean dependent var		4.752364
Adjusted R-squared	0.629509	S.D. dependent var		6.780726
S.E. of regression	6.990922	Akaike info criterion		6.840314
Sum squared resid	1417.317	Schwarz criterion		7.021709
Log likelihood	-108.8652	Durbin-Watson stat		1.606587
F statistics	3.8961			

Source: *computed from CBN statistical Bulletin various issues using Eviews.*

The R^2 value of 0.629 indicates that 62.9 percent of the total variation in economic growth is cause by the change in international trade policies in Nigeria. Trade openness was significant at 1 % and positively related to the Gross domestic product. This indicates that the nation become more open through international trade via import and export trade. For economy growth, SAP was significant at 1% and positively related to the growth of the economy. The SAP which is a policy meant to stabilize the economy and enhance the nations relationship with other countries enhanced the economic growth of the nation through fostered international trade.

Discussion of Results

Based on the results of data analysis, it was observed:

International trade policies significantly impacted on the volume of international trade through increased import and export. The R^2 value of the model was 0.9233 indicating that 92.33 percent of the variation in international trade was caused by changes in the trade policies within the period under investigation. Trade openness was significant at 1% and positively related to the international trade of Nigeria. This implies that, the more Nigeria relates with other countries through trade openness, the more the volume of international trade of the country increases. The structural adjustment program (SAP) was found to be significant at 10% and negatively related to the international trade of Nigeria. This implies that the SAP which was tended to promote the export of non-oil products in Nigeria by reducing tariff on non-oil exports could not and this had a negative impact on the international trade due to the restrictive nature of the policy. This finding corroborate the view of Gbadebo (2008)

Again, export was significant at 1% and positively related to the international trade of Nigeria. This implies that as the nation relates with other nations of the world by selling product to them, the international trade of the nation improves. This finding is consistent with the result of an earlier study by Afah *et al* (2012) who observes that export trade improve the trade balance of Nigeria and sustains economic growth.

Also, import was statistically significant at1% and positively related to the international trade. This implies that as the nation relates with other nations by importing from them, the

more the international trade progresses. The Durbin Watson value of 1.870 that is close to 2 indicates the presence of no autocorrelation. This finding corroborate the findings of Eneji *et al* (2012) who observes that Nigerian imports from china have strengthened the bilateral relationship between the two nations.

On the effects of trade policies on the economic growth of Nigeria, it was observed that the R^2 value of 0.629 indicates that 62.9 percent of the total variation in economic growth is cause by the change in international trade policies in Nigeria. Trade openness was significant at 1 % and positively related to the Gross domestic product. This indicates that the nation become more open through international trade via import and export trade. This finding is consistent with the research result of Umoru (2013) who observed that the flow of trade encourages foreign direct investment (FDI) and employment, thereby encouraging economic growth. For economy growth, SAP was significant at 1% and positively related to the growth of the economy. The SAP which is a policy meant to stabilize the economy and enhance the nations relationship with other countries enhanced the economic growth of the nation through fostered international trade. This result corroborate an earlier finding Nwagbara (2011) and Obansa (2005) opined that the SAP lead to economic growth as it fostered international but did not to the improvement of the standard of living of the people.

Implications for Research and Practice

From the findings of the study, trade openness was observed to increase the trade flows as it fosters economic integration and leads to economic growth (Afaha *et al,* 2012), the SAP which was meant to promote Nigerian international trade by increasing the export of non oil commodities, inhibited the free flow of goods and services due to its restrictive policy, despite its positive influence on the economic growth which did not reflect on the standard of living of the people of Nigeria. The import and export was observed to be very crucial as they international trade opened up the boarders and contributed significantly to economic growth. The issue of trade policies, import and export are very crucial to the life of every economy and therefore requires constant policy attention to ensure that a trade balance is maintained.

Conclusion

Based on the findings, the promotions of policies that encourage a favorable balance of trade is necessary as this will open up the boarders of the nation and enhance the economic growth of the nation. Trade openness is a corrective measure to the mishap of the SAP era, which restricted the free flow of goods and services through import restriction. With trade openness there will be sustained economic growth through the free flow of goods and services.

Recommendations

Based on the findings of this study the following recommendations are proffered.

1. The government should formulate policies that will enhance the trade openness of the country by both regional and non region economic integration to foster the relations with other nation.
2. Policies such as the structural adjustment program should be revised and well implement as it is found to have an effect on the nation's international trade and international relation.
3. The country should maintain a favorable balance between its imports and exports by enhancing the production of non oil export commodities and boosting the agricultural production of food crops which have taken the bulk of Nigeria imports and thereby fostering balance of trade in the country.
4. The trade barriers imposed by the government that limits the international trade of the economy should be revised through the reduction of import and

export tariffs and maintain a favorable trade balance.

5. Nigeria relations with international bodies should be encouraged as this opens trade and fosters economic growth.

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Female Genital Mutilation: A Cultural Practice or an Act of Violence against Women?

Nkongho Elizabeth
Senior Lecturer of Laws,
Faculty of Law and Political Science,
Department of English Common Law,
University of Yaoundé II, Cameroon.

pp 265-273

Abstract

Female Genital Mutilation (FGM), also known as Female Sexual Mutilation, is an age old traditional practice deeply rooted in the habits of certain communities in Cameroon and several other African societies as well as the world at large. Since 1987, consistent studies have shown the existence of the phenomenon in Cameroon, particularly in the Far North and South West Regions of the country. It involves all operations involving partial or total removal of the external genitalia of women and/or the injury of the female genitalia for cultural or other non-therapeutic reasons. This practice is a serious violation of the physical and mental integrity of girls especially the girl child. It is against this backdrop and in a bid to suggest strategies that could be used to curb this dehumanizing practice against the girl child in Cameroon that this study was undertaken to interrogate the various perspectives on the issue and come up with a position that will help reduce the practice among the people of Cameroon. To achieve this objective, extant literature on the various perspectives was interrogated and the popular argument against the practice was carefully analysed within the context of cultural acceptability and the popular perception of the act as violence against women. Based on the arguments and the various perspectives reviewed, it was observed that female genital mutilation is violence against the girl child. It was therefore suggested that in order to curb this phenomenon, it is imperative for the government to implement programs that would help create awareness about this violence against the girl child through education and sensitization in order to eradication this traditional phenomenon.

Key Word: *Female, genital mutilation, cultural practice, violence against women, Cameroon*

Introduction

Female genital mutilation/circumcision (FGM/C)[1] is to some, a cultural practice and to others, a human rights violation. FGM is a customary practice that has, in the last forty years since it debuted into the regional and international scenes, generated heated and polarized debate. The two sides to the debate have very strong and dialectically opposed views and beliefs about its appropriateness and utility. FGM is a collective name to describe procedures that involve partial or total removal of the external female genitalia or other injury to female genital organs whether for cultural or other non-medical reasons. The age at which FGM is performed varies from society to society and from tribe to tribe. In some areas it is carried out during infancy, as early as a couple of days after birth, in others, during childhood. Sometimes however, the procedure may be carried out at the time of marriage, during a woman's first pregnancy or after the birth of her first child. Despite the strong advocacy by different groups against this harmful practice over the years, it is shocking that some parts of Cameroon especially the far North and South west part of the country are still holding on to this dehumanizing practice as it enjoys cultural acceptability by the people.

This practice of Female Genital Mutilation is a serious violation of the physical and mental integrity of girls especially the girl child and if nothing is done urgently to re-orient the people of far North and South-West Regions of Cameroon about the danger of female genital mutilation, the tendency of the girl child contacting contagious diseases arising from unsterilised local equipments used will be epidemic. It is against this backdrop that this study is undertaken to interrogate the various perspectives on the issue and come up with a position that will help reduce the practice of female genital mutilation among the people of Cameroon. Upon completion, this study will be beneficial to Legal experts and Human Rights defenders, the Ministry of Women's Affairs and Policy makers in the country. It will also go a long way to enrich the paucity of empirical data that exist in this area thus bridging the wide research gap in the study of female genital mutilation in Cameroon.

Literature Review

There are divergent views about what constitute female genital mutilation in the literature but the widely used definition of the practice and which is adopted in the paper is the definition given by World Health Organisation (WHO) that considers FGM as comprising all operations involving partial or total removal of the external genitalia of women and/or the injury of the female genitalia for cultural or other non-therapeutic reasons. They described the forms to comprise the following:

The Forms

The WHO[2] has recognised four modes of female genital mutilation:

Type I- the cutting out of the prepuce, which is the skin that covers the clitoris with or without cutting out part or the entire clitoris.

Type II- the cutting out of the clitoris with partial or total cutting out of the labia minora.

Type III- the cutting out of part or all of the external genitalia and stitching or narrowing of the vaginal opening, referred to as infibulations or pharaonic circumcision.

Type IV- the pricking, piercing or incision of the clitoris and/or labia; stretching of the clitoris and/or labia; cauterisation by burning of the clitoris and surrounding tissue; scraping of tissue surrounding the opening of the vagina or cutting the vagina; introduction of corrosive

1 Herein after, referred to as FGM.

2 World Health Organisation hereinafter referred to as WHO.

substances or herbs into the vagina to cause bleeding or to tighten or narrow the vagina and any other procedure that can be included in the definition of female genital mutilation.

The Phenomenon

Female circumcision in the Far North region, (Arab choa,) and the Ejagham (Southwest) communities, is based on traditional beliefs and ignorance. The people are often not aware of the dangers of removing the genitalia of the young girl and consider it legitimate for cultural reasons. As for young girls, the social pressure from both the family and friends is so high that, it is usually impossible to escape genital mutilation. Most of the concerned women undergo excision of the clitoris, to which is added in some cases, the removal of the labia minoris and of infibulations. The age at which FGM is practiced varies from one region to another and from a few days after birth up to age 15 or beyond. In general, interventions take place before puberty; between 5 to 9 years for almost half of the girls and between 10 to 14 years for one fifth of them.

Justification of the Practice

To justify the practice of FGM, the communities concerned advance several reasons, some of which are cultural, psychological, mystical, mythical and/or doctrinal.

- ***FGM as an initiation into womanhood***. In some communities of the Southwest region of Cameroon,[3] FGM is an initiation rite, simply described *as a ritual, marking the change of status.* Initiation involves material separation from childhood and the emergence of the adult who embraces social life and access to knowledge. Female circumcision thus symbolizes a passage from young girls into womanhood /adulthood with specific knowledge of the society. In these regions, excision is a practice that introduces the girl to femininity and improves on her fertility. This passage confers to her the status of mother/wife, responsible for the perpetuation of the family. Practitioners of the Ejagham communities believe that these practices further embellish women.
- ***FGM as a control factor for female sexuality***. In areas where FGM is practiced, women are considered as unable to control their sexual impulses, thus, through excision, the woman considered as being matured to be taken for a wife by the men, is controlled. In the Southwest region in particular, the clitoris is considered useless and cumbersome to men and therefore not a necessary element during sexual intercourse.
- ***FGM as a practice to fight against witchcraft***. In the Ejagham communities, it is commonly believed that witches have a long clitoris; hence this practice would aid in identifying them and thereby reduce or destroy their evil powers. In the Far north region on the other hand, circumcision is a condition *sine qua non* for marriage for young girls. According to them, circumcised girls are more submissive and therefore serve as good wives. Some however, have viewed circumcision of girls as a form of purification and thus considered sacred, although there is absolutely no theological justification for this claim.

The Practice and Procedure

Instruments Used: the traditional method for this practice is usually done in ignorance of the basic hygienic rules, antiseptics and proper care; and the use of rudimentary tools such as

3 The Ejagham communities of the Southwest region of Cameroon.

knives, razor, sewing needles and broken bottles, glass, or penknives was common. The various forms and degrees of severity of mutilation were based on the particular mode favoured by the ethnic group. The effects of FGM depend on the type of excision performed, the expertise of the circumciser, the hygienic conditions under which it is conducted, the amount of resistance and general health condition of the girl undergoing the procedure. Complications may often occur in all types of FGM, but are most frequent with infibulations.

The Practice: The practice is often performed under little or no anaesthetic, which inflicts severe pain and can cause serious medical complications. Use of the same instrument on several girls without sterilization is common and can cause the spread of HIV and AIDS. FGM permanently damages the genital organs and some normal body functions. There can also be long-term physical and emotional effect as it may often restrict the ability of girls and women to play an equal role in society.

There is indeed, a link between FGM and the risk of HIV/AIDS because the procedure may entail loss of blood and often one instrument may be used to carry out several operations. The risk of HIV/AIDS transmission is therefore increased by this practice. Also, due to damage to the female sexual organs, sexual intercourse can result in lacerations of tissue, which greatly increases the risk of transmission of infectious diseases. The same is true for childbirth and subsequent loss of blood.

According to WHO data, excision of the clitoris and labia minora accounts for approximately 80% of the FGM cases.[4] In addition, UNICEF statistical survey indicated that infibulations, the severest form of FGM, accounts for up to 74% of circumcised women in Sudan. UNICEF has put the numbers of those who undergo FGM annually at approximately three million in the Sub-Saharan region of Africa, Sudan and Egypt and the Middle East. It is also believed that beside Africa, the areas where FGM is practiced in the Middle East, about 130 to 140 million women have been circumcised.[5] It is believed that about 28 countries in Africa, including Cameroon, practice FGM in various forms but FGM is also practiced by immigrant communities in many parts of the world.

Perspectives on Female Genital Mutilation

Pro- FGM Advocates:

- The main points of argument of those who advocate FGM practices are the preservation and advancement of cultural customs and practices, adherence to religious ideologies, gender socialization and appearance.
- In some tribes, FGM is seen as an essential and indivisible part of age-old and invaluable rites of passage into womanhood. Many tribes use this time to impart knowledge on their wards or children about sexual issues, health and motherhood. In this regard, a female who is not circumcised is considered ceremonially unclean for spousal and maternal functions.
- In a community where the best or only choice for a woman to survive and fit in the existing societal framework is marriage, FGM becomes a more compelling feature. Thus, women who come from urban based families, where cultural interactions may be less prone to submit their daughters to the procedure, are referred back to the rural areas to undergo FGM in order to make them eligible for marriage.
- Additionally, FGM in some parts of Africa, Asia and the Middle East is practiced by Muslim communities, who harbour the illusion that it is required of them to practice FGM in fulfilment of

4 Laura Nyirinkindi, An introduction to Female Genital Mutilation/Circumcision134.
5 Nyirinkindi, supr, p. 140-142

their religious duties. While several Muslim clerics in countries with significant Muslim communities practicing FGM have gone to great lengths to dispel this false notion, there is still evidence that religious motivations account for many Muslim women undergoing the procedure.

- Other reasons for FGM are the belief that it improves the appearance of the genital area as well as hygiene, and controls sexual deviance and promiscuity in women by reducing or eliminating their sexual desires.
- Within the Ejagham tradition, the importance of the *Monekim Dance*[6] cannot be overly emphasised. It is maintained that in order for young women to become dancers, they must first undergo FGM. It is important to know that FGM or *NKIM, as it is known within the Monekim institution,* is becoming a thing of the past.

Anti-FGM Advocates

- FGM is an irreversible procedure with numerous negative effects that vary depending on the nature of harm suffered by a woman during the process. FGM often results in physical and psychological injury; and in some of the procedures undertaken, girls who put up a struggle may end up getting badly cut and suffer extensive mutilation and scarification.
- In the event of death, FGM is a violation of the right to life. The procedure is usually conducted in a physically traumatizing experience and usually done without anaesthesia. Some women may be given crude forms of alcohol to dull the pain, but in majority of the cases, the woman or girl tries to break away from the painful process and has to be held down in order for the procedure to be carried out.
- Besides the initial ramifications, women will further endure severe menstrual pains and difficult childbirths. Girls or women, whose immunity is low at the time of the operation, usually suffer from chronic infections and for some time, death.
- In cases of infibulations, where the genitalia is sewn up, women must be re-opened prior to the first sexual encounter as well as during childbirth. While both require re-opening of the vagina, in the former scenario, the husband has to cut the vagina prior to intercourse, with other foreseeable consequences.
- The mental health of young girls and women are also at risk since most times FGM procedures and practices bear the element of surprise or unwillingness on the part of the victim. Many young girls have reported feeling a sense of betrayal as they were unknowingly led like a sheep to be slaughtered by close female family members and neighbours, and these very people held them down while they experienced the pain and tribulation of FGM.
- Despite the obvious physical health risks involved with these practices, the desire to control women's sexuality and curb deviant behaviour in many patriarchal societies has contributed to the perpetuation of women's vulnerability and marginalization. For instance, a woman or girl who rejects FGM is most likely to be exposed to abuse, curses, ridicule and stigmatization, regarded as unclean or not fit for marriage.
- This gender oppression affects women's chances for education as a result of being forced into early marriages at young ages. Consequently, women also know very little about reproductive health due to society's refusal to educate or discuss

6 Ayuk Ojage, 2002, The Importance of Monenkim Dance in the Ejagham Tradition.

sexual education with children. Women's activists advance the view that FGM bears a strong resemblance to torture. In short, the violation of women's rights when discriminatory practices such as FGM are allowed to flourish perpetuates short and long term effects and further the vulnerability of women in an already gender-biased society.

Human Right's Perspective

Freedom from violence and the right to bodily integrity is the watchword of the human rights perspective and most human right advocacy groups strongly condemn the practice of FGM as an act of violence against the women. Lynn presents Human Right positions on FGM thus:

- Article 1 of the Protocol to the African Charter on Human and Peoples' Rights states; *violence against women are acts perpetuated against women which may potentially or actually cause physical, sexual, psychological and economic harm.* A description which characterizes FGM under article 5 of the Protocol on Women, *every woman is entitled to respect for her life and the integrity and security of her person.* It can be argued that FGM violates this provision in every aspect and is seen as having far reaching repercussions on the bodily integrity of women and young girls and their dignity, especially when the procedure is carried out under unsuitable and coercive circumstances
- While cultural relativists tend to use the term "female circumcision" or "female genital modification," those taking the human rights/feminist perspective prefer to use the term "female genital mutilation" (FGM) to describe the variety of practices, thus showing their belief that it is harmful and demoralizing. They also employ this term to show the contrast between female and male circumcision, which is equated within many of the cultures practicing the rituals. In using this term, Lynn Thomas[7] argues that, "these activists cast female genital cutting as a human rights violation that promotes patriarchy, threatens women's health, and deprives women of experiencing sexual pleasure." To the extent that it emphasizes the dangerous nature of the actual cutting, the feminist/human rights perspective found in the literature overlaps with the Anti-FGM perspective.
- The primary concerns for those adopting the feminist/human rights perspective, however, are not the health concerns but rather the subjugation of women through female circumcision. Sudanese surgeon and Professor, Nahid Toubia[8] currently serves on several human rights committees, including the Women's Rights Watch Project. She insists that female circumcision is *"an extreme example of efforts common to societies around the world to suppress woman's sexuality, ensure their subjugation, and control their reproductive fertility."* Feminists and human rights groups insist that in societies where some form of female circumcision is practiced, the women have no right to choose whether or not they are circumcised and thus are further subjugated.
- Author Alice Walker,[9] has entered the debate surrounding female circumcision as a feminist, writing in *Warrior Marks* that female circumcision is the

7 Lynn Thomas, 2003, Politics of the Womb: Reproduction, and the State of Kenya, Berkley, CA, University of California Press.p.183.

8 Nahid Touba, 1993 Female Genital Mutilation. In Women's Rights, Human Rights: International Feminist Perspectives. Eds. Julie Peters and Andrea Wolper.

9 Alice Walker and Pratibha Parmar 1993:1Warrior Marks: Female Genital Mutilation and the Sexual Blinding of Women. Ist Ed. New York: Harcourt Brace.

"*maiming and mutilation of women.*" She argues that removal of the clitoris is not natural and that "*without the clitoris and other sexual organs, a woman can never see herself reflected in the healthy, intact body of another*" After travelling around Africa and speaking with the circumcised and circumcisers, she insists that eradication is necessary and the deprivation of sexual pleasure among women as well as the pain and health problems that follow circumcision, makes it a human rights abuse.

- FGM is just one of the many manifestations of violence against women. In addition, the placement of FGM on the agenda of several international instruments, actors and activists hold the view that FGM as a cultural custom should be eliminated irrespective of such justifications.

Cultural Perspective

- Those fighting to eradicate FGM, whether Africans or not, have in some instances learned with a certain amount of surprise that the communities that practice FGM view efforts to eliminate the practice as attempts to wipe out their culture, usually considered the very heartbeat of their societies.
- The right to culture is an inalienable and universal human right that all persons are entitled to, regardless of which part of the world they are from. Hence, proponents of FGM argue that an attempt to eradicate FGM is a denial of a fundamental human rights of the communities concerned, as FGM is, for the most part, a cherished traditional norm of important cross-gender and cross-generational significance. These communities maintained that it is conducted in fulfilment of traditional customs and must not be degraded or criticized by those who do not subscribe to their culture.
- Cultural relativists denounce anti-FGM sentiments as value judgments against different minded communities and a sign of cultural intolerance or imperialism, perpetuated mainly by the West and elitist African feminists. Many cultural relativists would think efforts to eradicate a women's desire to undergo FGM is in essence asking her to deny her inalienable right to culture.
- Surprisingly, those that human rights law would identify as its victims are also perpetrators of these human rights violations. Most times women are the gatekeepers of FGM, preserving its execution and the surrounding initiation ceremonies, for example, the mother of a girl who will be operated upon will determine the exact day, the age at which the child will be circumcised, the circumciser, the location and female relations of the girl who will participate in rituals such as singing, dancing and tending to the girl during the healing process.
- Many of the underage girls and even babies are identified and referred by their close relatives for the ritual. Some traditional communities have defended their rights to experience the cultural norm of FGM and this lends credence to the notion that it bears a strong value for its constituency base.[10]
- In contrast, anti-FGM proponents state that, to claim a right to harm oneself in the name of culture, despite recognition of its harmful and violent aspects is unconscionable. A woman, who mutilates herself with sharp objects for a reason unrelated to FGM or any cultural practice, would be referred to psychological treatment. It would

10 Nyirinkidi, 151.

therefore be illogical to suggest that she is free to make choices that will result in her bodily harm.

Without implying that FGM practitioners share the same rationale, to make concessions for those who freely choose FGM to be regarded as having a right to chose physically harmful practices would lead to illogical conclusions. The argument that the community's cultural norms should be respected to allow women to choose procedures that will inevitably cause pain and suffering may cause setbacks in many of the gains in the protection of the human rights of women.

Male Perspective

Whether willing or not, complicit or not, men are the intended and ultimate beneficiaries of FGM. While it is true that women are the primary custodians of this cultural norm and men do not participate in the rituals and procedures, men are by no means powerless bystanders. The perception that women's genitalia and sexuality is problematic is condoned by male members of the society. The decisions to allow daughters and wives to undergo FGM must be sanctioned by the male heads of households, who are the primary decision makers in matters involving sexuality of women. Without the endorsement of this practice by male members of the communities, it would long have died out.

Conclusion

Arguments and discourses surrounding the conceptual basis of FGM and its place in international human rights law may serve some purposes at certain levels. Regardless, for women who are undergoing or are at risk of undergoing the procedure, the dangers are more than academic and the harmful effects real and irreversible. Women and children's rights to be free from discrimination and violence are reiterated in every major human rights document and this is established as a universal principle. Relativism as a tool for cultural renditions of the enjoyment of the right to culture must not be interpreted to translate into modifications, to the extent that the substance of the right will be rendered useless.

Alternative Strategies to Eliminate FGM

Anti-FGM activists have attempted to introduce alternatives to FGM. This has led to the innovation of the holding of alternative rituals that retain the symbolism of the FGM procedure while addressing several key issues of importance to women's reproductive rights and health in some countries. On the basis of the conclusion above, this paper recommends thus:

1. FGM is country and ethnic specific thus, customized interventions are relevant in the effort to address FGM as a social and cultural issue in the communities where this is practiced.
2. Interventions from non-community members are likely to be resented and misinterpreted as judgmental. Potential community-based allies in the anti-FGM effort may unite with the community out of kinship allegiances rather than open up to external criticism. In this regard, the involvement of opinion leaders, traditional chiefs and elders is important.
3. Other community agents such as government leaders, community extension workers and development officials who have gained acceptable levels of integration in the community are useful in helping to access the communities in order to preach against this practice. In other traditions, Amnesty International has observed that ceremonial aspects of mutilation can be held without the actual piercing or injury taking place. There might be symbolic placing of a knife next to the genitals or some light pricking of the clitoris or thigh or cutting of some pubic hair as a way of preserving the culture and not necessarily mutilating the genital organ.

4. Anti-FGM organizations are targeting circumcisers for diversion from this harmful occupation, and possibly recruiting them in advocacy efforts. It has been stressed by anti-FGM advocates that all such overtures to overcome the lure of FGM procedures in its beneficiaries and practitioners must be contextualized within the backdrop of poverty and lack of economic means that the majority of women in African communities live in. However, circumcisers obtain a high status within these villages and performing circumcisions provides an income to them, so organizations or advocacy groups have now tried to locate and provide small income-generating projects for the custodians of FGM so as to provide an alternative livelihood for them thus discouraging them from further practice of the cruel culture of genital mutilation.
5. Furthermore, the prioritization of FGM eradication measures should dominate the health care strategies of policy makers and service institutions of every country where FGM is practiced with a view to provide preventive and remedial health care where side effects of the practice are noticed.
6. Sex and reproductive health education are also important strategies to eradicate FGM practices in hopes that women can become educated about such harmful practices before their time comes.
7. Another positive move towards the prioritization of the universal concern for women and girls who are victims of the practice in Africa and other parts of the world is the International Day of Zero Tolerance of Female Genital Mutilation, February 6 that was designated by The United Nations.
8. In addition, a legislative framework should be set up in an attempt to get governments involved in the eradication of FGM. For instance, The Protocol on Women as the first legally binding treaty that specifically identifies FGM as a harmful practice that negatively affects the human rights of women should be vigorously enforced and the Protocol on Women that was signed by 37 African heads of State in 2003 and which finally came into effect in November 2005 should be given a legislative backing in the 37 African countries involved so that offenders can be punished to serve as deterrent others.

Regional Economic Integration amidst Globalization Challenges: An Introspective Analysis of Central Africa

Martin Sango Ndeh, Ph.D
Department of History,
Faculty of Arts,
University of Buea, Cameroon.
E-mail: masango_2001@yahoo.co.uk +237 77169810 or +237 51048477

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Abstract

In the global economic scene, the notion of integration or bringing states under regional blocs as a development measure have attracted a lot of attention not only from scholars but from other interest groups that consider integration a remedy to underdevelopment woes. The current paper thus explores the efforts geared at realizing integration in Central Africa and the extent to which these efforts have made strides and at the same time met with stumbling blocks. The study analyzes the historicity of integration with a sharp focus on the factors that have militated against the doctrine in Central Africa. To realize the above outlined objectives, this researcher depended a lot on some of the theories of integration which have been implemented in the North and how effective these theories can be in the case of Central Africa. Some of the issues raised in the paper were also drawn from personal experiences of what obtains at the border cross points separating the states of this sub-region and the outcome of some of the UDEAC and CEMAC summits that were held in Cameroon. In this regard, this researcher made use of both primary data and extant review to address the subject on integration. From all indications, integration in Central Africa has been more elusive, that is it has been more theoretical than practical. The ego for integration no doubt is quite unshakable amongst the states but the good will to implement measures that can lead to effective integration remains a major worry. It was recommended among others that, for regional integration to be beneficial to the member states, the market liberalization should not be the only parameter for measuring integration. Rather states within CEMAC should focus more on the harmonization of industrial and agricultural policies and of course other sectors that will help move their economies from agricultural oriented type to more industrialized and advance economies.

Key words: *Regional integration, market liberalization, globalization, Central Africa*

Introduction

In recent years, there has been much talk on regional economic integration both in the advanced and in the less industrialized countries of the world. The debate around these issues of economic integration in Africa has been how to use regional economic groupings to solve problems of economic failures and dependency in Africa and to promote structural transformation of African economies from narrow-based agricultural economies to more diversified industrial based enterprises. As most proponents of regional integration will put it, integration will improve on trade, enhance infrastructural development, promote cooperation among the member states and possibly realize a common market if it is well instituted. But in Africa, very little has been achieved in terms of integration because regional blocs like Economic Community of West African States (ECOWAS), Central African Economic and Monetary Union (CEMAC), Southern African Development Coordination Conference (SADCC), and the East African Community (EAC) have achieved very little in terms of their outlined objectives and the supposed benefits of integration. A central issue in this debate is that African models of integration have all been imported from the North with very little drawn from the practical realities on ground in the continent. For example it is argued that most of the regional blocs in Africa have adopted the market integration approach, which is what obtains in the industrialized North and the question is whether this can really work out in Africa (Asante, 1997:62).

This is because unlike in the industrial North, these imported market liberalization models, based on common currencies, common trade policies, common exchange rates and establishment of free trade zones as observed by many scholars and public analyst, have only produced very little benefits in Africa (Asante, 1997:62). The significant changes produced by globalization have greatly eased communication and facilitated other informal integrative mechanisms like black-marketing and smuggling and these informal mechanisms greatly influence inter-state economic relations in Africa. The corrupt nature of African customs officers have greased these informal mechanisms and given regional integration a different phase. In this light, regional integration in Africa should not only be perceived from the market integration approach based on the outlined parameters laid down by the North, but it should be market liberalization alongside other areas of cooperation like industrial development and harmonization of agricultural policies. This market approach to integration mostly works out well in industrialized economies and in Africa it poses a problem because structural changes and qualitative development in production and sustained growth is required (Asante, 1997:62). The question is can African countries really operate horizontal trade when they are almost at the same level of primary production with very few exceptions like Nigeria and South Africa? The balkanization of African states to several mini-agricultural economies have not in any way encouraged the market approach to integration within the continent. Since almost all African states are at the primary level of production with little complementarities among them and since the industrial sector in Africa is still at the enfant stage, adopting market integration approach will not in any way enhance the flow of trade and growth. This is to say African economies are more competitive than complementary. For the market liberalization system of integration to benefit the African regional blocs and particularly CEMAC, the member states must be prepared to undergo economic transformation that will move their economies from a primary stage of operations to more industrialized and advanced production with emphasis on different specializations. This will go a long way to inject the element of complementarities, which is much needed in market liberalization integration. This market

approach adopted by groups like SADCC, ECOWAS, UDEAC and CEMAC have all met with serious hurdles and very little success has been recorded. For example in terms of horizontal trade among the CEMAC states, it is very low and world Bank indicators show that the Vertical trade that takes place between CEMAC member states and France, is more than the total trade among the CEMAC member countries (Oliva, 2008). Problems of integration in Africa as a whole and in the CEMAC region in particular are further compounded by globalization, which has increased informal mechanisms of trade making it difficult for the states within the CEMAC region to give a proper account of the volume of economic transactions that obtains among these states in terms of goods crossing the national borders and even the circulation of capital and persons. Thus, the wrong approach to integration in Africa as a whole and Central Africa in particular has further compounded the challenges already faced by Third World Countries and Africa in particular. The central argument in this paper is that unless African leaders recommit themselves to the furtherance of their integration schemes at sub-regional levels, as springboards for a wider African integration, it will be difficult to stimulate forces that can enhance growth and foster more horizontal cooperation. It is against this backdrop that this paper seeks to assess the extent to which integration objectives in Central Africa have been achieved and how globalization has enhanced or retard integration mechanisms in the sub-region. It specifically assesses the level of success recorded in the market integration approach in Africa and the problems associated with this approach using the CEMAC as a case study. It also explore ways in which integration can be made more beneficial by eliminating negative trade outcomes and negative balance of payment that limits policy space of regimes within the regional blocs. Upon completion, this paper will not only bridge the research gap in this area by enriching the existing scarce documented studies but will also be of immense benefit to some of the policy designers and ministries that are directly or indirectly involved in issues of integration. Even some of the Head of States reading through this document can discover some of their weak stands.

Literature Review

For any meaningful discussion on integration to be done, it imperative to clarify certain concepts:

The Concept of globalization

Globalization describes an ongoing process by which regional economies, societies and cultures have become integrated through a globe-spanning network of exchange. The term is sometimes used to refer specifically to economic globalization. This economic globalization refers to integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration and the spread of technologies. These are the principal kingpins of a global enterprise. However globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, and political and biological factors. The current debate on Central Africa tries to situate these globalizing forces within the context of economic integration by trying to establish how globalization on the one hand has fostered integration and on the other hand how it has introduced new elements that have negatively affected formal economic integration. Integration in Central Africa since independence has witnessed an undulating kind of graph.

Attempts at regional integration in Central Africa using the Market Liberalization Approach

Immediately after independence, states in Africa as a whole and Central Africa in

particular saw regional cooperation as one of the mechanisms to fight dependency, enhance development and ensure sustainability. This was to be possible only if the right approach to regional integration and cooperation was adopted. Efforts at regional integration should be geared towards promoting structural transformation of state economies in Africa and enhancing horizontal trade practices so as to move production from that of simple unprocessed primary products to higher value products for the regional and international markets. This is an objective which has failed tremendously in most of the regional blocs in Africa including CEMAC. The fallouts of economic integration should also extend to solving problems of unemployment, poverty, low living standards poor leadership and restricted labor mobility. In spite of the existence of so many regional groupings with at least one in each of the sub-regions in Africa, these problems are still very much prevalent (Ettangondop, 1985:17). If regional integration within the CEMAC arrangements was forward moving, then the violent discrimination encountered by Cameroonian immigrants in Gabon and Equatorial Guinea in recent years would not have occurred (Ettangondop, 1985:34). This kind of discrimination seems to offset the dream of regional economic integration in Central Africa between societies that are tied together by primary commodity production.

The Market Liberalization Approach under UDEAC: A failed attempt at integration in Central Africa

The establishment of UDEAC in December 1964 after the signing of the Brazzaville Treaty was seen as a positive step towards consolidating economic integration and growth in Central Africa. However the approach which was adopted to integrate the states in this sub-region failed to address the aspirations of the common man and this explains why there was a gap between integration as defined by the Brazzaville Treaty and integration as drawn from the operations of the common man across the national borders in Central Africa, (Ndongko, 1987:17). The approach that was adopted by UDEAC was geared towards harmonizing market forces among the UDEAC countries. UDEAC was aimed at elimination of restrictions on commodity movement between member states; the setting up of a common external tariff against third countries; and the removal of internal barriers of factor movements including some degree of the harmonization of national policies, particularly in the areas of industrial, investment and transportation development (Ndongko,2008:67).Thus the establishment of UDEAC could be seen as an effort towards realizing a free market but this has really not worked out because of the competitiveness of the economies rather than their complementarity and again increasing globalization that has enhanced informal mechanisms of trade over formal mechanisms. With the influence of globalization, there are traders who move across the borders from Cameroon to Gabon as well as from Cameroon to Central Africa Republic and Chad without necessarily respecting the laid down UDEAC terms. And it is doubtful whether these groups of operators are even conversant with the principles underpinning integration in the sub-region. For example there are fixed prices and exchange rates for intra- regional trade but these rates are not respected by the traders on ground. This situation has been further compounded by the changes brought about by globalization. With the internet and mobile phones, traders can easily know and adapt to new changes in market situations without necessarily waiting for reactions from regional blocs. The failed attempt to galvanize market integration in Central Africa, based on liberalization models copied from the North has generated renewed interest for a second look at regional integration and South-South cooperation in Africa as a whole and Central Africa in particular. According to Richard

Kitchen (Kitchen, 1991:1), in his New Series Discussion papers, UDEAC had a very substantial base for operating a customs and economic union because the states share a common official language, a common currency, common central bank and a common development bank but unfortunately its performance at the level of intra-UDEAC trade has been disappointing. A common currency and language may be an impetus for regional cooperation but that does not in any way guarantee success, (Kitchen, 1991:1). Compared to Association of South-East Asian Nations (ASEAN), Economic Community of West Africa (CEAO), Mano River Union (MRU), and ECOWAS intra UDEAC trade was least in the 1970s and 1980s, (Shermain, 2001/2:37). If intra regional trade has failed as the main instrument of integration, there is also ample evidence that the circulation of technology and mobilization of factors of production in the area have also largely remained a dream yet to be accomplished. For example in terms of labor mobility it is difficult for labor to circulate freely in the UDEAC zone not to talk of obtaining a work permit in another member country. It is the recent attempts made by CEMAC to introduce common passports and to harmonize the labor mobility policy in the area that is ensuring hope in the direction of free movement of persons. But until that is achieved, free movement within the CEMAC area is still largely a nightmare and this explains why Cameroonians are poorly treated in other CEMAC states like Equatorial Guinea and Gabon.

In terms of investment in Central Africa, UDEAC adopted a Common Investment Code (CIC) which never saw the light of the day. In this light, the states were still very much individualistic because they paid allegiance to their National Investment Codes (NIC) rather than the Regional Investment Codes (RIC), (Ettangondop, 1985:47). The RIC was intended to provide a level playing ground for all the states in matters of external investments in the Sub-region but this was never efficient because the supplementary incentives offered by the different states placed some of the states at the advantage. The richer coastal states of Cameroon and Gabon were favored in this operation to the disadvantage of the landlocked Chad and Central African Republic (Ettangondop, 1985: 49). This has made economic disparity among the states to continue to widen. This partly explains why Chad and Central Africa Republic withdrew from the Union only to rejoin later in the mid 1980s.

From all indications, UDEAC failed as a satisfactory customs union in terms of capital circulation, human and natural resource distribution and enhancement of cooperation amongst member states in spite of its geographical and human advantages of common language and common currency (Ettangondop, 1985:44). In this direction it can be observed that the forces of market liberalization that were enforced by UDEAC were more theoretical than practical. The failure of UDEAC however led to the establishment of another union-CEMAC. And the question is what have been the major innovations and what new approaches have been adopted following the new spirit in CEMAC to make integration more beneficial and involving to the member states? Even though it is difficult to start assessing CEMAC just slightly above one decade after creation, it is however important to look at what it has achieved in this period and some of the problems affecting its smooth functioning.

The Transition from UDEAC to CEMAC: An Innovation or a Paradox?

For the Central African states to have abandoned UDEAC and establish a new organization was a clear indication that UDEAC could not stand the test of time. The new organization (CEMAC) was therefore to be built on a more solid foundation so as to avoid the pitfalls of the former layout. The strengths of the new body were thus to be

conditioned on where the former failed and not where it succeeded. Hence CEMAC have the responsibility to eliminate the distortionary obstacles to trade, ensure free circulation of capital and manpower and enhance more cooperation among the states. As earlier mentioned, it is however difficult to make a complete assessment of CEMAC because it is ongoing but from its objectives and a decade of operation, one can be able to tell whether the organization is moving in the right direction or not. More than a decade after creation, the outcome is far from encouraging. Little progress has been made, intra-regional trade have continued to be sluggish and the implementation of the CEMAC arrangement has been poor. Numerous cumbersome, nontransparent and costly procedures have hampered progress and impeding the objectives of integration. (Oliva, 2008:3) To think that CEMAC has made any tremendous progress away from the shortcomings of UDEAC is not true because under the former, intra-regional trade is estimated at 3 percent of total trade while trade between France and CEMAC can be put at ten times the estimate of intra-regional trade (Oliva, 2008:7) This low level of intra-regional trade can be attributed to poor implementation of the CEMAC treaty and the situation is further compounded by the lack of a complementary economic base in the sub-region and undiversified economic structures, (Oliva, 2008:9). These undiversified economies are due to poor infrastructure, weak banking systems and nontransparent inter-state operations that have perturbed external investment in the sub-region. Free market operations in the area have been a major problem because the CEMAC markets have been shelved from competition by tariffs and nontariff sectors other than unprocessed raw material. Political and administrative obstacles, poor transportation and communication have further strengthened market segmentation. It is therefore not surprising that vertical economic links between the CEMAC states and France strive more than horizontal economic linkages. This makes the trade connections between the CEMAC member states and France look like the *hub and spoke* where France is the *hub* and the CEMAC economies *spokes* (Andereggen, 1994:23). The CEMAC Tax Regime is based on three pillars that include the Common External Tariff (CET), the Preferential Duty Rate (PDR) and the Legislation on Franchises (LF). The CET is the main component of CEMAC Countries' import taxation regime. This trade regime comprises import duties ranging from 5 to 30 percent depending on import in question and a temporal surcharge that could exceed 3o percent. This temporal arrangement was phased out in 1999. As of 1998, the preferential tariff rate, applicable to CEMAC'S intra-regional trade was officially 0 percent. (Oliva, 2008)

This tax regime however presents a beautiful picture of intra CEMAC trade regulations but it is difficult to exactly evaluate the volume of trade among the states in the sub-region because very little data do exist on trade flows in the Central African economic zone. Even when statistics are presented, they cannot be reliable because of the incidence of black marketing which cannot be checked, customs fraud and smuggling. These informal mechanisms make a proper assessment of the volume of trade in the CEMAC zone very difficult. The corruption of the customs officers at the border areas in Central Africa further complicates the process of proper assessment. The customs officers along the Cameroon /Gabon frontier as well as the other frontiers without exception contribute in draining their states of resources (Participant observer, 2012). Most of the small entrepreneurs use some of the custom officers to illegally move their goods across borders. For example when a traders is moving with 50 bags of *Eru* from Cameroon to Bata in Equatorial Guinea, he/she may end up paying custom duty only for 20 bags and she bribes a custom officer to transport the rest of the 30 bags without paying custom duty

(Participant/Observer, 2010). Even though it can be argued that CEMAC is marred with the same difficulties that confronted UDEAC, the difference however between them is that with the new spirit under CEMAC, more and more effort has been geared towards harmonizing the economic infrastructure in the sub-region. This is evident in the new institutional framework that has been put in place under CEMAC.

Gradual Institutional Dynamism within CEMAC as added impetus to integration

Certainly the process to give CEMAC a new approach to regional integration started from the period of inception of the body. The free trade zone and custom's Union in CEMAC was officially established in 2000. Member states agreed to gradually implement the tax and customs reforms adopted by UDEAC in 1994 with very slide modifications. The common external tariff is applied on the basis of a harmonized nomenclature, a common regime for customs values and CEMAC rules. With regards to indirect taxation, a harmonized Value Added Tax (VAT) has been applied since December 1998. And states have equally initiated reforms in the areas of direct domestic taxation like company tax (Awoumou, 2008:9). In addition to establishing the customs union and with a view to common market, CEMAC has adopted laws enhancing free movement of citizens and community regulations on competition and investment. Regarding the free movement of persons which is already operational in Four of the countries- Cameroon, Congo CAR and Gabon, CEMAC has renewed a treaty that was initiated by UDEAC in 1972 on the establishment of a common passport and the harmonization of laws governing activities of certain professional occupations and service providers as well as student admission requirements for public or private interest higher education in the sub-region (Ngongang, 2008:17). CEMAC have started studies to examine the issue of liberalizing certain services that have a direct impact on production cost, notably telecommunications, air transport and financial services. Concerning the circulation of capital, a regional stock exchange market was created with Headquarters in Libreville, under the direct supervision of Central Africa Financial Supervision Commission (COSUMAF) (Guy and Tche, 2006:6).

Another major innovation that can be noticed under CEMAC is that the member states of this regional bloc have been fully integrated as members of OHADA, CIMA, CIPRES, ARSO, AFRISTAT and the African Intellectual Property Rights Organization. These regulatory frameworks were adopted to provide legal safeguards and create an enabling environment for private sector development to complement the actions of CEMAC, (Bamou et al, 2006:5). It can be observed that as of now, CEMAC operates as a Central African Economic Union (UEAC) and as a Monetary Union- the Central African Monetary Union (UMAC). CEMAC as an innovated regional body has various operational units and special institutions that did not exist under UDEAC. There is the gradual emergence of institutional dynamism within CEMAC and this is intended to make the Union more vital to the course of integration in Central Africa. But the putting in place of these new institutions does not in any way make the difference. Until these new bodies start paving a new dimension to integration in Central Africa, the region largely remains segmented in terms of trade collaboration and exchange of technology.

Still in the direction of building an enabling environment for trade and cooperation, CEMAC has ear-marked security as an important factor for integration in Central Africa. To guarantee peace and security in the sub-region, the Executive Secretariat of CEMAC has pledged to work closely with the Central African Police Chief's Committee that was created in 1997 to fight

against transnational crime (Awoumou, 2008:19). The CEMAC secretariat has also been working in close collaboration with INTERPOL to fight cross border crime in the area. Some of the efforts towards peace in the region include the deployment of the CEMAC Multinational Force (FOMUC) to the Central African Republic (CAR) in October 2002 with the aim of securing the border between Chad and CAR and ensuring a peaceful transition towards national reconciliation as well as avoiding Libya's interference in this zone.

The process of giving CEMAC a new institutional framework was symbolized with the establishment of the CEMAC Court of Justice and the Inter-parliamentary Commission in April 2000 in Ndjamena and Malabo respectively. The Court of Justice has the Judicial and the Audit benches and these institutions have a supervisory role. The creation of this court of Justice is to ensure legal certainty within CEMAC, while the Community parliament is entrusted with the powers to oversee the democratic control of CEMAC institutions. These are the major institutional innovations that make CEMAC different from UDEAC. But the question is how successful has the member states been able to use these institutions in driving through their objectives of greater integration? Even though it is difficult to draw conclusions now on CEMAC because it is an ongoing process, it is important to mention that the very existence and survival of CEMAC greatly depends on the zeal and commitment with which the member states engage in CEMAC activities. In fact CEMAC is only a regional body that defines the objectives of integration by adopting framework laws and directives. But the realization of these objectives is solely the responsibility of the member states. Member states and their populations are therefore key actors in the integration process. CEMAC does not replace states in formulating and conducting national policies, but in accordance with the principles of cooperation it is responsible for carrying on programmes for which collective approaches are more effective, (Bamou et al, 2006:17). To execute these programmes, the states must be ready to surrender national sovereignty where it is needed to enhance the proper functioning of the regional body.

Problems of Integration in Central Africa

A key problem that was noticed under UDEAC was the limited mobility of manpower in the Central African region, (Ndongko, 1987:9). Even though CEMAC has identified this problem as a major obstacle to integration, the process of solving it is quite slow, (Essien, 2006:11). The issue of CEMAC passports is under implementation but labor mobility continues to pose a problem. Given the link between labor mobility and development objectives, more empirical evidence is needed to further the understanding of African leaders on the impact of labor mobility on their fragile economies. In this light the CEMAC leaders should institute measures that will fashion labor migration for growth and sustainable development. Migratory issues and development is very relevant to Africa because at the moment there is the common phenomenon of vertical rather than horizontal labor mobility, (Peberdy, 2002:46). Africans in general and Central Africans in particular prefer to migrate to Europe and other parts of the North than other African countries. This vertical trend of labor mobility is determined by economic conditions. For example in Central Africa, Cameroon exports the highest number of intellectuals and work force because of her poor economic policies and unemployment (Bamou et al, 2006:16).

From the foregoing, the market liberalization approach to regional integration has really not worked out in the regional and sub-regional blocs in Africa because most often regional interest clashes with national interest and again African economies are more competitive than complementary. In the Central African sub-region, the export profile

of the member states that constitute the CEMAC and other regional blocs is so skewed in favor of natural resources and this makes the economies of the states prone to noncompetitive production structures, (Asante, 1997:21). As a result, regional integration becomes more complex. It is therefore necessary to move away from the industrialized market liberalization approach of regional blocs, which focuses on trade creation and diversification as key assessment instruments to a more realistic multi-dimensional approach which looks at alternative methods of assessment other than the free or common market system. In this direction we will like to see how globalization has made regional integration more practical and real in terms of circulation of goods and services in Central without necessarily respecting the cannons of integration under CEMAC. And apart from globalization, which other informal mechanisms facilitate trade, mobility of labor and other important yardsticks of integration.

Looking at integration in Central Africa, it is important to state that attempts at bringing the states together under common regional economic principles have really not succeeded because of so many factors. Despite the existence of CEMAC, the region remains beset by weak cross border economic links. Numerous problems have continued to impede the progress of regional integration in Central Africa and central to these problems is the fact that the states in this region have the same production structures and hence exportable products tend to be competitive rather than complementary. In a situation where these states all depend on primary production, it is difficult for regional integration to really work out in this area. Almost all the states are within the same geographical zone and they produce almost the same type of crops. If the economies of these states were complementary, trade amongst them would have been far more advance because the states will be ready to exchange what they have for what they need. For example Cameroon is oil-producing just like Gabon, Congo and of late Equatorial Guinea and Chad. This goes same with many other primary products like timber.

Apart from the above-mentioned factors, the effectiveness of trade liberalization programmes under CEMAC has been constrained by among other things low product coverage, low preferential tariff margins and lack of progress in eliminating non-tariff barriers, which are also difficult to define and classify (Asante, 2008:57). In the CEMAC zone, there are the difficulties of standardizing and eventually harmonizing custom's documents and tariff schedules and this has caused serious problems between the poorer landlocked states of CAR, Chad and Congo Brazzaville and the richer coastline states of Gabon, Equatorial Guinea and Cameroon. Another key factor that breeds differences among these two categories of states is the problem of balancing the distribution of benefits and costs of economic integration and specifically in the area of industrial growth in view of their possible polarization in the more advanced member states. It is this discriminate distribution of benefits that forced Chad and CAR out of the UDEAC before their return in the mid 1980s (Ndongko, 1987: 23).

Further problems of integration in the CEMAC zone can be deduced from generally the lack of harmonization of sectoral policies in agriculture (that constitute the mainstay of the economies of this sub-region), industry, transport and energy. The regional bloc is lacking in these areas and no studies are being under taken to improve on inter-state cooperation in these areas. In the CEMAC zone, member states have been pre-occupied with trade liberalization and industrial development cooperation and joint agricultural policies have been neglected. Joint agricultural and industrial policies remain at the periphery of integration objectives in this area.

In another dimension, a fundamental

problem of integration in Central Africa is that very little has been achieved towards integrated infrastructural development despite the potentials for very high benefits, (Participant/Observer, 2010). For integration to be beneficial, the states within a common union must have access to each other in terms of developed communication infrastructure (Mkandawire, 1987:21). The states in Central Africa are isolated because of the poor roads and other communication facilities linking them. For example it is easier for a trader in Cameroon to move into and out of Nigeria than moving to Central African Republic or Gabon. This explains why in Cameroonian markets, it is easier to find Nigerian traders than traders from Gabon or other CEMAC countries. Even though the long standing historical ties between Cameroon and Nigeria partly justify the warm economic relations between the two countries, communication infrastructure also accounts for this close economic partnership (Participant/Observer). In terms of horizontal trade, Nigerian goods dominate the entire Cameroon market more than goods from any other African country. Thus for Central Africa to operate a common market, the states must be ready to improve on communication facilities linking the states.

Smuggling has also been identified as major problem to regional integration not only in Central Africa but in Africa as a whole. There is a high level of smuggling within CEMAC and between CEMAC and the rest of the World, (Richard Kitchen, nd: 43). Informed estimates suggest that smuggling accounts for 60 percent of trade in Central Africa Republic and as much as 80 percent in the Congo. This high level of smuggling within the region could be attributed to custom fraud. Smuggling can be reduced substantially if custom officers enforce the rules governing inter-state trade in Central Africa properly and if the companies involved in these cross-border operations are subjected to greater surveillance. It must be pointed out that the tax levels instituted by regional groupings also encourage smuggling. Thus efforts at reducing taxes combined with efforts to reduce smuggling could lead to significant increases in the revenue collected by the states. These informal mechanisms that are impeding the smooth functioning of integration in the CEMAC zone have been further increased by the influence of globalization.

Globalization and informal mechanisms of integration in Central Africa

According to this paper, regional integration cannot only be judged from statistics presented by the IMF, Regional Groupings and other economic organizations. In most cases, these figures are misleading because they fail to represent the practical realities on ground. For example in Central Africa, statistics on money exchange and circulation among the states can be got only from the CEMAC Central Bank (BEAC) or from the state banks. These statistics will in most cases not be correct because a lot more currency exchange is done at the level of black market through transfer agents (facilitators), which cannot be accounted for. This goes same with smuggling and illegal labor mobility. With the recent innovations brought by globalization, these informal mechanisms have been made much easier. For example with the internet and mobile phone, it is easier for a merchant in Gabon to know the price of a commodity in Cameroon or in Chad rather than relying on official prices laid down following the tenets of the so called regional bloc. The pre-occupation of this paper now is to appreciate integration from the perspective of the key actors on ground rather than the laid down cannons of market liberalization agreed upon through integration arrangements.

Globalization and the Circulation of Goods and Persons in the CEMAC Zone

Before this global era, traders and other cross border actors had to depend on official prices and custom regulations to be able to execute cross border trade. These official trade

regulations paid very little attention to the activities of the informal sector cross-border traders described as small entrepreneurs who trade across the borders in CEMAC zone. Today the influence of globalization has reduced the incidence of official trade barriers on cross-border trade. Through mobile phones, internet connections, and other informal communication facilities, the small entrepreneurs are even more conversant with the market situation than the state departments of trade (Awoumou, 2008: 17). For example the common market trader who leaves Gabon to go and buy Yams in Muea in Cameroon have detail information on the market situation more than state officials who document information after long periods of time. These gaps that exist between official regional bloc arrangements and the practical experiences on ground have made it difficult for scholars and other stake holders to assess the supposed benefits of integration. In Central Africa it should be underscored that the volume of informal trade may exceed formal sector cross-border trade between the states. The informal trade transactions play an important role in the circulation of capital and goods within the sub-region but the governments benefit very little in terms of customs revenue collection and taxes. The traders involved in this informal cross-border trade use different means to evade taxes. For instance the women, who constitute about 70 percent of these cross border traders in Central Africa, use sex for free border clearance and sex for free transportation while the men employ facilitators at the borders for their clearance (Participant/observer, 2008) This is typical of the women who buy food stuff from local markets in Cameroon to sell in Equatorial Guinea and Gabon.

Globalization and Explosion of cross border black marketing in Central Africa

There is no doubt that before now, there was informal trade in the Central African sub-region but with globalization, this informal sector has expanded. The expansion of this sector can be attributed to the dramatic cut in the number of state employed workers, high levels of unemployment in the sub-region and the unfavorable conditions for cross-border trade in Central Africa like custom duties, (Participant Observer, 2013). With these unfavorable conditions, the small cross-border entrepreneurs adopt mechanisms to evade taxes and tariffs they usually consider to be exorbitantly high. Through the influence of globalization, unconventional roads crossing the border towns between Cameroon and Gabon and between Equatorial Guinea have been established. These informal roads abuse the formal crossing points. In this process, the small entrepreneurs pay people around the border areas to use the illegal tracks and transport their goods. In some instances, the passengers (small entrepreneurs) in a bus may also take a collection to pay an officer to let the bus through without being checked (Participant/observer, 2010). The argument raised by the small entrepreneurs in defense of their illegal transactions is that the tariff system within CEMAC does not encourage horizontal trade. If CEMAC member states were to review their tariff system and facilitate legal movement across the borders in the CEMAC zone, that will likely encourage traders to pass through formal border crossing points and this will enhance revenue collection at these border check points.

Conclusion and Recommendations

From the above analysis it is clear that attempts at integration in among the six states that make up CEMAC has always taken the market liberalization approach, which is a model imported from the industrialized North. The agricultural oriented base of these Central African economies has jeopardized the process of market liberation integration because these states are almost at the same level of primary economic operations. The states involve, are almost on the same level of production ladder, the primary stage and this

has made cooperation among them in terms of trade difficult. Consequently the economies of the CEMAC states are more competitive than complementary. Apart from the uncomplimentary nature of the economies, the influences of globalization has also increased the incidence of black marketing and illegal cross-border operations, which has made a proper assessment of integration as a vital instrument for economic development and growth in the sub-region difficult.

For regional integration to be beneficial to the member states, the market liberalization should not be the only parameter for measuring integration. Rather states within CEMAC should focus more on the harmonization of industrial and agricultural policies and of course other sectors that will help move their economies from agricultural oriented type to more industrialized and advance economies. This can be realized only when the CEMAC leaders adopt policies that will improve on technical services and enhance industrial growth. And such policies can be effective only through increased training of manpower directed towards the improvement of these sectors. This should be accompanied by increase cross border mobility of labor that will enhance technical exchange.

Again, elements of custom fraud and black marketing should be effectively controlled by improving on the conduct of our custom training so that the customs sent out in the field should better serve the state than their looking for their personal self aggrandizement.

Furthermore, for regional integration to succeed as a force for economic growth, the CEMAC leaders must be committed to fight corruption, illegal trade and cross border crime within their regional bloc by harmonizing their custom control services through a kind of regional in-service training and moral education in the corp. This will enhance custom performance and improve on accountability.

They must at one point be ready to surrender their national policies to give the regional operations a chance. In this light, it is not the number of regional institutions that are put in place under the regional integration frame work but how efficient these institutions are and how committed the member states are to these institutions.

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The Impact of Downsizing on Organisational Performance

Utor, Victor
Department of Business Management,
Benue State University, Makurdi.
Email: victorutor2@gmail.com, +2348060247546

and

Mtswenem, Paul Shimadoo
Benue Internal Revenue Service,
Makurdi, Benue State-Nigeria.
Email: pshimadoo@yahoo.com, +2348062893170

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Abstract

This study empirically examines the extent to which downsizing has resulted in improved performance of organisations. The study used only secondary data obtained mainly from the financial reports of Nigerian Breweries plc before the period of downsizing (2001-2004) and after downsizing (2006-2009). The data were presented in using tables and the analysis was done using t-test via the Statistical Package for Social Science (SPSS). Downsizing was used as the predicator variable while profitability was used as the criterion variable. The results of data analysis indicate that downsizing has not significantly improved the performance of organisations. The study therefore suggest that managers who are planning to downsize should think carefully about the associated implications and put in place a programme of action that will mitigate the attendant consequences of downsizing by retaining key skills and experience as well as valuable knowledge when employees are moved out of their working units or are retrenched from the organization entirely.
Key Words: *Downsizing, Organisation, Profitability, Equity.*

Introduction

A dramatic shift has occurred in the assumptions underlying organizational performance and effectiveness in the last decade. Some years ago, the emphasis was on the fact that bigger organizations are better organizations. But the globally competitive, dynamic and turbulent nature of the business environment has compelled organizations to shift towards smaller, flexible and agile organizations. Therefore, to survive, many firms are attempting to design and initiate fundamental changes in organizational forms and management practices (Bresmen& Flower, 1994). Developments in technological change, global competition and knowledge-based economy have enhanced a shift in the corporate paradigm, a move away from large and rigid organizations that can compete successfully in today's globally competitive and turbulent business environment (Bahrami, 1992).

Instead of an exception practiced by only a few organizations in trouble, downsizing has become the norm in modern organizations. It is still rare to go a week without reading about one more firm's massive lay off or downsizing effort in the national or world news. Almost no company especially those of medium and large size have avoided downsizing in the last ten years (Wyatt, 1993). The disturbing issue about downsizing among Nigerian organizations in general and Nigerian Brewery in particular is that, instead of using downsizing as an intervention strategy to tackle the problem of continuous business losses, huge overhead cost, economic downturn, poor return on investment, stagnation in assets growth, weak competitive position arising from poor knowledge capital and irregular profitability as it is rationally required, most managers rather use downsizing to score cheap sentimental scores of hunting their enemies without minding the implications or consequences on the firm. The recent downsizing exercise of Nigerian Brewery is widely criticized on grounds of favouritism, nepotism, religious and ethnic consideration and the overly failure to use valid economic considerations in selecting people to be retrenched. The dominant concern was the justification or rationale behind the exercise as most stakeholders could not establish or see any significant relationship between downsizing and the overall performance of the company. This has triggered series of reactions from both the affected persons and the Board of the company such as litigation, demonstration and public hearing in order to resolve the impasse. It is against the backdrop of the obvious doubt by both the Board of Nigerian Brewery and other public commentators about the effects of downsizing on the performance of the company that this study is undertaken to ascertain the extent to which downsizing has resulted to improved performance of Nigerian Brewery using variables such as return on assets, return on equity, gross margin and net profit margin as yardsticks for measuring performance. This will substantially bridge the wide research gap that exists in this area of research especially among Nigerian companies. Also, this study upon completion will benefit employees and equip them to prepare themselves towards layoffs. Other researchers can also benefit from the study by tapping from the findings of the research.

To achieve this, the remainder of the paper is divided into five sections viz; theoretical framework, conceptual issues, methodology, data presentation and analysis and recommendations.

Conceptual issues

The Concept of Downsizing

Stoner, *et al.,*(2000) view downsizing as a version of organizational restructuring which results in decreasing the size of the organization and often results in a flatter organizational structure: one way organizations convert to cleaner, more flexible structures that can respond more readily to the pace of change on global markets. This means

that organizations downsize in order to be competitive.

Downsizing is a business strategy designed to improve the financial standing of a firm by reducing and changing the structure of the workforce in order to improve operational results (Appelbaum, 2001). Downsizing is generally a response to one or more of the following four conditions: (1) mergers and acquisitions; (2) loss of revenue and market share through technological and industrial change; (3) the implementation of a new organizational structure; and (4) the belief and social pressures that smaller is better (Cummings & Worley, 2001).

Organisational Performance

Organizational or corporate performance has no generally acceptable definition since various scholars has defined it in diverse ways. However, some of them are in agreement that organizational performance describes the attainment of set goals. It is against this background that, Daft (2000), defines organizational performance as the organization ability to attain its goals by using resources in an efficient and effective manner.

So many variables of measuring performance have been adduced by previous researchers, some of which include profitability, gross profit, return on asset, return on investment (ROI), return on equality (ROE), revenue growth, return on sales (ROS), market share, stock price and operational efficiency among others (Snow &Hrebiniak, 1983; Segev, 1987; Smith, Guthrie & Chen, 1989; Parnell & Wright, 1993; Gimenez, 2000).

Methodology

The research design adopted for this study was the expo-facto design that relies solely on secondary data. The data was obtained from the financial reports of Nigerian Breweries plc before the period of downsizing (2001-2004) and after downsizing (2006-2009). The data collected was presented in tables and the analysis was done using t-test with the aid of Statistical Package for Social Sciences 2`(SPSS). All tests were done at 0.05% level of significance. **Decision rule:** reject the null hypothesis if the level of significance associated with the criterion variable is less than 0.05%.

Data Presentation and Analysis

The data collected on return on Asset, return on equity, gross margin and net profit margin of Nigerian breweries plc as well as the mean and standard deviation for the period under review are presented thus:

Table 1: *Financial Ratios of Nigerian Breweries PLC from 2001-2009*

Financial ratios	2001	2002	2003	2004	2005	2006	2007	2008	2009
Return on asset	20.25	20.26	15.35	17.48	21.02	14.7	22.8	26.4	26.4
Return on equity	18.00	34.89	28.08	18.00	28.79	30.7	47.7	68.2	70.08
Gross margin	76.88	80.13	55.25	48.91	51.58	51	53	49	46
Net profit margin	19.31	27.36	13.01	6.91	10.29	13	17	18	17

Source: *Vetiva Research, 2013.*

Table 1 above shows the financial performance of Nigerian breweries plc's from 2001 to 2009 with specific emphasis on return on asset, return on equity, gross margin and net profit margin since they constitute the performance measurement parameters in this study. Note that 2001-2004 is considered the pre-downsizing period and 2006-2009 is considered the post-downsizing period while 2005 when the downsizing actually took place is considered as the base year.

As regards return on assets, the data in table 1 above indicates that between 2001 and 2002, the return on assets increased marginally

by 0.01, between 2002 and 2003, the value dropped from 0.01 in 2002 to (4.91) in 2003. But between 2004 and 2005, there was a 2.13 and 3.54 increment on the value of return on asset. The post downsizing era started poorly with a decrease in the value of return on asset to all time low of (6.32). This picked up in 2007 with a significant increment from (6.32) to 12.1. This trend was not sustained as there was a drop in value by 8.5 from 12.1 to 3.6. This irregular trend continued up to 2009 with a nil increment in the value of return on asset. This shows clearly that downsizing has not significantly influenced return on asset in Nigerian Brewery.

As regards return on equity, the data in table 1 indicates that between 2001 and 2002, return on equity increased significantly by 16.89 with a drop in value to (6.81) between 2002 and 2003. Between 2003 and 2004, the value further sank to (10.08) but rose to 10.79 in 2005. The post downsizing era started with an insignificant increase of 1.91 in 2006 with a substantial increase of 17 in 2007. This was sustained in 2008 with the highest increment to 20.5 but ended on a poor note dropping to 1.88 in 2009.

With respect to gross margin, the data in table 1 indicates that between 2001 and 2002, gross margin rose by 3.25 with an all time decrease to (24.88) in 2003. (6.34) was recorded in 2004 with a positive result of 2.67 in 2005. The post downsizing era started on a sad note with a decrease of 0.58 in 2006 with an increase of 2 in 2007. This increase could not be sustained leading to a decrease of (4) in 2008 and ended sadly in 2009 with (3).

With regard to net profit margin, the data in table 1 indicates that between 2001 and 2002, net profit margin increased by 8.05 which could not be sustained in 2003 resulting to a decrease of (14.35). 2004 recorded (6.1) but was stabilized at 3.38 in 2005. The post downsizing era started with a decrease of 2.71 in 2006 but increased to 4 in 2007. This could not be sustained leading to a decrease of 1 in 2008 and ended on a sad note of (1) in 2009.

Table 2: *Mean and Standard Deviation of the Ratios Tabulated in Table 1 Above*

	Mean	N	Standard deviation	Std Error Mean
ROA Before downsizing	18.4200	4	2.47722	1.23861
ROA After downsizing	22.5750	4	5.51747	2.75874
ROE Before downsizing	24.7425	4	8.26707	4.13353
ROE After downsizing	54.3500	4	18.85002	9.42501
Gross margin before downsizing	65.2925	4	15.53126	7.76563
Gross margin after downsizing	49.7500	4	2.98608	1.49304
Net profit before downsizing	16.6475	4	8.75399	4.37699
Net profit after downsizing	16.2500	4	2.21736	1.10868

Source: *SPSS*

Discussion of Findings

The results of data analysis indicate that: Downsizing has not significantly impacted on return on asset in Nigeria Brewery. This was obvious as the trend shows irregular returns from 2005 to 2009 ranging from negative values to marginal positive values of return on asset. The mean result also confirmed the non significant association between downsizings and returns on asset in Nigeria Brewery with a value of 22.5750 which is far less than 50% from the initial mean value of 18.4200 representing the pre-downsizing era. This finding corroborate the result of an earlier study shows that downsizing may not have immediate effect on the performance of an organization if the process is not rationally carried out.

Also, the finding further indicates that, return on equity has not significantly impacted

on Nigerian Brewery. This is indicated by the non significant association between downsizing and return on equity in Nigerian Brewery with a value of 54.3500 which is less than 50% of the initial value of 24.7425 before downsizing. Gross margin and net profit margin have shown similar results.

Return on asset is an indicator of how profitable a company is relative to its total asset. It gives an idea as to how efficient management is using its asset to generate earnings by its total assets. The result gotten from the analysis of data is an indication that the management of Nigerian breweries plc failed in her attempt to use the organizations assets judiciously during the post downsizing period in order to generate earnings.

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have contributed. The result gotten from the data analysis shows that, there is no significant difference in Nigerian breweries plc.'s return on equity before and after downsizing. And this is an indication that even after downsizing Nigerian breweries have not generated reasonable profit with the monies contributed by shareholders.

The gross margin represents the percentage of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company. The higher the percentage, the more the company retains on each naira of sales to service its other cost and obligations. The result from the data analysis shows that there is no significant difference in Nigerian breweries plc.'s gross margin before and after downsizing. This result is the pointer to the fact that the downsizing exercise embarked upon by Nigerian breweries plc have failed to retain adequate total sales revenue to cater for other costs and obligations.

Net profit divided by net revenue often expressed as a percentage is referred to as net profit margin. This number is an indication of how effective a company is at cost control. The result from the data analysis shows that there is no significant difference in Nigerian breweries plc's net profit margin before and after downsizing. This is an indication that even though downsizing was undertaken primarily to cut down cost the company failed to convert revenue into actual profit effectively.

The discussions made above are in agreement with Hamel and Prahalad, (1995), that “downsizing is not enough. The reduction of staff which could be the equivalent of corporate anorexia, can slim down a firm but it doesn't necessarily make it healthier”.

Conclusions

In view of the findings of this research, it is apparent that downsizing though a widely held intervention strategy for firms seeking to improve performance has not resulted in the desired result. The conclusion made above is in agreement with Hamel and Prahalad, (1995), that “downsizing is not enough. The reduction of staff which could be the equivalent of corporate anorexia, can slim down a firm but it doesn't necessarily make it healthier”. Several studies support this conclusion that employee reduction does not necessarily have positive impact on organizational performance (Cascio et al, 1997).

Recommendations

Downsizing has become a widely held intervention for organizations looking to demonstrate flexibility, reduce bureaucratic structure, increase efficiency regarding decision making, improve communication and cultivate entrepreneurship. However, embarking on downsizing without learning how to do it will lead to several kinds of problems. The loss of vital organizational memory is one of the negative and expensive effects firms have suffered in downsizing. Therefore, managers in charge of downsizing must think and plan ahead in order to retain key skills and experience as well as valuable

knowledge when employees are moved out of their working units or leave the organization entirely. This will help improve return on equity of the firm.

Managers are also encouraged to think of other strategies of cutting down cost thus improving efficiency instead of focusing only on downsizing. Strategies such as diversification, right sizing, rigorous training and development among others should be considered when in financial difficulty. These will help improve performance of employees and improve gross margin as well as net profit margin.

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The Role of Human Resource Managers in Enhancing Performance in Manufacturing Organisations

Sev Joseph Teryima Ph.D
Department of Business Management,
Benue State University, Makurdi, Nigeria.
e-mail: josephteryima@gmail.com, +2348165306261
and

Abanyam Emmanuel Igbawase
Department of Accounting,
Benue State University, Makurdi-Nigeria.
e-mail:emma_abanyam@yahoo.com, +2348024272004
and

Wombo Dinnah
Department of Business Management,
Benue State University, Makurdi, Benue State- Nigeria.

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Abstract

The objective of this research paper is to investigate the impact of Human Resource Managers/Practitioners role in enhancing market share growth level, profit attainment and sustainable competitive advantage in Dangote Cement Plc plant, Gboko. Quasi-Experimental research design was adopted. Both primary and secondary sources of data were collected for the study. A sample size of 261 was drawn from a population of 750 staff (Top management, middle management and lower management). Likert rating scale questionnaire was used in obtaining respondents opinion. Friedman Chi-square test was used in testing three formulated hypotheses. The findings of the study revealed that, human resources managers/practitioners roles have enhanced market share growth at Dangote Cement Plc Plant Gboko through the application of appropriate employee skills, knowledge and capabilities to improve product quality, promotional activities, increased services and innovations. It was also observed that, there was consistent yearly profit increase from 2007-2011. The study therefore recommends that policies and procedures of Human Resources Management be evaluated to facilitate the discharging of human resources managers roles consistently in order to attain profit, high market share and sustainable competitive advantage.

Key words: *Human resource, Human resources roles, performance, manufacturing organisations*

Introduction

The issue of Human Resource Management practice has assumed a central position and focal point in the management process globally in the recent times and in Dangote Cement Plc, Gboko plant in particular. This is premised on the fact that, the plant in recent time has witnessed several human resource related challenges ranging from the management of the vision of the organization, internal environmental challenge, workplace diversity challenges, attitude towards works, employee satisfaction challenges, outsourcing challenges, downsizing, Business Process Reengineering challenges, recruitment, selection and placement challenges among others. This has placed a demanding responsibility and task on the Human Resource Managers in discharging their roles. As a result, the failure of the HR department to brace up to these challenges and the gross inability of some of the key officers of the department to proactively counteract these environmentally imposed challenges has caused the plant to record decline in the overall performance level in terms of profitability and the individual productivity of the staff. For instance, the last quarter of 2013 was reported to have recorded a fall in the firm's market share especially within Benue state that is its immediate target market. It is against this backdrop that this study is undertaken to investigate the extent to which the human resource role in Dangote Cement Plc, Gboko Plant has affected or influenced the firm's market share and how it also facilitates the attainment of sustainable competitive advantage and profitability in the company.

Review of Related Literature

As noted by Ulrich (1998), Guest and King (2004) and Nwachukwu (2009) in their different research findings, they identified the following Human Resource Managers/Practitioners roles discharged for the effective governance of firms. These include: the strategic role of HR specialist, the service delivery role, The internal consultancy role, the Guardian of value role, the change Agent role, facilitators role, mediators role, company spokesman's role and the business partners role. Others includes:

i. To formulate and implement in conjunction with their management colleagues towards looking at HR strategies that are aligned to business objectives and integrated with one another.

ii. To contribute to the development of business strategies. In doing so they adopt an "outside-in" approach as described by Wright et al (2004) in which the starting point is the business including the customers, competitors, and business issues it faces. Armstrong (2009) noted that, the HR strategy then derives directly from these challenges to create real solutions and add real value.

iii. They work alongside their line management colleagues to provide on an everyday basis continuous support to the implementation of the business or operational strategy of the organization, function or unit.

a. Service delivery role As noted by Legge (1989), Flippo (1971) and Beer et al (1984) in their respective research, one of the roles played by Human Resources Managers is to provide services to other departments or units within the organization. Information on the key labour laws, statistics on prevailing wages with the industry and the economy, issues on strikes and mediation, conciliation and arbitration are referred to him.

In times of economic depression, what to do in terms of employee morale, layoff, retirements, evaluation of option open to management becomes the responsibility of the human resources manager. The role often generates conflict between him and line managers who may have their preferred

solutions to these problems. The Human Resources Manager is the expert and specialist in such matters whose opinion should carry the greatest weight. Thus the Human Resources Manager is often called a problem solver.

b. The change agent role: In the implementation of strategy it is required that Human Resource specialists must act as a change agents facilitating change by providing advice and support on its introduction and management. Caldwell (2001) categorize Human Resource specialist as change agents using 4 dimensions. These include;
   i. Transformational change a major change that has a dramatic effect on Human Resources policy and practice across the whole organization.
   ii. Incremental change gradual adjustments of Human Resource policy and practices that affect singe activities or multiple functions.
   iii. Human Resource vision a set of values and beliefs that affirm the legitimacy of the Human Resource function as a strategic business partner.
   iv. Human Resource Expertise the knowledge and skills that define the unique contribution the Human Resource professional can make to effective people management.

Nwachukwu (2009) reinforced that, the Human Resources Managers are in a position to "sell" the change to people who would have otherwise offered resistance to the change.

c. The Mediators Role He plays the role of a mediator in the organization either between employees or employees and management. The role is more pronounced when there is a conflict between union and management. The mediator or peace-marker role extends to settling disputes between groups (ethnic groups) races workforce diversity within the organizations.

Depending on the organization, this role extends to settling disagreements between the company and community in which the company operates. He is in each case a peace-maker.

d. The Internal Consultancy role As internal consultants, Human Resources practitioners functions like external management consultants, working alongside their colleagues, their clients in analyzing problems, diagnosing issues and proposing solution. They will be involved in the development of Human Resource process or systems and in the process consulting. The latter deals with process across areas such as organization, team building and objective setting.

e. The Guardian of values role The Human Resources practitioners may act as the guardian of the organizations values and ethical standards concerning people. They point out that, when behaviour conflicts with those values or where proposed actions will be inconsistent with them. In a sense, their roles require them to act as the conscience of management. Ulrich (1989) called this the employee champion role.

Nwachukwu (2009) maintains that through this role, the human resources manager act as a concerned humanitarian who reminds management of their inadequacies or benefits and through his research findings, calls the attention of management to new trends in the administration of wages and fringe benefits.

f. Facilitation role One of the important roles played by the Human Resources Manager is to ensure that the functions of other managers are carried out smoothly.

He ensures that disciplinary policies, employment and promotion policies are followed and equitably applied at all times. He provides the necessary services required to assist other managers to implement all policies of the organization.

g. Company spokesman's role Nwachukwu (2009), Sev (2011) and Cole (2002) maintained in their different presentations that, Human Resources Manager represents the organizations at public functions, burial services, naming ceremonies, wedding of key staff etc. This is because, the Human Resources manager has overall picture of the company and is the custodian of information on employees. This function has grown in some very large organizations such that it is sometimes delegated to a new department often called public relations unit.

The public relations department often depends on the human resources manager for timely information on what goes on in the organization.

h. The Business Partners Role As a business partner, Human Resource specialist share responsibility with their line management colleagues for the success of the enterprise and get involved with them in implementing business strategy and running the business.

As a business partner, Human Resources professionals work closely with their line management colleagues. They are aware of business strategies and the opportunities and threats facing the organization. They are capable of analyzing organizational strengths and weaknesses and diagnosing the issues facing the enterprise and their human resources implications. They know about the critical success factors that will create competitive advantage and they adopt a value added approach when making a convincing business case for innovations (Francis and Keegan, 2006).

It is worthy to note that, all these roles discharged by Human Resource professionals, if effectively carried out will yield increase in market share and growth of the firm, competitive advantage and improved profitability of the organizations.

Research Methodology

The research design adopted in this investigation was largely a quasi experimental one in the sense that it places a premium on simple survey. The population of the study consisted of top, middle and lower level management staff of the Dangote Cement Plc, Gboko Plant, Nigeria numbering 750 as at December, 2012. A disproportionate stratified sampling technique was adopted. Yaro Yamane's formula (1964) was used in determining the sample size of 261 staff of the plant to participate in the study with 13 top management staff, 68 middle level management staff and 180 lower level staff as the composition of the sample. The rationale was to attract the highest level of objectivity so as to guarantee validity and reliability in the research endeavour. Both secondary and primary sources of data collection were employed. 5-Likert scale rating questionnaire was used in obtaining the required data. Friedman Chi-square was used in testing the formulated hypotheses.

Data Presentation and Analysis

Table 1: *The roles of human resource managers in Dangote Cement plant, Gboko*

Statement	Respondent category	DEGREE OF RESPONSES					
		SA	A	N	D	SD	Total
	Top management	5	2	1	2	3	13
The market share and growth level attained by the Dangote Cement Plant is as a result of Human Resources Managers roles discharged (i.e. change Agent, consultancy, mediators, service delivery roles etc)	Middle management	31	28	3	4	2	68
	Lower management	102	67	3	3	5	180
	Total	138	97	7	9	10	261

Source: *Field survey, 2013.*

As the data on Table 1 above shows, the market share and growth status attained by Dangote Cement Gboko Plant Plc is traced to numerous roles discharged by Human Resources Managers/Practitioners including strategic roles of the specialist, service delivery roles, the internal consultancy roles, the guardian of value roles, the change agents roles, the facilitators role, mediators roles, company's spokesman's roles and the business partners roles. All these roles put together have aided the enhancement of market share and growth status of the company.

138 out of 261 respondents (or 53%) felt strongly that effective application of Human Resources managers role are the catalyst for attaining high market share and high growth of the firm. Only 19 out of 261 respondents (or 7%) felt otherwise. Indeed many were of the view that both proactive and reactive roles of Human Resources managers have aided high market share and growth of the company.

Table 2. *Effective application of Human Resource Managers/Practitioner Roles in Dangote Cement Plc Gboko in attainment of profit*

Statement	Respondent category	DEGREE OF RESPONSES					
		SA	A	N	D	SD	Total
	Top management	4	2	2	2	3	13
Generally, the application of Human Resources Managers Roles in Dangote Cement Plc have resulted to profit attainment over years	Middle management	31	30	3	2	2	68
	Lower management	105	68	1	3	3	180
	Total	140	100	6	7	8	261

Source: *Field survey, 2013.*

Table 2 above indicates that majority of the respondents are of the opinion that the application of Human Resources Managers role in an effective manner have resulted to high profit attainment. Thus out of 261 subjects, 240 (representing 92%) either agreed or strongly agreed with the assertion or the statement under reference. In fact only 15(6%) of the respondents showed a different perception. 4 respondents were neutral on the subject matter.

Table 3. *Respondents views on Effective application of Human Resource Managers roles as enhancing competitive Advantage at Dangote Cement Gboko Plant.*

Statement	Respondent category	DEGREE OF RESPONSES					
		SA	A	N	D	SD	Total
	Top management	6	1	3	1	2	13
Effective application of Human Resource Managers roles leads to Enhancement of competitive advantage in Dangote Cement Plc Plant	Middle management	35	25	3	3	2	68
	Lower management	130	43	2	3	2	180
	Total	171	69	8	7	6	261

Source: *Field survey, 2013.*

Table 3 above indicates that, majority of the respondents are of the view that effective application of Human Resource Managers roles have enhanced competitive advantage in Dangote Cement Plant Plc Gboko. Thus out of 261 subjects, 240 (representing 92%) either strongly agreed or agreed with the assertion or statement under reference. Only 13(or 5%) of the respondents showed a contrary opinion on the subject matter.

Test of Hypotheses:

Ho_1: Human Resource Managers /Practitioners role does not significantly enhance the market share growth status in Dangote Cement, Plc Gboko Plant.

Table 4: *Chi-Square Test*

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.730[a]	8	.001
Likelihood Ratio	18.811	8	.016
Linear-by-Linear Association	14.174	1	.000
N of Valid Cases	261		

a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is .35.

From Table 4, the inferential statistics of Friedman Chi-square shows that the calculated value X^2cal is 27.730 which is greater than the tabulated value X^2tab which stands at 15.51. This is significant at 0.0% and 8 degree of freedom. Thus the Null Hypothesis is rejected, implying that human resource managers/Practitioners role does significantly enhance the market share growth status in Dangote Cement, Plc Gboko Plant.

Ho_2: There is no significant association between Human Resources Managers /Practitioners roles and profit attainment by Dangote Cement Plc, Gboko Plant between 2007-2011.

Table 5: *Chi-Square Test*

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	45.275[a]	8	.001
Likelihood Ratio	27.448	8	.001
Linear-by-Linear Association	21.316	1	.000
N of Valid Cases	261		

a. 8 cells (60.0%) have expected count less than 5.
The minimum expected count is .30.

The Friedman Chi-square test result on table 5 shows that the calculated value X^2cal is 45.275 which is greater than the tabulated value X^2tab which stands at 15.51. This is significant 0.0% at 8 degree of freedom. The Null Hypothesis is rejected, thus implying that, there is significant association between human resources managers/practitioners roles and profit attainment by Dangote Cement Plc, Gboko Plant between 2007-2011.

Ho_3: Human Resources Managers /Practitioners roles does not significantly enhanced the attainment of sustainable competitive advantage at Dangote Cement Plc Gboko Plant.

Table 6: *Chi-square Test*

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.147[a]	8	.000
Likelihood Ratio	27.701	8	.001
Linear-by-Linear Association	21.368	1	.000
N of Valid Cases	261		

a. 8 cells (60.0%) have expected count less than 5.
The minimum expected count is .30.

The Friedman Chi-square test result on table 6 shows that the calculated value X^2cal is 42.147. This is higher than the X^2tab which stands at 15.51. This is significant at 0.0%. The Null hypothesis is therefore rejected, hence implying that Human Resources Managers/Practitioners roles do significantly enhanced the attainment of sustainable competitive advantage at Dangote Cement Plc Gboko Plant.

Discussion of Findings

Interestingly, the study has produced discoveries as evidenced from data presentation, analysis and test of hypothesis above.

Firstly, as noticed in hypothesis 1, it was found that the application of Human Resources Manager/Practitioners roles have enhanced high market share growth level at Dangote Cement Plc, Gboko Plant. The implication of this position is that on a consistent basis, the Executive management of the organization needs to evaluate/analyse company manpower needs to establish pertinent departments in the company that needs training and development in order to update the knowledge, skills, production technique/methods that will result to high quality production, standard service delivery, good marketing strategies amongst others. This will facilitate high patronage and market share growth of the firm.

This agrees with the notion of Schnaars (1998) who agrees that productivity can be improved via ncreasing promotion activities (i.e. Advertising, sales promotion, personal selling and publicity), improving product quality, new products introduction, lowering prices, increasing the service and innovations and the distribution systems and cost structure of the company.

Secondly, the study found that there is a strong association between profit attainment and effective Human Resources Managers/Practitioners roles. The implication of this scenario is that, the Human Resources Managers of the Dangote Cement Plc will be all out to bring innovative services that can stand the test of time in such a manner that their rivals/competitors in the same line of Business will not over power them. This can go well if adequate finances are made available to service production, marketing, operations, engineering department. Human Resources Managers role here is to identify and ensure that personnel with up-to-date knowledge and skills are made available and assigned to respective departments in order to sustain profitability.

As seen in the Appendix 1, the profit and loss account of Dangote Cement Plc Plant from 2007-2011 is attached. It is clearly manifest that in 2007 profit record was N11,622,109,000 improved to N17,960,110,000 in 2008. In 2009, the company recorded N47,251,326,000. For 2010 the profit status was N106,605,409,000 and it was N125,478,962,000 in 2011. This is revealing that there is a strong association of profit and Human Resources Managers roles on consistent basis.

Thirdly, it was observed from the study that, sustainable competitive advantage will be enhanced by Dangote Cement Plant Plc, Gboko with effective application of Human Resources Managers roles (i.e. strategic role, service delivery role, internal consultancy roles, guardian of values roles, change agent role, facilitators roles, mediators role, company's spokesman's role and Business partners roles). This is consistent with the findings of earlier studies by Aaker (1992), Thempson and Strickland (1990) who in their respective studies maintains that three (3) essential factors for creating Sustainable Competitive Advantage (SCA) are: Skills, Assets, and capabilities; where you compete and who you compete against. The implication here is that in outstanding, Human Resources Managers/Practitioners of Dangote Cemetn Plant needs to develop recruitment and selection requirement, plan to attract candidates that have requisite knowledge,

skills, assets and capabilities. There personnel should be able to know their competitors and develop strategies. Identify their bases of competition (i.e. the Key Success Factors (KSFs) for strategic groups in the market (Aaker, 1992; Peter, 1980). These Key Success Factors (KSFs) are a set of assets and skills that provide the bases for competing successfully.

Conclusion and Recommendations

Human Resources Managers roles are the integral part of organizations management. The way and manner Human Resources Officers strategies in carrying out their roles to a greater extent will facilitate the attainment of higher market share growth level, high profit status, and greater sustainable competitive advantage of the Dangote Cement Gboko Plant. Therefore, the following suggestions may be considered as been critical in enhancing positive development in the organization;

a. Policies and procedures of Human Resources Management be evaluated to facilitate the noble task of discharging of roles by Human Resources officer in order to attain profit, sustainable competitive advantage and high market share.
b. Roles of Human Resources professionals should not be compromised contrary to the set/established parameters and yardsticks.
c. Human Resources Managers should be transparent in discharging their roles if profit goal, Sustainable Competitive Advantage (SCA) and market share growth is to be realized.
d. Human Resources Managers should identify their areas of capabilities, highly skillful and Assets to enable them attain sustainable competitive advantage.
e. Dangote Cement Plant, Gboko Executive Management should publish the values and key principles of the organization regarding human resources roles and management in general. The process of documenting an underlying philosophy and approach to Human Resource management help management focus attention on existing practice that may be out of line with what is currently desired.
f. Dangote Cement Plant Plc needs to equip human resources role functions to provide strategic analysis and recommendations.

The key competencies that will assist Human Resources professional in the regard are;

i. Business knowledge Strategic, technological, financial.
ii. Change management capabilities Innovation, problem-solving and commitment.
iii. Human Resources practices such as compensation, incentives and appraisals, amongst others.

g. Periodic review of Human Resources roles by Human Resource experts will aid evaluate opportunities for changes that will promote business strategy implementation.

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QUESTIONNAIRE

SECTION "A"

a. What is your position in the organization Dangote Cement Gboko Plant Plc?

i. Top Management Staff [ ]
ii. Middle Management Staff [ ]
iii. Lower Management Staff [ ]

SECTION "B"

Key: Strongly Agree - SA
Agree - A
Neutral - N
Disagree - D
Strongly Disagree - SD

S/NO	STATEMENT	DEGREE OF RESPONSE				
		SA	A	N	D	SD
1	There exists several roles di scharge by Human Resources Managers/Practitioners such as change agent role, facilitators roles, mediator roles, source delivery roles, internal consultancy roles, business partners roles amongst others to enhance companys market share.					
2	Effective application of Human Resources practitioners roles in Dangote Cement Plant will lead to profit attainment?					
3	Effective application of Human Resources Managers roles will lead to enhancement of competitive advantage at Dangote Cement Plc Plant.					

APPENDIX II
Five-Year Financial Summary (Dangote Cement Plc)

31st December	2011 N000	2010 N000	2009 N000	2008 N000	2007 N000
Assets/Liabilities					
Fixed assets	346,965,606	310,143,761	142,388,500	135,621,674	130,518,631
Goodwill	-	-	-	-	-
Long term investments	27,622,401	50	16,659,134	-	-
Long term receivables	70,227,221	5,695,856	-	-	-
Net current (liabilities)/assets	(37,190,964)	(3,659,956)	41,521,212	1,806,654	4,797,725
Deferred taxation assets/(liabilities)	7,948,746	(1,924,400)	(8,486,075)	(7,959,126)	-
Long term debts	(118,036,845)	(98,251,412)	(49,619,797)	(56,889,822)	(77,211,790)
Staff gratuity	(482,490)	(494,684)	(350,740)	(67,162)	(33,581)
Net Assets	**297,053,675**	**211,509,215**	**142,112,234**	**72,512,218**	**58,070,985**
Capital and Reserves					
Share capital	7,745,685	7,745,685	500,000	500,000	500,000
Share premium	42,430,000	42,430,000	42,430,000	42,430,000	42,430,000
Other reserves	-	-	-	-	-
Foreign exchange	-	-	-	-	3,518,876
Revaluation reserve	-	-	985,805	-	-
Revenue reserve	246,877,990	161,333,530	98,196,429	29,582,218	11,622,109
Non-controlling interest	-	-	-	-	-
	297,053,675	**211,509,215**	**142,112,234**	**72,512,218**	**58,070,985**
Turnover, Profit and Loss Account					
Turnover	235,704,876	202,565,699	129,797,087	61,906,088	34,595,913
Profit before taxation	117,845,005	101,334,468	49,510,037	26,624,785	12,252,875
Taxation	7,635,957	5,270,941	(2,258,711)	(8,664,675)	(630,766)
Profit after taxation	125,478,962	106,605,409	47,251,326	17,960,110	11,622,109
Extraordinary item	-	(1,282,980)	-	-	-
Profit after taxation and extraordinary item	125,478,962	105,322,429	47,251,326	17,960,110	11,622,109
Per share data (Naira):					
Earnings (Basic)	8.10	6.80	95.00	36.00	23.00
Net assets	19.18	13.65	142.11	72.51	58.07

Earnings per share based on profit after taxation and the weighted average of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Effect of Mergers and Acquisitions on Nigerian Banks' Liquidity

Patience Ote Ola
Department of Accounting,
Benue State University-Nigeriaersity, Makurdi, Nigeria.

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Abstract

This paper seeks to investigate if Merger and Acquisition (M&A) have significant effects on the liquidity of consolidated banks in Nigeria. It also provides insight into the impacts of M&A on liquidity of the banks by using two financial ratios. A sample size of 16 banks out of the 19 banks that faced M&A during the 2005 consolidation, and were fully operational as at the end of 2009, were used. Data was collected from the annual reports of the sampled banks for the period of eight years: four years (2001-2004) from all the M&A constituent banks and four years (2006-2009) after the consolidation. Descriptive and paired t-test analytical techniques were employed for inference. The results indicate that there is no significant improvement in the post-M&banks liquidity as 2009. The paper therefore recommends that policy makers should engage in diagnostic studies of available policy choices to understand the theoretical and practical underpinnings of the models so as to make more informed strategic choices

Key words: *Mergers, acquisitions, Nigerian banks, Liquidity*

Introduction

The banking industry is seen as the engine of growth in the economy (Altunbas & Ibanez, 2004; Osaloni, 2005; Adeyemi, 2008; Elumilade, 2010). It is, therefore, not surprising that the banking industry is one of the most regulated sectors in any economy because a banks' ability to engender economic growth and development depends on its health, soundness and stability. It is against this background that the Central Bank of Nigeria (CBN) introduced a policy compelling all banks to increase their shareholders fund to twenty-five billion naira to ensure a diversified, strong and reliable banking industry (Soludo, 2004; Ubom, 2009).

In the bid to comply with the Central Bank minimum capital directive, Nigerian banks employed a number of strategies such as right issues for existing shareholders, ploughing back of profits, public offers through the capital market and/or private placement, Mergers and Acquisitions (M&A), or a combination of two or more of the above strategies.

Among the various strategies adopted by banks to attain the whimsical capital base was consolidation through Mergers and Acquisitions (M&A). The M&A option, specifically recommended among others by the CBN, was acclaimed as the most widely used corporate strategy to strengthen capitalization in banks (Ajayi, 2005). The credence that M&A would eliminate marginal players and provide strong banks that could gain economies of scale through reduced expenses and earnings volatility, and increase long-term profitability led to the use of M&A as a major strategy to restore soundness and stability to the Nigerian banking system. Thus, the drive towards M&A, apart from meeting the N25 billion capitalization which was the vortex of the reform, was also expected to improve overall banks' performance including liquidity. The emphasis to improve on performance of banks, especially in terms of liquidity and profitability, evidently added up as the overriding objective of the exercise. This is because as observed, banking crises usually start with the inability to meet financial obligations to their stakeholders as they arise (Uchendu, 2005).

The reform exercise in the banking industry reduces the number of existing banks from 89 to 25 (Soludo, 2004; Adeyemi, 2008) at the end of 2005. Out of the resulting 25 banks, 20 were consolidated through M&A in a record period of 18 months. However, after several years of its implementation, empirical verifications of the value gains that were predicted from the consolidation process have mixed results. Whether or not banks that were involved in M&A are actually more liquid still remains a critical empirical question. Therefore, the objective of this paper is to empirically ascertain whether or not banks that were involved in M&A are actually achieving the envisaged financial gains. Specifically, the paper evaluates the effects of *Merger and Acquisition (M&A) on the liquidity of consolidated banks in Nigeria*.

Conceptual Issues on Mergers and Acquisitions

Terms such as merger, acquisition, buyout and takeover are used interchangeably and are all part of M&A (Sudarsanam, 2003). The shareholders of the merged firms still retain part of their ownership in the new firm; in the case of an acquisition, the shareholders of the acquired firms are paid off and the acquirer becomes the owner of all, or a substantial part of, the assets of the acquired company. The major difference between mergers and acquisitions is essentially what the fate of shareholders becomes in the new firm that emerges. However, where these words are used together, it could mean an event that brings two or more companies together, often to share costs, increase efficiency or gain market power (Ullah, et al., 2010). Pazarskis et al. (2010) argue that M&A is one of the mechanisms by which firms gain access to new resources via resource

redeployment, increased revenues and reduced cost. M&A is also seen as a strategic decision through which firms combine or acquire assets to create value and maximize the existing shareholders' wealth (Ullah, et al., 2010). Jorgenson and Jorgenson (2010) broadly share the view that M&A is the aspect of corporate strategy, corporate finance and management dealing with buying, selling and the combination of another company that can aid finance or help a growing company in a given industry to grow rapidly without having to create another entity. Given the complexity of the concept, this paper adopts the generic concept of M&A as strategic decisions through which firms combine or acquire assets to form one larger organization (Poposki, 2007; Obaid, Sabeeh and Abid, 2010; Usman, et al., 2010; and Alao, 2010).

Poposki (2007) classifies M&A motives broadly into financial and non-financial. The financial motive is the firm's desire to achieve risk reduction while maintaining its rate of return; it is also a desire to grab the improved financing position that a merger can create as a result of expansion in size and the tax loss-carry-forward that might be available in a merger. The non-financial motives for mergers include the desire to expand management and marketing capabilities as well as the acquisition of new products. The overriding relevance of the former over the latter may be evoked from Glezakos' (2012) findings that increasing explanatory powers of accounting parameter is becoming stronger with time, in increasing number of countries. This discourse is concerned with the extent to which M&A banks have fulfilled their financial motive of risk reduction while improving their financing positions.

Other conceptual issues may also have been undermined. Many M&A never fully achieve their potential benefits because certain key issues are neglected. One of the key levers that can influence the success or failure of a corporate integration initiative is 'speed', which refers to the sense of urgency (not haste) that must accompany the integration (DiGeorgio, 2002). In a study of arbitrage in M&A, Bakera and Sava-soglub's (2002) model of risk arbitrage document that arbitrageurs' risk-bearing capacity is constrained by deal completion risk and the target size of the firms involved. It takes time to understand what the newly formed entity will look like and then put a management team in place that is both persistent and aligned as it guides the organizations, practices, and people toward the established vision. Unfortunately, the CBN directive permitted only 18 months for the banks to initiate and complete the process. The relatively short period of time allotted for implantation of the consolidation may have had adverse effects on the process. When the first post-independence capital requirement increase from £200,000 to £250,000 was made in 1962, a grace period of 7 years was allowed for the existing banks to comply. This gave the existing banks enough time to plan compliance which ensured the near absence of chaos (Uche, 1998). The $1^1/_2$ years allowed by the CBN for consolidation of banks in 2004 was comparatively too short for a meaningful M&A of the banks.

Mergers and Acquisitions in the Nigerian Banking Sector M&A, especially in the banking industry, has now become a global phenomenon (Contreras, et al., 2008; Elumilade, 2010). This fact is alluded to by the statement of Soludo (2004:3):

> *...in the United States of America, there have been over 7000 cases of bank mergers since 1980, while the same trend occurred in the United Kingdom and other European countries. Specifically, in the period 1997 1998, 203 bank mergers and acquisitions took place. In 1998 a merger in France resulted in a new bank with a capital base of US$688 billion while the merger of two banks in Germany in the same*

year created the second largest bank in Germany with a capital base of US$541 billion.

These were some of the antecedents that were used in convincing Nigerians that the M&A project in the banking sector was a globalised phenomenon. What did not seem to be clear, however, was the motivation that impelled the utilization of the strategy in these places, and their similarities with the Nigerian situation.

Thus, the decision to go in for the M&A was imposed by the regulators without recourse to the prevailing economic and market conditions. All that seemed to matter was size. Perhaps, it was enough for the policy makers to convince the stakeholders that bigger banks would turn out to be better banks. It is imperative that the theoretical framework of the strategy should have been aligned to the corporate strategies of the restructuring banks in order to determine the feasibility and appropriateness of the strategy in their circumstances. This is underlined by the fact that some of the economic and financial theories are often lifted from developed economies and transplanted in African settings without articulating their effectiveness and implications in relation to the peculiarities presented by local conditions (Achua, 2007). The failed Structural Adjustment Programme (SAP) introduced in 1986 is an example. It should be noted that "a clear understanding of theoretical issues involved in regulation is important if the forces that drive regulation are to be appreciated fully." (Uche, 2000:67).

In including M&A as a strategy for the consolidation by the regulators, little or no reference was made to the history of M&A in the Nigerian banking sector. The history of banking in Nigeria is replete with cases of M&A. The first case of M&A was the acquisition of African Banking Corporation (ABC) in 1894 by the British Bank for West Africa (now First Bank of Nigeria Plc). It is pertinent to note that the government desire to resolve prevailing banking problems and strengthen the financial sector at the time resulted to this strategy (Uche, 1999). The same reasons were given one hundred years later as the driving forces behind the 2005 M&A, as if it is one-fits-all strategy, in the Nigerian banking sector. Atedo (2005) reports other M&A in the Nigerian banking sector to include: Union Bank of Nigeria's acquisition of Citi Trust Bank Ltd in 1995; acquisition of Meridien Equity Bank of Nigeria Ltd by Nigeria Intercontinental Merchant Bank Ltd in 1996; the acquisition of Magnum Trust Bank Ltd by Guaranty Trust Bank Limited also in 1996; the acquisition of Nigeria-Arab Bank Plc (the then Assurance Bank Plc) by National Insurance Corporation of Nigeria in 1997; and the acquisition of Continental Trust Bank by Standard Trust Bank Plc in 2003. It is, therefore, not out of place to state that the use of M&A in the Nigerian banking sector as a restructuring strategy is as old as the history of banking in Nigeria itself.

It is evident from the historical perspective that the strategy has a poor success story in Nigeria. Out of the 6 recorded restructuring of banks through M&A before 2005, only 3 (that is First Bank of Nigeria Plc, Union Bank of Nigeria Plc and Guaranty Trust Bank Limited) have stood the test of time. Most of the successful M&A were induced by market forces rather than imposed by regulation; and they were implemented at different times, not in a shock wave environment.

Review of Empirical Studies

Viverita (2008) examines the effects of mergers on banks' performance in Indonesia during 1997-2006. The study employs the traditional financial ratios and non-parametric Data Envelopment Analysis (DEA) approach to investigate any efficiency gain both in the pre- and post-merger periods in order to determine efficiency gain of banks' mergers. The evidence shows that mergers created synergy and significantly increased the post-

merger financial performance. Mantravadi and Reddy (2008) examine the effects of bank consolidation on performance for a period of five years from the Argentine experience. The findings reveal that banks' returns increase with consolidation and insolvency risk is reduced; and concludes that bank consolidation has a positive and significant effect on banks performance. The findings of these studies converge on improved post-M&A financial performance.

Badreldira and Kalhoefer (2009) examine the effect of M&A on banks performance in Egypt that have undergone mergers and acquisitions during 20022007, using return on equity. The findings show that not all banks that have undergone deals of M&A show significant improvement in performance when compared to their performance before the deals. This informed the conclusion that M&A have no clear effect on the profitability of banks in the Egyptian banking sector. These findings were at variance with Viverita (2008) and Mantravadi and Reddy (2008). The empirical reviews so far may be summed up that M&A has mixed outcomes in developing economies.

Findings in the Nigerian situation have also given mixed signals of post-M&A financial performance of banks. Enyi (2008) examines the synergistic harvest of banks consolidation in Nigeria and compares the pre-merger and post-merger financial statements of four consolidated banks. The findings reveal that all the four merger groups studied produced, in addition to operational and relational synergy, financial gains far more than the '2+2=5' synergistic effects. Apparently, this study was in the very early years of the implementation with a very short time horizon for a meaningful assessment. Analyzing the impact of M&A on financial efficiency of banks in Nigeria, Okpanachi (2011) utilizes gross earnings, profit after tax and net assets as indices of financial efficiency. The study use only three banks and the t-test statistics was used to analyze the data obtained from published annual reports and accounts of the banks. The banks were found to be more financially efficient in post-M&A than the pre-M&A period. The sample size of these studies was rather too small to vouch for the validity and reliably of the findings in view of the statistical technique employed.

Other studies suggest poor post-M&A financial performance of consolidated banks in Nigeria. For example, employing the explorative research method, Ebimobowei and Sophia (2011) reveal that the consolidation activities in Nigeria did not meet the desired objectives of liquidity, capital adequacy and corporate governance which have resulted to more troubled banks after the consolidation. It is important to note that the study employed theoretical (speculative) rather than empirical methodology. Okafor (2012) employs industry-wide data obtained from CBN reports and finds that even though consolidation has improved the performance of the Nigerian banking industry in terms of asset size, deposit base and capital adequacy, the profit efficiency and asset utilization efficiencies of the banks have deteriorated since the conclusion of the consolidation programme. Furthermore, the study posits that consolidation of banks may not necessarily be a sufficient tool for achieving financial stability for sustainable development, arguing that there is need to develop a new framework for achieving financial sector stability rather than relying on the M&A consolidation policy. It also observes that banking consolidation in Nigeria, as in many other countries, has not proved to be reliable panacea for bank failures and crisis. This finding was, however, based on industry-wide data which included banks that did not employ M&A consolidation strategy. In another study, Okpara (2011) examines the effectiveness of banking reforms on the performance of the sector and finds that of all reforms adopted so far since 1959, only the financial liberalization (of 1987-1993) impacted much on most of the banking sector variables and the financial deepening. On the

recapitalization exercise of 2004, the study finds that besides exercising a significant decreasing effect on return on equity, the reform did not impact significantly on any other banks performance indicator, as well exerted insignificant influence on the financial deepening. This was a panel study covering six banking reforms in the sector, including a panel report ranging from 2004 to 2008.

It is therefore instructive to employ a larger sample of only M&A consolidated banks so as to isolate the effects on the liquidity of the banks. The use of specific data relating to the banks directly affected guarantees the validity and reliability of the empirical findings. Apparently, there were notable sampling and methodological problems which may have given rise to the mixed findings in reviewed studies. This paper seeks to address the methodological inadequacies identified in the earlier empirical studies with the aim of ascertaining an improved empirical position.

Research Methodology

Even though there were 25 banks at the end of the consolidation exercise by the end of 2005, only 24 of them were in full operation as at December, 2009. Out of the 24 surviving banks, 19 of them were products of M&A. The remaining banks, which include 2 foreign and unlisted banks (Standard Chartered Bank Limited and Nigeria International Bank Limited), were not involved in M&A, and the other 3 banks (Ecobank Nigeria Plc, Guaranty Trust Bank Plc and Zenith Bank Plc) were also not involved in M&A. The study population, therefore, consists of the 19 banks that emerged through M&A in the 2005 consolidation exercise in Nigeria and were fully in operation as at 31st December, 2009.

The sample selection was based on the following criteria:

- The bank must be listed on the Nigerian Stock Exchange as at 31st December, 2009;
- The bank must have either been merged with, have been acquired or acquired another bank (or other banks) in the 2005 consolidation exercise;
- The bank must have at least 4 years' financial information for all banks involved in the M&A, and 4 years' financial information for the resulting post-M&A bank within the time under study; that is 2001-2004 for pre-M&A and 2006-2009 for post-M&A respectively.

With these filtration criteria, the sample size was reduced to 16 banks, which represents over 84% of the study population.

The requisite data on financial performance before and after M&A was extracted from the financial reports of the sampled banks as contained in their audited annual reports and accounts for the relevant years. Some of these audited financial statements were obtained from the banks' annual returns that were filed with the Corporate Affairs Commission and the Nigerian Stock Exchange. Other data were collected from books, journals, company reports, CBN websites and magazines. The selected profitability, liquidity and leverage ratios were computed from the audited financial statements. If M&A does actually lead to gains, the effect should be reflected in the financial ratios of the banks concerned. In spite of certain limitations, accounting ratios are still considered as a convenient and reliable analytical tool. Ratio analysis, being a time-tested technique, is most frequently employed in all financial decision-making processes (Kemal, 2011).

This study employs the descriptive and comparative research approach of paired t-test to analytically review financial performance for pre and post M&A periods. The model has been previously employed in several other studies with similar objectives such as Mantravadi and Reddy (2008), Saboo and Gopi (2009), Pazarskis et al. (2010). The paired t-test model is given as:

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S_1^2}{N_1} + \frac{S_2^2}{N_2}}}$$

Where:-

N = number of examined ratios

$\bar{x}_1$ = mean of pre merger ratios

$\bar{x}_1$ = mean of post-merger ratios

S = standard deviation

$_1$ = group of pre-merger ratios

$_2$ = group of post-merger ratios

The choice of this research approach is informed by reliability and comparability of results (Vanitha and Selvam, 2007).

Descriptive Statistics Analysis

The results of the descriptive statistics for both pre- and post-M&A are presented in Table 1.

Table 1: *Descriptive Analysis of Rate of Changes for Pre- and Post- M&A*

Performance Indicator	Minimum		Maximum		Mean		Std. Deviation	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
CR	00	00	2.79	12.84	1.07	1.26	0.37	1.49
NWC	(386,000)	(24,300,000)	1,120,000	14,200,000	152,890	1,711,700	251,510	6,286,670

The mean of current ratio (CR) increased after M&A to 1.26 from 1.07. This result indicates that the banks could better meet their current obligations with the liquid assets more after M&A and as such, short term creditors will prefer post-M&A period to pre-M&A. However, the standard deviation indicates that the volatility is higher after M&A. The mean of net working capital (NWC) also increased from N152,890 in pre-M&A to N1,711,700 in post-M&A. Even though this may suggest that the banks have improved working capital after M&A, the signs that all is not well with the exercise is shown in the increasing minimum NWC from minus N387,000 in the pre-M&A to negative N24,300,000 in the post-M&A era. The volatility is reflected in the relatively higher standard deviation in the post-M&A. This increase in the NWC might have been as a result of additional capital in the post-M&A banks in excess to immediate capital requirements.

The results therefore infer that M&A is an effective strategy for enhancing banks' liquidity in Nigeria and as well has made the liquidity positions of the M&A banks riskier.

Test of Hypotheses

Table 2: *Hypotheses Testing Statistics*

Liquidity Indicator	Difference of paired t-value	p-value
Liquidity		
Current Ratio (CR)	-0.937	0.352
Net Working Capital (NWC)	-1.988	0.051

In the test for liquidity in Table 2 the CR is not statistically significant at 5% level of confidence, NWC is just negatively significant at the same level of confidence. This could mean that the pre-M&A NWC is significantly better than the post-M&A NWC. This inference provides a clear-cut conclusion from the stand point that there is no (or even worsened) significant improvement in Nigerian merged banks' financial performance in terms of liquidity.

The results depicted in Tables 1 and 2 provide that there is no significant improvement in the liquidity position of Nigerian banks after M&A; and the liquidity indices are riskier within the period under study. Given the similarities of these findings with that of Okafor (2012), which

used industry-wide data, it could be inferred that the poor state of the banks liquidity is precipitated by the M&A strategies employed in the banks consolidation in 2005.

Conclusions and Policy Implications

This study examines the effects of M&A on Nigerian banks' performance in terms of liquidity using data extracted from the audited reports and accounts of the sampled banks for eight years (2001-2004 and 2006-2009). The findings indicate that there is no significant improvement on the liquidity of post-M&A in the Nigerian banking sector within the period of study. Inference from literature suggests several reasons for this. The regulatory-induced M&A caused a shock wave which the capital market could not conveniently absorb due to liquidity insufficiency. Furthermore, due to neglect of historical antecedents, the period permitted for the process was rather too short to accommodate successful implementations of M&A based on time-tested corporate principles. The consequence was that the shock wave impelled the banks into M&A that were underlined by corporate survival instincts rather than corporate synergistic intents. These findings are significant in highlighting the basis of theorizing M&A as a strategy for banks consolidation to financial regulators, managers and market participants in less developed economies.

The lessons from the findings suggest that policy makers should engage in diagnostic studies of available policy choices to understand the theoretical and practical underpinnings of the models so as to make more informed strategic choices. In addition, the empirical findings of this study points to the fact that the apparently irreversible M&A consolidation process, which has been fully consummated, is rather consuming the Nigerian banking sector. Therefore, future research efforts should be focused on ways of turning around the inherent financial problems posed by what is fast appearing to be a misguided policy decision in the banking sector.

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