Foreign Capital Flows and Industrial Development In Nigeria

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Abstract

This study examines the impact of foreign capital flows on industrial development of Nigeria using time series data for the period of 1986-2014. Ordinary Least Square (OLS) and Error Correction Model (ECM) was adopted to determine the short and long run impact of foreign capital flows on industrial development of Nigeria. Based on the empirical analysis, it was revealed that foreign capital flows have a positive and significant effect on industrial development in Nigeria during the period considered (i.e. 1986-2014).On the basis of this finding, the study recommends that the government of Nigeria should strive to attract more foreign capital resources and devote a tangible portion of them to defend the value of naira. This will enable the country to reduce the cost of production, increase production capacity, diversify investment portfolios and enhance its competitiveness, thereby achieving backward linkages among industries, thus facilitating industrial growth and development in Nigeria.

Keywords: Foreign capital flows, foreign direct investment, foreign portfolio investment, foreign loans, foreign remittances and industrialisation

Introduction

Over the past twenty years, foreign capital inflows to emerging markets have gained historical heights (Agrawal & Agrawal, 2013). The major catalysts for this unprecedented surge in foreign capital inflows have been attributed to widespread markets deregulation measures, reduction in capital control and establishment of regional blocs across many continents (Obadan, 2008). In addition, the introduction of new financial products, coupled with advancement in information and communication technologies have considerably marked a surged in cross border capital inflows (Nkoro & Uko, 2015).

Foreign capital inflows have been described as the transfer of ownership of asset/capital and financial resources from one country to another (United Nation Conference on Trade and Development (UNCTAD, 2015). It is usually transmitted into the domestic economy in the form of foreign direct investment (FDI), foreign portfolio investment (FPI), draw-down on foreign reserves, foreign earnings, foreign loans and credits, foreign aids, foreign migrate remittance and other channels (Obadan, 2004).

Global capital inflow has been on a steady rise except during the episodes of financial turmoil in 1995-1996, 1998-1999, 2001-2002 and 2007-2008. It rose to $25.5trillion in 2013 from $ 24.1trllion in 2012 (World Bank, 2015). It has also been documented that more than 50 percent of the total capital inflow went to developing countries and Nigeria accounted for 2% of the total global capital inflow in this period and has also remained one of the most preferred destination of FDI, FPI, foreign remittance, foreign loans and foreign aids over a decade in African countries (UNCTAD, 2015).

However, in recent time, statistics showed that foreign portfolio investment (FPI) and foreign Direct Investment (FDI) in Nigeria have been on the downturn. while FDI inflows to other Sub Sahara Africa countries rose by average of 5% in the same period. On the contrary, foreign remittance and foreign loans have marked sporadic growth over the last twenty years. Since 1980s till date, foreign loans have been on the increase except in 1992, 1999, 2005 and 2006 (Central Bank of Nigeria (CBN), 2015).

The hundreds of billions of dollars of foreign capital that have been transferred to Nigeria may have been based on assumption/expectation of bringing down the interest rates by increasing the supply of capital for loans to business and individuals. Also, to strengthen the naira, enhance foreign reserve, reduce scarcity of foreign currency and bring down the cost of accessing dollars over the years in procuring foreign raw material, technologies and heavy machineries which most manufacturing firms in Nigeria heavily relied on to operate at full capacity. As matter of fact, in developing countries like Nigeria where the level of domestic savings is usually not enough to meet-up with the level of industrialization that is required for sustainable economic growth and development, the role of foreign capital flows in promoting balance of payment, increasing domestic savings, lowering interest rate, hence bridging savings-investment gaps cannot be overplayed. Increase in foreign capital flows propels domestics' stock market capacity to create more wealth, efficient allocation of capital crucial for industrial development. It enables a country to develop efficient domestic market and create robust capital formation that would enable industries to have access to competitive loans at low interest rate which is imperative for increased production processes. This suggests that foreign capital flows facilitate reduction in the capital constraint that have over the years undermine capacity of a country to stimulate and crowding out domestic investments in achieving rapid industrial growth and development (Duasa & Kassim, 2009).

Industrial development has been described as transformation of large and medium scale business enterprises which co-exist with several numbers of micro and small enterprises mainly located in mining, electricity generation and manufacturing sub sectors from a traditional form of production to a modern form of production through the use advance of technologies (CBN, 2010). The

manufacturing industry in Nigeria is made up of large, medium and small enterprises, as well as cottage and hand craft.

In recent time, sudden decline in foreign capital flows that appears to destabilize the industrial sectors in 1980s has resurfaced in Nigeria partly due to huge contraction in foreign earnings occasioned by oil crash at international market. The severe dropped in Nigeria foreign earnings has accelerated high exchange rate. It has marked drastic increase in the cost of procuring foreign raw material, technologies and heavy equipment which most manufacturing firms strongly depend on to operate at full capacity thereby making most industries to be highly un-competitive and not able to produce large quantity of goods within the local markets for export. Hence, the industrial sector of Nigeria could be in jeopardy if necessary steps are not taken to revive the dwelling scarcity of foreign exchange resource through the boasting of inflows of FPI, FDI, and Foreign Remittance and other channels of foreign capital flows. Since Nigeria has little control over the price of oil at international market that has marked sharp decrease in foreign earning.

Literature Review

This chapter focuses on the review of conceptual and empirical literatures that are relevant and related to the study. It specifically explored the conceptual definitions, theories, models, industrial development in Nigeria. It further reviews the concept of foreign capital inflows and components which includes; foreign direct investment, foreign portfolio investment, foreign loans and foreign remittance *as well as* previous empirical studies on foreign capital inflows and industrial development.

Concept of Industrial Development

Earlier study defined the concept of industrial development see it as growth and performance of manufacturing firms (Chenery & Syrquin, 1975). Industrial development has also been see as the use of advance technologies to perform production operations in order increase aggregate output or performance of manufacturing firms (Iwuagwu, 2011), ability of a country to innovatively manufacture equipment, goods and gadgets (**Akingunola & Olayiwola, 2011)**, transformation of the productive capacity through the use of high technologies and skilled manpower (Adejumo & Olaoye, 2012) advancement in the use of mechanized system of production in order to boost production output so as to achieve strong global competitiveness (Iddrisu, Adam & Halidu, 2015), increase in production output as a result of mechanized system of production or advance use of mechanized system of production (Richardson & Tamarauntari, 2014).

Several studies have also defined industrial development as extensive technology-based growth productive (manufacturing) system of the economy (Ajayi, 2012), combination of high technology and management techniques to move the economy from the traditional low level of production to a more automated and efficient system of mass production of goods and services (Ayodele & Falokun, 2003), transformation of production activities from traditional form to modern through the application of high technologies (Tamuno & Edoumiekumo, 2012).

From the forgoing, technological advancement occasion by globalization is the main driver of industrial development. This means that transformation of industrial sectors require acquisition of technological capacity. Domestics firms must possess ability to either develop or copy imported technology to create advanced industrial sector. The success of industrialized Japanese, Chinese, Korean nations is attributed their ability to imitate, absorb, assimilate and replicate imported technologies from abroad to accelerate rapid industrial development (Onuoha, 2013). Through reverse engineering and duplicative imitation of mature foreign innovations including technologies, China Singapore, Japan, Korea and Taiwan countries become centre stage of global economics.

However, it appears that Nigeria do not have the advance technologies to accelerate

rapid industrial development. The basic infrastructural facilities needed to launch and position the country into industrialization appear to be lacking (Adejumo & Olaoye, 2012). These have made the contribution of manufacturing production output to Gross Domestic Product (GDP) to be very low (Iwuagwu, 2011). The lack of technologies, capital and skills have also made the country to heavily relied on foreign resources and manpower to transforms or unlocking the country's natural resources in order to achieve the desirable level of industrial growth (Onuoha, 2013). The growth of manufacturing industries especially Micro, Small and Mediums Business in the manufacturing sectors in Nigeria have negatively been affected by lack of innovation due to the use of obsolete technologies. Productivity and capacity utilisation of most Micro, Small and Mediums Business in manufacturing sectors have over the years be very low because of use of weak technologies, high exchange rate, high cost of access loans, unavailability of long term loan windows to support long-gestation investment, poor skilled manpower and poor electricity supplies. These numerous challenges facing SMEs in particularly and industrials sectors in general have made it difficult for Nigeria to create innovative products that can compete globally or for export.

Foreign Capital flows and Industrial Development: Empirical Review

Foreign capital flows and industrial development have received empirical attention. *Specifically*, earlier empirical study Caves (1974) in Australia has to ascertain the existence or otherwise of spillover effect of FDI and found that increased in the productivity of domestic firms is related to the increase in the ownership of foreigners. The level of foreign ownership, among other factors, was also found by Globerman (1979) to account for the differences in productivity among the numerous industries in Canada. Buckley (2002) also studied the spillover effect of foreign multinationals on domestic firms in China with cross sectional data for 1995. The authors found that domestic firms in China benefited from technological transfer and accessibility to international markets from the foreign multinationals. They found further that Chinese investors overseas provided only accessibility to international markets to the local firms. In the addition, the authors established that the foreign multinationals generated negative spillovers to the local firms that are owned by the State. Beside this, empirical *evidence has also emerged that there exist* a significant relationship between foreign capital flows (FDI, portfolio investment and external loans) and domestic investments for 58 developing countries during 1978-95 (Bosworth & Collins, 1999*)*. This study found that increase in foreign capital inflows result in 50 percent increases in domestic investments. This finding complement a recent study on the **effect of FDI on the productivity of the industrial sector in Ghana in the period of** *1980 – 2013 that found FDI to have significant long run positive effects on the performance of the industrial sector (*Iddrisu, Adam & Halidu, 2015). Fauzel, Seetanah and Sannasee (2015) who studied the spillover effect of FDI on the manufacturing sector of Mauritius using the dynamic error correction model and data from 1980 to 2010 also found that FDI made significant contributions to the labour and factor productivity of the manufacturing sector in the long run. This finding is consisted with Masron, Zulkafli and Ibrahim (2012) that found a positive relationship between FDI and productivity of the manufacturing sector in Malaysia and Chandran and Krishnan (2008) that found inward FDI to have positive and significant impact on the growth of Malaysia's manufacturing sector. Faruq (2012) also revealed how the export of local manufacturing firms in Ghana is affected by the presence of multinational enterprises in the same industry with data covering the period 1991 and 2004. The author found a positive spillover effect from the multinational enterprises to the Ghanaian exporting manufacturing firms. Having controlled for the possible spillover effect on these local exporting firms from other exporters, the author obtains the same results.

Akilou (2011) ascertained the

relationship that exists between foreign capital and domestic investment in Togo using data spanned of 1970-2008. The results obtained from the study through the use of error correction models revealed that at pool level, foreign capital have positive and significantly impact on domestic investment. At individual levels, foreign direct investment (FDI) and loans are the main channels through which foreign capital has a positive impact on domestic investment in Togo. The impact of portfolio investment is negative, but not significant.

Akingunola and Sangosanya (2011) conducted study on global financial crisis and industrial sector performance in Nigeria using a structural analysis and *Chow breakpoint test*. Akingunola and Sangosanya (2011) *employed structural stability regression models to capture the effect of global economic crisis on industrial performance during the pre and post global financial crisisof 2007/2008 in Nigeria and revealed that industrial performance was negatively influenced by external shocks as was existence of slight structural changes in industrial performance during the global economic meltdown.*

Tamuno and Edoumiekumo (2012) also studied the impact of globalization on the Nigerian domestic investment and industrial sector using annual data from the Central Bank of Nigeria (CBN) covering 1970-2008. They measured or proxy globalization with external debt, foreign direct investment, nominal exchange rate, and degree of openness. The study revealed that Johansen's co-integration test revealed existence of a long-run relationship between the variables. Results of their study also showed that Nigerian industrial sector has a weak base and cannot compete favorably with her foreign counterparts. Also, domestic investment is weak and unreliable. Nigeria should encourage the production of non-primary export commodities and formulate policies that would attract foreign direct investment. External debt should be sourced for productive projects only and also as means of maintaining stable exchange rate.

Wang and Meng (2010) investigated the impact of foreign capital inflows on investment in china using data of 1982-2003.Through the use of Johansen's test for cointegration and OLS, the study showed that foreign capital inflow has a significant positive effect on the total investment, thus crowd out the domestic investment. Asmat, Mohib, Shahid and Syed (2011) examined the relationship between foreign direct investment and industrial sector of Pakistan (1979 to 2009) using two Stage Least Square (2SLS) technique to examined the relationship and Augmented Dickey Fuller (ADF) test to identify the stationary condition of the variables. The study revealed that FDI positively affects the industrial sector but the impact is found to be statistically insignificant. The study also showed that exchange rate fluctuations and public sector development programs have suppressed the industrial growth in Pakistan as the study observes a significant negative relationship between them.

Richardson and Tamarauntari (2014) examined economic liberalization and industrial sector performance in Nigeria using annual time series dataset covers the period 1970-2012 generated from the Central Bank of Nigeria Statistical Bulletin. The study employed ordinary least squares (OLS) technique and Breusch-Godfrey Langrage Multiplier test for autocorrelation. The study using data on manufacturing subsector, mining and quarrying subsector and the power subsector to measured industrial sector. The study incorporated investment capital-both domestic gross capital formation (GCF) and foreign (foreign direct investment (FDI)); the degree of openness, DOP (total trade to GDP ratio) and financial deepening (FIND) to measured **economic liberalization**. **The study found that** *economic liberalization has negative and significant impact on performance of the Nigerian manufacturing, mining and quarrying, and power subsectors, respectively and the aggregate industrnmial sector.* It specifically showed that trade openness, FDI and financial deepening decreased/dampened the performance of the manufacturing sub-sector, mining and quarrying sub-sector.

Fahinde, Abodohou and Su (2014) a*ssessed* the impact of external financial flows and domestic investment in the Economic and Monetary Union of West Africa (WAEMU) countries over the period 1996-2011. The study employed GMM method of Arellano and Bond (1991) widely applied for panel analysis and revealed that FDI crowds out domestic firms in both the short and long term. Similarly, the study showed ODA crowding out local investment. As foreign remittances, the study indicated that econometric results show that they do not have a significant effect on domestic investment in the countries of the union.

Yoel, Assaf and Nitzan (2004) looked at interactions between capital inflows and domestic investment in Israel and developing economies. The foreign capitals flows consider include foreign loans, FDI and FPI. The study used OLS regression to analyse international panel data set of sixty-four countries for the period 1976-1997 and revealed that foreign loans and FPI are negative and not significant related to domestic investments while FDI inflows is positive and significant to domestic investment.

Luca and Spatafora (2012) also used Andrew Berg Blundell and Bond (1998) GMM dynamic panel estimators to examine determinants of, and interactions between, capital inflows, financial development, and domestic investment in developing countries during 2001–2007. The study showed that both private foreign capital inflows and domestic credit exert a positive effect on investment; they also mediate most of the investment impact of the global price of risk and domestic borrowing costs. The study also showed that domestic credit and institutional quality do not mediate the extent to which capital inflows translate into domestic investment even though the large cross-country differences in domestic and international finance were best explained by fundamentals such as institutional quality, access to international export markets, and an appropriate macroeconomic policy.

Kamaly (2014) empirically answered the questions on what is the dynamic effect of FDI on total investment or the effect of FDI on domestic investment (DI) and the extent to it crowd in or out domestic investment. Using data on 16 emerging countries over a 30-year period and regression to test data, results of Kamaly (2014) study showed FDI has a positive and significant effect on Domestic investment.

Okoli and Agu (2013) *empirically studied the impact of foreign direct investment flow on the performance of the manufacturing firms in Nigeria using time series data generated from World Bank and Central Bank of Nigeria Statistical Bulletin spanning for a period of 40 years. The researcher used an OLS estimate and VECM to ascertain both the long run and the short run causalities running from the explanatory variables to dependent variable. The results obtained showed the foreign direct investment flow negatively and significantly impacted on the performance of the manufacturing firms.*

On the contrary, Lean (2008) studied on the impact of FDI on manufacturing sector in Malaysia and found no long run relationship between the growth of the sector and inward FDI. *This finding is consistent with Asmat*, Mohib, Shahid and Syed (2011) when they found that FDI does not significant affects the growth of industrial sector. The work of Filip (2007) however established that idiosyncratic factors in local firms combined with institutional factors like mismanaged of foreign loans underpinned the extent of the foreign capital impact on the growth of industrial sectors.

This study builds on Standard Neoclassical Theory. The neo-classical theories believed that sustain increase in capital flow and labour is required to improve the level of development of any country.

Methodology

Ex-post facto research design was employed to explore the relationships between foreign capital inflows and industrial development in Nigeria. The intention of adopting this research design is due to the fact that the variables of interest are secondary in nature and have already manifested as such cannot be manipulated by researcher. The population of study is Nigeria. The study

obtained data on foreign capital flows and industrial development within a span period of 1986 – 2014 which sum up to 28 observations and the period is long enough to cater for the loss of degree of freedom. This study uses secondary data sourced from UNCTAD statistics, World Bank and CBN Statistical Bulletin. Ordinary least square (OLS), Error Correction Model (ECM) was adopted to explore the short run dynamics, long run equilibrium and aggregate relationships between foreign capital flows and industrial development. The study adopted ECM framework because it enables us to combines both the short-run and long-run properties of the variables under consideration.

Data Analysis

Parsimonious Error Correction Model (ECM) Results

ECM Short run and OLS Long run regression results

Short run dependent variable: ΔINDEV
Long run dependent variable: INDEV

Variable	ECM Short Run Coefficient	t-Statistic	Prob.	Long Run Coefficient	t-Statistic	Prob.
C	4.696668	0.715409	0.5012	7.4997	3.847076	0.0009
FPI				1.15E-06*	2.629501	0.0153
FDI				-0.0012*	-4.716257	0.0001
FRM				2.77E-05	0.177964	0.8604
FREN				0.0007*	3.185514	0.0043
EXRATE				-0.0339*	-5.139690	0.0000
FRLN				0.003653	0.057454	0.9547
INDEV(-2)	0.094252	0.422670	0.6873			
FPI	1.48E-06	2.619170**	0.0396			
FPI(-1)	1.07E-06	0.931716	0.3874			
FPI(-2)	1.11E-06	0.773154	0.4688			
FDI	0.000253	-0.654875	0.5368			
FDI(-1)	-0.000538	-1.609937	0.1585			
FDI(-2)	-0.000218	-0.551396	0.6013			
FRM	0.000244	1.099958	0.3135			
FRM(-1)	0.000409	1.465084	0.1932			
FRM(-2)	-0.000412	-1.936874	0.1009			
FREN	-0.000263	-0.566041	0.5919			
FREN(-1)	-0.000745	-1.088395	0.3182			
FREN(-2)	0.000878	2.259922***	0.0646			
EXRATE	0.019855	-1.684664	0.1430			
lEXRATE(-1)	0.001988	0.114684	0.9124			
EXRATE(-2)	0.004203	0.328975	0.7534			
FRLN	0.142474	1.358596	0.2231			

FRLN(-1)	0.054046	0.525245	0.6182			
FRLN(-2)	-0.141528	-2.330206**	0.0586			
ECM(-1)	-0.710424	-2.353543**	0.0225			
R-squared	0.976346			0.792123		
Adjusted R-squared	0.897501			0.735429		
F-statistic	12.38307			13.97197		
Prob(F-statistic)	0.002480			0.000002		
Durbin -Watson Stat	1.663535			1.520723		

Source: Extracted from E-view 7.0 Output (Author's Computation, 2016)

The Error Correction Model (ECM) results in table 4.4 clearly shows a well defined error correction term (ECM(-1)) with an expected negative coefficient and it is significant when compared to its corresponding t-value of (-2.3535). The coefficient measures the speed at which industrial development (INDEV) disequilibrium adjusts to long run equilibrium after short run shock. The ECM coefficient of 0.71 approximately indicates that about 71% of the previous year's disequilibrium in industrial development is corrected in the long run. The statistical significance of the error correction coefficient at 5% level supports our earlier assertion that industrial development is indeed co-integrated with the explanatory variables. The coefficient of determination R-squared value of 0.976 revealed that about 98% approximately of total systematic variation in Nigeria industrial sector is jointly explained by all the explanatory variables taking together using the ECM model. The coefficient of determination when adjusted for the degree of freedom yielded approximately 90% as indicated by the adjusted R^2 value of 0.8975, implying that the model has a goodness of fit that is above average since about 10% of what happens to INDEV in Nigeria is not captured in this model but captured by the stochastic error term. The F-statistic test which is used to determine the overall significance of regression model reveals that there exist statistically significant linear relationships between the dependent and all explanatory variables at 1% levels (F-value 12.38) in the error correction model. This therefore means that all the explanatory variables have significant relationship with the dependent variable. In other words, the overall model (i.e. the coefficients of the entire explanatory variables as they relate to the dependent variable) is statistically different from zero.

On the basis of individual variable contribution to industrial development (INDEV) in Nigeria, only FRM and FRLN could not pass the significant test as indicated by the t-stat value of 0.18 and 0.06. While other explanatory variables passed at 5% level of significance respectively at the long run. Only FPI passed the significance test with t-statistics value of 2.62 at 5% level of significance at the short run. Specifically, the t-statistic of FPI, FDI, FRM, FREN, EXRATE and FRLN of 2.6, -4.7, 0.17,3.18, -5.13 and 0.05 respectively showed that exchange rate had the greatest significant impact on industrial development, followed by Foreign Direct Investment (FDI), foreign earnings and Foreign portfolio Investment (FPI).

Also, the two period lag of the dependent variable (INDEV(-2)) considered in the model shows that the two year period of industrial development has a non significant positive effect on current year industrial development (INDEV). On the other hand, the one and two period lag of foreign portfolio Investment (FPI) had a non significant positive effect on current year FPI. The one and two period lag of FDI, FRM, EXRATE and FRLN variables considered in the model had a non significant positive relationship with the current year FDI, FRM, EXRATE and FRLN. Except the one and two period lag of FREN which had no

significant negative relationship with the current year FREN.

The ECM and OLS long run regression with Durbin Watson-statistic value of l.66 and 1.52 respectively shows that there may be no evidence to accept the presence of serial correlation in the model.

Discussion of Findings and Policy Implications of Result

A number of important findings and policy implications can be generated from our empirical analysis. These findings and the policy implications thereof are presented below:

I. Foreign Direct Investment (FDI) has mixed effect on Nigeria economy during the period under review. FDI have a non-significant positive effect on Nigeria economy in the short run and a significant negative effect on Nigeria economy during the period under review. This result is consistent with the findings of Yoel, Assaf and Nitzan (2004), Asmat, Mohib, Shahid and Syed (2012) and Fauzel, Seetanah and Sannasee (2015) in the literature that showed that foreign investment has an initial positive effect on industrial development but in the long run the dependence on foreign investment exerts a negative. This finding is not surprising given the statistics showed that FDI inflows to Nigeria which have been on the increased have been downward trend since 2011 from US$8.9 billion in 2011 to US$7.03bn in 2012 and further down to 5.60 billion in 2013 and to N4.9billion in 2014 (UNCTAD, 2015). This downward trend in FDI inflows combined with huge profits been repatriated from Nigerian by multinationals and the deplorable or gory state of infrastructure such as power supply, road networks, water supply etc in Nigeria may limit the effect of FDI on industrial development**.**

ii. The findings from the empirical analysis also shows that foreign portfolio investment (FPI) considered in the model have a significant positive relationship on Nigeria industrial development both in the short and long run during the period under consideration. This result concurs with our *A priori* expectation and the findings of Bosworth and Collins (1999*),* Akilou (2011) in the literature. Mody and Murshid. (2005) stressed that competition and performance of stock market increase with increase in FPI and this enable a country to create robust capital formation that would enable industries to have access to competitive loans at low interest rate in order to increased production processes.

iii. The empirical results reveal that Foreign Remittance (FRM) and its one and two period lagged considered in our model have a non-significant positive effect on industrial development in Nigeria both in the short and long run period. And this followed our *A priori* expectation. This finding is in conformity with that of Beine (2012) and Fajnzylber and Lopez (2007) in the literature. The finding is not also surprise since the greater motivation for migrants to transfer money to home country is altruistic considerations rather than business investment which may have little or no effect on crowding out domestic investment and industrialization (Osili, 2006).

iv. The empirical results show that Foreign Loan (FRLN) and its period lagged considered have a non-significant positive relationship with industrial development in Nigeria (except for the two period lagged) in the short run. While in the long run, the result reveals that foreign loan have a non-significant positive effect on industrial development during the period under review in line with our A priori expectation. This findings is somehow consisted with the work of Filip (2007) that established that institutional factors like mismanaged of foreign loans underpinned the extent to which its impact on the growth of industrial sectors. Randhawa (2012) also opined *that sense of reasonability and* good governance play mediating role in

the *foreign loans effectiveness. He believed that* the effectiveness of foreign loans anchors on quality institutions which cover good governance. It is determined by the ways and manner the loans are judiciously used and the kind of projects they are being used for. Loans that are effectively channeled to manufacturing, education, housing, health, energy, and roads construction sub sectors will contribute to industrial development. But in reality Nigeria borrowed but spent little of the borrowed funds on education, health, electricity and rural development.

v. On the relationship between the control variables of Foreign Earnings (FREN) and Exchange rate (EXRATE) considered in the model as determinant of industrial sector in Nigeria, the empirical results shows that Foreign Earnings (FREN) and its period lagged considered have a non-significant negative relationship with industrial development in Nigeria (except for the two period lagged) in the short run. While in the long run, the result reveals that foreign earnings posses significant positive effect on industrial development during the period under review. Past level and current level of exchange rate (EXRATE) have a non significant positive relationship with industrial development in Nigeria in the short run. While in the long run, exchange rate had a significant negative effect on industrial development in Nigeria. It is pertinent to point out here that the negative effect of exchange rate on Nigeria industrial development could be attributed to the exchange rate fluctuation and depreciating values of exchange rate in Nigeria witness during the period under consideration. This means that high exchange rate caused underdevelopment of industries as it associated with the high cost of procuring foreign raw material, technologies and heavy machineries which most manufacturing firms in Nigeria heavily relied to operate at full capacity. Now that most firms in Nigeria buy one dollar at over 300 naira at parallel market from less than 200 naira at official price to sustain production to due inability of CBN to meet the demand of currency, performance of industrial sectors could be worse.

Similarly, the findings of this study that showed that foreign earnings are highly significant in explaining industrial development in Nigeria during the period under consideration support the Onuoha (2013) study that revealed that the sharp fall in Nigerian foreign capital flows in 1980s which was occasioned by the dwelling foreign earnings in the same period was accompanied by high cost of import bills, drastic decrease in the aggregate manufacturing index by 26 percent within a spanned of 1981-1983, high deterioration in average capacity utilisation in industrial sectors from 73.3 percent in 1981 to 38.2 percent in 1986 and stagnation in export demand which in turn created remarkable deficit in terms of trade. Even though, this empirical study was not able to capture the effect of 2014-2015 fall in foreign earnings occasioned by dwelling oil price on industrial performance, the findings of this study offers a lens through which one can decipher that foreign earning contribute greatly to industrial growth. This suggests that the shaped dropped in foreign capital inflows occasioned by severe dropped in Nigeria foreign earnings due to oil clash at international market from $100 per barrel in 2014 to less than $40 in 2016 will amount to low performance of industries under this period given the poor backward linkages among industries in Nigeria which make most industries to largely depend on foreign technologies and heavy machinery and hence foreign currency to procure the foreign technologies, raw material and machineries for operations.

Conclusion

This study concludes that foreign capital inflows matters for industrial development/ performance in Nigeria. The empirical results

from this study revealed in a nutshell that foreign capital contributed significantly to Nigeria industrial development, during the period under consideration. This finding is not surprising since Nigeria manufacturing sector which is the heart of industrialization utilised an average of 54 percent of foreign raw material in the production process (CBN, 2016) which required constant inflows of foreign currency to sustain. Earlier theory on industrial growth has support this claim when it postulated that foreign capital plays dual roles in any economy; it supplements domestic savings and add to foreign exchange resources which gives the recipient country the financial muscle to embark on investments and entrepreneurial development in order to boast export performance, create more jobs, and increase in earning for reinvestments (Solow, 1956).

The above findings also suggest that the recent sharp dropped in supply of foreign currency occasioned by contraction in foreign earning because of fall oil price which have increase exchange rate and high cost of sourcing for foreign raw materials, technologies and equipments may have untold negative on industries capacity utilization, cost of production among industries, hence the performance/development of industrial sector.

Recommendations

Based on findings from the empirical analysis, the following recommendations are made, among others:

I. Given the backward linkages among industries in Nigeria which have over the years made most firms in industrial sectors Nigeria to heavily depend on foreign technologies, raw material and equipment to operate, government of Nigeria should strive to attract more of foreign capital resources and devote a tangible portion of them to defend the value of naira. This will enable the country to reduce cost of productions, increase production capacity, diversify investments and promote competitions until the country fully have backward linkages among industries.

ii. Loans sourced externally should effectively be channeled to maintenance of stable exchange rate, productive investment in physical project like power and road and such projects should be appraise at the end of every year.

iii. Government of Nigeria should strive to include Federal Government of Nigeria's (FGN) bonds in various international markets, ensure sanity in security or stock exchange market and provide friendly business environment in order increase foreign participations in debt and security market of Nigeria that may cause a quantum leap in the inflows of Foreign Portfolio Investment (FPI). This strategies will enable Nigeria to further increase domestic savings in order to mobilize long term funds and reduce interest rate that may stimulate entrepreneur to borrow in order to start new investment, expand existing business or production capacities and invest in high-tech industries imperative to increase performance of manufacturing industries, crowding out domestic investment and acceleration of rapid industrialization or industrial development.

iv. Government should offers incentives like tax exception for Nigeria in Diasporas when they invest certain portion of their foreign earned money in industrial sector. This strategy will encourage Nigeria in Diasporas to channels money into investment rather than altruism consideration. This could transform the level of industrial development and generated more employments for the teeming population.

v. Nigerian government should promote export in order to increase foreign earnings, this can be done by offering incentives to manufacturing firms to engage in exportation of their refined products. Also the issue of insecurity in Niger-Delta area that is causing reduction in the volume of the crude oil produced which serves as one of the major sources of foreign earnings should be properly

addressed.

Reference

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Organisational Commitment: The Roles of Employee Cynicism and Job Stress

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Abstract

This study investigated the influence of job stress and employee cynicism on organizational commitment. A survey research design using primary data was used, and this was obtained through the administration of questionnaires to two hundred and fifty respondents in Ibadan, Oyo State, Nigeria. The participants were conveniently sampled and consisted of males (158, 63.2%) and females (92, 36.8%) aged between 25 and 60 years of age. One hundred and twenty-two (48.8%) of them were married and 88 (35.2%) single. Sixty-nine (27.6%) were in the lower level and 76 (30.4%) in the higher level. Two hypotheses were tested in the study. The findings of the study revealed that there was a significant relationship between employee cynicism and organizational commitment (N=250, r=.358; p<.05). Furthermore, the findings also revealed that the joint effect of gender, job stress and employee cynicism on organizational commitment was significant F(3, 246=12.236, R=.360, R^2=.130, Adj. R^2=.119; p<.05). This study has implications for management in view of the findings that resulted from the study. It was recommended that organizations should enhance their workers' commitment by removing all stressors that the workers may be exposed to, and this can be further enhanced by reinforcing effective organizational support system.

Keywords: Employee cynicism, job stress, organizational commitment, gender

Introduction

Research Studies in employee cynicism is relatively sparse apart from Anderson (1996) who couched cynicism in psychological contract theory, and Cole, Bruch and Vogel (2006) who postulated emotions as primary antecedent of cynicism. Cynicism is best understood as a form of self-defense, to cope with and make sense out of puzzling or disappointing events (Reichers *et al.,* 1997). However, for employees to become cynical there must be something important at stake. The negative consequences for the employee, especially job stress indicate that cynicism is not an enjoyable state (Maslach *et al.,* 2005).

Cynicism manifests in terms of turnover intention by the employees because according to (Eaton, 2000) cynical workers believe that their management team have a lack of interest towards them and use them only to take the advantage of the market. Ozler and Atalay (2011) gave five approaches of cynicism namely personality cynicism, social cynicism, employee cynicism, vocational cynicism and organizational change cynicism. Personality cynicism shows the negative thinking of human behavior; social cynicism reflects the social interaction of human beings including social disappointment; employee cynicism is the negative attitude towards the job and the boss (Kosmala and Richards, 2009). Vocational cynicism is the disagreement towards the job and organizational change cynicism is defined as 'a negative attitude toward one's employing organization (Reichers, Wanous and Austin, 1997; Ozler and Atalay, 2011).

The modern workplace continues to change at a radical and accelerated pace mainly in response to globalization and international competition. There have been a lot of delayering and downsizing in many organizations. Such forms of restructuring invariably have a negative impact on employees in terms of job losses, job uncertainty, ambiguity and heightened anxiety, which is not necessarily offset by any organizational benefits such as increased productivity and financial profits. Change in organizations has been driven by the increased utilization of information and communication technology, a rapid expansion in jobs in the service sector, outsourcing and a more flexible usage of labour (Kompier, 2005). This has occurred against a backdrop of widespread demographic and social change. Individuals have become increasingly frustrated and disenchanted with work and instead are looking for the opportunity for greater self-expression and fulfillment (Bunting, 2004). For older workers, the option has become to withdraw from the labor market, and the remainder has chosen to reduce their work effort, divert their energies elsewhere or reappraise their employment opportunities and job requirements. New deals have arisen at work whereby employees are expected to work longer hours, take on greater responsibility, be more flexible and to tolerate continual change and ambiguity (Herriot and Pemberton 1995). It is argued that the resultant costs to the individual can be counted in terms of increased stress, poor health (Barling, Kelloway and Frone, 2005) and work-family conflict (Bellavia and Frone, 2005).

As the last twenty years have increasingly demanded that employees adapt to the changing needs of organizations, it is now perhaps appropriate to recognize and consider how organizations should respond to the changing needs of their employees. Organizational commitment, which is defined as the degree to which employees feel devoted to their organization (Spector, 2000) has become one of the most popular work attitudes studied by practitioners and researchers (Allen and Meyer, 2000). One of the main reasons for its popularity is that organizations have continued to find and sustain competitive advantage through teams of committed employees. Meyer et al. (2000) have found that committed employees are more likely to remain with the organization and strive towards the organization's mission, goals and objectives.

The changing nature of work and work organizations, particularly the breach and violation of the psychological contract is believed to have engendered a rise in employee cynicism and mistrust (Kramer, 1986; Pate et

al., 2000). Employee cynicism has been described as characterized by negative attitudes of frustration, disillusionment, and contempt toward and distrust of business organizations, executives, managers and other objects in the workplace (Andersson, 1996; Dean et al., 1998).

Behavioral issues regarding job stress, cynicism and organizational commitment have not received ample attention by the social scientists in the areas of industrial psychology, human resource management and organizational behavior during last few decades. Most of the studies in this research area have not looked at the interplay of these variables. This study, therefore, is an attempt to fill the gap in this area.

Theoretical/Literature Review

Psychological contracts theory

In an empirical study that considered Anderson's (1996) conceptual model, Johnson and O'Leary-Kelly (2003) argued that cynicism was a reaction to employment-related social exchange violations. They reported that perceived psychological contract violations were associated with increased levels of cynicism among bank employees. Andersson (1996) argued that there are three contributing elements to cynicism: first, the "formulation of unrealistically high expectations, second, the experience of disappointment at failing to meet these expectations and third, subsequent disillusionment". Employees develop their expectations of their employer based on general beliefs about how organizations should behave or what they have experienced in the past (Johnson and O'Leary-Kelly, 2003).

The growth of employee cynicism

The changing nature of work and work organizations, particularly the breach and violation of the psychological contract is believed to have engendered a rise in employee cynicism and mistrust (Kramer, 1986; Pate et al., 2000). Employee cynicism has been described as characterized by negative attitudes of frustration, disillusionment, and contempt toward and distrust of business organizations, executives, managers and other objects in the workplace (Andersson, 1996; Dean et al., 1998). In a review article, Dean, Brandes, and Dharwadkar (1998) defined employee cynicism as "a negative attitude toward one's employing organization, comprising of three dimensions:

1. A belief that the organization lacks integrity
2. Negative affect towards the organization; and
3. Tendencies to exhibit disparaging and critical behaviors towards the organization that are consistent with these beliefs and affect.

Employee cynicism has been proposed as a new paradigm of employee–employer relations as a result of longer working hours, work intensification, ineffective leadership and management, new deals in the workplace and the continual downsizing and delayering of organizations (Bunting, 2004; Feldman, 2000). Stress research has demonstrated that cynicism is closely associated with the workplace problem of burnout (Maslach and Leiter, 1997; Maslach and Schaufeli, 1993). Burnout is a psychological syndrome that involves a prolonged response to chronic interpersonal stressors and leads to poor job performance, withdrawal behaviors and poor mental health and is the negative antithesis of job engagement (Maslach and Leiter, 2005). Burnout is conceptualized as consisting of three dimensions namely exhaustion, cynicism (or depersonalization) and inefficacy or the experience of reduced personal accomplishment. Cynicism, as a means of creating defensive cognitive distance, is regarded as a defensive coping response to exhaustion (Cherniss, 1980; Maslach and Leiter, 2005). Several researchers have examined employee cynicism within the framework of the psychological contract (Andersson, 1996; Andersson and Bateman, 1997; Herriot, 2001). Andersson (1996) states that violations which result in employee cynicism fall into three categories namely:

1. Characteristics of the business environment e.g. lack of alignment

between policies and practices, unethical behavior and corporate social responsibility and inequitable compensations policies

2. Characteristics of the organization e.g. poor communication, management incompetency in change implementation, lack of employee involvement
3. The nature of the job e.g. role conflict, role ambiguity and work overload.

She concluded that contemporary workplaces provide ample cause for cynicism among its employees, especially as economic and extrinsic business rewards are often put ahead of employee well-being. In a subsequent study, Andersson and Bateman (1997) found a significant relationship between cynicism and a reduction in organizational citizenship behaviors (OCBs) and increased compliance with unethical requests. Herriot (2001) suggests that the growth in employee cynicism is unsurprising given the gap between managerial rhetoric and reality and highlights three areas where these gaps are obvious. Firstly, there is the rhetoric of empowerment which emphasizes that individuals can expect more autonomy when in reality they are increasingly expected to be compliant, to stick rigidly to the rules and be closely monitored and controlled as in many service occupations such as call center environments. Secondly, organizations increasingly employ the rhetoric of equity and justice which emphasizes fair treatment and a single and favorable employment relationship for all when in reality employees are expected to accept differences and that some individuals e.g. part-timers, contingent workers may be treated less well than others. Finally, there is the managerial rhetoric which surrounds change, as being necessary, evolutionary and rational and which emphasizes the opportunities for employees to learn and increase their employability when in reality such initiatives are often mere play-acting (Tolbert and Zucker, 1996) and the outcomes are more likely to mean more work for the same rewards.

In her research, Storm (2002) found that Indian participants experienced the highest levels of exhaustion and cynicism, followed by white and black participants. Coloured participants experienced lowest levels of exhaustion and cynicism. No practically significant differences were found between the burnout scores of the black and white participants. No additional information pertaining to the relationship between demographic variables and engagement could be found. However, in a related sense, Wissing and van Eeden (2002) found significant differences between the scores of black and white groups on indices of psychological well-being, with the black group presenting with lower levels of psychological well-being, noting that these differences may result from different socio-cultural backgrounds, idiosyncratic factors and life circumstances. Antonovsky (1979) indicated that resistance resources are lower in historically black communities. Consequently people from these groups are more prone to stress and a lower sense of coherence. According to Wissing and Van Eeden (2002), it can be expected that the new socio-political dispensation that guarantees equity and equality for all, and ensures human rights through the Constitution, would eventually bring about higher levels of psychological well-being in the historically disadvantaged group. Regarding gender, Hobfoll (1989) is of the opinion that women have less access to resources that could help buffer stress and maintain wellness.

Antonovsky (1991) argued that cultural, social and role patterns constructed for men and women, as well as lack of socio-economic value of women's contributions to society and the labour market play a large role in females' levels of psychological well-being. However, presently, one would have to interpret these findings within the context of the Employment Equity initiatives, striving for gender equality and female empowerment. For this reason, it would be necessary to consider the impact to demographic variables such as culture and gender when examining the impact of job insecurity on burnout.

People develop affective and attitudinal attachments toward their workplace over time, which evidences in high levels of commitment,

satisfaction, and trust (Allen and Meyer, 1990; Mowday, Steers and Porter, 1979). Feelings of job insecurity may threaten these basic attachments, such as commitment, satisfaction and trust (De Witte, 1997; Rosenblatt and Ruvio, 1996). Chow (1994) defines organisational commitment as the extent to which employees identify with their organisation and managerial goals, show a willingness to invest effort, participate in decision-making, and internalise organisational values.

The person's commitment to the organisation is reflected in three separable psychological states; being affective attachment, perceived costs, and obligation (Allen and Meyer, 1990). Affective commitment is concerned with the extent to which the individual identifies with the organisation, whereas perceived costs (continuance commitment) concerns the individual's need to continue working for the organisation. Normative commitment or obligation is influenced by society's norms about the extent to which people ought to be committed to the organisation. Put simply, organisational commitment refers to people staying within the organisation because they want to (affective), because they need to (continuance), or because they feel they ought to (normative) (McDonald and Makin, 2000).

In the opinions of McDonald and Makin (2000) affective commitment is influenced by the extent to which the individual's needs and expectations of the organisation are matched by their actual experiences, which links with the perceived reciprocal obligations of the psychological contract. Continuance commitment is determined by the perceived costs of leaving the organisation, of which “investments” and “side- bets” are important determinants. Normative commitment is a perceived obligation to stay with the organisation, which according to McDonald and Makin (2000), is strongly related to the "social exchange theory", where the person receiving a benefit is under a strong “normative” (i.e. rule governed) obligation to repay it back in some way.

Akintayo (2006) posited that there is general acceptance that organizational commitment has three main facets: affective, continuance, and normative, each with its own underlying 'psychological states'. Affective commitment refers to the emotional bond and the identification the employee has with the organization. For the employees, the positives include enhanced feelings of devotion, belongingness, and stability (Meyer et al., 2003). Continuance (economic/calculative) commitment refers to what the employee will have to give up if they have to leave the organization or in other terms, the material benefits to be gained from remaining. Employees whose primary link to the organization is based on continuance commitment remain with the organization because they feel they need to do so for material benefits (Meyer *et al.,* 2003). Therefore, if the employees believe that fewer viable alternatives are available their continuance commitment will be stronger to their current employer. Lastly, normative commitment or moral commitment (Jaros et al., 2004) reflects a feeling of obligation to continue employment. Employees with a high level of normative commitment feel that they ought to remain with the organization (Bentein *et al.*, 2005). Reflecting on organizational commitment and managerial efficiency of the managers, reports of some researchers (Akintayo, 2006; Ciarrochi et al., 2001; George, 2000, Tsui et al., 1992) revealed that organizational commitment has significant influence on managerial efficiency of the managers.

Methodology

The survey research design was used for this study. The independent variables are job stress and employee cynicism and the dependent variable is organizational commitment. Two hundred and fifty participants were conveniently sampled from some organisations in Ibadan, Oyo State, Nigeria. They consists of males (158, 63.2%) and females (92, 36.8%) aged between 25 >60 years of age. 122 (48.8%) of them were married and 88 (35.2%) single. 69 (27.6%) were in the lower level management, 105

(42%) were in the middle management and 76 (30.4%) were in the higher level management. The major instrument of study was the questionnaire. Job stress scale has 10 items and uses a 7-point Likert-type response format ranging from strongly disagree (1) to strongly agree (7). The demographic data were analysed using frequency counts and simple percentages. Hypotheses were tested with Pearson correlation and multiple regression.

Results and Interpretations

Hypothesis one: There will be a significant relationship between employee cynicism and organizational commitment

Table 1: Summary of Pearson correlation table showing relationship between employee cynicism and organizational commitment

Variables	N	Mean	Std. Dev.	R	P
Employee cynicism	250	72.3160	17.6987	.358	.000
Organizational commitment	250	22.7280	11.9919		

Table 1 indicated that there was a significant relationship between employee cynicism and organizational commitment (N=250, r=.358; p<.05). This means that as employee cynicism increases, organizational commitment also increases. The hypothesis is therefore accepted.

Hypothesis two: There will be a significant joint effect of gender, job stress and employee cynicism on organizational commitment.

Table 2: Summary of multiple regression table showing the joint and independent prediction of gender, job stress and employee cynicism on organizational commitment

Variables	F-Ratio	Sig. of p	R	R^2	Adj. R^2	β	T	P
Gender	12.236	.000	.360	.130	.119	-.036	-.605	.546
Job stress						-.013	-.225	.822
Cynicism						.363	6.058	.000

a.Predictors: (constant), employee cynicism, job stress, gender
b.Dependent Variable: Organisational commitment

Table 2 showed that the joint effect of gender, job stress and employee cynicism on organizational commitment was significant F(3, 246=12.236, R=.360, R^2=.130, Adj. R^2=.119; p<.05). This means that all the variables jointly accounted for a variation of about 13%. The independent contributions are as follows: gender (=-.036; p>.05), job stress (=-.013; p>.05), employee cynicism (=.363, p<.05). As a result of this, the hypothesis is partially confirmed.

Conclusion

As individuals become increasingly disenchanted and disillusioned with work and fatigued by the constant demand to change and to be flexible in response to organizational needs, employers now need to actively restore the balance, recognize the meaning and emotional aspects of work and move towards

creating a more energized, fulfilled and engaged workforce.

Recommendations

The following recommendations are given based on the findings revealed from the study:

1. Employee cynicism is an important aspect of work-life, especially, if there is lack of trust and integrity on the part of management. This can be reduced to the barest minimum, if not totally, by encouraging and enhancing open channels of communication and ensuring that management are ethical in their interactions with their employees.
2. The stress experienced by the workers needs to be cushioned through organizational support system. The management of organisations should enhance their workers' commitment by removing all stressors that the workers may be exposed to. Likewise, training programmes which focuses on stress management should be organized for all levels of workers including the managers on continuous basis in order to assist them update their skills and knowledge on appropriate strategies.

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The Role of Employees' Benefits as a Motivational Tool in Enhancing Productivity among Higher Institutions in Cameroon: A Study of the University of Buea, Buea, Cameroon

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Abstract

The main was to ascertain the effectiveness of employee benefits in work motivation and productivity in Cameroon Universities with university of Buea under the Ministry of Higher Education (MINESUP), Yaoundé as the study focus. The Data for the investigation were gathered by means of a survey questionnaire, from the employees of university of Buea. The responses of the respondents from the University of Buea teaching staff and of the teaching services of MINESUP, Cameroon were analyzed with simple percentage analysis and further analyzed by Structural Equation Modeling (SEM) to examine statistically the employee benefits on the motivation and productivity of workers. The results indicate that appropriate adjustments of employee benefits can have a significant impact on the motivation and productivity of employees in the Ministry of Higher Education in Cameroon. The results also indicate that the high level of technical inefficiency from employees is due to poor employee benefits, which is inequitable to employees' effort in the University of Buea, under the Ministry of Higher Education (MINESUP) and in co-operation with the Ministry of Public Service and Administrative Reforms as well as the Ministry of Labour and Social Security, Yaoundé.

Keywords: Motivational tools, employees benefit, productivity, Cameroon

Introduction

Globally, there is no doubt that motivation is the crux for good performance, but there is no clear-cut answer to the question of how to motivate. Employee benefit is essential for the development of corporate industrial relations. According to Herberg's (1968), Joseph M.S (1989) two factor theory (motivation and hygiene), an employee benefit programme is a necessary and sufficient working condition. The hygiene factor will affect employee's work motivation and thus productivity. In the stimulus-response behaviours, employees' work-motivation, seen as the response, can be analyzed from absence rate, quit rate, leave rate, and get to-work speed and so on. Productivity can be analyzed from quality to quantity of products. The quality indices include faults and returns; the quantity indices include completion time and the production hygiene factor. This depends on the individual properties of the employee, who is the medium essential for management, and stimulates employees to enhance their work and productivity.

In addition, Vroom (1964) maintained in his expectation theory that everyone works in expectation of some rewards (both spiritual and material), and welfare is one of them. In other words, the degree of reward influences the quality and quantity to work, and in turn productivity. So it is important to explore how to give the stimulus (welfare) in order to promote work motivation and productivity.

Kaplan, (2005) poised that as organization continues to rely on employee to fill a position within an organization, the dynamics of how organization motivate employee both permanent and temporary changes. He argued further that motivation moves us from boredom to interest that is, it is what energizes us and directs employee activities.

From the perspective of business management, there were three objectives for providing benefit programmes: to meet the lowest level physical and psychological demands of employees so that they could fully engage themselves in work, to compete with other corporations at an equal level; when similar employee benefits had been adopted by competitors, it was necessary to offer the same level of benefit programme in order to maintain competitiveness; and to provide social and traditional welfare to observe cultural, social tradition and values. The corporate employee benefit programme was brought about by the necessity to satisfy the basic demands of employees, inter-corporation competition and expectation of traditional values. However, lack of specification, insufficient value, and inadequate quality would make employees consider that certain corporate benefit programmes did not have much impact on performance, but it does not necessarily mean that these measures were not needed.

Kim, & Lim (1988) sees motivation as an effective tool used by decision makers to bring out the best in employees for them to achieve better performance. Henceforth, it can be seen as a means of arousing the mind of employees or workers to direct behaviours and activities in order to achieve target objectives. Maslow (1943), Selznick (1957) poised that "an essential for every organization is determining who to reward…" the implication of this statement is that adequate attention must be given to reward system in work environment if you want to achieve the desired productivity.

Performance motivation has to do with those elements or variables that incite or energize employees towards improved or increased productivity. By productivity, we mean the relationship of some volume of output to a specific volume of output; it measures the number of tyre produced per man a day or the number of bottled beer built per day, Porter (1986), Owen (1832).

Salomon (1988) stressed that consequent upon the central role of the concept of motivation, organizational theorists and managers alike frequently talk about motivational problem among employees –the 'whys' of their behavior. Thus, motivational problem according to him occurs at any period of time, which usually springs up action.

However, the attitude of workers towards work especially the civil servants of various ministries are not very encouraging; the input

of employee towards the attainment of organizational objectives is very low. All previous laudable efforts put in place by past governments have failed to achieve the desired results because of the decline kevel of productivity by employees. The actual output is less than the potential of workforce, thereby leading to low level of income and standard of living.

It is well-known fact that the situation to these several problems lies in improving the quality of employee benefit package in the ministries. Consequently, quite a large number of organizations are focusing on their employee benefit package as a source of motivational strategy for high productivity. Furthermore, it is the responsibility of the management in any organization to encourage good employee performance by providing adequate motivational policies to enhance harmony in the organization, the Cameroon Labour Code (1978) and the Presidential Decree creating state Universities of 1993.

It is, therefore, the main objective of the study is to examine the impact which employees' benefits have on productivity in ministries such as the teaching service of the University of Buea under the Ministry of Higher Education (MINESUP) Yaoundé. To achieve this, the study set out to examine the linkage between human behavior and motivation, determine whether there is need for material and non-material compensation for workers, highlight problems arising in an organization such as the University a result of poor motivation, and highlight the importance of civil servants in the productivity process and how to mobilize them to perform more effectively through adequate compensation.

Theoretical Framework

Worldwide, motivation is a general term applying to the entire class of drives, desires, needs wishes, and similar forces. To say that managers motivate their subordinates is to say that they do these things, which they hope will satisfy these drives and induce the subordinates to act in a desires manner. Motivation essentially refers to the forces of psychological processes which make an individual to behave in a certain way towards the achievements of a particular goal motivation can also be said to be the willingness to expand energy. It is the drive or urge for human efforts. Human beings are very difficult to rule; psychologically all human beings want to satisfy their basic needs, (Robert 1832).

However, there is generally, an assertion that if human beings are not encouraged or motivated there is the tendency for lower output, inefficiency and ineffectiveness in their performances. Therefore, there must be some motivating factors that will boost the morale of individuals in order to perform well as well as increase output and improve performance.

That notwithstanding, controversies abound among behavioural scientists on the role of remuneration and other incentives as a source of motivating workers, while some of the researchers support the use of pay incentives as a means of improving employee performance and enhancing their satisfaction (Drucker, 1974, Francis and Tuban, 1991). Meanwhile, many others feel that pay incentives as a motivator is unsound (Greening, 1997).

Productivity Concept

From a global context, productivity is surprisingly difficult to define and measure, however, productivity is a measure of the output of goods and services relative to the input of labour, material and equipment. This simply means getting more output of what is put in. This does not mean increasing production through addition of resources, such as time, money etc. Rather, it refers to doing it better with what you have. In today's world, productivity means using less or fewer people, less time, less space and fewer resources. Productive organizations get more goods and services out of a given amount of finances, labour, capital and equipment than less productive originations.

Productivity also means to look for or find other ways of doing things faster or at less cost. Using information or business tools to improve efficiency expresses concern about cost vs. benefits of some improvements,

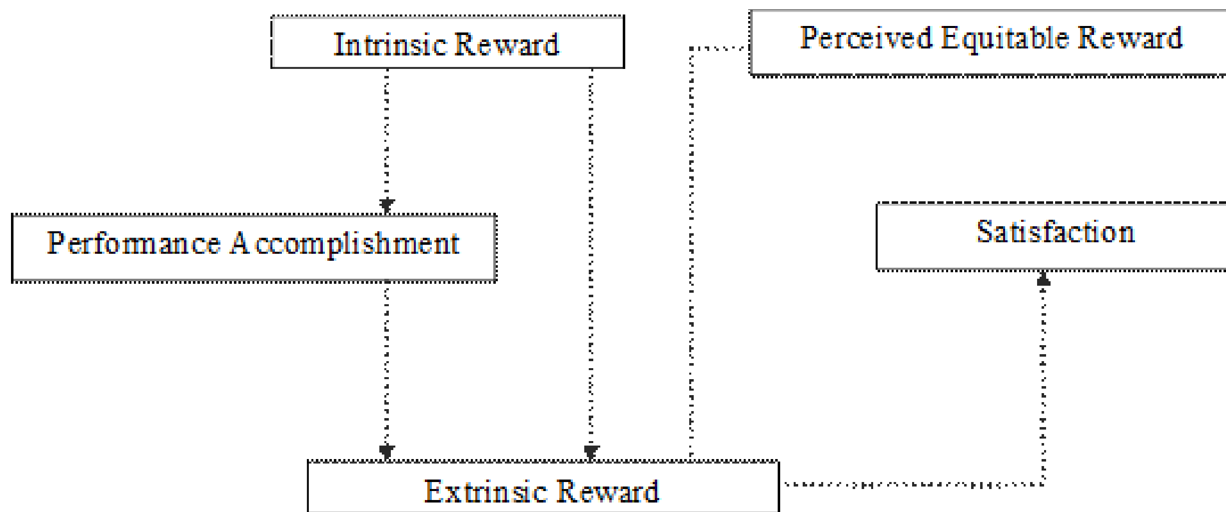
changes or course of action.

Another school also holds that the success or failure of every organization depends on its level of productivity, which may be high or low depending on other several variables like motivation etc. Often time, some organizations are anxious to improve their productivity and by so doing enter into agreement with their employees to increase their wages/salaries subject to a corresponding increase in the productivity.

Productivity, Creativity and Efficiency

In a simple parlance, the word "produce" is derived from the word "Productivity" and produce, itself means the act of bringing something into existence, to make or bring into being. The word "Productivity" is explained as the act of producing something that generally yield good results, such as production of goods and services, which have exchange values in real economic term, the word 'product' is synonymous with the words creative, fertile and efficient. Based on the above discussion when we speak about increased productivity, we are equally speaking about increased efficiency geared towards increasing national output, (Owen and Babbage, 1832 & Caroll, 1993).

Fig. 1. Relation between Performance and Job Satisfaction



Source: Clayton (1969)

This model above shows that there is a relationship between performance and job satisfaction. An employee who is capable of performing an assigned task derives intrinsic reward from it for he is capable of accomplishing something. He sees himself as having some control over his environment and may perceive himself as an achiever. This reward increases when the organization recognizes his contributions and gives him added incentives in the way of promotion or other privileges. If the employee believes that what he receives is equal to what other employers who have achieved me entitled, he derives satisfaction; extrinsic reward is like complimenting a good player or a successful business. It reinforces belief in oneself.

Extrinsic reward includes all forms of formal recognition, promotions, advancements, pay, amenities, fringe benefits and a pat on the back. These originate from the organization. Intrinsic reward is an inner feeling of satisfaction originating from work well done, achievement personal growth, status or power possessed and informal recognition. This inner warmth, a form of self-gratification is highly sustaining and many employees will stay in the organization if they are denied extrinsic reward but they possess intrinsic reward. Where both is lacking, the

employee is very likely to leave the organization or become very tardy, absent him at the least opportunity and characteristically, as a poor attitude to work satisfaction is closely related to absenteeism and labour turnover (Clayton, 1969 and Frooman, 1997)

Employee Motivation for Performance

Meanwhile, extrinsic motivation in an organization is achieved by linking employees. Monetary motives to the goals of the organization in the literature and popular imagination and ideal compensation links pay to individual performance. The most important criterion then of course is the employees' contributions to the organizations are measurable with some degree of accuracy, Clayton (1969). That apart, intrinsic motivation works through immediate needs satisfaction. An activity is valued for its own sake and appears to be self-sustained, following "One is said to be intrinsically motivated to perform an activity when one receives no apparent reward except the activities itself". The ideal incentive system for intrinsic motivation consists in the work contents itself.

Within this context, intrinsic motivation has two dimensions, following Guillen (1994) Firstly, one can differentiate between, enjoyment based and obligation based intrinsic motivation. Enjoyment based intrinsic motivation is focus on by his group (Frooman, 1997). It refers to satisfying a flow of activity (e.g. playing a game or reading a novel for pleasure). Secondly, dimensional obligation based on intrinsic motivation was introduced by Frooman (1997) conclusively, this form of intrinsic motivation has been the focus in three world-established strands of research namely: organizational citizenship behavior, organizational commitment and Lindenberg organizational legitimacy (Guillen, 1994).

Motivation through Benefits

It is generally accepted that all workers who devote their time worthy causes expect to be rewarded in some way for their contributions. Rewards as defined by Johnson (1987) are the material and psychological pay off for performing and satisfaction can be improved by properly administered rewards, (Drucker, 1974). From experiences abroad, Johnson (1987) was able to study rewards and performance of workers at the North Atlantic Trading Company (NATD). He find out that the gross earnings of the economy improved within three years from 2 million dollars to 4 million dollars. The improved earnings were due to improved reward system and also due to provision of suitable working conditions that made the job interesting. Specifically, cash bonus was given to workers in sufficient amount to encourage future performance.

Employee Benefits for Performance

Globally the evolution of workers' conditions across the globe show that the growth of employees' benefits has been rampant particularly since World War II and apparently no end is in sight. It will be recalled that the period of the 1920s labeled the "era of paternalism", saw a wide spread adoption of such benefits as organization housing and organization stores. The paternalistic approach fell into disrepute, supposedly as a result of employees' desire for "industrial adulthood". The depression of the 1930s also served to eliminate many employer-financed services. Since the World War II, we have entered the era of "new paternalism". The services of the 1920s pace are significant when compared with those of the present. The attitudes of both employees and the general public towards service programs have changed considerably. The tremendous amounts of social legislation of the 1930s, particular the Social Security Act, has led many to believe that the private firm is morally responsible for the lives of its employees. It is no longer a service initiated by a fatherly benevolent employer but a requirement imposed by a government, competition or the labour human (Guillen, 1994; and Porter, 1986).

And more so, "Fringes" can be construed to include all expenditure designed to benefit employees over and above regular base pay and direct variable compensation related to output. The major categories of such benefits

include:

i. ***Payment for time not worked:*** In this area it include paid rest periods, wash up time, cloths change time, get ready time, vacations, holidays, sick leaves, personal leaves. Voting time, jury duty, gratuity and pension. There appears to be no end to the innovative determination of new reason for not working for pay.

ii. ***Hazard protection:*** There are a certain number of hazards that must be commonly faced by all income maintenance during this period. However, the concern of fringes designed is to protect against the hazards of illness, injury, dept, unemployment, permanent disability, old age and death.

iii. ***Employee services:*** All people on a continuing basis require certain services include: health, housing, food, advice, recreation, transport etc. Organizations provision of such routine and ordinary services is exemplified by such fringe benefit programmers as cafeterias, paid legal services, career counseling educational institution and in housing, medical services, low-cost loans use of organizations. All vehicles for personal reasons, day-care center for children, and paid membership in certain private organizations.

iv. ***Legally required payment:*** To protect employees against the organization hazards of life, government normally decrees that regardless of company policy that certain levels of spending must be undertaken on old age, workers' insurances and Medicare.

In summary, the rapid growth of employee benefits can be traced to such sources as:

1. A changed employee attitude, 2. Label union demands, 3. Governmental requirements, 4. Competition that forces the other employers to attract and keep labour, 5. Periodic wage controls that freeze ways but permit the offering of services as substitute for wage increases.

It is interesting to note that high company income tax rate have also stimulated the offering of services, since they can be brought with cheaper francs. What should be the philosophy of the manager in the realm of employee services? In a private-enterprise economy, the basic building principle should be that no employee benefit should undertake unless there is some return to the organization that is at least equal to the cost. This is not to say that government should not have the right and the obligation to impose employee services upon a private company if societies feel that it is for the general interest and welfare. The manager must, however, make decisions in the area of freedom that is left, and the basic guide must be a comparison of costs of service with possible tangible and intangible returns to the company. The returns of employee benefits to the company can take various forms, many of which are not subject to quantifications, among the values cited are: More effective recruitment; improved morale and loyalty; lower turnover and absenteeism; good public relations; reduced influence of unions either present or potential and reduced threats of further governmental interventions. In general, the monetary return as form of employee benefits is almost impossible to measure. It is safe to regard the overwhelming majority of all employees' benefits as taken on faith rather than justification as cash rewards. The appropriate management philosophy should have an economic orientation modified by the influences of government and labour unions.

Methodology

The research design and methods of data collection employed for this investigation is primary and secondary data collection method. The primary data collection took the form of administration of questionnaire and personal interviews with staff of teaching services of the University of Buea (Ministry of Higher Education) Yaoundé. The questionnaires were structured to ensure accuracy and speedy response to questions that were closed-ended and open-ended. The major secondary data for this study were collected through intensive documentary research of relevant publications of the teaching staff or each service of the

University of Buea, as case under the Ministry of Higher Education (MINESUP) from MINESUP, the Ministry of Public Service and Administrative Reform and Ministry of Labour and Social Security Yaoundé. All the valid data collected were analyzed with the use of SPSS. The responses of the respondents from teaching staff/teaching service, University of Buea as a case, MINESUP were initially analyzed with simple percentage analysis. Structural Equation Modeling (SEM) was also used to examine statistically the employees' benefits on the motivation and productivity of workers. Recently, SEM has been extensively used for model testing. It is a powerful statistical tool that can examine the extent to which the model fits the data and the level of statistical significance of the hypothesized relationships. This model allowed for reciprocal causation among variables and correlated measurement errors (Joreskog and Sorbom, 1993). The "best fitting" model was used because it has surpassed all the goodness-of-it indices including the chi-square statistics. Again, the simple random sampling was used to have a fair representation of the population that is every member of the organization has an equal chance of being selected as part of the sampling. 200 respondents were randomly selected to be sample size for this current investigation.

Results and Discussions

This section of paper dwells on the presentation and analysis of the responses received from the respondents through the administration of questionnaires. The responses to the research questions are presented in various tables and grouped on the basis of simple percentages. Comparisons and deductions are then made from the answers obtained and then inferences are drawn. A total of 201 questionnaires were administered but only 151 valid responses were received and analyzed by the SPSS – Statistical Package for Social Sciences. This represents a response rate of 77 % of the administered questionnaires. It is important to measure the degree of non-responses to eliminate any source of bias within the sample. Some of the non-respondents were contented to ascertain the reasons for non-response. An analysis of the non-respondents suggests that bias is not a serious problem and does not invalidate the results.

The analysis from the investigation indicated that 91 (59.2%) of the respondents are male while the 61 (40.8%) of the respondents are female. This implies that from the research investigation, males are the majority. However, the analysis further revealed that the age bracket of the respondents vary significantly. 37 (25%) of the sample respondents were between 20-30 years; while 7 (3.9%) were above 51 years. About 67 (44.7%) of the respondents were between 31-40 years of age. About 40 (26.3%) respondents were between 41-50 years. The implication of the analysis is that about 72% of the respondents who responded to the discussion on effectiveness of employee benefits are between 31-50 years as drawn from the sampled population.

The investigation also revealed that 25 (15.8%) of the respondents are singles who are yet to marry. The majority of the unmarried respondents are employees who have recently joined the service as confirmed from the cross tabulation analysis. Majority of them have spent less than ten years in the University of Buea teaching service, 125 (81.6%) of the respondents are married. The cross tabulation analysis revealed that this set of people have spent more than ten years in the University of Buea. Majority of them started their career with the University of Buea and this gives them the opportunity to comment extensively on the employees benefit in the University of Buea teaching staff service. Only 5 (2.6%) the respondents are widow.

The result also revealed that 16 (10.5%) of the respondents, that work in the University of Buea, teaching staff service are from Planning Research and Statistics Department (PRS); while 31 (19.7%) of the respondents are from Personnel Finance and Supply Department (PTS). And 107 (69.7%) of the respondents are from Schools and Colleges (S&C). this department usually has highest

number of staff in the University service. Henceforth, the opinion of the respondents in the department is very important. The cross tabulation analysis from the SPSS result shows that majority of the respondents in the department are male.

The analysis also indicated that 15 (9.2%) of the respondents are O/A level certificate holders. The investigation further revealed this set of people as administrative workers who are in finance and supply department (PFS); and 40 (26.3%) of the sample population in the service possessed diplomas or certificates from colleges of the departments of education. However, 73 (47.4) of the respondent are HND/BSc/BA holders. Majority of the set of respondents are also in schools and colleges of departments. Only 11 (6.6%) of the respondents are PhD degree holders. The cross tabulation analysis shows that most of the degree holders' ages range between 44 and 50 years.

The length of service of the respondents in the teaching service of the University of Buea varied significantly. i.e. 59 (38.2%) of the respondents who filled the questionnaires and that are valid have sent less than five years in the teaching service of the University of Buea. More than 51 % of these categories of the respondents are voluntary teaching service (VTS) teachers. The opinion of the respondents cannot be overruled because they have been playing active role in their various place of their primary posting. 21 (13.2%) of the respondents have spent between 5-10 years in the teaching service of the University of Buea; while 12 (14.5%) have spent 16-20 years with the teaching service. Accordingly, research investigation, further revealed that 17 (21.1) of the sampled respondents have spent over 21 years in the teaching service of the University of Buea, the cross tabulation analysis as shown from SPSS result indicated that 98.7 of the respondents who have spent not less than 21 years are married. Their age also ranges between 41 and 51 years and above according to the sampled population under study.

The study also reveals that 41 (26.3%) of the respondents' monthly salary fall below 36,324 Frs. Furthermore, about 35 (22.4%) of the respondents' monthly salary is less than 24,680 Frs. The gross tabulation analysis from the SPSS output shows that the age bracket of the respondents whose monthly salary are below 24,680 Frs. fall between 21-40 years. The table further revealed that 40 (263%) of the respondents are between (24,680 – 36,342 Frs.) monthly salary brackets. However, the study also revealed that 26 (17.1%) respondents monthly salary are between 47,010 Frs. and above from the sample population.

The study also revealed that the position of respondents on the salary increase as a means of financial package to enhance productivity, 195 (69.7%) of the sampled respondents strongly agree that the increase in salary by the teaching staff and services of the University of Buea as a case under the Ministry of Higher Education will enhance the level of productivity by its employees. The respondents see financial incentives as a major means by which their efforts can be rewarded. More so, 39 (25%) of the respondents also agreed that financial incentives such as related to and includes increase in salary would motivate and increase the level of productivity of workers in the University. One can therefore, conclude that since about 95.7% of the respondents agreed and strongly agreed that increase in salary and related benefits motivation also enhance the level of productivity of employees. This area must be seriously considered and addressed by the management of the Ministry of Higher Education and the Ministry of the Public Service and Administrative Reforms in Cameroon.

However, 9 (5.3%) of the employee disagreed on the opinion of the employee that constitutes the minority. The analysis clearly indicated that the respondents would perform effectively and increase the level of productivity in their work if the teaching services/staff (Ministry of Higher Education) provides the conducive working environment to its employees. The proportion of employees sampled that strongly supported this position is 91 (60.5%) and about 47 (30.3%) of the

sampled respondents also agreed that conducive working environment will serve as a motivation and this will enhance the level of expected output or the level of productivity in the teaching sector (MINESUP); 11 (6.6%) of the respondents however, strongly disagreed that conducive working environment will stimulate employees to increase productivity.

That notwithstanding, the investigation also revealed that 75 (48.7%) and 73 (47.4% strongly agreed and agreed respectively that job satisfaction will serve as a means of motivation which will increase employees' productivity; meanwhile, 5 (2.6%) of the respondents did not make any decision; while 2 (1.3%) of the respondents disagreed that job security and job satisfaction as a means of increasing the productivity level of employees in the teaching services/staff (MINESUP). The implication of the analysis above shows that large percentage of the employees see job security and job satisfaction as a means of increasing the level of productivity in the teaching services/staff of the University of Buea as case of MINESUP.

The investigation also shows that 11 (6.6%) of the respondents who filled the questionnaire and whose opinions were valid strongly attested and agreed that the current compensation package by the Ministry of Higher Education (MINESUP) is an equitable and fair reward for employee effort. Meanwhile, another 55 (34.2%) of the respondents also agreed that the compensation by the Ministry of Higher Education (MINESUP) and Ministry of the Public Service and Administrative Reform is an equitable and fair reward for employees efforts. About 45 (30.3%) of the respondents disagreed and 29 (18.4%) of the respondents also disagreed that the compensation package by the Ministry of Higher Education on the teaching core or staff is inequitable fair reward for employees' efforts. Since about 49.7% of the sampled respondents did not affirm that the compensation package in the MINESUP is equitable and fair reward of the employees' efforts. This will have negative effects in the level of productivity by its staff. Henceforth, the Ministry of Higher Education (MINESUP) and the Ministry of Public Service and Administrative Reforms should adjust its compensation package appropriately to justify the employees' effort in order to enhance the productivity levels.

However, the paper further shows that 55 (34.2%) of the sampled respondents strongly agreed that the current teaching services/staff under the University of Buea (MINESUP) policies and salary structure have significant impact on employee's performance. More so, 77 (46.1%) of the respondents also agreed that the teaching services/staff policies have significant impact in the employees' performance. However, 19 (10.5%) of the employees who filled the questionnaires and whose options were valid disagreed. They did not support the current policies and salary structures. They see their performance as not influenced by the MINESUP policies and structure.

The investigation further revealed that 69 (44.7%) of the sample respondents said that in the past five years they were only promoted once. 25(15.8%) of the respondents said that they were just promoted twice. More so, 9 (3.9%) of the sample respondents said that in the last five years they did not enjoy any promotion. The composition of the last respondents was voluntary teaching service (VTS) teachers who were not absorbed by the MINESUP as there are aids from foreign governments and originations e.g. USAID, Commonwealth of Nation's contribution to higher education. This probably explained why they have not yet move from their current status. The implication of the above analysis is that the elevation activity in the MINESUP seems to be irregular. This must be adequately addressed by the administration because the best can easily be obtained from employees when they are promoted as at when due.

Test and Analysis of Hypothesis

The analysis and testing of the formulated hypothesis was based on Structural Equation Modeling (SEM) to examine statistically the employee benefits on the motivation and productivity of workers. Procedurally, it helps to find the “best fitting” model by the first

stage, establishing the "best fitting" measurement model, which then enters the second stage of testing the hypothesized structural model. The measurement model (or confirmatory factor model) specifies the relationships of the observed indicators to their posited underlying factors, while the structural model specifies the casual relationships among the latent variables as posited by the underlying theories (Segars and Grover, 1993). For computing the measurement and structural equations, LISREL (Linear Structural Relationships). The presentations are as follows:

Table 2: Goodness-of-it indices for the prior and revised measurement models (January – September 2014)

Measurement Model	Chi-square (x^2)	Df	x^2/df	AGFI	RMSR	NNFI	CFI
A priority	172 (p=0.01)	69	2.11	0.49	0.087	0.71	0.89
Revised	152 (p=0.13)	52	1.32	0.78	0.069	0.81	0.92
Recommended value for good fit	p⩾0.05	-	⊆2.9	⩾0.79	⊆0.10	⩾0.98	⩾0.89

Source: SPSS result output – Field work Research 2014

Notes: AGFI = Adjusted goodness of fit index, RMSR = Root mean square residual, NNFI = Non – normed fit index, CFI = Comparative fit index.

Table 3: Goodness-of-fit indices for individual variables in the revised measurement model (January – September 2014).

Measurement model	Chi-square (x^2)	df	AGFI	RMSR	NNFI
Conducive working environment	0.16 (P=0.84	2	1.00	0.008	1.00
Increase other forms of compensation package	2.14 (P=0.16)	2	0.83	0.031	0.92
Increase financial benefit	0.10 (P=0.95)	2	0.92	0.002	0.99
Range of benefit is satisfactorily	0.33 (P=0.73)	2	1.00	0.003	1.00
Increase employee benefit	0.42 (P=0.81)	2	0.94	0.009	0.99

Source: SPSS result output – Field Work Research 2014

Table 4: Correlations among latent variable

Variable	Likert Scale	Mean (m)	M/L	SD	1	2	3	4
Increase employee benefit	5 point	2.68	0.61	0.62	(0.89)	-	-	-
Range of benefit is satisfactorily	5 points	3.84	0.72	0.69	0.327*	(0.72)		-
Increase financial benefit	5 points	3.42	0.64	0.73	0.499*	0.149	0.79	-
Increase other forms of compensation package	5 points	3.51	0.72	0.61	0.589*	0.082	0.532*	(0.78)
Conducive working environment	5 points	3.41	0.64	0.95	0.411	0.077	0.071	0.534

Source: SPSS result output – Field Work Research 2014

Note: Numbers in parentheses on diagonal are coefficient alphas: n=152

M/L ratios make the comparison of variable meaningful. The higher the ratio's value, the more the respondents agreed on the extent of the variable's existence: P<0.01 (two tailed)

By the presentation of the Table 2 above, it shows the goodness-of-fit indices for this priori measurement model or the so-called "combined" measurement model. These indices suggested a moderate fit of the measurement model to the data collected from the staff of the University of Buea (MINESUP). As shown in linear structural relationship (LISREAL) output, some indicators had very positive standardized residuals.

The computation for the analysis was based upon a simultaneous regression of the endogenous variable in the structural model on the predicted antecedents. In the Table 5 below it shows the goodness-of-fit indices for the model. All these indices surpassed the recommended value, and indicated that the model had a very good fit to the collected data from respondents. (x^2/df = 1.32, AGFI = 0.78, RMSR = 0.069, NNFI = 0.81, CFI = 0.92) and attained a non significant chi-square statistics (P=0.05).

The results of the hypotheses structural model are shown in Table 4.21. The Strength of the relationships among the constructs was presented by their coefficients. The results further indicated that increasing financial package by compensation package by the teaching services/staff of the University of Buea under MINESUP. This is in support of H3i i.e. alternative hypothesis 3. Increase in financial package will motivate staff and increase the level of commitment of employees in service.

The analysis further indicates that benefits provided were not significantly related to the productivity. This result appeared to be consistent with previous discussion in the percentage analysis where respondents claimed that their efforts are inequitable to the benefit provided by the administration. About 61.9 percent of the respondents disagreed with the benefit provided by the University of Buea (the Ministry of Higher Education), and the Ministry of Public Service and Administrative Reforms, Yaoundé.

Table 5: Goodness-of-fit indices for hypothesized structural model (January – September 2014)

Model	**Chi-square (x^2)**	**df**	**x^2/df**	**AGFI**	**RMSR**	**NNFI**	**CFI**
Structural model	152.4 P=0.13	52	1.32	0.78	0.069	0.81	0.92
Recommended value for good fit	P⩾0.05	-	⊆ 2.9	⩾0.79	⊆0.10	⩾0.98	⩾0.89

Source: SPSS result output – Field Work Research 2014

Comparing the increase in employee benefits and the range of benefits provided by the teaching services/staff of the University of Buea under the Ministry of Higher Education. It shows that serious attention must be given to these areas because they are not significantly related to the performance (0.89 and 0.72).

The paper also reveals that increase in financial package by teaching services/staff in the University of Buea will increase the level of productivity (0.499*). The non-significant relationship between conducive working environment and productivity may not be explained by the current investigation. However, according to the correlation matrix in Table 4, increase in other forms of compensation package by the teaching services/staff of University of Buea (MINESUP) show significant relationship with productivity with r=0.532 P<0.01.

Summary and Conclusion

This research work has been undertaken in order to ascertain the effectiveness of employee benefits in work motivation and productivity using the University of Buea,

Buea (Ministry of Higher Education) as a case study. The aim of this study, which is based on the effectiveness of employee benefits, is too important in any place of work to be neglected to the status of operator or tactical planning. Employees benefit is concerned with employees' survival and long-term prosperity of the employee in the work place and sustaining the profession in the educational system.

One of the concern about employees benefits, as compensation management is the ability of organization to put into practice the policies devised in its name. This is not to claim that other aspects of compensation management are problem-free. Employees benefit is important and its method of administration to the employee welfare the present economic situation with particular reference to inflation and devaluation of the Francs CFA must have greatly affected the behavior of employees in the work place since the 1980s, 1990s and (1999 devaluation of currency) to date. One might safely postulate that employees might prefer increased financial incentives as they would require more money to buy the same quantity of goods they bought few years ago. Besides, it is equally important to have proper understanding of employee benefits to be applied to enhance productivity.

The future in the teaching service in MINESUP particularly in Cameroon requires a different type of management to take place and stand up to the challenge on the employee benefits problem. The management needs analytical skills, a logical mind for absorbing the strategic importance of employee benefits. The development and maintenance of continuous working relationships with employees depend on a number of variables such as salary, good working environment, adequate promotion as when due and other employee benefits. Sound and robust employee benefit is essential to the survival and success of any organization in the increasingly complex, hostile and competitive environment in which most of the organizations operate. The University of Buea under the Ministry of Higher Education is no exception.

An assessment of the various theories of motivation clearly shows that more than anything else they relate back to the concept of need. Henceforth, the teaching services in the University of Buea (MINESUP) must tailor its employee benefit according to the needs of its staff. In many work places, motivation still constitutes a great problem because it is very difficult to achieve. The main issues in motivating employees in the work place can be seen in the complex nature of motivation being an inner drive. Henceforth, the University of Buea, and MINESUP can best create the favorable environment for an effective implementation of workable employee benefits.

The importance of salary as a motivational factor cannot be over-emphasized as claimed by some of the respondents. This is because it occupies a conspicuous place in compensating and motivating the employees. Based on this fact, most employers of labour tend to pay a lot of attention to salary and other financial incentives in work motivation and productivity because it is easiest to manipulate. In spite of the fact that an employee benefit has been a subject of controversy, employer of labour in Cameroon must maintain an overall benefit structure that is equitable to employees' efforts if they achieve higher productivity.

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Justifying the Performance Improvement Paradigm using Strategic Management Hypothesis in Manufacturing Organizations

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pp 37-50

Abstract

This study interrogates the nexus between strategic management and the performance of manufacturing organizations using Dangote Cement Company Plc, Gboko plant as a pilot study. The study adopted the survey research design. A sample size of 270 employees was drawn from a total population of 820 employees currently in the services of the company. Data collected through the use of the questionnaire was analysed using descriptive statistics- mean and standard deviation. Also, multiple regression analysis was further employed in the test of the formulated hypotheses at 5% level of significance for a two tailed test. Findings from the analysis revealed a significant impact of strategic management dimensions of internal process driven and learning and growth strategy on the performance of Dangote Cement Plc. The study recommends the need for Dangote Cement Plc to continuously maintain, sustain and improve strategic management practices since it is an indispensable tool for driving the performance of manufacturing concerns. In addition, Dangote Cement should focus more on Balance Score card variables such as internal process perspective and learning and growth perspectives because they are central to performance and sustainable development of the Company.

Keywords: performance improvement, strategic management, hypothesis, paradigm

Introduction

The greatest concern of every organization is performance improvement for ultimate profitability. This craves make discussions on performance improvement among top executives of corporations a daily routine conversation with the intention of finding the best denominator for performance improvement. Ironically, these chief executives and other management teams tend to focus more on dimensions of cost, technology and marketing of the output of the organization than on the deployment of strategic management to drive both the internal and external processes and aligning every activity to the corporate vision of the organization. They forget that the competitive business environment has resulted into complexity and sophistication of business decision-making that requires strategic management. Managing various and multi-faceted internal activities is only part of the modern executive's responsibilities. The firm's immediate external environment poses a second set of challenging factors. To deal effectively with all that affects the ability of a company to grow profitably, executives need to design strategic management processes that they feel will facilitate the optimal positioning of the firm in its competitive environment. Strategic processes allow more accurate anticipation of environmental changes and improved preparedness for reacting to unexpected internal and competitive demands.

Porter (1985) argues that the essence of formulating comprehensive strategy is relating a company to its environment. Others opined that a clearly defined strategy will lead to enthusiasm among various stakeholders which includes shareholders, suppliers, creditors, customers, and employees and as a result promote commitment that will enhance better performance of business organization (Aremu, 2010). Strategic management permits the systematic management of change. It enables organization to purposefully mobilize resources towards a desired future.

In the globalization era, strategic management has been considered the most important practice which distinguishes organizations from each other. It is the key process of achieving organizational vision, strategy and objectives. All organizations whatever they are and whatever they do performs strategic management practices to insure that they fit within their environment (Sharabati &Fuqaha, 2014). It is also a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments (Nag, Hambrick, Chen 2007). It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. It is a level of managerial activity under setting goals and over tactics. It also provides overall direction to the enterprise and includes not only the management team but also the Board of Directors and other stakeholders of the organization for purposes of inducing performance.

The performance of organizations has been the focus of intensive research efforts in recent times. How well an organization implements its policies and programs and accomplishes its strategic intent in terms of its mission and vision is of paramount concern. Managers in both private and public organizations are becoming increasingly aware that a critical source of competitive advantage often comes from maintaining a continuous interface with the environment to spot opportunities in the external environment and developing appropriate strategy that will take advantage of such opportunities. This makes strategic management and indispensible instrument in driving performance or corporate success in today's business world. From the foregoing, and looking at today's trend, it is evident that the pace of change in our business environment presents fresh challenges that can only be handled effectively with strategic management.

Surprisingly, not many managers have realized the need for a paradigm shift from the

reliance on the old approach of using motivation, technology and cost concerns to catalyze performance to the unique hypothesis of utilizing the strategic management dimensions to drives internal processes and aligning same with external requirements. Studies in this area are also scanty thus creating a huge research gap that bag for more studies in the area of using strategic management to drive performance in manufacturing organizations. Beside these, no research work in my knowledge has targeted specifically to investigate the impact of the broad subject of strategic management on organizational growth and development in Nigeria. Existing studies in Nigeria, aimed at human resource development (in the case of Oladipo and Abdulkadir, 2010; Oladipo and Abdulkadir, 2011; & Abdulkadir, 2012) and strategic planning (like Ilesanmi, 2011 and Akinyele & Fasogbo, 2007). Of these studies in Nigeria, none assessed the impact of strategic management or planning on manufacturing sub-sector of the economy especially the cement sector. It is against this backdrop that this study is undertaken to determine the impact of strategic management on the performance of Dangote cement manufacturing company, Gboko Plant. The study sought to achieve the following specific objectives: To determine the effect of internal process driven strategies on the performance of Dangote Cement Plc, Gboko Plant and to examine the effect of learning and growth strategies on the performance of Dangote Cement Plc, Gboko Plant.

Conceptual Clarification

A cursory review of extant literature reveals that experts in the field of strategic management seem to vary in their opinion as to what constitute the main thrust in the discus or definition of strategic. Most definitions of this concept are influenced by the background, experiences, inclination, training and education of the person involved. It appears that there is neither clear cut definition nor agreement upon strategic management components. (2006) divided the strategic business basic components into vision, mission, values, objectives, and plans. Pathak (2009) considered strategic management as a stream of decisions and actions, which leads to the development of an effective strategy or strategies to help achieve corporate objectives in a competitive way. Dess, et. al. (2005) defined strategic management as consisting of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. That means focusing on the fundamental question: How should organizations compete in order to create competitive advantages in the marketplace? To Mackie (2008), strategic management refers to a set of processes comprising strategy formulation, strategy implementation, monitoring and control. The strategic management process is cyclical and ongoing. **Strategic Management** involved deploying a firm's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Adeleke, Ogundele andOyenuga, 2008). It is also a process that involves managers from all parts of the organization in the formulation and implementation of strategic goals and strategies. They defined strategy as a pattern of action and resource allocation designed to achieve the organizational goals (Thomas, bateman and Scottsnell (2000).

Convinced by the hypothesis that strategic management drives performance, Thompson and Strickland (2003) define it as the manager's tasks of crafting, implementing and executing company strategies. They viewed strategy as the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customer, and achieving good business performance.

Institute of Strategic Management, Nigeria (2010) sharing this view, define strategic management as an integrative process of management in which all managers of an organization engages in continuous rethinking and auditing of themselves, the organization and the environment, and in developing, implanting, implementing and controlling the organization's direction, strategies and programmes, aimed at effecting positive

changes, building competitive advantage and achieving all time successful performance. The importance of strategic management in a firm can be answered by analyzing relationship between strategic management and organizational performance. Moreover, Mahoney (2012) elaborated that strategic management addresses the organizational structure, resources and capabilities, and the strategic positioning of the organization to create, capture, and sustain competitive advantage.

In the current highly competitive market, it is essential to analyze, evaluate and manage the organization's strategy to improve organizations' performance. UNDP (2008) reported that in the absence of quantitative and qualitative follow up on emerging outcomes, informed decision making for strategic management becomes a challenge. The lack of an effective monitoring and evaluation system limits informed strategic management.

Pirtea, *et. al.* (2009) sharing the same opinion stated that strategic management is about the management of the total organization, in order to create the future. There is a very important relationship between strategic planning and performance management. Performance management is really about setting and achieving goals at the employee level, and identifying and fixing barriers related to achieving those goals. Serra and Ferreira (2010) said that the most important area of research in the discipline of strategic management lies in the understanding of performance differentials between firms. Collaborating this opinion, Hatif and Sadik (2012) said that the application and use of methods of strategic management by the companies lead to the achievement of several benefits and features for these companies, which assist it to achieve its goals and objectives and the performance of its functions in the strategic-range. Rhee and Mehra (2013) clarified that the close linkage between competitive strategy and functional strategic activities is assumed to be a precondition to the achievement of optimal business performance.

The debate about strategic management is not limited to its definition and its components, but it extended to how to measure, evaluate and manage it. Different models and methods have been used by different scholars, academicians and practitioners to measure, evaluate and manage strategic management practices and examine its influence on organizations' performance but majority of them are in agreement that strategic management is a performance driver and should be significantly emphasized and updated if an organization wishes to sustain performance.

Strategic Management Process

Strategic management is designed to effectively relate the organization to its environment. The environments include political, social, technological, and economic elements (Sharplin, 1985). Various strategic management models were introduced by Sharplin (1985), Greenley (1989), Certo and Peter (1991), Stahl and Grigsby (1992), David (1997), and also Hunger and Wheelen (2003). Even though it can be seen that each model of strategic management is different, the actions or activities that are involved are actually similar. Majority of authors have put strategy formulation, implementation of organizational strategy and strategic control focuses in their models. Planning strategy and environmental analysis phase are also important and most of the authors put this phase under formulation phase (Stahl and Grigsby, 1992; David, 1997).

Generally, strategic management process can be divided into three phases: David (1997) stated that strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeovers and whether to enter international markets or not. He also added that strategy formulation phase comprises development of a mission statement, identification of external opportunities and threats, determination of internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing the best strategy to be implemented. Second, is the implementation phase that initiates activities in accordance to strategic plans (Sharplin, 1985). This requires firms to establish objectives,

devise policies, motivate employees, and allocate resources to execute formulated strategies. Certo and Peter (1991) stated that without the effective strategy implementation, organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction, and formulating organizational strategy. Lastly, is the evaluation and control phase that requires information to be obtained on strategic performance and comparing it with existing standards (Certo and Peter, 1991). Abubakar et al (2011) opine that evaluation is also done by reviewing current strategies, measuring performance and taking corrective actions. Strategy evaluation is needed because success today is no guarantee of success tomorrow. Success always creates new and different problems; complacent organizations experience demise (David, 1997).

Organization Performance

One of the important questions in business has been why some organizations succeed and why others fail and this has influenced a study on the drivers of organizational performance (Iravo *et. al.,* 2013). Performance management and improvement is at the heart of strategic management because a lot of strategic thinking is geared towards defining and measuring performance (Nzuve and Nyaega 2012). The concept of organizational performance is core to businesses because the major objective of businesses is to make profits. Organizational performance is concerned with the overall productivity in an organization in terms of stock turnover, customers, profitability and market share. Fwaya (2006) views performance as a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee' morale and effectiveness. Awino (2011) asserts that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization.

Kiragu (2005) highlights performance in terms of four perspectives which are the financial, customer, internal processes and innovativeness. The financial perspective identifies the key financial drivers of enhancing performance which are profit margin, asset turnover, leverage, cash flow, and working capital (Odhuno and Wadongo, 2010). The customer focus describes performance in terms of brand image, customer satisfaction, customer retention and customer profitability. Internal processes involve the efficiency of all the systems in the organization while innovativeness is concerned with the ease with which a firm is able to adapt to changing conditions.

Odhiambo (2009) identified three approaches to performance in an organization which are the goal approach, which states that an organization pursues definite identifiable goals. This approach describes performance in terms of the attainment of these goals. The second approach is the systems resource approach which defines performance as a relationship between an organization and its environment. This concept defines performance according to an organization's ability to secure the limited and valued resources in the environment. The third approach is the process perspective which defines performance in terms of the behaviour of the human resource of an organization (Waiganjo *et. al.,* 2012).

This study adopt the system approach as it attempt to focus on internal processes relation to external opportunities in driving the performance of manufacturing using the strategic management hypothesis.

Empirical Review

This study review related studies on the subjects under investigation in order to aggregate research results relevant to the issues under consideration.

Olanipekun, *et. al,* (2015) examined the impact of strategic management on competitive advantage and organization performance in Nigerian bottling company using the resource based theory as its theoretical basis and utilizing primary data, it was found that the adoption and implementation of strategic management practices makes the organization not only to be

proactive to changes but also initiate positive changes that consequently leads to competitive advantage and sustainable performance.

Robert & Peter, (2012) *examined the relationship between strategic planning and firm performance giving attention to the strategic planning steps. The correlation analysis results indicate the existence of a strong relationship between strategic planning and firm performance. Further, all the strategic planning steps (defining firm's corporate purpose, scanning of business environment, identification of firm's strategic issues, strategy choice and setting up of implementation, evaluation and control systems) were found to be positively related to company performance.*

Afonina, (2015) investigated the current level of strategic management tools and techniques utilization as well as to explore and identify the impact of management tools on organizational performance in the Czech Republic. The research paper was based on a questionnaire survey obtained from the 91 companies. The study indicates that there is a positive significant relationship between management tools and techniques utilization and organizational performance.

Abdel and Saed, (2014) *investigated the effect of strategic management by using Balanced Scorecard (BSC elements) on Jordanian Pharmaceutical Manufacturing (JPM) organizations' performance. Practical data were collected from 13 companies out of 16 companies, by means of a questionnaire. The questionnaire was delivered to about 140 managers out of 250; descriptive statistics, t-test, ANOVA test, correlation, simple and multiple regressions were employed. The result of the study shows there was a significant implementation of the balanced scorecard variables among JPM Organizations, the learning and growth perspective rated highest average, followed by internal processes perspective, then financial perspective and customer perspective, respectively. Result also indicates that there is a high relationship among balanced scorecard variables and between balanced scorecard variables and JPM Organizations' performance was strong. The result of the simple regression and the multiple regressions analysis shows that strategic management (balanced scorecard elements) has a direct impact on Jordanian Pharmaceutical Manufacturing Organizations' performance. Finally, the result shows that the customer perspective has the highest effect on JPM organizations' performance, followed by internal processes perspective, then learning and growth perspective and financial perspective, respectively.*

Muogbo, (2013) investigated the impact of strategic management on organizational growth and development of selected manufacturing firms in Anambra State. 63 respondents selected from 21 manufacturing firms across the three senatorial zones of Anambra State were sampled (3 from each firm). The study used descriptive statistics (frequencies, mean, and percentages) to answer the four research questions posed for the study. Results from the analysis indicated that strategic management is not common among the manufacturing firms in Anambra State; that the adoption of strategic management has significant effect on competitiveness and also influences manufacturing firms; that strategic management has effect on employee's performance and that its adoption has significantly increased organizational productivity of manufacturing firms.

Moriam, Mukaila & Hannedat,(2015) conducted a study to assess the impact of internal and external strategic management (SM) variables on the performance of SMEs in order to enhance their sustainability. A research design used to collect data from owners/managers of SMEs was purposive sampling. A total of 420 out of 1611population of SMEs operators with the knowledge of strategic management in the North Central Zone of Nigeria completed the questionnaire. The findings revealed that the combined effect of internal and external variables of strategic management on SMEs performance (as represented by sales volume) was significant. The coefficient between SM and all independent variables showed that it is highly

significant (F-statistics is 7.1943 with prob = 0.0000). The study concluded that internal variables is found to be a driving force on performance than external variable of SM and therefore must be aggressively pursued by the managers of SMEs.

Akinyele & Fasogbon, (2010) examined the impact of strategic planning on organizational performance and survival. The main objective of this study was to re-evaluate the planning-performance relationship in organization and determine the extent to which strategic planning affects performance in First Bank of Nigeria, Plc (FEN). A survey technique was used with the administration of questionnaires to 100 respondents (of which 80 was retrieved) comprising of both the senior and junior staff in various First bank branches in Lagos metropolis. The result shows that Strategic planning enhances better organizational performance, which in the long run has impact on its survival and that strategic planning intensity is determined by managerial, environmental and organizational factors.

Garad, (2015) sought to investigate the relationship between strategic management and organizational performance in Mogadishu. Emphasis was put on trying to establish the relationship between strategic management and organizational performance in Mogadishu- Somalia. The study employed the use of both descriptive and correlation research design to establish the nature of the relationships. The findings revealed the existence of statistically significant positive relationship between strategic management and organizational performance,

Askarany and Yazdifar (2012), investigating the diffusion of six proposed strategic management tools of the past few decades through the lens of organizational change theory, examined the relationship between the adoption of these techniques and organizational performance in both manufacturing and non-manufacturing organizations in New Zealand. The findings suggest a significant association between the diffusion of these relatively new strategic management tools and organizational performance.

Methodology

Hypotheses

Ho_1: Internal process driven strategies do not have significant effects on the performance of Dangote Cement Plc, Gboko Plant.

Ho_2: Learning and growth strategies do not have significant effects on the performance of Dangote Cement Plc, Gboko Plant?

The study adopted the survey research design approach to source primary data from the employees of Dangote Cement Plc, Gboko Plant. The study drew a sample of 270 respondents from the 820 employees of the company using Yamane;s formula for sample size determination. The data for the study was sourced using questionnaire. The questionnaire was structured in two sections: *Section **A*** captures the demographic variables while *Section **B*** derives it content from the objectives of the study. The questionnaire was structured in 5-point Likert-scale as shown thus: SA-5 (Strongly Agree), A-4 (Agree), U-3 (Undecided) D-2 (Disagree and SD-1 (Strongly Disagree).

In order to ensure the internal reliability and validity of the data and the instrument used, the Cronbach's alpha was computed using SPSS version 20. The value of Cronbach's Alpha in respect to internal process driven strategies and learning and growth strategies stood at 0.952. This value is above the standard value 0.70 proposed by Nunnally, (1978). This indicates that our data and instrument are reliable.

Data analysis was done using multiple regressions to determine the effect of the independent variables (strategic management surrogates) on the dependent variable (Performance). The choice of simple linear regression is because it minimizes the error sum of squares and has a number of advantages such as unbiasedness, consistency, minimum variance and efficiency. Data analysis was done using the Statistical Package for Social Science (SPSS) version 20.0, a computer programme.

Model Specification

The study formulates the following multiple regression model to guide the researcher in the investigation.

Performance = f(Strategic Management) **-------eqn1**

Equation 1 above is transformed into the following variables to form the model of the study.

$$PERF = \alpha_0 + \beta_1 FS + \beta_2 CFS + \beta_3 IPS + \beta_4 LGS + u \text{-------------------------eqn2}$$

Where;

PERF = performance
FS = financial strategy
CFS = customers-focused strategy
IPS = Internal processes driven strategy
LGS = learning and growth strategy
'α' = Alpha, a Greek small letter representing constant variable.
$\beta_1 - \beta_3$ = Beta, a Greek letter representing the model coefficients
u = is the stochastic variable representing the error term which is given at 0.05 level of significance for a two tail test.

Decision Rule

Reject the null hypothesis and accept the alternative if the beta coefficients are significant at 5%, otherwise accept the null hypothesis.

Data Analysis

Objective one*: To determine the effect of internal process driven strategies on the performance of Dangote Cement Plc.*

Table 1 Descriptive Statistics for Internal Process driven strategy and Performance

Items	N	Mean	Std. Deviation
The embark on regular systems upgrade and development	245	4.2000	.72202
There is clear strategic goals alignment with processes	245	3.9184	1.23535
The company has build competent employees	245	4.2612	.94366
There is multisource of data for decision making	245	4.1551	.72459
Effective internal processes aim at creating competitive advantages	245	4.4163	.91332
Internal processes aim to reduce cost	245	4.4735	.79207
There is constant production processes development	245	4.0980	1.19365
Grand Mean	**245**	**3.6903**	**0.8156**

Source: Field survey, 2017

Table 1 shows that the means of the respondents' perception about internal process strategy and performance variable items ranging from 3.92 to 4.47 with a standard deviation ranging from 0.722 to 1.24. This result indicates that there is varied agreement among respondents on internal process strategy and performance of Dangote Cement Plc. The result in table1 further shows a grand mean of 3.69 and standard deviation of 0.82 which is above the threshold mean of 3.0 thus, indicating that there is a significant effect of internal process strategy on the performance of Dangote Cement Plc.

Objective two: *To study the effect of learning and growth strategies on the performance of Dangote Cement Plc*

Table 4.5: Descriptive Statistics for Learning and Growth strategy on performance

	N	Mean	Std. Deviation
Suitable training programs	245	4.3673	.81215
Development of innovation capabilities	245	4.4122	.93072
Provides innovative problem solving solutions	245	3.8694	.99963
Provides creative ideas to improve performance	245	4.3429	.91257
Sustained concern about adding value to employees	245	4.4163	.85779
The usage of the latest technology for research and development	245	4.2245	.77527
Interest in experience development via experience curve	245	4.4204	.79367
The company has employees with suitable experience	245	4.1714	.97257
Grand Mean	**245**	**3.8027**	**.7838**

Source: Field survey, 2017

Table 2 shows that the means of the respondents' perception about learning and growth strategy and performance variable items ranging from 3.87 to 4.42 with a standard deviation ranging from 0.78 to 1.00. This result indicates that there is varied agreement among respondents on learning and growth strategy and performance of Dangote Cement Plc. The result in table 2 further shows a grand mean of 3.80 and standard deviation of 0.78 which is above the threshold mean of 3.0 thus, indicating that there is a significant effect of learning and growth perspective on the performance of Dangote Cement Plc.

Regression Results

Multiple regression analysis was the main tool used for data analysis in this study. Regression analysis shows how one variable relates with another. The result of the regression is hereby presented in this subsection of the study.

Table 3 : 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	.989 [a]	.977	.977	.89052	.977	2591.943	4	240	.000	.190

a. Predictors: (Constant), IPS , LGS

b. Dependent Variable: PERF

***Source:** Researchers' Computation Using SPSS Version 20 Output*

Table 3 above presents the model summary of the predictor variables (IPS & LGS) regressed with the dependent variable (PERF). The results of the computed statistics are explained in the subsequent paragraphs.

The model reflects an R value of 0.989. This indicates that, there is a strong relationship between the dependent variable (PERF) and independent variables (IPS & LGS).

Also the coefficient of determination otherwise known as the R^2 was estimated at 0.977. The R^2 measures the percentage of the total change in the dependent variable: performance (PERF) that can be explained by the independent variable: strategic management (IPS & LGS): Thus an R^2 value of 0.967 indicates that, the predictor variables (strategic management surrogates) accounts for 97.7% of the total variation in the performance of Dangote Plc. while the remaining 2.3% (i.e. 100-97.7) of the variation could be explained by other variables not included in this study.

The adjusted R^2 of 0.989 or 98.9% indicates that if the entire population is considered for this study, this result will deviate from it by only 1.2% (i.e. 98.9% – 97.7%). This result is therefore considered valid since the difference between the population and the result is insignificant.

The F-statistics is also estimated at 2592. This indicates that the predictor variable was as a whole contributing to the variation in the dependent variable and that there exist a statistically significant relationship at 0.000. This further implies that the overall equation is significant at 0.0% which is below the 5% generally acceptable level of significant in social sciences.

Table 4: Model coefficient Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-.323	.341		-.948	.344	-.995	.348
	FS	1.246	.149	.195	8.360	.000	.952	1.540
	CFS	.414	.075	.396	5.499	.000	.266	.562
	IPS	.178	.075	.183	2.383	.018	.031	.325
	LGS	.203	.074	.232	2.757	.006	.058	.348

a. Dependent Variable: PERF

Source: *Researcher's Computation using SPSS Version, 20*

The model coefficient result as presented in table 4 above to determine the effect of strategic management surrogates (IPS & LGS) on the performance of Dangote Cement plc. The result shows that when strategic management surrogates are not factors to be considered; (performance of Dangote is estimated at -.323. This simply implies that when all variables are held constant, there will be an insignificant decrease in the performance of Dangote cement up to the tune of -0.323 units occasioned by factors not incorporated in this study.

However, internal process driven strategy revealed a beta coefficient of 0.183. This thus indicates that a unit change in internal process driven strategy will lead to a significant improvement in the performance of Dangote Cement by 0.183 units.

Finally, in respect to growth and learning strategy, the results in table 4 revealed a beta coefficient of 0.232. This thus indicates that a unit change in growth and learning strategy will lead to a significant improvement in the performance of Dangote Cement by 0.232 units.

Test of Hypotheses

Ho_1: Internal processes driven strategy does not have significant effect on the performance of Dangote Cement Plc.

Given that the standardized beta coefficient is .183with a significant value of 0.018 (see table 4.7) which is less than the 5% level of significance for a two tail test. The study therefore rejects the null hypothesis and accepts the alternative hypothesis and thus concludes that there a significant effect of internal processes perspective on the performance of Dangote Cement Plc.

Ho_2: Learning and growth strategy does not have a significant effect on the performance of Dangote Cement Plc?

Given that the standardized beta coefficient is .232with a significant value of 0.006 (see table 4.7) which is less than the 5% level of significance for a two tail test. The study therefore rejects the null hypothesis and accepts the alternative hypothesis and thus concludes that learning and growth have significant effect on the performance of Dangote Cement Plc.

Discussion of Findings

In test of hypothesis one of the study, the

result shows that internal process driven strategy via the building of internal competences through the integration of structure, people and processes to strengthen the capabilities of the company to remain an industry leader significantly impact on the performance of Dangote Cement Plc., since standardized beta coefficient is 2.383with a significant value of 0.018, which is less than the level of significance at 0.05. The study therefore rejects the null hypothesis at 0.05 and concludes that internal process driven strategy have significant impact on the performance of Dangote Cement Plc.

Finally, in the test of the hypothesis two of the study which seeks to investigate the effect of learning and growth strategy on the performance of Dangote Cement Plc the SPSS result revealed a standardized beta coefficient is 2.757 with a significant value of 0.006which is less than the 5% level of significance. The study therefore accepts the alternative hypothesis at 0.05 and concludes that learning and growth strategy such as the internal capacity development policy of the company that built highly technical and skillful employees to cope with changes in the external environment has improve performance in the company, thus it has a significant effect of on the performance of Dangote Cement Plc. These findings are consistent with the findings of Abdel and Saed, 2014 who *investigated the effect of strategic management by using Balanced Scorecard (financial perspective, customer perspective, internal process perspective and learning and growth perspective) and found from the result of the multiple regressions analysis that strategic management (balanced scorecard elements) has a direct impact on Jordanian Pharmaceutical Manufacturing Organizations' business performance.*

This findings also corroborates findings of Olanipekun, et.al, (2015) who also examined the impact of strategic management on competitive advantage and organization performance in Nigerian bottling company and conclude that the adoption and implementation of strategic management practices makes the organization not only to be proactive to changes but also initiate positive changes that consequently leads to competitive advantage and sustainable performance.

Conclusion and Recommendations

Based on the findings of the study, the researcher conclude that strategic management through using the hypothesis of internal process perspectives and learning and growth perspectives significantly impact on the performance of manufacturing organizations in Nigeria.

Arising from the findings of this study, the following recommendations become imperative.

i. Dangote Cement Plc should continuously maintain, sustain and improve strategic management practices since it is an indispensable tool for business organization performance.
ii. Dangote Cement should focus more on the dimension of internal process strategy and learning and growth strategy because they are central to performance and sustainable development of the Company.
iii. Entrepreneurial centres and business schools in Nigeria should incorporate strategic management principles into their curricula. This will engender sound managerial know-how among Nigerian managers who seeks knowledge and technical know-how from such institutions so that they will be equipped with relevant strategic management skills that will help them to boost the performance and competiveness of their firms in Nigeria.

Manufacturing organizations should provide good and regular strategic management training platform for their employees so that they will learn the emerging kills of maintaining a continuous interface with the external environment to spot opportunities and also knowing how to proactively respond to take advantage of such opportunities.

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Exploring the Adequacy of Leadership in Facilitating and Effecting Change

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Abstract

Change does not come so easily because it goes beyond changing organisational structure, styles, systems, strategies, shared values and skills. It entails changing the people in the organisation (staff) if the process will be successful. As such, change is a process and as a matter of urgency needs to be managed and planned for long before it takes place. Failing to plan for change is planning to fail or go into extinction as a business or organisation. Notably, the success and sustainability of a business more and more depends on ability to get people to follow the leader willingly not because they are forced to but because they want to. Conventionally, leadership is a sine qua non to effective change management. Methodically, this study is based on qualitative review of related literature in order to elucidate how leadership type can foster, facilitate or frustrate change process. Thus, this study focused on change process, types of change, Kotter's 8-step process model for leading change; change management, and types of leaders/leadership for facilitating change.

Keywords: Change, change management, leaders, leadership, Kotter's 8-step change model

Introduction

Change is inevitable and ubiquitous in every facets of life and is a part of organisation's life. Antiques have records of transformations caused by change from one generation to another. These transformations chronicled could be traceable to the ability to effectively manage and exploit change situations in every generation. The spur for change and information needed to bring about change is embedded in the environment. Notably, today's environment is turbulent, and organisation's need to shift direction quickly to keep pace (Mayo & Nohira, 2005). This is achievable if the organisation has a person(s) with requisite competences to effectively and efficiently to move it in the right direction. Superlatively, we are living in an era where leadership is needed more than ever (Daft and Marcic, 2009). Consequently, one of the critical and possibly fundamental roles of leadership is managing change (Azziz, 2013). Nonetheless, effective strategic leaders understand that change in the strategic environment is a continuous processand is about survival, as the environment keeps changing and advancing (Ezigbo, 2011). As such, organisations wishing to prosper and sustain competiveness in volatile, indeterminate, complex and ambiguous situations require proper understanding of the environment and leadership competencies required to make people to willingly follow the leader. Substantially, effective implementation and management of change can be compartmentalized into individual, group and organisational levels.

Ajmal *et al* (2013) suggested that at every level of change, leadership plays different roles; asserting further that it is vital duty of a leader to manage people and make their effort to be at the best in favour of change for an organisation. However, Lepsinger (2015) opined that one of the most important roles for any leader managing change is to facilitate change readiness among the employees. In Stagl's opinion, Successful organisational change depends on leaders – managers and bosses who have direct authority with people going through the change – to support and execute change in their span of influence (Stagl, 2011). Ideally, effective leaders are expected to concede to the fact that their support is vital to successful implement of change situations and should be committed to contribute their part. Thornton (2013) argued that effective leaders believe that individuals, organisations, and even nations possess undiscovered talents and untapped resources. Hence, they seek to unleash the full potential of their followers, so they can reach higher and go farther than they previously thought possible. Consequently, since change is pervasive and a necessity, it is apposite to explore how leader/leadership type can aid to foster and facilitate change for the sustainability of the organisation and the wider society at large. Thus, this study aims to: ascertain whether leadership has a role to play in facilitating and effecting change; explore how leader/leadership type can aid to foster and facilitate change and; ascertain adequacy of type of leader/leadership in facilitating and effecting.

Review of Related Literature

Heraclitus of Ephesus (500BC) is said to have made the assertion that “life is flux” (PantaRhei in Greek- meaning everything or all things change (Mark, 2010). Change is a constant. It does not just happen by making people think differently, rather, it happens by making people feel differently (Kotter, 2012a). Change has remained a constant from generation to generation and the resultant effects are seen in all facets of life. Thus, change is pervasive in our society (Ezigbo, 2011); a fact of life for organisation and its members (Leana & Barry, 2000, Ezigbo, 2011) with employees facing greater changes at a more rapid pace than ever before (Wanberg & Banas, 2000, Dawson, 2011) and often happen quickly, before organisation and its members at different level can mentally prepare for it (Covi, 2016). However, managers as well as leaders at all level needs to adopt strategies to cope with change (Fugate *et al* 2008).

It is important at this juncture to note that Change is necessitated by a lot of factors. Some of the factors are internally motivated while

some are from the external environment (Ezigbo, 2011). Organisation's internal environment refers to activities, employees, events, factors, systems, structures and conditions inside the organisation which are under the control of the organisation, while external environment are factors that are beyond the control of the organisation such as changes in government and government policies, customers, competition, the economy, technology, political and social conditions, both natural and artificial resources and disasters. Moreover, the vulnerability of the workplace environment calls for adopting proactive measures to handle the prevailing and unforeseen circumstances. A top-bottom and a bottom-top perspective of change management will not be out of place. (Ezigbo, 2011) argued that a part of strategic leadership is being able to understand when an environmental change implies a need for organisational change or not.

Moreover, Organisational change is both the process in which an organisation changes its structure, strategies, operational methods, technologies, and organisational culture to affect change within the organisation and the effects of these changes on the organisation (*Grimsley, 2015*). Invariably, organisational change is multifaceted (Ajmai et al, 2013): it can be continuous or occur for distinct periods of time (*Grimsley, 2015*) and therefore should be strategically managed by identifying and entrenching those changes that tends towards an organisation long term survival. Being a long time project, adequate plan need to be put in place to cushion the effects of negative consequences that might arise in a change situation. As a leader, onus lies on you to help the management build a bridge across the deep ocean of change that will take the organisation from its current state to future or desire state.

Types of change

The first step to take in managing change is to determine the type of change, irrespective of the magnitude of the change. Mehane and Ginow (2000) proposed two types of change, viz. incremental and quantum change whereas Ackerman (1997), McPheat (2009) three types of change namely, developmental, transitional and transformational Change. Meanwhile, Dowdell (2016) categorized change into four, as follows: anticipatory, reactive, incremental and strategic changes. Some of these changes are planned for while others are not. However, once an organisation is committed to planned change, they need to create a logical step-by step approach in order to accomplish the objectives (Benowitz, 2001). **Chand (2015) submitted a 6-step model for planned change or innovation in business process. There are: perceiving an opportunity or a problem. Chand (2015) in citing Peter Drucker said that** one reason why managers are not innovative is that they have a tendency to focus on immediate problems and to ignore opportunities. Organisations that want to maintain a competitive edge look ahead for opportunities, and deal with both current problems and anticipate threats and problems to the organisation. The next step is to diagnose the situation and generate ideas. This will lead to the next step whereby proposal for adopting change is presented. Then the fourth stage will be to plan on how to overcome resistance. Fifth stage is implementation and the final step will be monitoring and evaluation. In addition, we summarized Benowitz (2001) eight steps to effectively plan for change. The first step is recognition of the need for change after which is the development of the goals of the change. Select a change agent who is the person that takes leadership responsibility to implement planned change. Diagnose the current climate: this stage requires the change agent to set out to gather adequate data about the climate of the organisation in order to help employees prepare for change. This is followed by selection of implementation method. The next step is about development of a plan which involves putting together the plan or the information about what is to be done, when, where, and how of plan. Implementation of the plan follows and the last step is, evaluation and follow up.

Incremental changes

Incremental change is an evolutionary approach to change in which existing

organisational conditions fine-tuned and small steps are taken toward change effort objectives (Ezigbo, 2011). These are small changes (as a part of the bigger picture) made within the internal structure and implemented to ensure organisational goals are met (Dowdell, 2016). Incremental change is gradual, progressive and there is time to adjust and adapt to change. However, incremental change may pose inadequate in a turbulent environment.

Quantum changes

Quantum change on the hand is revolutionary, sudden and dramatic. It may not give management and members of an enough time to adapt to new situation. Example is in an extreme turbulent environment in which an organisation creates a totally different configuration of systems and structures.

Anticipatory changes

These are prophylactic in nature. There are planned changes implemented to handle anticipated situations. Anticipatory changes are often the easiest changes to implement, given the time allowed in advance to form prepared responses to any issues that may arise from these changes (Dowdell, 2016). For instance, it will be easier to prepare explanations as to why changes are necessary, if there is a foreknowledge that planned changes may be seen in a deleterious light by those impacted. In reality, things may not go as planned due to unforeseen circumstances that may pose serious impediments in achieving desired change effect.

Reactive changes

Reactive changes are unplanned changes implemented to handle unexpected situations (i.e., business closings due to natural or man-made disaster). Reactive changes are often difficult to implement, especially if a "just in case" workflow is not already in place for unexpected situations that arise (Dowdell, 2016). For example, a media house head office that was bombed by insurgents. It requires changes to be made as a result of the unforeseen circumstances.

Strategic changes

Strategic changes involve the overall revamping of the direction of the organisation in terms of their goals, mission, purpose and strategy. According to this type of change it would normally be the result of a decision from upper-level management. Changes in consumer taste or technology can make an organisation have a rethink of its fundamental approach to business.

Developmental change

Developmental changes are those you make to improve current organisational processes. For example, computerisation of staff records, or updating payroll services from manual to e- payment or making payments through banks and sending the tellers to the accounts department who converts it to receipt.

Transitional change

Transitional changes are made to replace existing procedures with new procedures. For example the recent call to digitalize the media; creation of new product and services, organisational restructuring.

Transformational change

Transformational changes are those made to absolutely remodel organisational strategy and processes, which alter the organisation's culture. These changes may be a response to extreme or unexpected changes from external or internal environment. If not properly handled, might produce fear, distrust and insecurity in employees.

Change Process

In Armstrong & Taylor's opinion, the change process starts with an awareness of the need for change (Armstrong &Taylor, 2014). Furtherance to this, is analysing the situation and the factors that have created which invariably leads to a diagnosis of their distinctive characteristics and an indication of the direction in which action needs to be taken. Then, the identification and evaluation of the possible courses of action and a choice made of the preferred action. However, in this discourse, we will focus on kotter's 8 step

process change model.

Kotter's 8 Step Process Model for Leading Change

Kotter (2014) made some modifications of the original change model he developed in the mid 90's. He posited that this is necessary in areas where high risk change; speed, agility and innovation are required to deal with threats or take advantage of opportunities. He called the 8-step process 8 accelerators. They are:

1. **Create a Sense of Urgency**

Develop a sense of urgency around the need for change to avoid complacency. If majority of the people perceive the need for change to happen, it becomes easier. This was seen in the 2015 Nigeria's election were people talked so much about the need to change, it created a state of urgency where all people could hear, see or think about was the need to change. Kotter suggests that for change to be successful, 75 per cent of a company's management needs to "buy into" the change. In other words, you have to work really hard on Step 1, and spend significant time and energy building urgency, before moving onto the next steps.

2. **Build a Guiding Coalition**

Having inculcated and created the urgency concerning change the next step is to convince people that change is necessary. The Guiding Coalition according to Kotteris central to the network and consists of volunteers representing all levels, departments and skills in the hierarchy; to him all members are equal. This often takes strong leadership and visible support from key people within your organisation. Managing change isn't enough – you have to lead it (Kotter & Cohen, 2002; Kotter, 2007, 2012 a, b; Lepsinger; 2015). Having formed the coalition, there is need to work as a team, continuing to build urgency and momentum around the need for change (Kotter, 2012a, Kotter & Cohen, 2012).

3. **Form a Strategic Vision and Initiatives**

There is need to have a clear vision of future possibilities which can help everyone understand why you're asking them to do something. In Kotter's opinion, the vision statement is created and is focused on capitalizing on the identified big opportunity. It appeals to people's emotions and sets out strategic initiatives to achieve that vision. Inadequate vision is like the blind leading another blind. It is necessary to create a vision for change because from the moment you start thinking about change, a lot of ideas and solution start beclouding your mind. The leader has to convince his followers that he/she knows where he/she is going, then, they will follow.

4. **Enlist a Volunteer Army**

Kotter argues that it is the Guiding Coalition's responsibility to communicate the vision and the strategy in such a way that employees buy into the message, commit to it, and feel motivated to volunteer to be a part of the change. This step is very crucial. A vision not communicated lies in the prison of potential energy. It receives kinetic energy when it is communicated. The success of a vision lies on what you do after creating it. Bear it at the back of your mind that people are not soothsayers or mind readers to extrapolate the vision in your mind. Consequently, the success of the vision is determined by what you do the vision you created. Usurp every slight opportunity to talk about the vision. You can put a draft at notices, try solving problems and making decision using your vision, you can share it out to individuals or group/team heads and ask for their response.

5. **Enable Action by Removing Barriers**

To enable action, you have to remove obstacles. Technically, field force analysis can be used to identify the driving forces and resistant forces. You may put structures for change in place and from time to time check for obstacles. Eradicating obstacles can empower the people you need to execute your vision, and it can help the change move forward.

6. **Generate Short Term Wins**

An adage says that success has many brothers. It also said that the taste of the

pudding is in the eating. A taste of victory early in the change process will encourage people. Short of this, is a sure way to empower critics and negative thinkers that might hamper your progress. You can create "rolling targets" that is over lapping targets which will ensure that as one milestone is accomplished, part of the success will link to a new target. As the short term wins keep rolling, in a long run a lot would have been achieved. You can start your targets from known to unknown. The Guiding Coalition has to celebrate and communicate noticeable and substantial short term wins in order to stimulate motivation and confirm that decisions and actions are benefiting the organization.

7. **Sustain Acceleration**

Kotter claims that many change projects fail because victory is declared too early. Instead of focusing on short term victory, be assured that real change is not at the periphery but runs deep. Quick wins should be regarded as the beginning of what needs to be done to achieve long-term change. Kotter's slogan is "Never let up. Keep learning from experience. Don't declare victory too soon" (Kotter, 2012).

8. **Institute Change**

Finally, change needs to be integrated into the organization and to make any change stick, it should become part of the core of your organisation. Your corporate culture often determines what gets done, so the values behind your vision must show in day-to-day work. Make continuous efforts to ensure that the change is seen in every aspect of your organisation. This will help give that change a solid place in your organisation's culture.

Concept of Change Management?

Armstrong and Taylor (2014) defined change management as the process of planning and introducing change systematically, taking into account the likelihood of it being resisted. It is also defined as a structured approach to transitioning individuals, teams, and organisations from a current state to a desired future state, to fulfil or implement a vision and strategy; and can be regarded as an organisational process aimed at empowering employees to accept and embrace changes in their current environment. There are several different streams of thought that have shaped the practice of change management (Change Management Guide, 2011). The Society for Human Resources Management, Change Management Survey Report (2007) defined Change management as the formal process for organisational change, including a systematic approach and application of knowledge. Change management means defining and adopting corporate strategies, structures, procedures, and technologies to deal with change stemming from internal and external conditions. Remarkably, change management is crucial area where managers need to pay particular attention to ensure competitive edge and sustainability. Change management will be the core competency of the business leaders in twenty-first century (Ajmal et al, 2013). Moreover, Ezigbo (2011) proposed that a strategic leader must consciously develop and maintain a variety of information and power network; be able to identify and select the type of change; select the right metaphor, create vision, expand the target audience, gather and broaden the power base, alert the organisation by describing the emerging vision, communicate the vision, create a sense of urgency, manage the planning and execution processes, empower others to act on the vision, plan for and create short term wins, plan to overcome resistance, consolidate improvements and institutionalize change.

Leader- A Change Agent

A change agent is a person who acts as an initiator of change (Hassan, 2009), while a leader is someone who has the ability to motivate and inspire his/her subordinates to apply their full capabilities in order to achieve stated groups or organisational goals and objectives willingly and without coercion. A leader refers to a person empowered with certain authorities to motivate or control a group by directing and organizing them towards accomplishing a specific task or objective. The vision and mission of the organisation is clear to a leader, if s/he is the

type that leads by example. Leadership as posited by Yulk's (2006), is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individuals and collective efforts to accomplish shared objectives. Armstrong and Taylor (2014) argued that one of the main skills needed by a leader or manager is the ability to analyse and read situations and be able to establish order and clarity in situations of ambiguity. Gold *et al* (2010) avowed that: Leadership demands a sense of purpose, and an ability to influence others, interpret situations, negotiate and express their views, often in the face of opposition. The change process will take place more smoothly with the help of credible internal or external change agents – people who help to manage change by providing advice and support on its introduction and management (Armstron & Taylor, 2014). Caldwell (2003) defined a change agent as 'an internal or external individual or team responsible for initiating, sponsoring, managing and implementing a specific change initiative or complete change programme'. Alfes*et al* (2010) postulated that change agents establish what is required, involve people in planning and managing change, advice on how change should be implemented and communicate to people the implications of change.

Role of a Leader in Facilitating Change

Facilitating change is about doing all it takes to make it happen. An observation made by Hamlin and Davies (2001) shows that, one of the major challenges facing Human Resource 'is how to help people through the transitions of change, and how to survive in working conditions that are in a constant state of flux. Ulrich (1997) emphasized that one of the key roles of Human Resource (HR) professionals is to act as change agents, but it is a difficult role to play. Possibly, as Thornhill *et al* (2000) observed, the main contribution HR may make is to generate and support change where a core feature is the development and alignment of HRM practices such as culture management, performance management, learning and development, reward management and employee relations. It is important to note at this point that it is necessary for a leader to understand how the process works if s/he is to effectively succeed in implementing change. As Armstrong and Taylor (2014) puts it, it is important to bear in mind that while those leading change need to be constant about ends, they have to be flexible about means. That means the need to understand and acknowledge the fact that there is a means or a path they need to follow to the reach the ends (result). This is where the understanding of change models, factors that could generate resistance and those that driving force to achieve change come in. This will better equip them in facilitating change.

Types of Leaders/leadership

Leadership as stated by Carnegie (2008) drives business results by aligning the vision, mission and values to enhance business value. It is able to enlist the willing cooperation of others, while tapping into their highest skills, and abilities to achieve the desired result. Thornton (2013) argued that effective leaders believe that individuals, organisations, and even nations possess undiscovered talents and untapped resources. Hence, they seek to unleash the full potential of their followers, so they can reach higher and go farther than they previously thought possible. Thornton (2013), suggested four types of leaders namely: Thought, Courageous, Inspirational and servant leaders. Bradt (2014) described three types of leader which he classified as Artist, scientific and interpersonal leaders. Others are Transactional, Transformational, Visionary, inspirational and Charismatic leaders

Thought Leaders

Thought leaders as postulated by Thornton (2013), harness the power of ideas to actualize change. He further reiterated that they stretch their followers by helping them envision new possibilities. He cited Oliver Wendell Holmes as saying, "The human mind once stretched to a new idea never goes back to its original dimension." Just like a little spark of fire that sets a whole forest ablaze, change

sometimes can be sparkled by a little new idea that may or may not seem relevant at the moment. In Thornton (2013) words thought leaders have competed in the marketplace of ideas using books, papers, and oral presentations. Currently, Thought leaders are riding on the wheels of technological advancement especially, through internet and social media to disseminate, their thoughts, ideas more rapidly and with a wider coverage.

Courageous Leaders

A leader is said to be courageous if he/she is daring and bold. Courageous leaders boldly pursue a vision in the face of considerable opposition and risks. Assertively, they have strong convictions about their mission (purpose), vision (long-term goals), and values (right and wrong). They speak up for their core beliefs and fight for their values, even when their stand is unpopular (Thornton, 2013). Courageous leaders attract followers and motivate people to change by their willingness to take risks and stand up for their beliefs and values.

Inspirational Leaders

Inspirational leaders have the ability to motivate, stimulate and inspire people to tow their direction. The National Research Council Canada posits that Inspirational Leadership is about energizing and creating a sense of direction and purpose for employees and excitement and momentum for change. In other words, it encompasses energizing individuals to strive towards a compelling vision of the future by embracing and exemplifying their organisational values in every facets of their work. Inspirational leaders promote change by the power of their passionate commitment to ideas and ideals (Thornton, 2013). They have foresight into future possibilities from contemporary realities. Suffice to say that their words can break an iron and melt a mountain; can stir up people's spirits; strengthen their convictions, and move them to action. Inspirational leaders have positive attitudes that create strong emotional connections with people. Their can-do attitude keeps hope alive during difficult times (Thornton, 2013).

Servant Leaders

Servant leader is a word coined by Robert K. Greenleaf. He said that "the servant-leader is servant first." Being a servant from his perception meant that the desire to serve, the "servant's heart," is an essential characteristic of a servant-leader. Servant leadership was defined as a philosophy and set of practices that enriches the lives of individuals, builds better organisations and ultimately creates a more just and caring world. Axiomatically, Servant leaders care much about people. They seek to remove the barriers and obstacles that hold others back from achieving their full potential. They strive to create an environment where their followers can do their best work (Thornton, 2013). A servant leader naturally, will always be interested in helping people.

Transactional leaders

Business dictionary defines transactional leader as the style of leadership that is based on the setting of clear objectives and goals for the follower as well as the use of either punishment or rewards in order to encourage compliance with goals (Daft and Marcic, 2009). Spahr (2014) asserts that a transactional leader is someone who values order and structure. They are likely to command military operations, manage large corporations, or lead international projects that require rules and regulations to complete objectives on time or move people and supplies in an organized way.

Charismatic leaders

The Charismatic leader has the ability to inspire above and motivate people to do more than they would ordinarily do, despite obstacles and personal sacrifice (Daft and Marcic, 2009). Armstrong and Taylor (2014) stated that Charismatic leaders rely on their personality, their inspirational qualities and their 'aura' to get people to follow them. Some authors have postulated that charismatic leadership may have certain characteristics such as being self-confident, having strong convictions, communicating high expectations, articulating a vision, being able to initiate change, being in touch with reality,

demonstrating enthusiasm and excitement, communicating high expectations, and having a need to influence followers and supporting them (House, 1977, Goleman, 1995, Conger and Kanung, 1996, Rowden, 2000, Weihrich et al, 2008).

Transformational leaders

Transformational leaders focus on team-building, motivation and collaboration with employees at different levels of an organisation to accomplish change for the better (Ingram, 2016). They set goals and use incentives to push their subordinates to higher performance levels, while providing opportunities for personal and professional growth for each employee. Transformational leadership though similar but can be distinguished from charismatic leadership by their special ability to bring about innovation and change by recognising follower's needs and concerns and helping them look at old problems in new perspectives, and encouraging them to the question the status quo (Daft and Marcic, 2009).

Visionary leaders

Visionary leaders are inspired by a clear vision of an exciting future and inspire their followers by successfully conveying that vision to them (Armstrong & Taylor, 2014). Kouzes and Posner (2003) opined that: 'One of the most important practices of leadership is giving life and work a sense of meaning and purpose by offering an exciting vision.'

Leaders/Leadership Roles Facilitating and Effecting Change

Armstong and Taylor (2014) asserted that change management is all about facilitation. Considering leaders a major change agent, this section deals with what different types of leaders do to facilitate and effect change. Thought leaders attract followers and initiate change by the power of their ideas. Courageous leaders attract followers and motivate people to change by their willingness to take risks and stand up for what their set values and beliefs. Inspirational leaders create a sense of urgency in the minds of people by amplifying the imperativeness to take action as soon as possible rather than later. Inspirational leaders capitalize on the power of their passion and their strong convictions, to attract followers and motivate people to make change happen. Servant leaders attract followers and motivate people to change by helping to remove both known and perceived obstacles that are in the way of their growth and development. This they do by showing them that they care and leading by example. Transactional leaders may not be fit for places where creativity and innovative ideas are valued. They provide discrete advantages through their capacity to tackle small operational details quickly. In contrast, Transformational leadership and visionary leadership styles are crucial to the strategic development and can achieve speedy success using their vision and team building skills. A charismatic leader uses his/her personality and allure to attract followers rather force or any other form of power and authority. They could orchestrate a turnaround in organisations missions, visions and strategies.

Summary of Findings

According to Peter Drucker, a noted management consultant, leaders create the psychological environment that fosters sustained innovation at all levels. An effective leader can maximise every opportunity which will bring positive change. One cannot simply say a particular type leadership is the best considering the fact that organisations exist in a heterogeneous environment with both internal and external environment either pushing or pulling it into change situation. Just like Armstrong and Taylor (2014) suggested, effective leaders are capable of flexing their style to meet the demands of the situation. This makes leadership development imperative. Leaders and intending leaders should be exposed to the different types of change situations as we have established and how to handle change when it comes. In this way, the organisation will be able to weather through the storm successfully. In our findings, we acknowledged that effective handling of change situation will depend on the type of

leader. That is, in order to facilitate change, considerable effort should be made to determine the type of leader that will fit into the situation to bring about the desired result.

Relationship between leadership and facilitating/ effecting change

Lepsinger (2015) asserted that one of the most important roles for any leader managing change is to facilitate change. The leader through effective communication channel will make people see the need for a change, feel the reality on ground due to the vulnerability of the situation and take a decision to be part of the change.

Table 1: Relationship between type of change and appropriate type of leadership for facilitating and effecting change

Type change	Type of leaders to facilitate and effect change	Changes made are
Incremental changes	Thought leaders, Servant leaders, Charismatic leaders, Transformational leaders, Inspirational leaders, Visionary leaders	Gradual
Quantum changes	Courageous leaders, Transactional leaders	Rapid Sporadic
Anticipatory changes	Transformational leaders, Inspirational leaders	Slowly
Reactive changes	Transactional leaders, Courageous leaders	Rapid
Strategic changes	Charismatic leaders, Transformational leaders Visionary leaders, Thought leaders, Transactional leaders,	On-going process, it can be rapid or slowly
Developmental changes	Thought leaders, Inspirational leaders	On-going process, it can be rapid or slowly
Transactional changes	Transactional leaders	On-going process, it can be rapid or slowly
Transformational changes	Charismatic leaders, Transformational leaders Visionary leaders,	On-going process, it can be rapid or slowly

Source: Research Paper, 2016

Conclusion

Change is inevitable and pervasive in all facets of life, organisations inclusive. The inevitability of change is a reflection of the business world operating in a turbulent and unpredictable environment. Although, science and technology has from time to time proffered some insight into future especially in natural mishap, yet it has not stabilized the environment. In other words, change can be planned but at times some forces beyond the control of the organisation may necessitate the need to make some alterations in how an organisation is run. Consequently, organisations should take a proactive rather than a reactive stance to shift direction as quickly as possible to be able to keep abreast with the pace of changes. Importantly, leaders in various organisations have had to reconceptualise almost every aspect of how businesses are operated to meet the needs of increasingly demanding customers, keep employees motivated and satisfied, and remain competitive in a rapidly changing global environment (Daft and Marcic, 2009). Furthermore, our study reflects on the type of leadership that will be appropriate to facilitate and effect change in an organisational setting. Moreover, we conclude that leaders should be able to flex in order to facilitate and effect

change. However, it is worthy to note that in a bid to flex; other essential variables in an organisation should not be compromised with.

Recommendations

This study recommends that organisations should incorporate into their developmental programmes on-going leadership development programmes. This can come in form of on/off the job learning and development programmes. Some organisations might because of learning and development cost downplay the essence of leadership development, but the adverse effect and the cost of not preparing the leaders for both present and future challenges may lead to business collapse.

Secondly, we suggest that management of organisations should consciously include change (both planned and unplanned) in their budgeting.

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Effect of Privatisation on the Performance of manufacturing Organisations

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Abstract

The paper undertakes a study of the privatization programme in Nigeria especially as it affects public enterprises in Benue State with particular reference to Benue Cement Company plc, now Dangote Cement Company, Gboko plant. The paper specifically focuses on the issues of productivity and profitability as indices of effectiveness. Both primary and secondary sources of data were instrumental in the collection and analysis of data. Two null hypotheses were tested in the study and the result showed that, privatization has increased the productivity and profitability of Dangote Cement Company, Gboko plant significantly. The study therefore recommends that government should take the business of privatization more seriously by being more transparent and cautious in the exercise in order to attain maximum results and thus avoid exploitation by a few capitalists.

Keywords: Privatisation, performance, manufacturing organisations

Introduction

The world no doubt is moving towards capitalism and liberalization and any nation that is not moving towards this direction is seen as either not developing or even retrogressing. A capitalist economy is a free market economy which allows most economic decisions to be guided by the twin forces of demand and supply. Since capitalism discourages monopoly but encourages competitive market, it therefore enhances efficiency and high productivity which is very vital in any developing economy. The menace of mismanagement, under-utilization and huge wastage of resources and the manpower potentials in Nigeria has left the government with no option but to pursue privatization vigorously in order to attain economic excellence. Nigeria however, appears to have a unique case of privatization. The core factors of consideration such as technical competence, experience, expatriate partnership and financial resources among others are usually sacrifice in the alter of political affiliation, friendship, ethnic consideration, religious pack and godfatherism among others. The bidding processes most times are not transparent and professionalism is usually ignored in order to pursue hidden interest in the selection of core investors to take over the ownership of these privatized enterprises. The resultant consequences have been the high mortality rate of the privatized enterprises and the inefficiencies in the operations of many of them that are still struggling to survive. Public outcry for a take-back of these companies dominates discussions at different academic foras, public debates and even beer parlours where end users that are grossly affected by the abysmal performance of these enterprises converge to vent their angers. Particularly worrisome is the fact that Nigerians are forced to pay more for the goods and services of these enterprises now than before even though no reasonable improvement in the quality of goods and services to the benefit of the end users have been seen from these enterprises. This scenario adorn the landscape of various state where these privatized enterprises operate and Benue state playing host to one them is worried about the future of both the company and the employees who are mostly indigenes of the state. Worried also by the research gap in this area has prompted this study to determine the effect that privatization policy has so far had on the performance of Danote Cement Plc, Gboko plant using profitability and productivity as the core dimension of evaluation.

Conceptual Framework

The vast body of literature dealing with privatization shows a relative lack of interest in precisely defining its content. Privatization has become a generic term often employed to describe a wide range of policy initiatives designed to alter the mix in ownership and management of enterprises away from government in favour of the private sector. It covers a wide continuer of possibilities, from decentralization to market discipline. Privatization is a phenomenon which could be variously interpreted. This is reflected in the various definitions and approaches ascribed to it. Narrowly defined, privatization implies permanent transfer of ownership right from a public agency to the private sector. It could also be seen as the sale of government-owned assets, the opening of certain markets to private sector competition and government-private sector joint ventures infrastructure project (Agabi & Orokpo, 2014).

Privatization of public enterprises has become worldwide movement with first developed countries and secondly developing countries selling all kinds of enterprises. By 1992 some 7,000 enterprises had been privatized worldwide, some 2000 in developing countries (World Bank, 1995). A number of countries developed and developing have imbibed privatization programmes as a means of economic turnaround. United Kingdom, Italy, Germany, Spain, France, Japan, Mexico, Argentina, Brazil, Chile, Poland, Kenya etc. and even Nigeria have undertaken one form of privatization or the other. It has been described as an economic miracle mainly because it freed moribund industries from state control and improved their efficiency and productivity.

According to Anya (2004), privatization as a tool for economic management came to the front burner when Chile became the first country to turn public assets/businesses to private operations in the early 1970s. Since then, over 140 countries (both developed and developing have embraced privatization as a route to economic growth and prosperity. While the details and strategies of the privatization exercise may vary in each of these countries, the ultimate objective is to liberalize the economies through increasing private sector involvement and capacity utilization. A critical aim is to free enterprises from control by rigid and bureaucratic structures and makes the management of such enterprises more flexible in their management and investment strategies. In Venezuela, it is termed capitalization while the Brazilians call it flexibilization. In other countries such as Argentina, United Kingdom and Mexico where it has worked, different tags have been adopted but the aim and purpose have remained the same.

Privatization involves the partial or total transfer of ownership of public enterprises to the private sector. Fully privatized public enterprises are those in which the government surrenders its ownership entirely. The partially privatized public enterprises are those that the government considers strategic and wants to keep under its supervision through minority shareholding. There are at least five forms of privatization (Agabi & Orokpo, 2014).

- **Public offer of shares:** the state-owned shares in the enterprise are offered to the public at large (i.e. replacing government ownership by public ownership).
- **Private placement of shares:** the state-owned shares in the enterprise are transferred to private individuals
- **Debt equity swap:** the ownership of a public enterprise is transferred to the private sector in settlement of its debts.
- **Liquidation:** the breakup and / or sale of the public enterprises assets.
- **Deferred public offers:** for example, the shares of the public enterprise are offered to its employees, etc.

Despite the different interpretations of the concept of privatization, the basic fact still remains that, transformation or shift takes place in the decision-making entity from public to private.

Rationale for Privatization

Privatization is based on the premise that the private sector is an instrument for realizing protective and allocative efficiency and higher economic growth, while the promotion of efficiency – both economic and social is central to privatization. There are many number of reasons advanced for the privatization of public enterprise. According to Obikenze and Obi (2003) they include:

- **Inefficiency of government enterprises:** over the years government enterprises have become so inefficient, as epitomized by the epileptic services they render to the public. This is inspite of the fact that the government has and still continues to pump in a lot of money into them. Instead of improving, most of them seem to be retrogressing. Acting as drain pipes on the economy without making any meaningful contribution to our economic development via service delivery, the government decided to transfer them to private hands that have over the years proved to be better managers in order to reduce wastage.
- **Economic recessions:** The Nigerian economy has been in a very poor state for quite some time now. The level of unemployment is simply unacceptable. The excruciating foreign debt, food crisis, poor infrastructure etc. are all evidences of the economic decay which the nation has found itself in. Apparently, the economy can no longer sustain the level of wastages associated with public enterprises. Also as a step to get out of this malaise, a solution has to be found on how to reduce wastes. Privatization is one of such solutions.
- **Structural Adjustment:** Following the down turn in the Nigerian economy in the early eighties, the government of Alhaji Shehu Shagari stated the Austerity

measures which were aimed at bringing about a reduction in government expenditure and imports. These measures did not achieve much before the government was booted out of office by the military which also continued the search for policy measures that will review the economy. In 1986, the Babangida government introduced the World Bank/IMF Research Centre for Management and Social Studies sponsored Structural Adjustment Programme (SAP) incidentally SAP had as one of its policy measures: rationalizing the extent of public sector participation in the economy through a programme of privatization and commercialization of these enterprises (Agabi & Orokpo, 2014).

- **Development Fad:** Hence the entire world is moving towards capitalism where the economic decisions of what, where and how to produce are left for the market forces, the system frowns at state ownership of the means of production. Nigeria is not left out of this global development fad which seems to have chosen capitalism as the best and quick means of development. Therefore the present privatization programme can be situated within the ambit of international capitalist development.
- **Restructuring the Economy:** Agabi & Orokpo, (2014) argues that privatization will help restructure the Nigerian economy, reallocate public fund to efficient users, create a self-sustaining culture, and attract foreign investors, while goods and services will reflect real values. In precise terms, the programme of privatization worldwide has been driven by a number of factors most of which took their root from unabating economic difficulties, failure of state owned enterprises to perform as much or better than private sector (less of comparative advantages) and the imperative need for economic growth and development. Thus, no single factor, after all motivated the desire of many governments to divest from the economy. The case of public sector enterprises inefficiency, which is often cited as a key factor necessitating privatization is but a launch pad.

President Olusegun Obasanjo (1999) stated that: Privatization permits governments to concentrate resources on their core functions and responsibilities while enforcing the "rule of the game' so that the market can work efficiently with provision of adequate security and basic infrastructure, as well as ensuring access to key services like education, health and environmental provision. The objective is to assist in restructuring the public sector in a manner that will affect a new synergy between learner and more efficient government and a revitalized efficient and service oriented private sector.

Privatization as an element of economic reform program is said to have the ultimate goal of improving the economy as a whole. It seeks to achieve this by:

- Freeing government from the bondage of continuous financing of extensive projects, which are best, suited for private investment by the sale.
- Reducing government borrowing while raising revenue.
- Encouraging efficiency and effectiveness in resource utilization.
- Promoting healthy market competition in a free market environment.
- Broadening enterprises share ownership thus engendering capital market development.
- Improving returns from investments.

Reform or restructuring of any sort usually elicit skepticism or even opposition from interest groups. It creates uncertainty and confusion in the minds of people as they remain petrified of future expectation. Such economic reforms are often mired in political and social intrigues amongst the elite who often claim to be in the vanguard of protecting the interest of their people. Along the same line of argument, Obadan (2000) summarizes the fears about privatization as follows:

Fear of job losses, exploitation of consumers through price hike and low quality goods and services, concentration of public asserts in the hands of small elite groups and worsening of income and wealth distribution. Fear of subjugation of social objectives monopoly of the privatization process by ethnic and other interest groups with easy access to capital, fear of lack of transparency, and hence corruption and nepotism, in the process, and fear of foreign domination.

For credible privatization programmes to be achieved, the above fears have to be addressed with appropriate policies and regulatory frameworks to accompany the privatization process (Abdullahi, 2006).

The Faces of Privatisation

Privatization has many faces. Narain (2003:297- 304) identifies three forms of privatization. First, is privatization through operational measures without loss of ownership? The second is privatization through organisation measures and the last method is privatization through ownership measures.

1. ***Privatization through Operational Methods:*** This is a form of management privatization. It entails the reduction of government control on the activities of publicenterprises, so as to engender efficiency.
2. ***Privatization through Organisation Measures:*** This privatization method has fourvariants, these are:
   a. *Introduction of Competition:* This involved the introduction of competition by deliberately breaking the monopolistic hold, which the public enterprises hitherto enjoyed in their area of operations. This is a form of deregulation and liberalization.
   b. *Unbundling:* This is a process of breaking down of public enterprises into functional units as basis for commercial operations. This is specifically applied for the privatization of utilities that often operate in a condition of monopoly.
   c. *Corporatization:* This is a transformation of the mandate of the public enterprises into a public joint - stock company for the purpose of operating as a commercial concern and motivated by market imperatives and profitability of operations.
   d. *Leasing:* Government under this arrangement hold on to the ownership of the Public enterprises, thus instituting a regime of operational privatization. Only, the facilities of the enterprises are leased for private sector operators to operate. This according to Narain (2003: 299) is a compromise between total privatization and complete government ownership. Private management initiatives are in this way brought to bear on the management and operations of the public enterprises.
3. ***Privatization by Ownership Measures:*** This involves the ownership transfer from the public to private ownership. This is perhaps the most popular modality of privatization adopted all over the world. Under this method is divided into two:
   a. *Full Divesture:* Government under this arrangement sells the totality of its interest in public enterprises to private interest. This could be through a public offer on the capital market or through auction sales to strategic or core investors.
   b. *Partial Divesture:* Two variants of this exist. First, we have a situation in which the government continues to have majority shareholding despite relinquishing part of the shares to private interest. In the second case, the majority shareholding is in the hand of the private investors with the government holding minority holdings of the stock of the privatized enterprises.

Theoretical Framework

Three main theoretical tendencies have continued to define the framework of the

privatization programme namely; *the residual claimant or property right theory; the dispersed knowledge theory; and the public choice theory*.

The Residual Claimant or Property Right Theory

Alchian and Demsetz (l972), Laffort and Tirole (l993), Barzel (l998) and Vickers and Yarrow (l988) are theorists of the residual claimant school. The assumption, which informs this theoretical tradition, is the Abraham Maslow's Theory X and Y on motivation. This theory assumes that workers are basically Theory X people i.e. lazy, indolent, lack initiatives, indiscipline, not willing to work etc, consequently they need serious monitoring, policing and iron hand in order to achieve organizational goals. Managers, according to the theory must be motivated to be disposed to monitoring those working under them. Only when, those charged with monitoring others have a residual claim on the surplus created in the workplace can monitoring be effective (Alchian and Demsetz, 1972). This then involves the need for incentives as a basis of facilitating monitoring by managers. It is the absence of monitoring incentives, like profit in the case of the private business owners, for public enterprises managers that account for the inferiority on the efficiency scale of public enterprises when compared with private sector businesses. Viewed critically, the residual claimant theory is more of a justification of owner managed firm than modern joint-stock companies where ownership is separated from control.

The Dispersed Knowledge Theory

This theory maintains that the complexity of codification and transfer of knowledge makes centralization difficult. For this reason, private individual businessperson is believed to have more knowledge than the state regarding his own business. It is thus argued that, efficiency would be achieved if business decisions were left with private operators. (Hakey, l949; Lavoie, l985).

The Policy Choice Theory

The third theoretical current is the policy choice theory by (Shleifer and Vishney, l994; Clarke and Cull, l997; Birch, 2000; World Bank, l995). The theory sees SOEs as the paradise of corruption, primitive accumulation and political patronage by both bureaucrats and political officeholders. Shleifer and Vishny (l994) argue that politicians used SOEs to pursue their own political objectives for instance by giving redundant jobs at SOEs to their supporters. They gave two conditions for privatization under this circumstance: one, when politicians who benefit from low taxes win over those who benefit from subsidizing supporters. Two, when conservative governments, favoured by taxpayers, replace leftist governments, favoured by public employees. The fear of collusion between politicians and civil servants to appropriate public goods through SOEs is also very popular.

In their work, Clarke and Cull (l997) pursues the position that political incentives affect the likelihood to privatize. Studying the bank privatization in Argentina, they came to the conclusion that (a) provinces with governors who belonged to the fiscally conservative PartidoJusticialista were more likely to privatize; (b) that fiscal and economic crises increased the likelihood of privatization; and (c) that poorly performing banks were more likely to be privatised.

Empirical Review

The Impact of Privatization on Economic Growth

Although a number of empirical studies have been conducted in order to measure the financial effects of privatization on the newly privatized firms throughout the world, few recent studies among others have attempted to measure the impact of privatization on economic growth in developing countries, some of which are presented here;

Boubakri *et al,* (2009) researched on privatization dynamics and economic growth using a large panel data of fifty six (56) developed and developing countries spanning the period, 1980 to 2004. They used GMM

estimation techniques to examine whether privatization had an impact on economic growth, they also characterized privatization along two dimensions; the extent of privatization efforts (proceeds) that proxy for the size of the program, and the method of privatization that proxy for government commitment. In order to take into account the dynamics of privatization and tackle potential endogeneity issues, they used a dynamic panel approach and found that privatization has a robust systematic positive effect on economic growth, after controlling for classic growth determinants as well as institutional variables. They also found that the method of privatization, through share issues on the stock market is positively related to economic growth, suggesting that one potential channel of benefit is indeed to use the stock market to divest State-Owned Enterprises (SOEs). Bennett et al, (2007) examined how different methods of privatization might have affected growth in transition economies. In their findings, they remarked; Using several econometric specifications, including fixed effects and GMM, we estimated a cross-country panel growth model from 1990 to 2003 and found that only voucher privatization have been significantly associated with faster growth. Moreover, neither private sector development *per se* nor capital market development exercised a significant influence. We speculate that voucher privatization may have been effective because of the speed with which links between firms and the state were severed.

Al-Otaibi, (2006), in his study investigated the effect of privatization on economic growth in fifteen (15) countries with developing economies, using a cross-section model (OLS estimation) and a cross section-time series model using panel data analyses including four panel types, namely; None, Common, Fixed effect and Random effect. The results of the OLS regression revealed that, in case of Saudi Arabia, Kuwait, Bahrain, Jordan, Iran, Morocco, Pakistan, India, Indonesia, Malaysia, Venezuela, Mexico, and Argentina, privatization had a significant impact on the GDP level which reflected on the economic growth at 5% significance level. In case of Egypt and Turkey, the results revealed that there is a negative relationship between privatization indicators and economic growth at 5% significance level. The result of the four-panel tests revealed that privatization has a positive and a significant impact at 5% significance level. This is consistent with study hypothesis that privatization has an impact on the productivity of all factors in the economy and it leads to improving the investment climate in the developing countries. Hence, foreign direct investment (FDI) will increase and economic growth will improve. These results are consistent with the effect of the privatization policy on the economic growth of each country individually (by OLS regression), except Egypt and Turkey. Filipovic, (2005) wrote on impact of privatization on Economic Growth using Extreme Bound Analysis, he concluded that privatization is a potential successful policy of growth which has to be implemented in context with other economic reforms. Boubakri et al, (2004) analyzed the impact of privatization on economic growth for a sample of fifty six (56) developed and developing countries over the period, 1980 to 2004. He found that population growth; government consumption and inflation negatively influence economic growth, while savings ratio, stock market development and foreign direct investment are positively related to growth. Furthermore, high levels of development of institutions of governance positively influence the effects of privatization (through share issues) on economic growth.

Cook and Uchida, (2003) applied a cross-country growth regression analysis using the framework of the extreme bounds analysis. They used data for sixty three (63) developing countries between 1988 and 1997 and found that privatization has contributed negatively to economic growth. They conjectured that this result, which stood against the theoretically expected positive impact of privatization, was due to the lack of competition in the private sector that hindered economic growth and impeded privatization from delivering its anticipated positive impact. Katsoulakos and Likoyanni, (2002) investigated the

relationship between privatization and macroeconomic variables using country-level panel data of twenty three (23) OCDE countries for the period 1990 to 2000. The authors examined the link between privatization receipts, budget deficit, public debt, output growth and unemployment rate. The estimation results indicate that there is no statistically significant relation between GDP growth rates and the privatization proceeds of the previous period. This conclusion is drawn from a model where the dependent variable is the GDP growth rate and the only explanatory variable is the privatization receipts (as a percentage of GDP of the previous period). One concern with this specification is that it suffers from omitted variables bias. Barnett, (2000) used country-level panel data of eighteen (18) countries which included ten (10) developing countries, the rest being transition economies. This study explored the impact of privatization on fiscal variables, growth, unemployment and investment. The empirical evidence indicated that privatization is positively correlated with real GDP growth rates. The estimate, suggested that privatization of 1% of GDP would be associated with an increase on the real GDP growth rate of 0.5% in the year of privatization and 0.4% in the following year. For the non-transition sample, the effect would be a 1.1% increase in real GDP growth rate in the year of privatization and 0.8% in the following year. However, as acknowledged by the author himself, the results of this study are based on a select sample of countries and for a limited period for which data was available.

For each country, the sample corresponds to the period of active privatization for which data was available, but the author did not specify the precise span of years for the study. Furthermore, Barnett, (2000), warns that the Privatization variable is likely to serve as a proxy in their regressions for one or more omitted variables measuring other policy reforms.

Methodology

This study adopted the survey design; data was collected via primary and secondary sources. Primary data was gotten from questionnaires administered to staff of Dangote cement plc, Gboko plant while secondary data was obtained from the annual reports of Dangote cement plc, Gboko plant. The population of the study comprised staff of Dangote cement plc, Gboko plant which totaled 125 from which a sample of 105 was taken using purposive sampling. Two hypotheses were tested in this study using the Friedman's Chi-square statistic.

Results and Discussion

Table 1.1: privatization and effectiveness of stated owned enterprises

Assertions	Responses				
	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagre e
With privatization, the productivity of Dangote cement company Plc, Gboko plant has increased significantly	72 (62.6%)	30 (26.1%)	3 (2.6%)	7 (6.1%)	3 (2.6%)
Privatization has resulted in improved profitability in Da ngote cement company Plc, Gboko plant	64 (55.7%)	40 (34.8%)	2 (1.7%)	5 (4.3%)	4 (3.5%)

Source: Field survey, 2015.

Table 1 shows that majority of the respondents agree that, the productivity level of Dangote cement company plc, Gboko plant has increased significantly as a result of privatization. This result is not outside of one of the major objectives of privatization. The table also shows that, majority of the respondents also agree that, privatization has resulted in improved profitability in Dangote cement company plc, Gboko plant. This result is also consistent with the major objectives of privatization.

Ho_1: Privatization does not have significant impact on the productivity of Dangote Cement Company Plc, Gboko Plant.

Chi-Square Tests

	With privatization, the productivity of Dangote cement company Plc, Gboko plant has increased significantly
Chi-Square	21.411[a]
Df	4
Asymp. Sig.	0.000
a. 7 cells (70.0%) have expected count less than 5. The minimum expected count is .22.	

Source: Authors' computation using SPSS

The result of the Chi-Square test is a clear indication that privatization has a significant impact on the productivity of Dangote cement company plc, Gboko Plant. Therefore, the null hypothesis is rejected hence, privatization has significant impact on the productivity of Dangote Cement Company Plc, Gboko Plant.

Ho_2: Privatization does not have significant impact on the profitability of Dangote Cement Company plc, Gboko Plant.

Chi-Square Tests

	Privatization has resulted in improved profitability in Dangote cement company Plc, Gboko plant
Chi-Square	13.040[a]
Df	4
Asymp. Sig.	0.011
a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is .34.	

Source: Authors' computation using SPSS

The result of the Chi-Square test 0.011 indicates that, privatization has significant impact on the profitability of Dangote Cement company Plc, Gboko Plant. Therefore, the null hypothesis is rejected, hence privatization has significant impact on the profitability of Dangote cement Company Plc, Gboko Plant.

Recommendations

Based on the finding of this study, the following measures were recommended:

1. The BPE should endeavour to follow due process in the selection of the core investors with requisite experience to guarantee the survival and effective

operations after acquisition of the privitised enterprises. This will go a long way to ensure that only investors that turnaround the fortunes of these enterprises are as seen in the case of Dangote Cement plc, are selected.

2. There should be regular supervision of the operations of the privatized enterprises by the regulatory agency to ensure that enterprises that cannot deliver on their core mandate are taken back and resold to other competent partners that will drive them through efficiency to achieve productivity.

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Appendix

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.411[a]	4	.000
Likelihood Ratio	16.562	4	.002
Linear-by-Linear Association	1.241	1	.265
N of Valid Cases	116		

a. 7 cells (70.0%) have expected count less than 5. The minimum expected count is .22.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.040[a]	4	.011
Likelihood Ratio	10.712	4	.030
Linear-by-Linear Association	.721	1	.396
N of Valid Cases	116		

a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is .34.

Human Resource Management in Nigeria Public Sector Organization: A Case Study of Michael Okpara University Of Agriculture Umudike, Nigeria.

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Abstract

This paper focused on how the Nigerian public sector organization can ensure sustainable productivity through human resource management which will ensure optimum service delivery and national development. Questionnaire designed in 5 point Likert scale was used to source the data. The result of data analysis shows that human resource management has significant effect on public sector productivity and that human resource management also has significant effect on employee productivity. It was recommended that the government should search and engage the best people suited for the work, develop and sustain them, not considering the ever present constraining factors.

Keywords: Human resource, public sector, organization, productivity

Introduction

In Nigeria today, human resource management remain the most vital step towards ensuring optimum service delivery and productivity in the Public sector. It enables the organization to achieve its strategic goals by attracting, retaining, and developing employees. The human resource management functions as link between the organization and the employees and assists the organization in creating loyal employees who are committed to the realization of organizational objectives (Nmadu, 2013). It is that part of management that is concerned with people at work and with their relationship within an organization. It applies not only to Industry and commerce but to all fields of employment, especially the Nigeria public sector organization. Human resource management aims to achieve efficiency and productivity, neither of which can be pursued successfully without the other. Committed employees are more likely to perform beyond the call of duty to meet customer needs and are highly motivated to work to the best of their ability (Dale, 1978). Human resource management has been described as the process of acquiring, training, appraising and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns.

In recent time, human resource has been described as the ultimate resource of which every other resource obtainable in the public sector organization is hinged on. According to Jackson and Schuler (2003) it refers to all activities that an organization uses to affect the behaviors of all the people who work for it. Because the behaviors of employees influence to an extent; profitability, customer satisfaction and a variety of other important measures of organizational effectiveness, managing the human resource remain a strategic challenge. The human resource is expected to make notable impact on the extent of service delivery of the Nigeria public sector organization. Human resource management across the years has been described to be more than hiring and firing personnel especially as it concerns the Nigeria public sector. It involves all activities designed to achieve organizational goals within the laws that affect human resource management (Armstrong, 2009). As such if the Nigeria public sector must enhance national development through its input, human resource management cannot just be neglected.

Human resource management exist to ensure the evaluation of human resource needs that exist in the public sector organization, finding the best available people to fill those needs and ensuring the best input by providing right incentives and job environment towards realizing the organizational objectives. As such the productivity of the public sector organization towards national development is hinged around effective and efficient human resource management. As such the Nigerian public sector management is faced with the challenges of managing human resource available, developing and retaining such while at the same time ensuring the realization of organizational objectives.

The central focus of the study is to critically examine human resource management in Nigeria public sector organization with particular reference to Michael Okpara University of Agriculture Umudike, Abia State. More specifically, the sought to find out whether human resource management has significant effect on Nigeria Public Sector productivity.

Literature Review

Conceptual / Theoretical Framework

It has been emphasized that the human resources have remained the determinant of all activities in the public sector organization. According to the functional theory certain functions exist which ensure the stability of the organization. The human resource exists to ensure the realization of set goals of the organization within a set period as such enhancing productivity, efficiency and effectiveness. At various time the employee have been described as the ultimate resource which explains the importance attached to the role of the employee which remain the human resource within the organization. People develop the ideas that eventually become product and services that satisfy customer wants and need (Fajana, 2002). The human

resource comes into relevance even within the initial conception of the enterprise; it influence the determination of what machines will be used by the establishment, the designing of the operational environment and the extent or nature of services rendered. In the Nigeria public sector organization, all management and productive activities such as setting organizational goal, training human beings to fit into these goals, supervision, effective and efficient service delivery, planning, organizing coordinating etc.; are all strongly, hinged on the human resource. Without an effective and efficient human resource the Nigeria public sector organization would remain a redundant enterprise. According to Pomoni (2009), the human resource is very instrumental in the existence of the establishment, making it functional, articulating the material resource and transforming the raw materials into finished product which will enhance service delivery. In the organization there are roles which are located around different department existing therein which the relevance of the human resource is a prerequisite for its sustenance of the organization as a whole.

According to Eboh (1999), public sector connotes the whole gamut of institutions, departments, organizations and agencies which are owned substantially in part or in whole by any of the tiers of government or a combination and which exists to serve the interest of the public. The Nigeria Public Universities remain a notable public sector organization. As such the functioning of a public sector organization will depend on its sound and efficient organization which is centrally hinged around the human resource. Management, over the globe is generally concerned with the proper mobilization of resources such as men, materials, machines and money for the overall achievement of the set objectives of the organization (Abah, 2012). Managers at various times have emphasized human resource management embrace the process of determining human resource needs and the recruiting, selecting, developing, motivating, evaluating, compensating and scheduling employees to achieve organizational goals. Managers are in-charge of acquiring, developing, protecting and utilizing the organizational goals and objectives (Nickels, 2005). The importance of human resources in the success of organizations is increasingly growing and is known within and outside the organization especially as it concerns Nigerian Government owned Universities.

It is important to stress that the success or failure of these public universities in producing the needed manpower that should contribute to national development, to a large extent, depends on the people working in them as well as their skills, ideas, knowledge, satisfaction, commitment, zeal and determination. The quality of the human resources; abilities and attitudes of the employees, to a large extent, determines the effectiveness of the staff themselves and go a great extent to determine the level of organizational productivity. According to Bratton and Gold (1999), it is expected that management at every time need to create the enabling environment for the effective use of human resource within the organization to ensure required productivity. A satisfied workforce enables its organization to achieve its corporate objectives or goals which include profitability, effectiveness and productivity.

Objectives of Human Resource Management

Across the years considering the dynamic nature of the organizational system and the ever increasing demands required of the human resource and personnel managers it has been relatively difficult to concretely ascertain comprehensively the objectives of the human resource. Emerole et al (2012) outlined the objectives of human resource management to include the following:

a. Human resource planning;
b. Recruitment, selection and placement;
c. Employee training and development;
d. Performance appraisal;
e. Promotion, transfers, lay-offs and retirements;
f. Employee fair treatment, discipline and dismissal;
g. Employee compensation and security;

and

h. Employee health and safety administration among others.

The Human Resource Challenge in Nigeria Public Sector Organization

It is believed that the expectation of every Management in an organization is the coming on board of competent, effective, efficient and highly motivated workforce whose priority would be the attainment of organizational goals even in the most discomforting circumstances (Cole, 2002). The changes in the Nigeria public sector organization across the years have had the most dramatic impact on the nature of human resource located therein. The need for the Nigeria public sector organization to compete in the global business environment has been noted to depend on new ideas; effective and efficient service delivery and new levels of productivity. According to Pomoni (2009) the human resource challenge has also been a limiting factor limiting the extent of human resource management actualization. As such the following can be observed to be human resource challenge;

a. Shortages in people trained to work in the growth areas of the future in the Nigeria public sector organization.
b. A huge population of unskilled workers in the Nigeria public sector organization who need training and retraining to be able to meet up with the high demands of the competitive global environment.
c. The rising employee expectations and drastic changes in the technology as well as life style changes.
d. The composition of workforce and the rapid dynamic changes in the Nigeria public sector organization requiring new skills have been a challenge.
e. The impact of new economic policy, political ideology of government, complex set of laws, policies and regulations have remained a human resource challenge.
f. A shift in employee attitude toward work as leisure time has become much higher priority as have flex time and shorter work week and also a decreased sense of employee loyalty, resulting in increased employee turnover and increased cost of replacing lost workers have remained a challenge.

Given all these issues and others that are sure to develop across time, human resource management have taken a more central position in the Nigeria public sector organization than ever before.

Determination of Human Resource Needs in Nigeria Public Sector

The Nigeria public sector organization is that which entails the relevance of organizational activities such as planning, organizing, coordinating, directing, staffing and budgeting in the realization of its set goals optimally (Emerole *et al,* 2012). The determination of the human resource needs of the Nigeria public sector organization entails planning made to determine and realize the futuristic needs of the Nigeria public sector organization. In the human resource planning process to identify the human resource needs of the Nigeria public sector organization; the following steps will be objectively observed;

a. **Prepare a human resource inventory of the organizations employee:** The human resource inventory should have such information as ages, names, education, capabilities, training, specialized skills, and other information related to the specified organization. Such information reveals the credibility of the labour force.
b. **Prepare a job analysis:** A job analysis has been described as a study of what is done by employees who hold various job titles. Such analyses are necessary in order to recruit and train employees with the necessary skills to do the job. This is very necessary in the Nigeria public sector organization with view to the complexity of its various service delivery outlet. The result of job analysis is summarized as job descriptions and job specifications. Here a job description specifies the objectives of the job, the type of work to be done, the

responsibilities and duties, the working conditions and the relationship of the job to other functions. While job specification is a written summary of the minimum qualifications which may include education, skills among others, required of workers to do a particular job.

c. **Examine future human resource demand**: Because technology, business environment, demands of the consumer public changes rapidly; training programs must be started even before the need is evident. Human resource managers who are proactive and anticipate the organizations requirement identified in the forecast process make sure that trained people are available when needed.

d. **Examine future supply:** This is highly relevant in the Nigeria public sector organization in view of its developmental trends. The labour force is constantly shifting; getting older and employee input becoming more technically oriented, there are likely to be increased shortages of some workers in the future and oversupply of others. There is need to create a balance between the two inevitable situations as it may affect the future of the Nigeria public sector organization.

e. **Provision of a strategic plan:** A good plan is necessary for effective and efficient service delivery especially as it concerns the Nigeria public sector organization. The plan must address recruiting, selecting, training and developing, appraising, compensating and scheduling of the Public sector employee (Thomason, 1975).

Brief History of Michael Okpara University of Agriculture Umudike Michael Okpara University of Agriculture Umudike is situated in an axis along the road from Umuahia in Abia State to Ikot- Ekpene in Akwa Ibom State, Nigeria and has common boundaries with the National Root Crops Research Institute, Umudike. As such Umudike and its other host neighbors are agrarian communities; this explains the role of the university as one specializing in agriculture and related programmes. The institution commenced on the 3rd May, 1993 and remains a notable public sector organization within the South East Nigeria. The University has staff strength of three thousand and eighty two as of present (3,082).

Methodology

The data collected by the researcher as contained in the questionnaires were analyzed using a Likert 5 point scale. As such the following response; Strongly Agree, Agree, Undecided, Disagree and Strongly Disagree were rated and analyzed. The cutoff point mean score of 2.50 was used in the analysis. Thus, any attribute with a mean score of 2.50 and below is rejected while the attributes with score above 2.50 are accepted. This entails 2.50 and below were disagree, while above 2.50 are agreement range. The population of the study covered 3,082 people working in Michael Okpara University of Agriculture Umudike with sample size of 320 people.

Presentation and Analysis

Research Question: Do you agree that human resource management has significant effect on Nigeria Public Sector productivity?

Table 1: Responses of the staff

Response	Frequency	%	X	%
Strongly Agree	90	28.1	450	43.9
Agree	65	20.3	260	25.4
Undecided	40	12.5	120	11.7
Disagree	70	21.9	140	13.6
Strongly Disagree	55	17.2	55	5.4
Total	**320**	**100**	**1025**	**100**

Source: Field work

Cut-off-Point Mean Score = 2.50

The calculated mean score = 3.20

From the above illustration in which a 5 point Likert Scale was used, it was discovered that majority of the respondents agree that human resource management has significant effect on Nigeria Public Sector productivity. Since the calculated mean for the attribute is 3.20, which is greater than the Cut-off-Point Mean Score 2.50. We agree that human resource management has significant effect on Nigeria Public Sector productivity.

Research Question: Do you agree that human resource management has significant effect on employee productivity?

Table 2: Responses of the staff

Response	Frequency	%	X	%
Strongly Agree	100	31.3	500	47.4
Agree	65	20.3	260	24.6
Undecided	35	10.9	105	9.95
Disagree	70	21.9	140	13.3
Strongly Disagree	50	15.6	50	4.74
Total	**320**	**100**	**1055**	**100**

Source: Field work

Cut-off-Point Mean Score = 2.50

Calculated mean score for attribute = 3.29

From the above illustration in which a 5 point Likert Scale was used, it was discovered that majority of the respondents agree that human resource management has significant effect on employee productivity. Since the calculated mean for the attribute is 3.29, which is greater than the Cut-off-Point Mean Score 2.50. We agree that human resource management has significant effect on employee productivity.

Conclusion

The Human resource in the ever developing Nigeria public sector organization especially within the Nigeria context has remained a relevant attribute that cannot be overlooked. The Nigeria public sector in recent times has optimally contributed to the growth of the National economy of Nigeria, thereby enhancing national development. The human resource controls all other resources within the Nigeria public sector organization operational environment. An efficient, effective, goal oriented and productive Nigeria public sector organization will always be attributed to the role of the human resource at its disposal. As such the government at various levels has continuously made effort to ensure that the Nigeria public sector organization has a conducive environment to operate. But the question have remained what effort is made to develop the human resource, sustain it and

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Towards a Valid Measurement of Industrial Democracy for Employee Satisfaction.

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pp 82-90

Abstract

The main purpose of this study is to investigate the relationship between intrinsic characteristics and practice of industrial democracy and employee satisfaction and commitment. A sample of 122 manufacturing employees was used for the study. Data from this study was generated from well structured questionnaire which were administered on respondents. Two hypotheses were formulated and tested using the Pearson's correlations coefficient. The result of analysis revealed that there is indeed a significant relationship between the adoption and practice of industrial democracy and employee satisfaction and commitment. Based on this, it was recommended that employees should be involved in decisions, concerning production scheduling, quantity, and quality of good produced and training and development since these areas will enhance the effectiveness and efficiency of workers that would lead to their job satisfaction as well as overall growth and development of the organization as well as employee satisfaction.

Keywords: Industrial democracy, employees satisfaction, organisation

Introduction

The event of the two world wars set the minds of men thinking about their fate in the enterprises where they spend the greater part of their lives. By the end of the. Second World War, ideas on industrial democracy had become very topical. At present, industrial democracy constitutes a large social movement which is characterized by various forms of radical tendencies.

Some of the major varieties and conceptions of industrial democracy already being attempted in practice in a number of the European countries include workers' control whose doctrine was a simplistic and very attractive version of industrial democracy but which developed to be almost childish and silly as a philosophy and so disappeared with the very movement that inspired it. The guild socialists presented a more reasonable and mature doctrine which became a standard political philosophy for many, however, by failing to provide for its lapses and irrational conclusions that also passed away with the passage of time.

A form of industrial democracy very close to the British 19th century trade unionism and their industrial relation appeared most acceptable, especially to most of the third world countries whom they have influenced like Nigeria in terms of the democratization of work environment and culture.

According to Savage (1999) and Umoru (2002) to stand the global and local competition, most managers practice participative leadership and encourage team work so that the whole organization functions as a unit. The wide application of this policy signifies organizational effectiveness and led to the general organization success and growth of many firms in American and Europe. It is believed therefore, that this policy has positively influenced the promotion and development of industrial democracy in industries which in turn enhance labour-management relation and productivity. It is the involvement of the workers in whatever is being done that is understood as industrial democracy and/or participatory management be it information sharing, decision sharing, profit sharing or even productivity target setting through their representative who are either selected workers or union representative . Regrettably, rather than embracing this concept as a tool for industrialization many managers in Nigeria are in support of the principle of paternalism, the believes that consultative approach or allowing employee participation in decision making in their firm delays management decision and for that matter foreign to Nigeria system (Nwachukwu 2007). Therefore, most of Nigerian managers prefer the culture and managerial ethos such as nepotism, godfatherism ethnicity and the like, be put in consideration to arrive at a modified and improved decision making and structure.

There is also a general belief by Nigerian manager that, given a worker opportunity to participate in decision making with total freedom is a threat to position which may lead to lose of control over employees.

While there is a general consensus of every organization desire to be effective and efficient in relation to economic performance, there is however less than unanimous agreement as to what factors are most important and relevant to their success. Basset (2004) in his submission pointed out that a satisfied worker is not only happy but productive. Thus, absenteeism, chronic sickness by workers, intention to quit or turnover are all characteristics of job dissatisfaction. Consequently, the major objective of this study is to examine the relationship between the adoption and practice of industrial democracy and employee satisfaction in Nigeria

Theoretical Framework

Theoretical framework: What promote the interest and protect the rights of some workers in industry? What may be described as participatory management technique? Some insight into these important questions is provided by various theories of industrial democracy. However for the purpose of this study, two important theories of industrial democracy found to be relevant to this study will be reviewed .They are:

i. Management theory

ii. Humanistic psychology theory

Management Theory

The theory is inspired by the need to increase efficiency as well as productivity. This implies participation is organized at a lower level in order to relieve workers dissatisfaction and morale problem. This theory therefore reflects the emerging viewpoint that the organizational design and management effectiveness can provide a significant competitive advantage as well as giving considerable attention to issues of organizational change on the basis that entirely new work structures and way of organizing work can lead to substantial gain in effectiveness and employee satisfaction (Lawler et al 2001). See Maduagufor (2006); Masarik (2003)and Harvey(2005). According to these authors, a key issue in this theory is the extent to which management delegates or retains the power to initiate frame and terminate participative processes. It also reflects management's view that the direct participation of workers undermines union power .Hence, the greater the description, the lesser the satisfaction (Locke,2004)

These two theories have provided some meaningful insight into motivational research in organizations. Based on these theories, we can delineate organizational determinants of industrial democracy or participation in a way that can generate meaningful picture of their inter-relationship. The works councils system for instance, is highly related to industrial democracy and refers to how a wide range of personnel issues such as work and leave schedules pay schemes, employees selection and training, safety, technological changes that affect the nature and pace of work or even work environment and social welfare issues are determined by a set committee made up of management and employee representative (Hammer 2000). Research has shown that employee satisfaction is enhanced by the use of works council since members have four types of rights. The right to be informed, the right to investigate, the right of co-determination and the right to be consulted (Mills, 1999). The right of co-determination means that management cannot act without the agreement of the works councils secondly, industrial democracy is a function of perceived quality of leadership style and supervision. Several studies have determined that industrial democracy tends to be highly when employee believe that managers are competent, have their best interest at heart, compassionate and treat them with dignity and respect (Locke, 2002, Fervat, 2008, Mobley, 1982, Monday, Porter, 1982, and Muslnis, 2007). Check and word. Industrial democracy relates to decentralization of power when power is decentralized many people are allowed to make decisions and be involved in organizational matters and would be freely participate in decision making of the organization (Armstrong, 2003). Such situations are found to promote industrial democracy and satisfaction among workers.

Thirdly, industrial and democracy is also seen to be a function of team briefing system, which is a system of communication operated by time management, based on the principle of cascading information down the line. Further explanation shows that the information is usually passed through a small group, unit or departmental meeting for the leader to put across about the job requirement and to ensure that they are understood. It therefore, takes the form of more or less a dialogue. According to Tower (2000), team briefing helps to control the grapevine, not preventing it but by ensuring that employee receive the official version of any decision from their manager it help people to accept changes at work places and it improve upward communication. This reinforces the workforce and supervisory commitments to the primary task and also to the organization as a whole. Finally, industrial democracy is also seen to be a function of total quality management (TQM), which as a participative mechanism is an incremental bottom-up approach to brining about process improvement were those engage in a process are highly involved in identifying improvement in a continual and incremental manner (Rossiter, 1996). According to Ishikawa, 2004 in Oliver and Wilkinson (2006) total as used in TQM refers to the fact that

quality efforts need to be implemented by every employee at every level of the organization. Therefore, TQM compulsorily makes every employee at every stage of the organization and production part of the team. It inculcates in employees the need to build quality in all they do while management's effort aim at creating culture, climate and structure to maximize the effective involvement of all employees in the pursuit of quality and personal satisfaction (Robson 2007).

Research Methodology

Hypotheses

Two null hypotheses were formulated to guide the study.

Ho_1: There is no significant relationship between intrinsic characteristics of industrial democracy and employee's job satisfaction.

Ho_2: There is no significant relationship between in industrial democracy and employee commitment.

This study was restricted to a selected sample size of 122 respondents drawn from different manufacturing industries, government parastatals and hospitality industries. The selection of the sample size of 122 was purely purposive in order to get people who would know the significance of industrial democracy. Data were collected by means of structured and unstructured questionnaire administered to the respondents personally and through the assistance of some research assistants particularly tutored for this role. The total questionnaire duly filled and returned was 106, representing a response rate of 87 percent. Thus, our analysis was based on these returned questionnaire by applying the descriptive and inferential statistics in analyzing the data. Liket-type response format, which ranged from strongly disagree with a value of 5 points to strongly disagree with a value of 1 point was used in sourcing for information" all hypotheses were tested at 0.05 level of significance.

Data Analysis and Results

Sample characteristics: Table 1 presents the characteristics of the sampled respondents as follows:

Table 1: Demographic Characteristics of Respondents

Variables	Frequency	Percentage
Sex		
Males	70	66
Females	36	34
Total	106	100
Age		
21-30	10	94
31-40	52	49.1
41-50	36	34.0
Above 50	8	7.8
Total	106	100

Marital Status		
Married	61	57.5
Single	35	33.1
Divorced /separated	10	9.4
Widowed	0	0
Total	106	100
Education		
Fslc	0	0
SS/O' level	16	15.1
OND/HND	64	60.4
B.Sc. and above	26	24.5
Total	106	100

Sources: Field Survey, 2016.

From Table 1 above, it is revealed that 66 present of the respondents were males while 34 percent were females. 49.1 percent aged between 31- 40, 34 percent were between 41-50 years of age, 21 -30 were only 9.4 percent. The marital status of respondents clearly shows that 52.5 percent of them were married 33.1 percent were single, while divorced / separated and widowed were 9.4 and zero percent respectively. Educational distribution of respondents indicate that 24.5 percent have at least B.Sc and above, 60.4 percent have OND and HND, while 15.1 percent have school certificate or equivalent. No respondent was found to have first school leaving certificate.

Test of Hypotheses

$H0_1$: there is no significance relationship between intrinsic characteristics of industrial democracy and employee's job satisfaction

Table 2: Relationship Between Intrinsic Characteristics of Industrial Democracy and Job Satisfaction.

Variables	**Frequency**	**Percentage**
Strongly Agree	61	57.5
Agree	18	17.0
Undecided	4	3.8
Disagree	12	11.3
Strongly Disagree	11	10.4
Total	**106**	**100**

Sources: Filed Survey, 2016.

Table 3: Correlation between Industrial Democracy and Job Satisfactions.

X	Y	X^2	Y^2	Xy
61	5	3721	25	305
18	4	324	16	72
4	3	16	9	12
12	2	144	4	24
11	1	121	1	11
106	15	4326	55	424

Using the correlation confluent formular:

$$r = \frac{n?XY - ?x\ ?Y}{\sqrt{[n?x^2 - (?x)^2].[n?\ y^2 - (?y^2)]}}$$

$$r = \frac{5\ (428) - (106)(15)}{\sqrt{[5\ (4326) - (106)^2].[5\ (55) - (15)^2]}}$$

$$r = \frac{2120 - 1590}{\sqrt{[\ (21630 - 11236).275 - 225)}}$$

$$= \frac{530}{10\ 714\ x\ 50}$$

$$= \frac{530}{107} = 0.7496$$

$$r = 0.75 = +1$$

Interpretation

From Table 2 above, out of a total of 106 respondents, 61 representing 57.5 percent strongly agreed that there was a significant relationship between intrinsic industrial democracy characteristics and employee job satisfaction, 18 respondents or 17 percent agreed that relationship existed between the two variables 4 respondents or 3.8 percent only were undecided while 12 or 11.3 percent disagreed 11 respondents or 10.4 percent strongly disagreed that significant relationship existed between the two variables. From the table, the computed value of the correlation coefficient was equal to +1.

Decision Criterion

Whether to accept or reject the null hypothesis, (H_0) Whittaker and startup (1982) rule was applied as follows:

I. If the values of r = +1, accept 4, and reject H_0

ii If the value of r = -1, accept H_0 and reject H_1

Therefore, by this decision rule, the null hypothesis one was rejected hence there is a significant relationship between intrinsic characteristics of industrial democracy and employee job satisfaction was accepted

Ho_2: There is no significant relationship between adoption and practice of industrial democracy and employee commitment.

Variables	**Frequency**	**Percentage**
Strongly Agreed	62	58.5
Agree	17	16.0
Undecided	6	5.7
Disagree	11	10.4
Strongly Disagree	10	9.4
Total	**106**	**100**

Sources: Field Survey, 2016.

Table 5: correlation between Industrial Democracy and employee commitment

X	Y	X2	Y2	Xy
62	5	3844	25	310
17	4	289	16	68
6	3	36	9	18
11	2	121	4	22
10	1	100	1	10
106	15	4390	55	428

Using the correlation coefficient formular

$$r = \frac{n?xY - ?x?Y}{\sqrt{1n?x^2 - (?x)^2 \text{ I.In}?y^2 - (?Y^2)\text{I}}}$$

$$r = \frac{5\ (428) - \ (106)(15)}{\sqrt{\text{I5}\ (4390) - (106)^2\ \text{I.I}\ 5\ (55) - \ (15)^2]}}$$

$$= \frac{2120 - 1590}{\sqrt{(21950 - 11236).275 - 225}}$$

$$= \frac{530}{\sqrt{10714\ x\ 50}}$$

$$= \frac{530}{107 \text{ x } 7}$$

$$\frac{530}{728} = 0.7555 = 0.76$$

$$r = +1$$

Interpretation

From Table 4 above showed that, out of The 106 respondents, 62 representing 58.5 percent strongly agreed. 17 representing 16 percent of them agreed, while 6 respondents or 5.7 percent were undecided. 11 respondents representing 10.4 and 9.4 percent respectively disagreed and strongly disagreed that adoption and practice of industrial democracy would enhance employee job commitment and satisfaction.

From the table above, the correlation coefficient was equal to + 1.

Going by the decision role, the null hypothesis was again rejected, hence there is significant relationship between adoption and practice of industrial democracy with their job commitment.

Conclusion and Recommendation

Based on the analyses and findings of this study, it is convenient to conclude that industrial democracy is a function of management actions and inactions of contentment or an aggregation of attitudes, mental or emotional which workers experience in their immediate work tasks and roles given intrinsic and extrinsic motivation in the form of providing workers pleasurable feeling of self-fulfillment, accomplishment, importance, recognition, advancement achievement and other forms of both economic and social gratifications which enable workers not only to be satisfied and committed to their job but also achieve their social and economically desirable needs. From this conclusion, it is recommended that:

I. There should be greater involvement of employees in decisions making irrespective of their level of education or ranks, since by doing so, they are more motivated and they identify more with their organizations.
ii. While management prerogative should still be maintained, middle cadre employees should be duly informed on the particular areas involved before decisions are taking on them.
iii. Management should adopt more open door policy since this will allows for easier access to employees to the manager as well as freer interaction within organization and these factors enhance better understanding and more cordial working relationship
iv. A lot of interaction is recommended between labour and management. These interactions would tend to reduce the gap that has always existed between the two groups. In cases of management prerogatives in decision making, through interactions. Workers eventually understand why they are necessary.
v. A manager should adopt more democratic style of leadership than other style. This would enhance employee job satisfaction and commitment and overall organizational performance.
vi. Finally, organizational managers should always take time to study their workers individually to discover their level of commitment and satisfaction towards achieving the organizational goals which would contribute to the growth of organizations generally.

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Human Resource Development Practices and Organizational Commitment In Nigerian Manufacturing Sector

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Abstract

The objective of this study is to examine the effect of Human Resource Development Practices on organizational commitment with special reference to Nigerian manufacturing sector. Survey research design was adopted. The Population of the study consisted of management staff and other employees in 30 manufacturing firms purposively selected from the 6 geographical zones of Nigeria. A sample size of 377 was determined by Taro Yamene formula. Data were analyzed using descriptive statistics such as mean, frequencies, percentages and standard deviation. Three hypotheses were tested with t test statistics. Data analyses were performed with the aid of Statistic Package for Social Sciences (SPSS) version 7.0. Data analysis revealed that there was indeed a significant relationship between human resource development practices and organizational commitment. The study concluded that human resource development practices of training/development, reward/ recognition, organizational commitment have positive impact on organizational commitment. It was recommended among others that management of manufacturing organizations should push for fair and better worthy conditions for all categories of employees.

Keywords: Human resource development practices, organizational commitment, training and development, reward, recognition, communication.

Introduction

Academic interest in human resources development practice is evidence by the level of attention it has received in the last few years. The relationship between human resources development practices and organizational commitment has been the subject of much research in several fields including organizational behavior, strategic management and industrial organizations. While this topic is rich in studies, many researchers find it extremely difficult on the fact that there is no agreement on the precise nature of the relationship between human development practices and employees commitment in Nigerian manufacturing sector. In spite of the plethora of study on human resources development practices in the last few years, there is no widely acquired casual relationship between human resources development practice and organization commitment. The empirical evidences steaming from various studies about the effect of human resources development practices and organizational commitment have so far yielded mixed results that are inconclusive and contradictory.

Due to these contradictory results the question of whether human resource development practices improve or worsens organization is worthy of further study. Additionally, in spite of the existence of this study very little attention has be paid to the Nigeria manufacturing sector. This implies that the effect of human resource development practices on organization's commitment in the manufacturing sector has not received sufficient research attention in Nigeria. Hence, there is a missing link in the relevant literature on Nigeria which has to be covered by research. This study attempts to provides this missing link by studying the situation of the Nigerian manufacturing sector and providing more empirical evidence on the effect of human recourse development practices on organization commitment based on individual manufacturing firm-level data.

The broad objective of the study is to examine the effect of human resource development practices on Nigerian manufacturing sector. The specific objectives are as follows:

1. To determine the relationship between HRD practice of training and development and organizational commitment.
2. T ascertain the extent to which HRD practice of reward and recognition result in organizational commitment.
3. To examine the effect of HRD practice of organizational communication on organizational commitment.

Literature Review

The Concept of Organizational Commitment

The concept of organizational commitment has been studied and researched extensively since Becker (1960) and Etzioni (1961) first attempted to describe its dimensions. As interest in the area of organizational commitment developed, researchers from various disciplines formulated their own meanings of the term, which led to little consensus regarding the definition of organizational commitment and how it is measured (Buchanan, 1974). Organizational commitment, as an attitude, has been defined as the relative strength of an individual's identification with, and involvement in a particular organization (Mowday, Porter and Stress 1979; Allan and Meyer, 1990 Opare 2007).

Kantor (1968) in Buchanan. (1974) and Rashid, Sambasivan and Johari (2003) view organizational commitment as the willingness of social beings to give energy and loyalty to an organization. Likewise, Porter (1968) in Buchanan. (1974) states that organizational commitment is the willingness of employees to exert high levels of effort on behalf of the organization, a strong desire to stay with the organization, and the acceptance of the organization's goals, mission and values. Greenberg and Baron (2003) and Silverthorne (2004) have similar views to Mowday, Steers and Porter (1979), and Porter, Steers, Mowday and Boulian (1974), yet they additionally view organizational commitment as the work attitudes of employees toward the organizations in which they work. Greenberg and Baron (2003) agree with the definition by Mowday, Steers and Porter (1979), by stating that organizational commitment is not only concerned with the extent to which an employee identities with their organization, but also whether the employee is or is not willing to leave their organization.

Meyer and Allen (1991) view organizational commitment, as defined by Mowdav Steers and Porter (1979), from two perspectives behavioural

commitment and attitudinal commitment. Behavioural commitment focuses on the processes by which employees become part of a specific organization and their appropriate behaviour (Meyer and Allen, 1991). Attitudinal commitment, on the other hand, focuses on the processes by which employees come to think about their relationships with their organization, and the extent to which their goals and values are congruent with those of the organization (Meyer and Allen. 1991). Meyer and Allen's (1991) attitudinal perspective will be the basis for the concept of organizational commitment in this search. Meyer and Allen's (1991) research is based on the classification by Allen and Ever (1990). The three components of organizational commitment: namely effective, continuance and normative commitment. These components appear to reflect at least general themes that are common to most definitions of organizational commitment, namely an effective attachment to the organization: the continuance attachment or perceived costs associated with leaving the organization: and the normative attachment or obligation for employees to remain with the organization.

Importance of Organizational Commitment

Specifically, employee commitment has been shown to predict important work outcomes such as extra-role behaviour, withdrawal, performance, absenteeism, turnover and tardiness (Porter, Steers. Mowday and Boulian, 1974; Allen and Meyer. 1990: Mathieu and Zajac. iggO: Hogg and Terry. 2001: Rashid, Sambasivan and Johari, 2003; Wasti. 2003; Yu and Egri. 2005 Cohen.2007). Silverthorne (2004) adds to these by stating that, along with the intention to remain in the organization, employee participation is also directly related to organizational commitment. Greenberg and Baron (2003) agree with the above and assert that an employee's behaviour can be predicted far from the future because of their level of commitment, and it is consequently a good communication of the importance of organizational commitment as a work related attitude is important for organizations to have a better understanding of organizational commitment because it affects organizations, their employees, and society as a whole (Mowday, Porter and Steers, 1982. in Mathieu and Zajac. 1990). Organizations prefer committed employees because commitment decreases the likelihood of employee turnover and lateness (Mathieu and Zajac. 1990). Employees are able to benefit because organizations value those who show commitment and therefore, organizations may give the employee both extrinsic and psychological rewards that are associated with membership to the organization (Mathieu and Zajac. 1990). Societies as a whole also benefit from the organizational commitment of employees because job turnover will decrease, and national productivity and/or work quality may increase (Mathieu and Zajac. 1990). McKinnon, Harrison, Chow and Wu (2003) state that an organization that is people orientated and which values, respects and is fair to its employees will have an outcome of employee commitment.

Based on the above, it is evident that committed employees are a necessary and valuable resource to an organization (Babalola, Balogun and Oriaku 1996). A committed employee is also a valuable resource to the organization because they are inclined to stay with the organization, regardless of whether the circumstances affecting the organization are favourable or unfavourable. Therefore suggesting that committed employees can be a form of competitive advantage to organizations (Allen and Meyer. 1990; Rashid Samhasivan and Johari 2003; Yu and Egri. 2005). Buchanan (1974), and Mathieu and Zajac (1990) believe that organizations differ in their capacity to retain committed employees and gain their loyalty Rashid Sambasivan and Johari (2003) feel that having committed employees would be an added bonus to the organization.

Specific Human Resource Development Practices and Organizational Outcomes

A number of researchers examining the relationship between HRD practices and organizational outcomes have taken a macro approach rather than the micro approach investigating HRD practices such as training and development, reward and recognition, performance appraisal, recruitment and selection, organizational communication, and the effects of those practices on organizational level outcomes.

This study is also towing the macro approach. A large body of the management and business literature has examined the link between

human resource practices and organizational commitment. This body of literature has identified various dimensions of human resource practices related to organizational commitment (such as Meyer and Allen. 1991; Ricardo and Jolly, 1997; Lau and Idris. 2001; Meyer *et al.* 2002). These include communication, training and development, rewards and recognition, effective decision-making, risk taking for creativity and innovation, proactive planning, teamwork and fairness and consistency in management practices (Ricardo and Jolly. 1997: Lau and Idris. 2001).

In order to understand whether human resource development practices have effects on employees' commitment, the effects of each individual human resource development practice are highlighted as follows:

Training and development

Training and development can be defined as the process of improving current staff performance by increasing, through learning, his or her skills and knowledge. Schuler (1990), McCormick and Tiffin (1989) define training and development as a conscious and deliberate effort by organization aimed at raising the quality of employees deemed necessary for achieving organizational objectives.

Reward and Recognition

Reward and recognition can be defined as benefits in the form of increased salary bonuses and promotion which are conferred as public acknowledgement of superior performance with respect to goals (Juran and Gryna. 1993). It also refers to something that increases the frequency of an employee's action (Zigon 1997)

Organizational Communication

Organizational communication refers to the process whereby individuals and groups transact in a variety of ways and within different areas with the aim of carrying out organizational goals (Smidts, Pruyn and Van Riel 2001; Brunetto and Farr-Wharton. 2004). Communication also refers to the sending and receiving of messages by means of symbols and sees organizational communication as a key element of organizational climate (Downs, 1991).

Methodology

Hypotheses

The research hypotheses relevant to the research objectives are as follows:

H_{o1}: There is no significant relationship between training/development as an element of HRD practices of employees and organizational commitment.

H_{o2}: There is no significant relationship between employees' reward and recognition as an element of HRD practices and organizational commitment.

Ho_3: There is no significant relationship between organizational communication as an element of HRD practices and organizational commitment.

The study adopted a survey research design. A survey research design was considered the most appropriate because according to Ojo (2009) the sampled elements and the variables that are being studied are sampling being observed as they are without making any effort to control or manipulate them.

The population of the study consists all organizations within the manufacturing sector in Nigeria and purposive sampling technique was used to select 60 manufacturing firms with a target population of 1,640 employees which include management staff and other workers. Special attention was paid to managers and other employees who are responsible for implementing HRD practices and those involved in the determining and evaluating the organization's HRD porgrammes and practices. Multistage sample method was employed to divide Nigeria into six Geopolitical zones, then a state was selected from each of the zones while the capital of the selected state constituted the area of the study this is showed in the table below:

Area of the Study by Geopolitical Zones, State and Capitals

Geopolitical zones	States	Capitals
South – south	Rives	Port-Harcourt
South – West	Lagos	Ikeja
South – east	Anambra	Awka
North Central	Kwara	Ilorin
North East	Borno	Maiduguri
North West	Kano	Kano

Source: Field work, 2016

A sample size of 377 was chosen using the Taro Yamane's (1973) formula cited in Omoankhanlen and Osagie (2007).

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

where n = Sample size

N = population

I = Constant

e = estimated error which is level of significance 5% for 95% confidence level

Therefore population of the divided organization = 1640

Sample size (n)

Population = 1640

$$n = \frac{640}{1+1340\,(0.05)^2}$$

$$n = \frac{1640}{1+1340\,(0.0025)}$$

$$n = \frac{1640}{1+3.35}$$

$$n = \frac{1640}{4.35}$$

n = 377.0115

Sample size = 377

A total of 377 copies of questionnaire were distributed with an average of 12 copies of questionnaire for each manufacturing organization using contact persons in the organization with an appeal to allow a spread across the two management/occupation groups in the organization. The study employed a multi-stage sampling technique to obtain respondents. The design involved assessing the studied organization and its grouping based on HRD practices. In this case, each of the studied organization was divided into 7 strata. From each stratum, a sample frame was determined to ascertain in number of respondents to be obtained from each stratum with attention on the management staff cadre group. From the identified 7 strata, simple random sampling technique was used to obtain samples frame to be in the sample size and to ensure that no external influence is involved in the selection process. The procedures give a bias-free selection of respondents to provide adequate and relevant data. Out of the total number of 377 distributed, 321 questionnaire were returned and thirteen copies of questionnaires were invalid as they were improperly completed, while 308 were actually used in the study.

Likert scale type of questions was used. The responses items in the questionnaire were assigned values as follows: Strongly Agree (SA) — 5, Agree (A) — 4, Neutral (N) — 3, Disagree (D) — 2, and Strongly Disagree (SD) — 1. The mid-point for the scale was 3.0. Any item whose means score was 3.0 and above indicated 'Agreed" while any item for a mean value below 3.0 was regarded as "Not Agreed".

Data Analysis

The data were analyzed using descriptive statistics such as mean, frequencies, percentages and standard deviation (SD). Hypotheses were tested with t-test statistics. Data analysis were performed with the aid of Statistics Package for Social Sciences (SPSS) version 7.0

Research Question 1: Does training and development of employees as element of human resource development practices lead to organizational commitment?

Table 1: Participant's Responses to Questionnaire items

S/No	Option	SA	A		D	SD
1	Training and development lead to organizational commitment	36.7%	34.4%	3.9%	15.6%	9.4%
2.	HRD practice of rewards and recognition give rise to organizational commitment	37.3%	31.8%	5.2%	15.3% 14.0%	10.4% 11.4%
3.	Organizational communication enhances organizational commitment.	36.4%	30.2%	8.1%	14.0%	11.4%

***Source**: Fieldwork, 2016*

Table II: Mean and standard deviation of human resource development practices on organizational commitment

Variables	N	Min	Max	X	SD	T-cal	Pvalue	Decision
Training and development	5	113.04	112.56	3.73	3.83	68.702	0.000	Agreed
Reward recognition	5	85.21	106.39	3.70	8.52	25.124	0.000	Agreed
Organizational communication	5	11/72	24.68	3.68	5.22	7.803	0.000	Agreed

Source**: Field work, **2016

Using the analysis in table II, mean response revealed that respondents agreed to a large extent training and development lead as element of HRD practices organizational commitment. Also, this is follow by reward and recognition (c = 3.20; SD - 8.52) has the least. The pattern of ranking of organizational commitment variables in the analysis above is suggestive of the way in which the respondents perceive the variable is having a high influence on the type of human resource development (HRD) practices that lead to organizational commitment. The standard deviation of the items ranged from SD = 3.83 to **5.22.** This shows that the respondents were not too far part in their perception.

Testing of hypotheses

Ho$_1$: There is no significant relationship between training and development employees as element of HRD practices and organizational commitment.

	Paired differences					
	Means	**Std Deviation**	**Std, Error**	**1**	**Df**	**Sig (2 – tailed)**
Training/organizational commitment	58.6000	46.85936	20.95614	2.796	4	.049

Source: SPSS out

Table 3 shows that the Pvalue (0.05) that is associated with t-cal (2.296) is less that 5 critical value. Hi is accepted and this implies that there is significant relationship between training/ development of employees as element of HRD practices and organizational commitment.

Ho$_2$: There is no significance relationship between employees reward/recognition as element of HRD practices and organizational commitment.

Table iv: Relationship between reward/recognition as element of HRD Practices and organizational commitment.

	Paired differences					
	Means	**Std Deviation**	**Std, Error**	**1**	**Df**	**Sig (2 – tailed)**
Pair 1: Employees reward-organization commitment	58.6000	44.12822	19.73474	2.969	4	.041

Source: SPSS output

Relationship reward and recognition of employees to their level of commitment organizational, the analysis in table 4 shows that there is statistical evidence to reject null hypothesis since Pvalue (0.041) that is associated in t-cal 2.969 is less critical value. Hi is accepted which signifies that there is significant relationship between employees reward/recognition as element of HRD practice and organizational commitment.

Table v: Relationship between organizational communication as an element of HRD practice and organizational commitment.

	Paired differences					
	Means	**Std Deviation**	**Std, Error**	**1**	**Df**	**Sig (2 – tailed)**
Pair 1: Organizational Communication – organization commitment	58.6000	41.64493		3.146	4	.035

Source: SPSS output

The analysis on table 5 indicates that the Pvalue (0.035) that is associated with t-cal (3.146) is less than 5% critical value. From the result, the alternative hypothesis is accepted, it is therefore concluded that there is significant relationship between organizational communication as an element of HRD practice and organizational commitment.

Discussion of Findings

The overall objective of this study was to investigate the influence of three dimensions of human resource development practices on organizational commitment within the context of the Nigerian manufacturing organizations. The results of this study revealed that the three dimensions of human resource development practices are positively related to employees' organizational commitment. The results indicate that training and development was the dominant dimension of human resource development practices that showed the strongest association with employees' organizational commitment. Providing employees with proper training and development saves time and enables employees to do the right thing at the right place and in the right time thereby increasing their productivity and efficiency and ultimately, their commitment (Karia, 1999). Our results are consistent with those of Karia and Asaari (2006), which emphasize that training and development led to increased job satisfaction and commitment towards the organization.

The findings also indicated the importance of organizational communication, teamwork and performance appraisal for

predicting employees organizational commitment. The result implies that human resource development practices recognize and emphasize the importance of communication which had a positive relationship with employees organizational commitment. This finding is in consistence with the observation of Buchanan, (1974) which identified communication as a major variable in building organizational commitment.

Reward and recognition were found to have significant contributions towards employee's organizational commitment. This indicates that both recognition and rewards have motivating effects on people at work. Further, elements of rewards such as fairness, opportunities for professional growth, high pay, and praise for good performance appear to influence employees' organizational commitment in this study. The present results are consistent with the findings of O'Driscoll and Randall (1999) who found that the rewards offered by an organization have a positive effect on employees commitment towards their job and their organization.

Conclusion

Manufacturing organizations are either wholly formed by government or partly established by government and individuals. The objective is to maximize profits for the stakeholders and shareholders of the organizations. The achievement and realization of organizational goals are entirely dependent on the human resource as the most valuable assets and the management of this resource. Good human resource development practices would bring about increased knowledge, motivation, synergy and commitment, resulting in a source of sustained competitive advantage for the manufacturing organizations.

The study investigated the effect of human resource development practices on organizational commitment. Based on the findings of the study, it is concluded that human resource development practices of training/development reward and recognition, organizational communication, team work and performance appraisal have significant impact on organizational commitment in Nigerian manufacturing organizations.

Recommendations

1. The provision of a framework for a career structure should be made in the organizations. It would pay manufacturing organizations a lot more to invest the money spent on hiring more qualified workers to train this employees who are already working for them.
2. Employees attached much importance to incentives, particularly wages and salaries as a motivating factor. In view of this, organizations should endeavour to maintain a rotational pay structure. Jobs must be compared and their relative worth assessed to correspond with a fair and acceptable pay structure that enhances organizational commitment. Management should know the type of nature that can promote organizational commitment.
3. Organizational communication should be promoted and sustained in order to encourage feedback on how employees perceive the organization.
4. Managements of organizations must ensure that the succession plan is linked to and supported by the organization's overall mission, vision, values and strategic goals.
5. There should be strong relationship between supervisor and subordinates which can create healthy and productive employee commitment which lead an organization toward standard growth and development.

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Effects of Inventory Management on Corporate Profitability: A Study of 7up Bottling Company Plc, 9th Mile Plc, Enugu Plant.

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Abstract

This study investigates the effects of Inventory Management on corporate profitability of 7up Bottling Company PLC Ninth Mile Enugu Plant. The study uses secondary data obtained from financial statements of the company. Multiple regression and analysis of variance (ANOVA) were used to analyze data. Four hypotheses were tested at 0.05 significant levels. The findings revealed that inventory management has significant positive relationships with sales volume and return on investment; The findings also revealed that differences in cost exist between the various product lines in the company. It was therefore concluded that 7up bottling company plc has not efficiently manage its Inventory for improve corporate profits. As such, it was recommended that 7up Bottling Company PLC, Enugu Plant should ensure prompt availability of product at warehouses and distribution centers to avoid shortage cost, ensure training and re-training of staff to enhance productivity and adopt modern lean inventory practices to minimize its holding cost.

Keywords: Inventory management, profitability, Nigeria Bottling Company

Introduction

Problems of inventory management have been around for a very long time. The need to collect food when it is readily available and then store it for times of shortage is perhaps the fundamental stock holding problem, which was tackled long ago by man. Nowadays, we usually think of stocks being held by organizations to allow efficient and continuous operations as cost. Managers are aware of the vital roles inventory plays in the activities of organizations. In most organizations, direct materials represent up to 50% of the total product cost, as a result of the money entrusted on inventory, thereby affecting the profitability of the organization if not well managed. At any level of a firm, inventory is among the largest investment made and therefore logically deserves to be treated as a major policy variable, highly responsive to the plans and style of top management (Ogbo,2011). However, to date in most organization, both analysts and managers have been relatively unsuccessful in convincing top management to give this area the due consideration that it logically deserves.

7up Bottling company PLC, 9th Mile Enugu Plant at times do not control their inventory holding, resulting in under stocking and causing the company to stay off production, thereby resulting to organizational ineffectiveness and in some cases, result to obsolesce and spoilage. This affects general productivity and hence profitability. It is economically unsound and physical impossible to have goods arrive in a system exactly when demands for them occur. Without stock at hand customers would have to wait for long period before their orders are fulfilled. Proper inventory management ensures that an input is available where and when it is required while employing a minimum of residual stock and thus incurring the least possible cost. The study therefore seeks to analyse the effects of inventory management on profitability of 7up Bottling Company, Enugu.

i. The main objective of the study therefore is to analyze the effects of inventory management on profitability. The specific objectives include to:

i. determine the extent to which inventory management affects sales volume in 7up Bottling company PLC 9th Mile Enugu plant;

ii. determine the extent to which inventory management affects productivity in 7up Bottling company PLC 9th Mile Enugu plant;

ii. analyze the effects of inventory management on return on investment in 7up Bottling company PLC 9th Mile Enugu plant;

iii. compare the costs of managing various product lines in 7up Bottling Company PLC 9th Mine Enugu plant;

Empirical Review:

Inventory Management and Sales

Past research shows that inventory turnover varies substantially across firms as well as over time. Gaur (2005) demonstrate that a significant portion of this variation can be explained by gross margin, capital intensity, and sales surprise (the ratio of actual sales to expected sales for the year). Using additional data, we confirm these previously published results. Gaur. (2005) investigate the effects of firm size and sales growth rate on inventory turnover using data for 353 public listed US retailers for the period 1985-2003. With respect to size, the study found strong evidence of diminishing returns to scale. With respect to sales growth rate, it was observed that inventory turnover increases with sales growth rate, but its rate of increase depends on firm size and on whether sales growth rate is positive or negative.

Lwiki, Ojera, Mugenda, Wachira (2013) examines the impact of inventory management practices on the financial performance of sugar manufacturing firms in Kenya, by analyzing the extent to which lean inventory system, strategic supplier partnership and technology are being applied in these firms. The research survey was conducted in all the eight operating sugar manufacturing firms from the period 2002- 2007. The primary data was collected using structured and semi- structured questionnaires administered to key informants in the organizations. Secondary data was

obtained from annual financial performance statements available in the year Book sugar statistics. Descriptive statistics was used to test the impact of inventory management practices and Correlation analysis was used to determine the nature and magnitude of the relationship among inventory management variables. The results indicate that there exists a positive correlation between inventory management and Return on Sales (r=0.740) and also with Return on Equity (r=0.653) which were found to be statistically significant at 5% level.

Inventory Management and Productivity

Lieberman and Demester (2009) suggest a casual link between work-in-progress inventory and manufacturing productivity. Such a connection has been described in numerous case studies but never tested statistically. His paper uses historical data for 52 Japanese automobile companies to evaluate the inventory- productivity relationship. It was found that firms increased their productivity rank during periods of substantial inventory reduction. More details suggest that inventory reductions stimulated gains in productivity: On average, each 10% reduction in inventory led to about a 1% gain in labor productivity, with a lag of about one year.

Anichebe, Nnaemeka & Augustine (2013) study the "Effects of Inventory Management on Organizational Effectiveness in selected organizations in Enugu using Emenite, Hardis & Dromedas and the Nigeria Bottling Company in Enugu, Enugu State. Descriptive research method, especially survey and case study were employed in carrying out the study. The population of the study was six hundred and fifty eight (658). A sample size of two hundred and fouthy eight (248), was derived using the Taro Yamene formula for sample size determination from a finite population. it was discovered that irrespective of the fact that the organizations studied, painted the picture that they were applying the tenets of good inventory management, they from time to time run into the problems of inventory inadequacy. This consequently affected their production, leading to the scarcity of one brand of their products or the other, thereby affecting their profitability and consequential effectiveness negatively. The Findings indicate that there is significant relationship between good inventory management and organizational effectiveness. Inventory management has a significant effect on organizational productivity.

Imeokparia (2013) explores the relationship between inventory management and control and performance and Food and Beverages companies in Nigeria. Secondary data were obtained from annual financial reports and accounts of Food and Beverages companies listed on the Nigerian Stock Exchange. The data obtained were analyzed using simple and multiple regression models. The results show that there significant relationship between inventory management and control and the performance of Food and Beverages companies in Nigeria. The findings show that the three key qualities that are essential in inventory management decisions for manufacturing organisation from the perspective of the third party logistics provider are customer satisfaction, on time delivery and order fulfillment.

Inventory Management and Returns on Investment

Saravanan Kesavan1, Vidya Mani (2005) examined the relationship between inventory levels and one-year ahead earnings of retailers using publicly available financial data. Using benchmarking metrics obtained from operations management literature to demonstrate an inverted-U relationship between abnormal inventory growth and one-year ahead earnings per share for retailers, it was found that equity analysts do not fully incorporate the information contained in abnormal inventory growth of retailers in their earnings forecasts resulting in systematic biases.

Finally, Agus and Noor (2006) examined the relationship between inventory management practices and financial performance. The study measured the manager's perceptions of inventory and supply chain management practices and the level of

performance in the industry. The contemporaneous impact of inventory on earnings is well known. The most recognized component of this impact is the holding cost of inventory, which affects both the capital cost of money tied up in inventory and the physical cost of having inventory (warehouse space costs, storage taxes, insurance, rework, breakage, spoilage, etc.).The relationship between inventory and future earnings, however, was unclear. Agus and Noor (2006) argued that the relationship between inventory and future earnings arises because inventory contains incremental information useful to predict both demand and expenses for retailers

Koumanakos (2008) studied the effect of inventory management on firm performance 1358 manufacturing firms operating in three industrial sectors in Greece, food textiles and chemicals were used in the study covering 2000 – 2002 period. The hypothesis that lean inventory management leads to an improvement in a firm's financial performance was tested. The findings suggest that the higher the level of inventories preserved (departing from lean operations) by a firm, the lower the rate of return. In conclusion, most of the studies reviewed concentrated on conventional firm level variables such as inventory levels, demand and lead time.

Methodology

Hypotheses

To investigate the problem of the study and to achieve the objectives, the following null hypotheses were formulated for testing.

Ho_i. There is no significant relationship between inventory management and sales volume in 7up Bottling company PLC 9th Mile Enugu plant.

Ho_{ii}. There is no significant relationship between inventory management and productivity in 7up Bottling company PLC 9th Mile Enugu plant.

Ho_{iii}. There is no significant relationship between inventory management and return on investment in 7up Bottling company PLC 9th Mile Enugu plant.

Ho_{iv}. There is no significant difference in the cost of managing the various product lines in 7up Bottling Company 9th Mile Enugu plant.

There are two risks involved when choosing a value of y, the amount of inventory to order or produce. There is the risk of being short and thus incurring shortage costs, and there is a risk of having too much inventory and thus incurring wasted costs of ordering and holding excess inventory. In order to minimize these costs, we minimize the expected value of the sum of the shortage cost and the holding cost. Because demand is a discrete random variable with a probability distribution function, ($P_D(d)$), the cost incurred is also a random variable. Let $P_D(d) = P\{D = d\}$.We will now gather some background information about statistics. The expected value of some X, where X is a discrete random variable with probability function, $_{PX}(k)$, is denoted E(X) and is given by

E(X) =

Similarly, if y is a continuous random with probability function$_{fy(Y)}$

$$E(Y)= \sum_{allk} k \cdot px(k)$$

By the law of unconscious statistician we can say that:

$$E(h(x) \int_{\infty}^{\infty} y.$$

Now we return to analyzing our cost. The amount sold is given by

$$Min (D, y) \int_{\infty}^{\infty} h(x)f(x)dx$$

Where D is the demand and y is the amount stocked. Now let C(d,y) be equal to the cost where $\begin{cases} D if D < y, \\ y if D \geq y, \end{cases}$ is equal to d. notice that:

C(d, y) =

$$\begin{cases} cy + p(dy) if d > y, \\ cy + h(yd) if d \leq y, \end{cases}$$

The expected cost is then given by C (y).

$$C(y) = E\,[C(D,y)] = cy + \sum_{d=y}^{\infty} p(dy)P_D(d) + \sum_{d+0}^{y\ 1} h\,(yd)\,P_D(d)$$

Sometimes a representation of the probability distribution of D is difficult to find, as in when demand ranges over a large number of possible values. Therefore, this discrete random variable is often approximated by a continuous random variable. For the continuous random variable D, let $\varphi D\xi)$ be equal to the probability density function of D and (a) be equal to the cumulative distribution function of D. This means that

$$(a) = \int_0^a \varphi D(\xi)\, d\xi$$

Using the Law of the Unconscious Statistician, the expected cost C(y) is then given

By: $C(y) = E\,[C(D,y)] = \int_0^{\infty} C(\xi, y)\varphi D^{d\xi}$

This expected cost function can be simplified to cy +L (y) where L (y) is called the expected shortage plus holding cost. Now, we want to find the value of y, say y^0 which minimizes the expected cost function C(y). This optimal quantity to order y^0 is that value which satisfies $(y^0) = \frac{pc}{p+h}$

Method of Data Collection and anaysis

The instrument used for the study was secondary in nature as quantifiable inventory data was obtained from 7up Bottling Company Enugu. The reason for the use of annual reports is because it captures all financial transactions of the company.

Data Analysis Techniques

Data were analyzed using regression and analysis of variance (ANOVA).

Regression analysis was used to determine the extent to which inventory management affects Sales volume, Productivity and Return on investment. The model is specified as follows:

i. $Y_1 = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + Ui$

ii. $Y_2 = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + Ui$

iii. $Y_3 = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + Ui$

Where

Y_1= Sales volume (N)

Y_2=Productivity (N)

Y_3= Return on investment (N)

X_1= Holding cost (N)

X_2= Ordering cost (N)

X_3= Shortage cost (N)

Ui= Error term

Analysis of variance (ANOVA) was used to test significant differences in the cost of managing inventory between the various product lines within the company. The format is as shown on table 3.1

Table 2: Format for 3x3 ANOVA

	Replications		
Treatments	**2012**	**2013**	**2014**
7up	X	X	X
Miranda	X	X	X
Pepsi	X	X	X

X= cost of production

Data Analysis
Effect of Inventory Management on Sales Volume

Table 3: Inventory Management and Sales volume of 7up Bottling Company Enugu plant (2000-2014).

Year	Sales Volume ₦b	Holding Cost ₦ b	Ordering Cost ₦b	Shortage Cost ₦ b
2000	4.5	.62	3.0	1.8
2001	5.2	.63	4.4	2.3
2002	5.6	.71	5.2	2.4
2003	7.0	.7.75..75	8.6	2.7
2004	8.5	.89	11.8	2.9
2005	10.1	.89	14.4	3.7
2006	13.1	.91	18.9	4.8
2007	16.3	1.6	23.6	5.6
2008	18.8	1.8	28.9	5.9
2009	22.1	2.2	33.1	6.2
2010	26.8	2.5	36.8	8.1
2011	31.3	2.5	41.2	9.5
2012	34.8	.77	46.9	11.4
2013	41.2	.68	50.3	12.7
2014	49.5	16.5	55.4	13.3

Source: Financial Statements of Seven-Up Bottling Company Limited (2000-2014).

Table 1 shows persistent increase in the trend of sales volume within the review period. This consistent rise in sales volume corresponds with the rise in holding costs between the periods 2000 to 2011. However, an increase in sales volume leads to decline in holding cost between 2012 and 2013. Also, there was a corresponding rise in ordering and shortage costs within the review period.

Table 4: The impact analysis of the Relationship is shown below:

Inventory cost	coefficients	Standard Error	t-test	Sig
Holding cost(x_1)	8.751	2.743	3.191	0.009
Ordering cost (x_2)	1.774	0.402	4.414	0.001
Shortage cost (x_3)	3.379	1.484	-2.277	0.044
Constant	-10.513			
f- value	189.016			
R^2	0.981			
Adjusted-R	0.976			

The results of regression analysis show a positive relationship between sales volume and holding cost in Seven-Up Bottling Company Limited. *This implies that as sales volume increases, holding cost also increases.* This negates the study's a-prior expectation of a negative relationship between the two variables. The lesson is that the company

makes a veritable use of its holding costs as it pays minimal interest and equitable taxes in relation to the volume of sales it makes per annum also efficient management of its holding cost entails availability of company's product for sales. Thus, any one naira increase in holding cost results to about eight naira, eight kobo increase in the volume of sales.

Similarly, the study's *a-priori* expectation, ordering costs show positive relationship with sales volume within the review period. This suggests that the costs of determining how much is needed, preparing invoice, inspecting goods upon arrival and moving goods to temporary sites increased with increase in sales. An increase in ordering costs by one naira leads to sales increment by one naira, eight kobo.

However, the results show that shortage cost has a negative relationship with the volume of sales of Seven-up Bottling Company Limited. This result is consistent with the study's *a-priori* expectation. This means that an increase in costs incurred as a result excess demand over supply and loss of customers' good will or the opportunity cost of making a sale, leads to a decline in sales volume of the company. A one naira rise in shortage costs leads to a decline in sales by three naira, four kobo. If all the independent variables are held constant, productivity will decline by 10.513 units.

The correlation between the dependent and the independent variables is 0.990 showing a very strong relationship of 99 percent. The coefficient of determination index is 0.981, meaning that holding, ordering and shortage costs accounts for 98% of the variations in sales. Thus, the model has an explanatory power of 98 percent, leaving out only two percent for other variables not accounted for in the model.

The t-test value of all the components of inventory management (holding, ordering and shortage costs) under the sales volume model are significant at five percent level (p; .009; 001;.044<.05). The null hypothesis is therefore rejected and the alternative adopted that there is significant relationship between inventory management and sales volume in 7up Bottling Company PLC Nile Mile Enugu Plant.

Table 2: Inventory Management and Productivity Profile of 7up Plc, Enugu Plant (2000-2014).

Year	Productivity (Turnover/Expenditure) ₦b	Holding Cost ₦ b	Ordering Cost ₦b	Shortage Cost ₦ b
2000	3.8	.62	3.0	1.8
2001	6.2	.63	4.4	2.3
2002	4.6	.71	5.2	2.4
2003	5.1	.7.75..75	8.6	2.7
2004	8.2	.89	11.8	2.9
2005	5.3	.89	14.4	3.7
2006	10.6	.91	18.9	4.8
2007	6.0	1.6	23.6	5.6
2008	11.5	1.8	28.9	5.9
2009	8.7	2.2	33.1	6.2
2010	12.4	2.5	36.8	8.1
2011	11.9	2.5	41.2	9.5
2012	14.6	.77	46.9	11.4
2013	14.5	.68	50.3	12.7
2014	16.5	16.5	55.4	13.3

Source: Financial Statements of Seven-Up Bottling Company Limited (2000-2014)

The table shows an unsteady trend in the productivity during the period under review. Table 5 shows an increase in productivity and holding cost, ordering cost and shortage costs between 2000–2001. This increase was inverted in 2002 and 2003, before again assuming the positive trend in 2004. The rest of the period showed fluctuating trends annually.

Table 6: The impact analysis of the relationship is shown below:

Inventory cost	Coefficients	Standard error	t -value	Sig
Holding cost(x_1)	0.038	0.137	0.275	0.789
Ordering cost(x_2)	0.122	0.140	0.872	0.402
Shortage cost(x_3)	0.405	0.641	0.632	0.540
Constant	3.598			
F– value	23.225			
R^2	0.864			
Adjusted - R	0.826			

The results show that productivity is positively related to holding, ordering and shortage costs. In other words, the result shows a positive relationship between productivity and inventory management. This means that 7up Bottling Company has efficiently managed its materials, labour and capital for increase productivity Results show that an increase in holding, ordering and shortage costs by one naira causes productivity to rise by 0.04 kobo, 0.1 kobo and 0.4 kobo respectively. However, if all the independent variables are

Table 7: Inventory Management and Return on Investment of 7up Plc Enugu Plant (2000-2014).

Year	Return on Investment ₦b	Holding Cost ₦ b	Ordering Cost ₦b	Shortage Cost ₦ b
2000	0.38	.62	3.0	1.8
2001	0.39	.63	4.4	2.3
2002	1.2	.71	5.2	2.4
2003	1.4	.7.75..75	8.6	2.7
2004	1.1	.89	11.8	2.9
2005	0.95	.89	14.4	3.7
2006	1.2	.91	18.9	4.8
2007	1.2	1.6	23.6	5.6
2008	1.4	1.8	28.9	5.9
2009	1.6	2.2	33.1	6.2
2010	1.5	2.5	36.8	8.1
2011	1.5	2.5	41.2	9.5
2012	1.6	.77	46.9	11.4
2013	2.9	.68	50.3	12.7
2014	6.4	16.5	55.4	13.3

Source: Financial Statements of Seven-Up Bottling Company Limited (2000-2014).

Data presented in Table 4.3 shows a mixed trend in the relationship between return on investment and inventory management. However, in most part of the period, there was an increasing trend over the period, especially from2000-2003, 2006-2009 and 2011-2014. The rest of the period shows declining in trend.

Table 8: The impact analysis of the relationship is shown below:

Inventory cost	coefficient	Standard error	t- value	Sig
Holding cost(x_1)	0.922	1.029	0.897	0.389
Ordering cost(x_2)	0.433	0.151	2.874	0.015
Shortage cost(x_3)	1.366	0.537	-2.453	0.032
Constant	-1.243			
F- value	9.827			
R^2	0.728			
Adjusted-R	0.654			

Returns on investment (ROI) is positively related to holding and ordering costs, but negatively related to shortage cost. This shows the level of prudence involved in the management of holding and ordering costs by Seven-up Bottling Company Limited. Results show that an increase in holding and ordering costs by one naira causes ROI to rise by 0.9 kobo and 0.4 kobo respectively. However, an increase in shortage cost by one naira causes ROI to decrease by one naira, four kobo. Nevertheless, if all the independent variables are held constant, ROI will decline by 1.243 naira.

The correlation coefficient value of 0.853 shows a strong relationship between the regressors and the regress and to the extent of about 85 percent. The coefficient of determination shows that the model has an explanatory power of 73 percent, implying high explanatory powers, Thus, the model explains 73 percent of the variable while the remaining 27 percent can be attributed to other factors not included in the independent variables. These other factors are however, summed up in the disturbance term and added to the model. The Durbin Watson value of 1.181 is less than 2, indicating the existence of serial errors. However the low values of standard errors implying significance at 0.05 level suggests that such serial errors were minimal and cannot affect the results.

The t-test value of two components of inventory management (ordering and shortage costs) under the returns on investment (ROI) model are significant at five percent level (p; .015; .032<.05), while one (holding cost) is not significant at five percent level (p,.389>.05). In a case were statistical test do not yield a uniform result, it is plausible to compare it with econometric test before a rational decision can be arrived at. We therefore adopt the standard error approach by comparing the standard errors of each variable with half their coefficients.

Using the econometric approach it can be seen that half the coefficients of the two variables (ordering and shortage costs) are greater than their standard errors while that of holding cost is lower than its standard errors. The econometric approach is therefore consistent with the statistical approach. Since two variables show significance in the two approaches against one variable, the null hypothesis is rejected and the alternative adopted. It is therefore concluded that there is significant relationship between inventory management and returns on investment in 7up Bottling Company PLC Nile Mile Enugu Plant.

Table 9: Costs of Managing Product Line in of 7up Plc Bottling Company (2012-2014).

Year	7up ₦b	Mirinda₦b	Mountain Dew ₦ b
2012	3.8	4.5	.38
2013	6.2	5.2	2.39
2014	4.6	5.6	3.2
TOTAL	14.6	15.3	8.97

Source: Financial Statements of Seven-Up Bottling Company Limited (2000-2014)

The table shows that the cost of managing Mirinda (N15.3b) was higher, followed by the cost of managing 7up (N14.6b), while the cost of managing Mountain Dew trailed behind at(N 8.97b).

A hypothesis of no significant difference in the cost of managing various product lines in7up Bottling Company 9th Mile Enugu plant was however tested, and the result is presented in table 4.5

Table 10: One way ANOVA results of the cost of managing various product lines in 7up Bottling Company PLC, Enugu Plant Data

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	5.394	2	2.697	3.741	.002
Within Groups	20.431	6	3.405		
Total	25.825	8			

Source: Data Analysis using SPSS version 20.0

Three product lines were used into the study: 7up, Mirinda and Mountain Dew. There was a statistically significant difference in the cost of managing product lines (P(0.02)< 0. 05). The null hypothesis which stated that there is no significant difference in the cost of managing various product lines in 7up Bottling Company 9th Mile, Enugu plant was, therefore, rejected and the alternative accepted.

Discussion of findings

The findings of this study are in three folds. First, the study found a significant relationship between inventory management and sales volume in 7up Bottling Company PLC.

The implication is that an increase in costs incurred as a result of excess demand over supply and loss of customers good will or the opportunity cost of making a sale, leads to a decline in sales volume of the company. As expounded Lwiki, Ojera, Mugenda, Wachira (2013), growth in inventory should be in line with sales growth rate. If inventory growth exceeds sales growth rate, then it may be warning that stores are over stocked and could lead to spoilage, depreciation and taxes. Similarly, thefound out that inventory turnover is positively related with sales ratio. The study's finding on the nature of relationship between inventory management and sales volume in 7up Bottling Company 9th Mile Enugu State is, therefore, consistent with that of previous studies on other companies.

Secondly, the study found that there no significant relationship between inventory management and productivity in 7up Bottling Company PLC Enugu Plant. The reason is that the 7up Bottling Company Enugu Plant has poor record of managing its materials, labour, energy and capital for higher productivity within the review period, labour turnout is low, material handling and usage is also poor and also low motivational strategies existing within the company as well as inadequate skill

of workers from acquisition of materials, inspection to effectively manage inventory.This finding is consistent with that of Lieberman and Demeerster (2009) which suggested that for most companies, inventory cost reduction was followed by productivity gains, and with limited evidence of effects on the opposite direction

Thirdly, the study found that there is significant relationship between inventory management and return on investment in 7up Bottling Company PLC 9th Mile Enugu Plant. The implication of this finding is that there is high level of prudence involved in the management of holding and ordering costs by Seven-up Bottling Company PLC. In order words, costs have being kept at its lowest minimum, which invariably increases profit, thus increase returns on investment. This finding is consistent with that of Smith and AnichebeNnaemekaAugustine(2013) that there is a positive relationship between inventory management and profitability in established industry.

The fourth finding of the study is that there is significant difference in the cost of managing various product lines in7up Bottling Company 9th Mile Enugu plant. This means that 7up bottling company incurs different amount of money as costs of managing the different production lines such as 7up, Mirinda and Mountain Dew because of the variations that exist in terms of raw materials, and in the production process used for each product line

Conclusion and Recommendations

7up Bottling Company PLC Enugu Plant, has poorly managed its inventory, hence the decline in sales volume and productivity is could be seen in the analysis and test of hypothesis as regard to its productive. Rather, the company was satisfied with the level of profitability attained against its present level of inventory management, as it exhibited high level of prudence in relation to return on investment. Hence, inventory management has effects on corporate profitability of 7up Bottling Company PLC, Enugu plant, as the entire profitability of the company is tired to good inventory management.

This is done by ensuring timely delivery of raw materials to the factory and distribution of finished goods, in order of production to the warehouse. If inventory management is not adequately maintained, production cannot meet the aspirations of customers which is loss of revenue to the organization. Right from procurement to the time of processing, quality of raw material is the chief determinant of the productive efficiency of any manufacturing concern. This varies from organization to organization.

Based on the findings of the study, the following recommendations were made**:**

I. The study found a strong relationship between inventory management and sales volume of 7up Bottling Company Plc 9th Mile Enugu plant, therefore the company should ensure timely availability of its products so as to avoid the cost of shortages that could arise as a result of not making a sale due to non availability of products or even loss of good will from customers. This could be checked by employing the use of Information and communication technology such as the point of sale which takes record of volume of sale and time, which could be used to predict demand. Also computers and other communication gadget can be used to share information.

ii. On the effects of inventory management on productivity, the study recommends effective and efficient inventory management practices, from the acquisitions of materials to finish products, especially in areas such as inspection to ensure quality of products, continues upgrade of production techniques as well as provision of other motivational strategies to boast their productivity.

iii. The study has shown that inventory management has a positive relationship with return on investment therefore, cost of managing inventory which include holding, Ordering and Shortage costs should be kept at its minimum to ensure maximum return on investment for its

share holders. This could be achieved through modern inventory practices like Just –in-time as well as other lean inventory management practices.

iv. The study also recommends that since there are differences in the cost of production of the different product lines in the company, more efforts should be directed to products with higher sales volume, at least cost of production such as Mountain Dew as well as adopt new technique in production that could reduce cost of the products.

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Impact of Emotional Intelligence on the Promotion Factor of Job Satisfaction among Nursing Professionals In Hospitals within Jos Metropolis, Nigeria.

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Abstract

This study sought to ascertain the impact of Emotional Intelligence and the promotion factor of job satisfaction. The study employed survey research design and relied majorly on primary data. Questionnaire was administered on a sample of 300 respondents drawn from the population of 1487 nursing professionals in Jos metropolis. The processing of data analysis was undertaken using SPSS version 20. Regression analysis was used to ascertain the extent of relationship between Emotional Intelligence and promotion factor of job satisfaction. The results revealed that Emotional Intelligence component of empathy and emotional management have significant positive impact on job satisfaction. The study recommended that hospital managements should always test prospective employees on Emotional Intelligence competencies especially empathy and emotional management. Nursing professionals should always be trained and re-trained on EI competencies because this will help in harnessing their Emotional Intelligence skills and increase their job satisfaction.

Keywords: Emotional intelligence, promotion, bob satisfaction, hospitals, Jos

Introduction

Emotional intelligence (EI) as a concept has begun to gain popularity since Goleman wrote the book entitled "Emotional Intelligence" in 1995. Worthy of note is the impact EI is said to have on human services which are sometimes called "direct person-related jobs" (Goleman, 1998; Mcpheat, 2010). Some of these occupations include counseling, social work, nursing and teaching. These are jobs whose primary task is to modify the clients physically or psychologically. In human services, knowledge, skills, motivation of employees, working conditions, expectations and behaviour of the customer create the service delivery process. The ability of these workers to adapt to the work process and fulfil their obligations to clients could affect the satisfaction on the job; if the service process is a manageable experience it may create a sense of satisfaction with the job. Spector (1997) says job satisfaction should be measured in degrees from multiple viewpoints using multiple categories. He further asserts that an individual could be satisfied with certain elements of the job, feel neutral about some and be dissatisfied with others, which further suggests that some factors of job satisfaction many impact more or less on employees, depending on the individual and circumstances. This implies that there is need to understand the significance of the promotion factor of job satisfaction and how it can be affected by emotional intelligence of nursing professionals, since most studies have studied the relationship from a broad perspective of overall job satisfaction.

In Nigeria, recent years have witnessed the swift movement towards globalization and competitiveness among organizations thereby creating a need for emotionally competent officers in these organizations to tackle the shifts and competitiveness and contend with situations however cumbersome they may be. As such the purpose of this probe is to examine the relationship that emotional intelligence has with the promotion factor of job satisfaction of the employees under study. EI is operationalized in terms of self-awareness, self-management, emotional awareness, emotional management, empathy, social awareness and social skills. Job satisfaction is operationalized in terms of chances of promotion on the job.

Literature Review

Concept of Emotional Intelligence

Studies today have shown that indeed EI, though not necessarily cognitive is as crucial for success as other types of intelligence (Goleman, 1995; Goleman, 1998). Research has shown that IQ is no longer considered a good enough predictor of how effective an employee will be in work and life; rather it suggests that EI may be a better predictor in determining employee outcomes such as authentic leadership, Organizational Productivity, management of job stressand mental health (Kiyani, Saher, Saleem & Iqbal, 2013; Lindebaum, 2013; Yusoff, Khan & Azam, 2013; Rangrazian, Ghorbanshiroodi & Khalatbari, 2014).

Promotion factor of Job Satisfaction

Job satisfaction is a multidimensional concept which has been said to affect overall satisfaction of job experience of employees. Job satisfaction has been formally defined as 'the degree to which an individual feels positively and or negatively about their jobs' (Steyn & Van-Wyk, 1999). According to Syed, Cheema & Qasim (2012), job satisfaction can be described as the feelings an employee has about his/her job. In Nigeria some factors of job satisfaction have been given prominence over other and believed to be more relevant for satisfaction. The promotion factor of job satisfaction has to do with employees chances of getting to rise in their organization's hierarchy. The promotion factor of job satisfaction has been identified by some studies as being key to job satisfaction (Spector, 1997; Pergamit & Veum, 1999; Mshellia, 2015) especially when there is perceived equity by employees. Locke (1976) advocates the yearning for promotion stems from the need for self actualization and the desire for justice, thereby advising management of organizations to ensure that promotion is not neglected.

Emotional Intelligence and Promotion Factor of Job Satisfaction

Emotional intelligence is a multi-dimensional concept that links emotion and cognition to improve human interactions. It has been linked to improved workplace behaviour and specifically team behaviour and team performance and even organizational productivity (Sahdat, Sajjad, Farooq & Rehman, 2011). Ealias & George (2012) consider employees with high EI to be more likely to have job satisfaction. They assert that this is because these employees develop strategies to overcome the possible consequences which may arise out of stress and other work related setbacks, whereas their low EI counterparts will not be in a position to do same. Also, in a group setting these employees with high EI are said to be capable of influencing the emotions of others such that they boost their morale as well as their co-workers' morale.

Theoretical Framework

The trait and ability models of EI are widely accepted as theoretical basis for a study on EI. The ability model is represented by Mayer and Salovey who view emotional intelligence as an actual domain of intelligence composed of specific emotional and mental abilities (Mayer & Salovey, 1997) and defined it as 'the ability to perceive and express emotion, assimilate emotion in thought, understand and reason with emotion and regulate emotion in self and others'. The latter, mixed or trait-based model, takes a narrow approach to EI combining emotional abilities with elements of personality, motivation, and social skill (Goleman, 1998). This model is derived from his definition of EI as "the capacity for recognizing our own feelings and those of others, for motivating ourselves and for managing emotions well in ourselves and in our relationships". This type of EI pertains to the realm of personality which can be assessed by self-report questionnaire (Schutte, 1998). This study shall align itself with the trait model of EI due to the fact that it is a personality based study. The study is not keen on seeing EI from the cognitive point of view but more as a personality based construct, especially due to the population and specific problem the study intends to solve. Also, trait EI theory has been found to connect the EI construct to mainstream research in nursing (Quoidback & Hansenne, 2009). The study has one hypothesis postulated for the study:

Methodology

This research employed a survey design due to the fact that the researcher has no control over the independent variables that determine the value of the dependent variable. The population of this study was made up of nursing professionals in the teaching missionary and government hospitals within Jos metropolis of Plateau State which include Jos University Teaching Hospital (JUTH), Bingham University Teaching Hospital (BUTH), Our Lady of Apostles Hospital (OLA) and Plateau State Specialist Hospital. The choice of the population was as a result of the fact that those are the health care centres that enjoy the most patronage by patients. These are the hospitals that are likely to be stressful for human service employees to work in. Sample size of nursing professionals was drawn from the population using the Bartlett, Kotrlik & Higgins (2001) table. The nursing population of these hospitals in Jos metropolis is 1,487 as drawn from the records of nurses in the hospitals under study. The sample size as drawn from the table is 300.

They were followed up with weekly visits within a four weeks period so that nurses in all the shifts were covered in the survey. Initially there was reluctance in the response to the survey because some of the respondents felt the questions were numerous and would take a lot of their time, but upon being convinced by the researcher that responding was not going to take more than an average of fifteen minutes the response rate picked up.

Table 1: Response rate of the questionnaires

Response rate of questionnaires	Frequency (%)
Number of distributed Questionnaires	400
Returned questionnaires	368
Returned usable questionnaires	300
Unreturned questionnaires	32
Returned excluded questionnaires	68
Response rate	92%
Usable response rate	**75%**

***Source**:* Field work, 2015

Job Satisfaction Survey was used to collect data on promotion factor of job satisfaction. It was presented on a six points Likert Scale (1 Disagree very much – 6 Agree very much).A preamble note was attached to the questionnaire guiding the respondents on how to answer questions. Relevant demographic details were required of respondents with assurances of confidentiality. The instrument which was used to assess the group was Schutte's Emotional Intelligence Scale (SEIS), which is a 33-item self-report questionnaire to assess trait Emotional Intelligence (Schutte, 1998). This scale has questions 5, 28 and 33 scored in the reverse. Based on both empirical and conceptual grounds, item 33 ("it is difficult for me to understand why people feel the way they do") was eliminated from the original SEIS resulting in a 32-item scale. The assessment was carried out on the basis of a 5-point Likert Scale (Schutte, 1998).

Results and Discussions

Table 3: Multiple regression result between EI components and Promotion factor of Job satisfaction.

Model	Un-Std B	Std. Error	Std Beta	T	Sig	Tolerance	VIF
(Constant)	2.622	0.584		4.493	0.000		
SA	-0.020	0.111	-0.018	-0.182	0.856	0.297	3.367
SM	-0.173	0.096	-0.106	-1.804	0.072	0.866	1.154
E	0.277	0.075	0.227	3.709	0.000	0.805	1.242
SS	0.040	0.093	0.043	0.426	0.670	0.301	3.319
EA	-0.029	0.063	-0.026	-0.464	0.643	0.937	1.067
SOA	-0.064	0.074	-0.049	-0.854	0.394	0.911	1.097
EM	0.216	0.082	0.157	2.628	0.009	0.840	1.190

R	.346
R^2	.120
Adjusted R^2	.099
Std. Error Est	.92041
F	5.670
Sig.	.000
Durbin Watson	1.128

SA (Self-awareness), SOA (Social awareness), SM (Self-management), EA (Emotional awareness), SS (Social skills), EM (Emotional management), E (Empathy)

Source: Field Work, 2015

The results in Table 3 revealed that the regression equation predictors were significant, R =.346, R^2=.120, Adjusted R^2 =.099, Std. Error Est=.92041, F=5.670, Sig. =.000. In other words the multiple correlations between the predictor and the dependent variable were .346. The predictor accounted for 12% of the variance in pay. Table 3 shows the individual contributions of each EI component to promotion as a factor of job satisfaction. Among the seven components Empathy (B=.227, t=-3.709, p=0.000) and Emotional management (B=.157, t=2.628, p=0.009) which indicates that Empathy was the highest predictor in determining job satisfaction based on chances of promotion on the job, followed closely by Emotional management amongst nursing professionals. The implication of this is that the null hypothesis is rejected.

This study found empirical evidence for the theoretical relationships posited in this research framework since it established significance impact that the trait based measure has been found to have with promotional factor of job satisfaction. Results of this study have shown significant links between these trait based components of EI, empathy and emotional management with employees chances of promotion on the job. In summary this study provides evidence to show support for significant relationship between EI and promotion factor of job satisfaction of nursing professionals under study.

This study found empirical evidence for the theoretical relationships posited in this research framework. This study found empirical evidence for the trait/mixed model of emotional intelligence. The mixed or trait-based model, takes a narrow approach to EI combining emotional abilities with elements of personality, motivation, and social skill (Goleman, 1998). Results of this study have shown significant links between these trait based components of EI and promotion factor of job satisfaction among nursing professionals with significant impact on the dependent variable through adequate empirical evidence.

Managers of hospitals are encouraged to invest in training nursing professionals on Emotional Intelligence since it has been found to be relevant for nursing practice, especially in the area of empathy and emotional management. Managers of the hospitals studied should ensure that they make adequate provision for fair chances of promotion on the job for nursing professionals and ensure equity and fair play.

Conclusion

Based on empirical findings, this study concludes that there is partial support for the relationship between Emotional Intelligence and promotion factor of job satisfaction. Conclusion being drawn is to the fact that EI competences of empathy and emotional management are very relevant to the service sector especially nursing practice and that when imbibed can in no small measure impact on the job satisfaction of nursing professionals especially with regards to their chances of promotion on the job. It is also concluded that the trait based model of EI is applicable to nursing practice as has been confirmed by this study.

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Achieving Youths Economic self-reliance through Youth Entrepreneurship Education in Nigerian

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Abstract

This study on Youth Entrepreneurship Education as a necessary tool for entrenching self-reliance in Nigerian Youths examines the relationship between youth entrepreneurship education and attainment of self-reliance among youths. The study employed the use of primary data which were collected through the administration of questionnaire on a sample of randomly selected unemployed youths in Benue State-Nigeria. Regression and Correlation analysis were employed as tools for testing the hypotheses. Findings revealed that there exists a significant relationship between youth entrepreneurship education and self-reliance, and that youth restiveness could be mitigated by engaging youth in viable ventures thus contributing immensely to economic development. The study, therefore, recommends that youth entrepreneurship education programmes should be fully implemented at all levels of education in the country to produce potential employers who will be self-reliant and reduce unemployment.

Keywords: Youths entrepreneurship education, self reliant, youth restiveness

Introduction

Generally, the educational orientation of youths in Nigeria is tilted towards white-collar job, which is partially responsible for the unemployment problem in the country. To address the issue of youth restiveness in Nigeria, the problem of high rate of unemployment must be tackled. There is therefore need to change their orientation and inculcate entrepreneurship skills in the psyche of Nigerian youths, especially while they are still in school thus ensuring that they embrace entrepreneurship not as an alternative of last resort but a life wire of any career. With this mind set, the Nigerian youths will prepared to take their destinies in their hands and not expect the government to provide white-collar job but strive towards being self reliant thereby reducing over dependence on government.

Youth restiveness is a despicable act being perpetrated by a significant proportion of the youth in various communities that can no longer be ignored. As the name implies, it is a combination of any action or conduct that constitutes unwholesome socially unacceptable and unworthywhile activities engaged in by the youths in any community. It is a phenomenon which in practice has led to a near breakdown of law and order, low productivity due to disruption of production activities, increasing crime rate, intra-ethnic hostilities, and harassment of prospective developers and other criminal tendencies. This scourge has been around for a long time and it looks as though it is defying solutions.

Youth entrepreneurship education has been in existence for quite some time in one form or the other, either as crafts in the primary (foundation) schools or skills of different kinds in the secondary (intermediate) and even tertiary institutions in recent times. However, the rate of youth restiveness has been on the increase as unemployment rate continues to rise. The questions that need to be answered are: What is truly responsible for this expression of dissatisfaction by the youth? Have their complaints over the years not been heard or attended to? Is there more to the killings and destruction than just drawing attention to the needs they want met? Are the youths trying to draw society's attention to themselves more than the issues they appear to be fronting? Or entrepreneurship education which would have changed the mindset of the youth towards self-reliance is not been pursued or implemented with the desired vigour? An attempt to provide answers to these questions and more constitutes the problem of the study.

This paper thus discusses the issue of empowering and developing the Nigerian youths through entrepreneurship education. It highlights areas in which entrepreneurship education can provide the necessary tools and strategies for encouraging youth entrepreneurship in Nigeria and provide a means of curbing restiveness in the country.

Conceptual Clarification

Youth Entrepreneurship

Youth entrepreneurship involves the development of entrepreneurial attitudes, skills and opportunities for young people, from middle school through young adult hood. Youth entrepreneurs are distinct from adult entrepreneurs and must confront specific challenges to business startup. These obstacles include limited resources in the forms of capital, social and employment networks, role models and life and work experience, limited employment options and a lack of awareness of self-employment options.

Despite the presence of these barriers, youth are considered to possess the energy, motivation, creativity, imagination and drive that universally define successful entrepreneurs. For this reason, Bennell (2000) and others suggest that the challenge for society is not to cultivate the aforementioned traits but rather to tap the inherent tendency of young people to challenge, to imagine and to create. Research validates the overwhelming existence of a demand among youth to engage in entrepreneurial activity neither out of the desire to earn more money nor because of laziness and a lack of determination but rather because young people are increasingly interested in securing their own future and being their own boss

Characteristics of Young Entrepreneurs

According to Madza, Akpera and Ikeme

(2015), there are certain characteristics associated with young entrepreneurs. They include:

1. *Risk bearing:* The risk bearing capacity of a young entrepreneur is usually low but increases with age as he/she matures.
2. *Reliance on self:* They hardly seek advice and counseling as they do not see the need for such. This explains why failure rate in business among youth is very high.
3. *They are easily inspired:* Inspiration is a must for entrepreneurs to get things going. Everyone needs a motivation to do something. This little push to do things matters a lot in the lives of the entrepreneurs. And what makes the successful young entrepreneurs different is that they find motivation in little things. They are easily inspired to do things from small things.
4. *Knowledge of the business:* The level of knowledge in the business depends on the information seeking capacity of the entrepreneur. This is however, limited among the youth because of their level of exposure in the business world.
5. *They possess Creativity & Different outlook:* **Creativity** is also one of the big driving factor for entrepreneurs to kick start their own business. Where others see problems, young entrepreneurs see them as challenges and try to proffer solutions to those challenges.

Developing Entrepreneurial Skills among Youths

There are three main approaches to teaching youth entrepreneurship skills: Onu and Ikeme (2008)

* ***Entrepreneurship Education*** **-** programs and seminars providing an introduction to the values and basics of creating and running businesses. These programs, typically offered in schools or colleges, often guide youth through the development of a business plan. They may also include simulations of business start-up and operation. Examples of programs in this category are:
  - i. Teamwork
  - ii. Leadership
  - iii. Money management
  - iv. Taking calculated risks

* ***Enterprise Development*** **-** programs providing supports and services that incubate and help youth develop their own businesses. These programs go beyond entrepreneurship education by helping youths access small loans or grants that are needed to begin business operations and by providing more individualized attention to the development of viable business ideas. Examples of programs in this category are:
  - i. Creativity
  - ii. Innovation
  - iii. Motivation
  - iv. Ability to recognize and assess opportunity
* ***Experiential Programs*** **-** programs providing youth with placement and experience in the day to day operation of a business. In many cases, these programs involve the development of a youth-run business that young people participating in the program work in and manage. In other cases, these programs provide placement in apprentice or internship positions with adult entrepreneurs in the community. Examples of programs in this category are:
  - i. Problem solving
  - ii. Technology skills
  - iii. Marshaling of resources

Youth Restiveness

Oxford Advanced Learners Dictionary (2007) defined restiveness as the lack of calmness and a situation of disaffection. In the same manner, Webster's New College Dictionary (2001) defined it as impatient or nervous, under restriction, delay or pressure, uneasy, difficult to control. Youth restiveness therefore can be said to be the unrest activities of the youth of any particular society which leads to a violent situation. From the foregoing,

it is clearly evident that the absence of job opportunities in developing countries is responsible for Youth restiveness with disastrous consequences. This leaves in its trails; low productivity, intra-Ethnic hostilities, unemployment, poverty, prostitution and environmental degradation etc.

The words 'youth' and 'restiveness' have become so commonly used together in the last couple of years that it seems to have taken on a life of its own. In the last decade and more there has been a proliferation of cases all over the country and indeed the world, of youth agitations which have tons of people dead and valuable infrastructure as well as personal properties lost and destroyed. A sustained protestation embarked upon to enforce a desired outcome from a constituted authority by an organized body of youths, fits the label of youth restiveness. It is also a combination of any action or conduct that constitutes unwholesome, socially unacceptable activities engaged in by the youths in any community.

Causes of Youth Restiveness

Exuberance: Very often, the youth are described as full of youthful exuberance. This raw energy has of late been channeled into unwholesome and socially unacceptable venture that threaten the very fabrics of the community. Also the issue of availability and accessibility of drugs in street corners which predispose the youth to abnormal behaviours when they come under their influence, adds to youth restiveness. It is also believed that some disgruntled leaders, elders and politicians in our society resort to recruiting youth for settling scores or using them against perceived enemies. With this trend, the activities of these youth have degenerated to outright criminality. Once these youth get mobilized for these nefarious activities, they become uncontrollable and the society suffers. The recent Boko Haram sect terrorizing innocent Nigerians is a good example.

Poverty: This connotes inequality and social injustice and this traumatizes the poor. More Than 70 per cent of people in Nigeria are in abject poverty, living below the poverty line, and one-third survive on less than one US dollar a day. This figure includes an army of youth in urban centres in Nigeria who struggle to eke out a living by hawking chewing sticks, bottled water, handkerchiefs, belts, etc. The sales per day and the profit margin on such goods are so small that they can hardly live above the poverty line. Disillusioned, frustrated, and dejected, they seek an opportunity to express their anger against the state. Scholars have over time agreed that there is a link among poverty, loss of livelihood, inequality, and youth restiveness as evidenced by the numerous violent protests against the wielders of power in Nigeria.

Inadequate Educational Opportunities and Resources: Quality education has a direct bearing on national prestige, greatness, and the dwindling resources of government at both federal and state levels as a result of economic meltdown. Lack of Basic Infrastructure Most rural communities and urban slums in Nigeria have no access to potable water, health and communication facilities, electricity, industries, etc. Behind social unrest and youth restiveness in the country is the agitation for equitable distribution of resources.

Inadequate Communication and Information flow: Communication creates room for sharing information. It helps people express their thoughts and feelings, clarify problems, and consider alternative ways of coping or adapting to their situation. Such sharing promotes social cohesion. People must have access to communication facilities, to communicate with the people making the decisions that affect them. Sadly, rarely do people in Nigeria participate in decision-making processes on issues that affect their lives. The 2015 election in Nigeria is just a step in the right direction.

Unemployment: Unemployment is a hydra-headed monster which exists among the youth in all developing countries. According to The National Bureau of Statistics (NBS, 2015) , the unemployment and underemployment rate in Nigeria was highest for persons in the labour force between ages of 15 - 24 and 25 - 35 which

represent the youth population in the labour force. The NBS has put the figure of unemployed Nigerians in the second half of the year at 14.9 percent, up from 13.7 per cent in first quarter of 2015. While, unemployment rate rose to 33.8 per cent from 30.6 per cent in first quarter of 2015. Every year, over 300,000 graduates are churned out from the tertiary institutions nationwide. This number grows yearly and translates into more and more unemployed people littering the streets of Nigerian cities. According to The Next Generation Nigeria report, Nigeria's future is at a time of rapid economic, demographic and social change. The report states that Nigeria stands on the threshold of what could be the greatest transformation in its history – with population growth slowing, and its 'baby boom' generation entering the workforce. By 2030, it will be one of the few countries in the world with young workers in plentiful supply. The benefits of this to Nigeria are clear, according to the report: If the country continues with recent economic growth, improves education and health standards, and creates jobs, the average Nigerian could be 3 times richer by 2030 – and over 30 million people will be lifted out of poverty.

But the risks are as great as the opportunities: If Nigeria fails to plan for its next generation, it will face ethnic and religious conflict and radicalization, as a result of growing numbers of young people frustrated by a lack of jobs and opportunities. Nigeria needs to create 25 million jobs over the next ten years – and move its focus away from oil, which contributes 40% to national GDP, but only employs 0.15% of the population (NBS, 2011).

The Effects of Youth Restiveness on Economic Development

Youth restiveness and its attended evils together contributed to uncertainties and insecurities which scare away investors and other development agencies from establishing economic development programmes that would have transformed the economy of the nation. Other effects are:-

1. Loss of lives and property of innocent citizens running into billions of naira.
2. Youth restiveness brings about total depletion of human resources needed for the development of the nation.
3. Youths transfer their aggression to the scanty government establishment and private company's infrastructure present in the area. For example pipeline vandalization and looting of several installations.
4. Closure of business firms leading to loss of jobs and revenue which would have accrued to the government.
5. Low productivity due to disruption of production activities.
6. Breakdown of law and order.
7. Intra-ethnic hostilities

Methodology

Ho: entrepreneurship education does not have significant relationship with youth self-reliance.

The paper employed the use of both primary and secondary data. Primary data collected was through questionnaire which was administered to unemployed youths cutting across the literate and illiterate. Secondary data was obtained through sources like National Bureau of Statistics, journals, books, and internet. The data was analyzed with correlation and regression using Statistical Package for the Social Sciences (SPSS) version 20. The decision rule is that: if the computed t-value falls within 3.182, the null will be accepted. If it is greater, the null will be rejected accepting the alternative.

Results and Discussion

To obtain the needed primary data for the study, 180 questionnaires were distributed and only 170 collected.

Table 1: Whether there is a significant relationship between youth entrepreneurship education and self-reliance.

Response	No of Respondents	%
Strongly Agree	135	79.41
Agree	30	17.65
Disagree	4	2.33
Strongly Disagree	0	0
Not Sure	1	0.59
Total	170	100

Source: *Research Survey, 2015.*

Table 1 shows that 79.41% of the respondents strongly agree that youth entrepreneurship education can help youth engage in viable ventures an become self reliant and refrain from restiveness. 17.65% Agree, while 2.33% disagree. 0.59% of the respondents were not sure. Form the responses, it shows that youth entrepreneurship education has the potentials of changing the orientation of youth towards self reliance.

Table 2: Effect of youth entrepreneurship education on youth restiveness

Response	No of Respondents	%
Strongly Agree	125	73.53
Agree	40	23.53
Disagree	1	0.59
Strongly Disagree	0	0
Not Sure	4	2.35
Total	170	100

Source: *Research Survey, 2015.*

Table 2 shows that 73.53% of the respondents strongly agree that youth entrepreneurship education can help youth to become self reliant and refrain from restiveness. 23.53% Agree, while 0.59% disagree and 2.35% of the respondents were not sure. Form the responses, it shows that youth entrepreneurship education if properly implemented can go a long way in curbing youth restiveness.

Test of hypothesis

Ho: entrepreneurship education does not have significant relationship with youth self-reliance.

Using SPSS version 20 for correlation and regression analyze the data in respect of this hypothesis shows the following linear correlation and regression:

Data Summary Report

$i\Sigma X =$ 170 $\quad i\Sigma X^2_i =$ 19142

$i\Sigma Y =$ 170 $\quad i\Sigma Y^2_i =$ 17242

$i\Sigma XY =$ 18083

R	r^2	Slope	Y Intercept	Std. Err. of Estimate
0.994	0.988	0.921	2.6947	6.685

P			t	df
	one-tailed	0.0003		
	two-tailed	0.0005	15.921	3

0.95 and 0.99 Confidence Intervals of rho

	Lower Limit	Upper Limit
0.95	0.909	1
0.99	0.794	1

The computed t – value of 15.92 is greater than the critical t – value of 3.182 at 3 degrees of freedom, using a two-tailed test at 0.05 level of significance.

From the test, the calculated value is 15.92 which is greater than the tabulated value of 3.182. Therefore, the null hypothesis which states that "There is no significant relationship between youth entrepreneurship education and self- reliance" is rejected; accepting the alternative that "There is a significant relationship between youth entrepreneurship education and self- reliance."

Empirical findings

Findings revealed that there exists a positive relationship between youth entrepreneurship education and self-reliance and therefore, youth entrepreneurship education can be used as an alternative approach for entrenching self-reliance in the Nigerian youth. This will go a long way in curbing youth restiveness to enhance economic development in the country. However, youth entrepreneurship in Nigeria has not been fully entrenched. Though efforts are presently been made by the government in policy formulation, a lot still needs to be done in the area of implementation of such policies. This has led to several loss of lives and property worth billions of naira destroyed as a result of youths engagement in thuggery, armed robbery, cultism, as well as their involvement in other illegal activities such as the current Boko Haram.

Conclusion and Recommendations

Though the future of Nigeria, at this time of rapid economic, demographic and social change, seems bleak, youth entrepreneurship education promises to turn things around for the greater part of the population – the youth. Youth entrepreneurship education is found to be a veritable tool for achieving economic self-reliance among Nigerian youths. By adopting it as a development strategy, Nigeria stands the chance to accommodate the growing population and its 'baby boom' generation entering the workforce.

To achieve the desired result of entrenching self-reliance in Nigerian youth through youth entrepreneurship education programme to curb restiveness, the following should be taken into cognizance.

i. The implementation of Youth Entrepreneurship Education Programme should be pursued with vigour with the home as the starting point. Parent and guardians should insist on their children/ward participating in crafts and disabused the minds of the youth from offering money to teachers as craft.
ii. Pupils/students should be allowed to make their career choice with parents and teachers only guiding them to towards actualization. The practice of parents making career choice for their children/wards should be avoided.
iii. Government on her part should ensure compliance with appropriate standards and policies regarding entrepreneurship education. Entrepreneurship is a life-long activity and therefore should be introduced at all levels of education both formal and informal. Similarly, adequate facilities should be put in place to ensure a conducive environment for teaching and learning.
iv. The value system of our society should be re-examined; there is an urgent need to intensify the campaign for ethical re-orientation in the entire country. The elite, civil society groups, religious organization and other NGOs should get involved in this campaign and they should be willing to accept the desired attitudinal change seen youth as leaders of tomorrow rather than using then as weapons to achieve their selfish desires.
v. The youths should first see themselves as employers of labour rather than potential employees.

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Correlational Analysis of Workers Extra-Role Behaviour and Organizational Socialization: A Study of Road Passenger Transport Operators in Umuahia, Abia State

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Abstract

This study examines the correlational analysis between workers extra-role behaviour and organisational socialization of selected road passenger transport operators in Umuahia, Abia State, Nigeria. However, this study adopted a cross-sectional research survey. Target population for the study consists of all registered private road passenger transport operators in Umuahia, Abia State. Nigeria. Thus, the accessible population consists of 5 registered private road passenger transport operators. A total of 120 workers were surveyed. The study adopted a simple random sampling technique. The sample size for the study was 92 using Krejcie and Morgan (1970) sample size determination table. After data cleaning, a total of 80 copies of questionnaire were found useful for data analysis. The study adopted Spearman Rank Order Correlation Coefficient as a statistical tool for data analysis with the aid of Statistical Package for the Social Sciences (SPSS). The finding of this study show that workers' extra-role behavior measured in terms of sportsmanship and altruism is strongly dependent on the organisational socialization of workers' in the road passenger transport firms operating in Umuahia. Based on this finding, the study concluded that organisational socialization improves workers extra-role behaviour in the road passenger transport operators. Drawing from our conclusion, the study recommended that human resource managers and practitioners in the road transport industry should improve the organisational socialization processes to promote and encourage workers' extra-role behavioupr.

Keywords: Organisational socialization, workers' extra-role behaviour, organisational citizenship behaviour.

Introduction

Workers discretionary behaviour has contributed to the growth of most organisation's today. The success of road passenger transport operators in Umuahia, Abia State, Nigeria has been attributed to the workers' extra-role behaviour (Eketu and Edeh, 2015). Kim and Mauborgne (1996) argued that discretionary increases customer patronage in the organization that is service oriented. Workers extra-role behaviour promotes good image of every organizations (Leung, 2008). Vey and Campbell (2004) submitted that extra-role behaviour in the workplace encourages customers to remain with the organization. Workers extra-role behaviour has been shown to enhance organisational productivity (Eketu and Edeh, 2015). It has also been shown that profit maximization can be achieved successfully when workers are engaged in discretionary behaviours (Organ, 1988). Stoner, Perrewe and Munyon (2011) contended that extra-role behaviour promotes team spirit among members of the organization. When workers' engages in discretionary behavior they pursue organisational objective than their own. Edeh and Anyanwu (2015) argued that; without the effort of the employees, production of goods and services will not have been made possible and this will result to closure or failure of businesses. The extra-role of workers in the organization improves customer satisfaction, organisational reputation as well as organisational harmony. This study argues that when the human resource department of any organization especially in Nigeria work setting is given the autonomy to carry out the recruitment process, newcomers will be productive, effective, efficient, goal-getters, committed to work as well as the organization. But when the reverse is the case, the organization will experience low productivity, ineffectiveness, inefficiency, lateness to work, complaints, gossips and other uncivil behaviours that are not expected in the workplace. The aim of this study however is examined the association between organisational socialization and workers' extra-role behaviour of selected road passenger transport operators in Umuahia, Abia State, Nigeria.

Literature Review

The concept of organizational socialization

In this study, the theoretical foundation of organisational socialization is rooted in social learning theory. Social learning theory was originally propounded by Albert Bandura. Bandura (1977) argued that “most human behavior is learned observationally through modeling: from observing others, one forms an idea of how new behaviors are performed, and on later occasions this coded information serves as a guide for action.” Social learning theory outlined five processes in which the learner is expected to adapt. These include attention process, retention process, reproduction process and motivation process. Drawing from the above theoretical understanding, organisational socialization has been a major discourse among human resource scholars and management alike. Till date, there is no consensus among scholars on how this concept should be defined. Most authors usually viewed organisational socialization with semantics that the audience could hardly comprehend unless otherwise the management scholars. In the human resource management field, it has been used synonymously with induction, orientation, adaptation, onboarding and organisational rite of passage. From the above clarifications, it will be of a great benefit to start this research laying foundation with the functions of the human resource personnel in the modern day organisation. The functions of human resource management practitioners include recruitment of employees, selection, placement, training/development, retention, performance management, compensation, retirement management as well as pension management. These functions would not have been made possible if the organizations' members were not baptized with the philosophies surrounding the establishment and operations of such enterprise or organization. Supporting this argument, Robins, Judge and Sanghi (2009) elucidated that “no matter how good a job the organization does in recruiting and selection,

new employees are not fully indoctrinated in the organization's culture". It therefore means that when a newcomer arrives through the processes mentioned above, there is the need to introduce the newcomer to every nooks and crannies of the organization to avoid workplace accident, deviance, complaints, ineffective production, intention to quit, etc. The road passenger transport is a competitive business in Nigeria. Several entrepreneurs have ventured into road passenger transportation because of the lucrative return on investment. As this competition intensifies, it becomes noteworthy for the managers to make sure that their newcomers are acquainted with the organisational norms.

Organisational socialization has contributed immensely to the success of many enterprises in the business world. Firstly, the production of quality goods and services is as a result of organisational socialization. Secondly, organisational socialization has promoted the reputation of many firms today. Thirdly, socialization has improved quality service delivery in various sectors of the economy. Fourthly, when newcomers to the organization are socialized, they tend to remain with the organization thereby reducing turnover. Finally, socialization of newcomers reduces workplace accidents, complaints, deviance as well as eliminates laziness on the job. In furtherance, Maanen (1975) in Jones and George (2006) contended that as a result of the socialization experiences, organisational members internalize an organization's values and norms and behave in accordance with them not only because they think they that these values and norms describe the right and proper way to behave. Ekpenyong (2003) highlighted four functions of socialization to include (1)it inculcates basic discipline (2) it instills aspirations (3) it teaches social roles and their supportive attitudes (4) it teaches skills and; (5) it is seen as a learning to control in born drives which if unchecked would lead to socially disruptive behavior. Nwachukwu (2009) on the other hand bring into prominence five advantages of induction and orientation of a new employee as follows: (1) it helps him to overcome the initial shock, because during the first few days in any job position, the employee tend to be anxious and uncertain; he has much to learn about the organization, his supervisor and his co-workers (2) it helps to create a very favourable impression and attitude about the company (3) it gives the employee the feeling of being wanted by the company irrespective of how insignificant his contribution to it may be (4) it will satisfy the employee's need for acceptance and motivates the employees to work as a member of a group (5)it helps to retain the employee in the organization. Several scholars have attributed organisational socialization to enhancing values and norms of the enterprise (Evans, Pucik, and Barsoux, 2002; Fogarthy and Dirsmith, 2001; Chow, 2002).

What then is organizational socialization? To answer this questions one need to understand the concept of socialization. Socialization is the process of social learning through which people acquire personality and learn the way of life of their society (Broom and Selznick, 1969 in Ekpenyong; 2003). This definition seems to be looking at socialization in a generic term. In clarifying the definition given by Broom and Selznick (1969), Ekpenyong (2003) argued that from the point of view of society, socialization is the way culture is transmitted and the individual is fitted into an organized way of life. Robins, Judge and Sanghi (2009) contended that socialization is a process that adapts employees to the organisation's culture. Well, Van Maanen and Schein (1979) viewed organizational socialization as the process by which an individual acquires the attitudes, behavior, and knowledge needed to participate as an organizational member of on organization. Bauer et al. (2007) contended that organizational socialization is the process by which newcomers make the transition from being organizational outsiders to being insiders. Feldman (1981) argued that organizational socialization is a process in which employees are transformed through an interactive process between newcomers and their organizations from organizational outsiders to effective insiders. It is a process by which an individual learns appropriate atti-

tudes, behaviors, and knowledge associated with a particular role in an organization (career.iresearchnet.com). Organizational behaviourists Kinicki and Kreitner (2003) viewed organisational socialization as a process by which employees learn an organization's values, norms, and required behaviours. Management scholars Jones and George (2006) contended that organizational socialization is the process by which newcomers learn an organization's values and norms and acquire the work behaviours necessary to perform jobs effectively. Having reviewed the various meaning giving by the above respected scholars, it behooves on us to streamline organisational socialization as a process through which new employees or newcomers receive instructions and learn the philosophies that are used in that particular organization. Put in another way, organizational socialization is a means of getting new employees to be acquainted with the culture of the organization. This process or approach could be through teaching, instructions, written policies, and moving around the various departments, sections, branches of the organization with the newcomers.

However, empirical studies on organisational socialization have been found in the literature. Chun-Te Lin and Chun-Ling Lu (2016) examined the relationships between organizational socialization and argumentation. The results of their study indicated that "higher organizational socialization and middle organizational socialization those two groups compare with lower organizational socialization will lead to more argumentation when conflict happened between employees". Razzaq and Asif (2012) investigated the effect of socialization on employee's efficiency with moderating role of perceived organizational support. The result of their study confirm that organizational socialization enhance organization commitment of employees, thus reducing cost of losing employees therefore, socialization program must be designed so which fulfills the expectation of employees.

Dimensions of organizational socialization

In this study, dimensions of organizational socialization as proposed by Kinicki and Kreitner (2003); Robins, Judge and Sanghi (2009) which include anticipatory socialization, encounter, change and acquisition (metamorphosis) were adapted.

Anticipatory socialization: This refers to learning that occurs before employees join the organization. It could also be seen as the perception, assumptions or impression that employees have concerning the organization before applying to join. For instance, in the road passenger transport business, an employee who wants to join the business may have heard about the good image of the transport company, their hospitality towards passengers or probably the employee must had travelled with the transport company's vehicle and the experience he had during the journey to his destination has created positive meaning to him.

Encounter: This refers to when an employee has fully joined the organization by agreeing to terms and conditions surrounding the contracts. The employee in this regard is now a full member of the organization by the contract he signed with the organization. This is the time for the employee to experience and explore every parts of the organisation's environment.

Change & acquisition: This refers to the metamorphosis stage (Robins, Judge and Sanghi,2009). After employees have encountered the strange environment (organization), this is the time to understand the organisational philosophies, norms and values. The roles of the employees are spelt out clearly in this stage. In this stage employees are now parts and parcel of the organization. Perhaps, it takes longer period of time for newcomers to metamorphose into this maturity stage. This means that; they can now represent the manager in conferences, workshops, seminars, meetings etc.

The concept of Workers extra-role

behaviour

The practical importance of extra-role behaviour is that it can enhance the effectiveness and the operation efficiency of the organization by the transformation of organizational resources, the reform of resources, and the adaptability (Zhu, 2013). Dyne and Lepine (1998); Somech and Zahavy (1999) contented that extra-role behaviour is a behavior that attempt to benefit the organization and go beyond existing requirements of the job description, that are discretionary and for the benefit of organization, that are not directly or clearly recognized by a formal reward system, that don't require any punishment if not performed, and that are positively directed towards individual, group or organization in order to achieve the organization's goals and objectives. Workers' extra-role behaviour was originally propounded by Bateman and Organ (1983). This particular behavior was termed organisational citizenship behaviour (OCB). Salavati et al (2011) in their work observed that several researchers have developed some other concepts that are related to organisational citizenship behaviour which include extra-role behaviour (Van Dyne et al. 1995), civic citizenship (Van Dyne et al. 1994), prosocial behavior (Brief and Motowidlo, 1986), organizational spontaneity (George and Brief, 1992), and contextual performance (Motowidlo et al. 1997). Several researchers have adopted Organ's (1988) OCB typology (Podsakoff et al., 1990; Bove et al., 2009). Organ (1988) highlighted five dimensions of OCB which are altruism: helping co-coworkers), conscientiousness: performing an extra-role in one's job), courtesy (showing kindness to co-workers), sportsmanship (ability of not complaining in the workplace) and civic virtue (sticking to company policies and procedures). However, Graham (1989) in his submission contended that organisational citizenship behaviour can be categorized into three dimensions. These include organizational obedience, organizational loyalty and organizational participation. Podsakoff and colleagues highlighted seven perspectives of organisational citizenship behaviour to include helping behaviour, sportsmanship, organizational loyalty, organizational compliance, individual initiative, civic value, self-development (Podsakoff et al. 2000).

Empirical evidences with regards to workers' extra role behaviour have been examined (Somech and Drach-Zahavy, 2000; Arif and Kamariah 2008; Zhu, 2013; Alparslan and Can, 2015). Furthermore, Vandaele and Gemmel (2006) investigated performance implications of in-role and extra-role behaviour of frontline service employees. The results of their study indicate that performance quality is directly influenced by in-role employee behavior oriented towards customers, while performance productivity is influenced by both in-role and extra-role employee behaviour oriented towards employees and customers. Georgea et al (2010) examined temporary workers' differential extra-role behaviors towards their client and employer. The results of their study showed that temporary workers' motivations are differentially related to agency and client directed extra-role behaviours. Alparslan and Can (2015) examined the antecedents of extra-role organizational behaviors. The findings of their study indicated that exhibited extra-role behaviours were highly related with friendship. Arif and Kamariah (2008) examined the role of organizational justice in promoting extra role behaviour. The study provided empirical support to the four dimensional measure of organizational justice developed by Colquitt (2001) and the two dimensional measure of extra-role behaviour developed by Van Dyne and LePine (1998). Kwantes et al (2008) examined the culture's influence on the perception of OCB as in-role or extra-role. The results of their study indicate that the extent to which each of the OCB dimensions were viewed as in-role versus extra-role varied considerably among participants and that this variation could in part be predicted by social beliefs. Jehad, Farzana and Mohmad (2011) examined job satisfaction and organisational citizenship behaviour. The findings of their study revealed that both extrinsic and intrinsic job satisfaction are very

important in predicting citizenship behavior. Nadeem, Anwar and Khawaja (2012) explored the predictors of organizational citizenship behaviour and its significant link to employee engagement. They proposed that well established predictors of OCB may lead to promote required behaviors among employees for improved performance and negative voluntary intentions. Yu Ghee Wee, Kamarul Zaman Ahmad and Yap Sheau Fen (2014) examined organisational justice and its role in promoting citizenship behaviour among hotel employees in Malaysia. The findings of their study revealed that procedural justice reports stronger relationship with all dimensions of OCB compared with distributive justice. Qureshi, et al. (2015) examined the impact of extroversion and narcissism on in role and extra role performance. Their first finding of their study show that extroversion is positively related with organizational citizenship behaviour-interpersonal. Salavati et al (2011) examined the effects of organizational socialization (OS) on organizational citizenship behavior (OCB) in Iran. The results of their study showed a significant correlation between organizational Socialization and organizational citizenship behaviour in staff of higher education institutes. Edeh and Eketu (2015) examined the role of social intelligence on workers' extra-role behaviour of independent road transport companies in Port Harcourt, Nigeria. The finding of their study show that workers extra-role behaviour measured in terms of self development, individual initiative and enterprise compliance among workers in the road transport is strongly dependent on the social intelligence of the supervisors and managers of the independent road transport companies operating in Port Harcourt. In this study, the measures of workers' extra-role behaviour that will be examined are sportsmanship and altruism.

Measures of workers extra-role behaviour

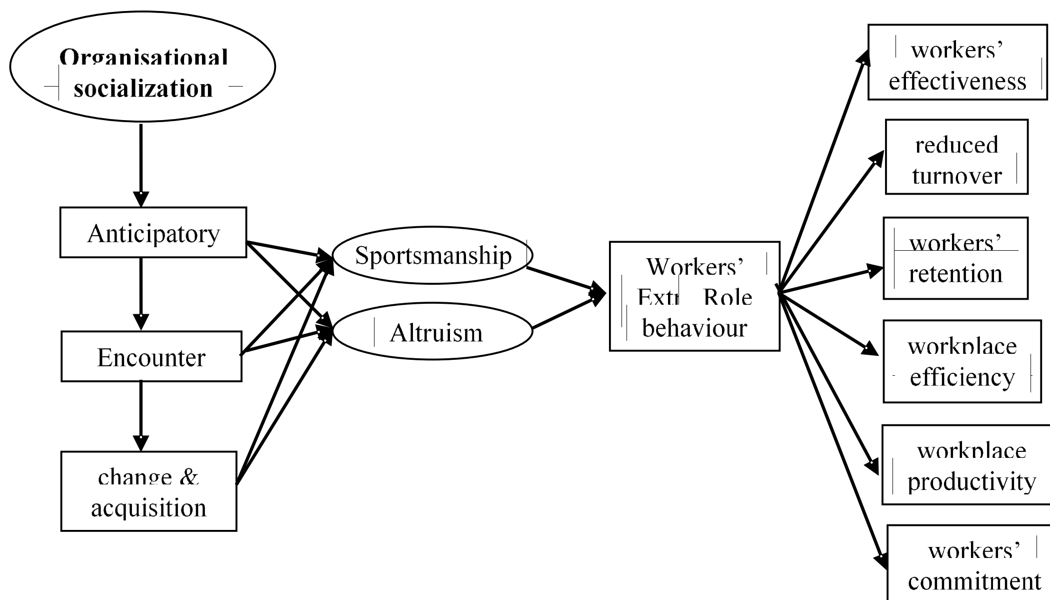
Altruism: This is a discretionary behaviour or helping one another to discharge their jobs effective and efficiently. In the organization, an employee may decide to assist his/her fellow worker when at the time the work is to be done he is nowhere to be found or was sent on errand by the superior authority. This perhaps is as a result of the socialization process that can induce such employee to exhibit such discretionary behaviours. An example of a discretionary behavior among workers is, a driver that decides to carry passenger's luggage other than waiting for those whose jobs is to arrange passenger luggage's in the vehicle.

Sportsmanship: This is the willingness to tolerate without complaining and finding faults in the organization. In most working environment, when the workers does not know the dos and don'ts, there is bound to be complaint here and there resulting to wrong information dissemination in the organization. For example, in the road passenger transport companies; a driver that is not well socialized on the routes to ply can decide to use unapproved route thereby resulting to accident. In this case, the driver if survived will not be happy with the organisation and it not well handled by the manager will generate complaints from the driver and other workers in the company.

Relationship between organisational socialisation and workers' extra-role behaviour. There is a great dependency of organisational socialization on workers' extra-role behaviour. From the practical point of view, the socialization of newcomers into the organization will foster their extra-role behaviour. In furtherance, anticipatory socialization associate with sportsmanship behaviour of workers' because, when employees perceive the culture of the organization they want to join, it will create an impression in the mind of the employees on what they should expect immediately they come into the enterprise. With that in the mind the employees' complaints will be eliminated in the workplace. Secondly, anticipatory socialization associates with altruism behaviour of workers'. Workers' that help their fellow colleagues to accomplish organisational task have engaged in altruism behavior. This means that workers' socialization will bring about exhibiting altruistic behaviour in the workplace. Thirdly encounter associates with

sportsmanship behaviour of workers. This means that as newcomers arrived in the strange land called organization, the philosophies of the firms/company will be made open to them thereby creating a good atmosphere for effective communication, commitment, effectiveness and performance among them. Fourthly, encounter also associates with altruism behaviour of workers in the organization. The reason behind this type of behavior is that the rites of passage for newcomers' have been dealt with right from the entrance stage. Finally, change and acquisition associate with sportsmanship behaviour of workers'. Explaining this, the study argued that at this stage of organisational socialization, there is bound to be a metamorphosis arising from the instruction, teaching, seminars, and on-the-job training. Lastly, change and acquisition associate with altruistic behaviour of workers'. The study remarks that when workers' are baptized with the norms and values of the organization they tend to exhibit altruistic behavior in the workplace which in turn increases employee intention to stay, commitment, productivity, effectiveness and reduction in turnover. Nevertheless, any newcomer that does not receive instruction on how to carryout functions in the organization will not see himself/herself as a member of such organization. Such employee will not be committed to work as a result of non-socialization. However, the sportsmanship behaviour of workers' will be highly demonstrated in all ramifications making it a responsibility for workers' to carry out their duties which ordinarily would not have been possible. The encounter that newcomers had with the organization always goes a long way to proof their worth as soon as they are placed on their jobs. Using the road passenger transport operators as a study, new drivers need to be taught where to stop, where not to stop, as well as the various parking-lots in the city and outside the city. Below is an operational framework for this study indicating the relationships between organisational socialization and workers' extra-role behavior and the likely outcomes in the organisation.

Figure 1: Operational framework for the relationships between organisational socialization and workers' extra-role behaviour.



The diagram above shows the operational framework for the relationship between organsational socialization and workers' extra-role behaviour. From the diagram, the anticipatory socialization leads to encounter with the strange work environment which leads to becoming authentic member of the organisation (change and acquisition). However, as the newcomers are socialized with the norms and philosophies of the organization, their behavior as depicted in figure 1 above will lead to extra-role behaviour which increases their effectiveness, reduction in turnover, increase in retention rate, and increase in efficiency; increase in productivity; as well as increase in organisational commitment.

Methodology

Ho_1: There is no significant relationship between anticipatory socialization and sportsmanship of workers in selected road transport operators in Umuahia.

Ho_2: There is no significant relationship between anticipatory socialization and altruism of workers in selected road transport operators in Umuahia.

Ho_3: There is no significant relationship between encounter and sportsmanship of workers in selected road transport operators in Umuahia.

Ho_4: There is no significant relationship between encounter and altruism of workers in selected road transport operators in Umuahia.

Ho_5: There is no significant relationship between change & acquisition and sportsmanship of workers in selected road transport operators in Umuahia.

Ho_6: There is no significant relationship between change & acquisition and altruism of workers in selected road transport operators in Umuahia.

This study adopted a cross-sectional research design. The target population for the study consists of all registered private road passenger transport operators with the Abia State Ministry of Transport. The accessible population consists of 5 registered private road passenger transport operators. A total of 120 workers were surveyed. The study adopted a simple random sampling technique. The sample size for the study is 92 using Krejcie and Morgan (1970) sample size determination table. After data cleaning, a total of 80 copies of questionnaire were found useful for data analysis. The study adopted face and content validity. The reliability of the instruments falls between 0.7 and 0.8 using cronbach alpha test. The study adopted Spearman Rank Order Correlation Coefficient as a statistical tool for data analysis. The Statistical Package for the Social Sciences (SPSS) was used for the univariate and bivariate analysis.

Data Analysis

The formulated research hypotheses were tested using Spearman's Rank Order Correlation Coefficients with the aid of SPSS version 20.0.

H_{O1}: There is no significant relationship between anticipatory socialization and sportsmanship of workers in selected road transport operators in Umuahia.

Correlations

			anticipatory	sportsmanship
Spearman's rho	Anticipatory	Correlation Coefficient	1.000	.718**
		Sig. (2-tailed)	.	.000
		N	80	80
	sportsmanship	Correlation Coefficient	.718**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

** Correlation is significant at the 0.05 level (2-tailed)

The SPSS output above shows that the p-value (0.000) is less than the alpha (0.05) and rho (.718) is very high. This study rejects the null hypotheses and accepts the alternate hypothesis. The study states that there is a significant relationship between anticipatory socialization and sportsmanship of workers in selected road passenger transport firms in Umuahia.

H_{o2}: There is no significant relationship between anticipatory socialization and altruism of workers in selected road transport operators in Umuahia.

Correlations

			anticipatory	altruism
Spearman's rho	Anticipatory	Correlation Coefficient	1.000	.803**
		Sig. (2-tailed)	.	.000
		N	80	80
	Altruism	Correlation Coefficient	.803**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

** Correlation is significant at the 0.05 level (2-tailed)

The SPSS output above shows that the p-value (0.000) is less than the alpha (0.05) and rho (.803) is very high. This study rejects the null hypotheses and accepts the alternate hypothesis. The study states that there is a significant relationship between anticipatory socialization and altruism of workers in selected road passenger transport firms in Umuahia.

H_{O3}: There is no significant relationship between encounter and sportsmanship of workers in selected road transport operators in Umuahia.

Correlations

			encounter	sportsmanship
Spearman's rho	Encounter	Correlation Coefficient	1.000	.758**
		Sig. (2-tailed)	.	.000
		N	80	80
	sportsmanship	Correlation Coefficient	.758**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

** Correlation is significant at the 0.05 level (2-tailed)

The SPSS output above shows that the p-value (0.000) is less than the alpha (0.05) and rho (.758) is very high. This study rejects the null hypotheses and accepts the alternate hypothesis. The study states that there is a significant relationship between encounter and sportsmanship of workers in selected road passenger transport firms in Umuahia.

H_{O4}: There is no significant relationship between encounter and altruism of workers in selected road transport operators in Umuahia.

Correlations

			encounter	altruism
Spearman's rho	Encounter	Correlation Coefficient	1.000	.720**
		Sig. (2-tailed)	.	.000
		N	80	80
	Altruism	Correlation Coefficient	.720**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

** Correlation is significant at the 0.05 level (2-tailed)

The SPSS output above shows that the p-value (0.000) is less than the alpha (0.05) and rho (.720) is very high. This study rejects the null hypotheses and accepts the alternate hypothesis. The study states that there is a significant relationship between encounter and altruism of workers in selected road passenger transport firms in Umuahia.

H_{O5}: There is no significant relationship between change & acquisition and sportsmanship of workers in selected road transport operators in Umuahia.

Correlations

			Change&acqui	sportsmanship
Spearman's rho	Change&acqui	Correlation Coefficient	1.000	.811**
		Sig. (2-tailed)	.	.000
		N	80	80
	sportsmanship	Correlation Coefficient	.811**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

** Correlation is significant at the 0.05 level (2-tailed)

The SPSS output above shows that the p-value (0.000) is less than the alpha (0.05) and rho (.811) is very high. This study rejects the null hypotheses and accepts the alternate hypothesis. The study states that there is a significant relationship between change and acquisition; and sportsmanship of workers in selected road passenger transport firms in Umuahia.

H_{O6}: There is no significant relationship between change & acquisition and altruism of workers in selected road transport operators in Umuahia.

Correlations

			Change&acqui	altruism
Spearman's rho	Change&acqui	Correlation Coefficient	1.000	.816**
		Sig. (2-tailed)	.	.000
		N	80	80
	altruism	Correlation Coefficient	.816**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

** Correlation is significant at the 0.05 level (2-tailed)

The SPSS output above shows that the p-value (0.000) is less than the alpha (0.05) and rho (.816) is very high. This study rejects the null hypotheses and accepts the alternate hypothesis. The study states that there is a significant relationship between change and acquisition; and altruism of workers in selected road passenger transport firms in Umuahia.

Discussions of findings

Drawing from the above test results, the following discussions of findings were made. The finding of this study show that workers' extra-role behavior measured in terms of sportsmanship and altruism is strongly dependent on the organisational socialization of workers' in the road passenger transport firms operating in Umuahia. In terms of the hypotheses, the study presents the results as follows. The result of the test of hypothesis one shows a significant association between anticipatory socialization and sportsmanship of workers in selected road transport operators in Umuahia. This is consistent with the findings of Edeh and Eketu (2015). They examined the role of social intelligence on workers' extra-role behavior of independent road transport companies in Port Harcourt,

Nigeria. The finding of their study show that workers extra-role behaviour measured in terms of self development, individual initiative and enterprise compliance among workers in the road transport is strongly dependent on the social intelligence of the supervisors and managers of the independent road transport companies operating in Port Harcourt. The result of the test of hypothesis two shows a significant association between anticipatory socialization and altruism of workers in selected road transport operators in Umuahia. This is consistent with the findings of Jehad, Farzana and Mohmad (2011). They examined job satisfaction and organisational citizenship behavior. The findings of their study revealed that both extrinsic and intrinsic job satisfaction are very important in predicting citizenship behavior. The result of the test of hypothesis three shows a significant association between encounter and sportsmanship of workers in selected road transport operators in Umuahia. This is consistent with the finding of Kamarul Zaman Ahmad and Yap Sheau Fen (2014). They examined organisational justice and its role in promoting citizenship behaviour among hotel employees in Malaysia. The findings of their study revealed that procedural justice reports stronger relationship with all dimensions of OCB compared with distributive justice. The result of the test of hypothesis four shows a significant association between encounter and altruism of workers in selected road transport operators in Umuahia. This is consistent with the finding of Vandaele and Gemmel (2006). They investigated performance implications of in-role and extra-role behaviour of frontline service employees. The results of their study indicate that performance quality is directly influenced by in-role employee behavior oriented towards customers, while performance productivity is influenced by both in-role and extra-role employee behaviour oriented towards employees and customers. The result of the test of hypothesis five shows a significant association between change & acquisition and sportsmanship of workers in selected road transport operators in Umuahia. The result corresponds with Georgea et al (2010) findings. They examined temporary workers' differential extra-role behaviors towards their client and employer. The results of their study showed that temporary workers' motivations are differentially related to agency and client directed extra-role behaviours. The result of the test of hypothesis six shows a significant association between change & acquisition and altruism of workers in selected road transport operators in Umuahia. This is consistent with the findings of Alparslan and Can (2015). They examined the antecedents of extra-role organizational behaviors. The findings of their study indicated that exhibited extra-role behaviours were highly related with friendship.

Conclusion and recommendations

Based on this finding, the study concluded that organisational socialization improves workers extra-role behaviour in the road passenger transport operators. Drawing from our conclusion, the study recommended that human resource managers and practitioners in the road transport industry should improve the organisational socialization processes to promote and encourage workers' extra-role behaviour which will lead to workplace productivity, workers' retention, workers' effectiveness, workplace efficiency and turnover reduction.

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Influence of Product Knowledge on Consumers' Perception of Quality of Local Brands of Portland Cement in Nigeria.

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Abstract

This study examines Influence of product knowledge on Consumers' perception of quality of Local Brands of Portland Cement in Nigeria. The method adopted was Cross-sectional Survey. The participants that were proportionally/randomly selected for the study were 350. Five categories of Cement Consumers were selected for the Study. The study covered five major cities in Nigeria. A five Segment Structured questionnaire was designed using Likert Scale rating system on 5 point rating Scale, measuring 20 items. Analysis of Variance was used to analyze data. The total reliability showed that the scale had a reliability coefficient of .743. The result of test of hypothesis shows that product knowledge has significant influence on Consumers' perceived quality of Local Brands of Portland Cement. The researcher recommended that manufacturers should provide more relevant information on the quality of cement produced locally and the local Media should educate the public more on quality of local brands of Portland cement produced in Nigeria. This will improve consumers knowledge on quality of cement.

Keywords: Product Knowledge, Consumers' Perception of Quality, Local Brand of Portland Cement.

Introduction

The study seeks to bridge the gap that exists in Consumer education, as it influences Consumers' product knowledge in their perception of quality of Local Brands of Portland cement in Nigeria. Many consumers of products in Nigeria have inadequate product knowledge on Portland cement product, produced in Nigeria due to inadequate consumer education. The ignorance on the quality of Portland cement stems from lack of formal education as well as insufficient formal education as well as insufficient critical awareness of educated consumers (Monye, 2006).

This has led to consumer's wrong Portland cement product choice, with its attendant consequences of perceived risks of purchases such as "financial losses and psychological bruise on the consumer (Schiffman & Kanuk, 2007). In addition, Loudon and Britta (2002) reasoned that Corporations may aid consumers through education of the consumer that is by providing them with greater knowledge about how to be effective consumers. Most consumers receive little education or training on how to shop wisely or manage their money intelligently.

Therefore, consumers of products particularly cement in Nigeria can be properly educated, through product information and become knowledgeable consumers to reduce the risks on losses they encounter in their daily purchase of such products (such as Portland cement) and services. It is for these reasons that Ukpore (2006) rightly stated that, consumer education or economics seeks to expose people and organizational buyers to ways of minimizing *wastes* and maximizing opportunities for purchasing and utilizing goods and services. It is in this direction that this research was conducted to investigate and identify the main problems and proffer solutions towards improving consumer education, providing adequate product knowledge of Portland cement. The specific objective of the study is to assess the influence of product knowledge on consumers' perceived quality of Local brands of Portland cement in Nigeria.

Literature Review

Consumers' Product Knowledge

Consumers according to Peter and Olson (2010) can have three types of product knowledge: knowledge about the attributes or characteristics of products, the positive consequences or benefits of using products, and the values the product helps consumers satisfy or achieve. These are explained briefly. In the area of Products as bundles of attributes, Marketers have many strategic options when it comes to product characteristics or attributes. Within the limits imposed by production capabilities and financial resources, marketing managers can add new attributes to a product, remove old attributes or modify existing attributes. Marketers can change brand attributes in an attempt to make their products more appealing to consumers.

Perhaps because marketers are so interested in the physical characteristics of their products, marketers often act as if consumers think about products and brands as bundles of attributes. From a cognitive processing perspective, however, we might wonder if consumers really have knowledge in memory about all of these attributes and whether consumers actually activate and use this knowledge when deciding which products and brands to buy. Marketers need to know which product attributes are relevant to consumers, what those attributes mean to consumers, and how consumers use this knowledge in cognitive processes such as comprehension and decision making.

Consumers can have knowledge about different types of product attributes. Concrete attributes represent tangible, physical characteristics of a product. Attributes represent tangible, physical characteristics of a product. Consumers also have knowledge about their affective evaluations of each attribute (e.g. in cement context, a consumer can say, I don't like the colour of the cement).

Products as Bundles of Benefits: Marketers also recognize that consumers often think about products and brands in terms of their consequences rather than their attributes. Consequences are the out-come that occur when the product is purchased and used or

consumed.

Consumers can have knowledge about two types of product consequences: functional and psychosocial. Functional consequences are tangible outcomes of using a product that consumers experience rather directly.

Psychosocial consequences refer to the psychological and social outcomes of product use. Psychological consequences of product use are internal, personal outcomes, such as how the product makes you feel. Most psychosocial consequences have an affective quality. People's affective and cognitive systems interpret these consequences of product use and form knowledge and beliefs about these functional and psychosocial consequences in memory.

Benefits are the desirable consequences consumers seek when buying and using products and brands (I want a car with fast acceleration; I want a car with good mileage). Consumers can have both cognitive knowledge about benefits and affective responses to those benefits. Cognitive knowledge includes links from the product to desired functional and psychosocial consequences. Affective reactions to benefits include positive feelings associated with the desired consequence (I feel special when people notice me).

Consumers often think about products and brands as bundles of benefits[10] rather than bundles of attributes. Therefore, marketers can divide consumers into subgroups or market segments according to their desires for certain product consequences, a process called benefits segmentation.[11] for example, some consumers of toothpaste seek appearance benefits (whiter teeth), whereas others are more interested in health benefits (preventing tooth decay).

Perceived risks concern the undesirable consequences that consumers want to avoid when they buy and use products.

In sum, perceived risk includes consumers' knowledge or beliefs about unfavorable consequences, including the negative affective responses associated with this unpleasant consequence (unfavourable evaluations, bad feelings, and negative emotions).

The amount of perceived risk a consumer experiences is influenced by two things: (1) the degree of unpleasantness of the negative consequences and (2) the likelihood that these negative consequences will occur.

In a purchase decision, consumers consider the benefits and risks of each choice alternative by integrating information about positive and negative consequences. Because consumers are unlikely to purchase products with high perceived risk, marketers try to manage consumers' perceptions of the negative consequences of product purchase and use. L.L Bean, a successful mail-order and Internet company, tries to reduce consumer's perceptions of financial and performance risk by offering an unconditional, money-back-if-not-satisfied guarantee. A different marketing strategy is to intentionally activate knowledge about product risk to show how using a particular brand avoids the negative consequences.

Consumers also have knowledge about the personal, symbolic values that products and brands help them satisfy or achieve. Consumers' core values have a major influence on their cognitive process and choice behaviors; therefore, they are of particular interest to marketers.

Each type of knowledge – attributes, consequences, and values – also "contains" consumers' effective reactions to those concepts. However, because they represent especially important, personally relevant consequences, values often are associated with strong affective responses. Satisfying a value usually elicits positive affect (happiness, joy, satisfaction). Whereas blocking a value produces negative affect (frustration, anger, disappointment).

Consumers' Perception of Quality of Products/Cement

Perceived quality can be defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose relative to alternatives. In this direction, Aurelio (2000) reasoned that for a product to be exemplary in terms of

consumer acceptance, it must be both usable and useful. (Usability refers to a product's ease of learning and use, and useful refers to a product's ability to help a consumer fulfill a need). Perceived quality is, first, a perception by customers. It thus, differs from several related concepts such as actual or objective quality, product based quality and manufacturing quality. Thus, perceived quality cannot necessarily be objectively determined in parts because it is a perception and also because judgment about what is important to customers are involved.

According to Schiffman & Kanuk (2007) consumers often judge the perceived quality of a product or service on the basis of a variety of informational cues that they associate with the product. Some of these cues are intrinsic to the product or service; others are extrinsic. Either singly or together, such cues provide the basis for perceptions of product and service quality.

Cues that are *intrinsic* concern physical characteristics of the product itself, such as size, color, flavor, or aroma. In some cases, consumers use physical characteristics (e.g., the flavor of ice cream or cake) to judge product quality. Consumers like to believe that they base their evaluations of product quality on intrinsic cues, because that enables them to justify their product decisions (either positive or negative) as being "rational" or "objective" product choices. More often than not, however, they use extrinsic characteristics to judge quality. One study discovered that the color of a powdered fruit drink product is a more important determinant than its label and actual taste in determining the consumer's ability to identify the flavor correctly.

Consumer Reports found that consumers often cannot differentiate among various cola beverages and that they base their preferences on such *extrinsic cues* as packaging, pricing, advertising, and even peer pressure. In the absence of actual experience with a product, consumers often evaluate quality on the basis of cues that are external to the product itself, such as price, brand image, manufacturer's image, retail store image, or even the country of origin.A recent study pointed out that consumers' perceptions of value, risk, trust, attitude towards the brand, satisfaction, familiarity, attachment, and involvement moderate the impact of country-of-origin on perceived quality. (Schiffman and Kanuk, 2007).

Consumer Perception on Cement Quality:

There are many definitions of good quality cement as there are uses for cement. According to Harrisson (2011), the quality ranges from early strength, late strength, durability, water reduction properties and colour. Quality is one thing to the cement plant – which is usually conformity to the local standards. But the precast manufacturer, it will usually be the early strength in the concrete (not necessarily in motar prisms), which controls the company's profit levels. To ready mix concrete makers the quality of the cement is overwhelmingly dependent on water demand of the freshly mixed concrete. If fly ash is being used, the perception of quality will not be the same as for plain Portland cement concrete. If blast furnace slag is being used, it will be different again.

On quality prediction; Harrisson (2011) said quality prediction is frequently available within cement companies based on methods of variable robustness. He noted that customers may be aware of the predictions, sales-people use them or not depending on the perceived value of figures. The cement makers are then not aware of the predictions, or of what aspects of the product must influence the particular properties required by each customer.

Cement Colour: Colour variations are inherent in any cement based grout. There are many variables which can affect the final colour of the grout. Some of these variables include uneven hydration of the cement, varying density and porosity of the tile or stone, types of substrate, over-glazed tile edges, self-spacing tile lungs, varying amounts or varying amounts of water used during The light colour of Portland cement concrete has always been one of the materials most important attribute. According to Chusid and Rud (2004) even its name conjures an image of whitener since its inventor named it after the white, fine-grained

limestone mined near the coastal city of Portland, England. While Portland cement ranges from light to dark gray, annual consumption of its white-coloured variation appears to be increasing.

White cement is not only being used for building facades – it is also finding growing acceptance in countertops, flooring, pavement, concrete masonry units (CMUs), motar, grout and site furnishings. While aesthetics are the primary factor driving the use of white concrete, its brilliance/reflectivity also contributes to energy efficiency, safety and other functional considerations. In addition, Metakaolin, a new type of pozzolanic admixture, now makes it possible to obtain high performance. White concrete with improved strength durability and handling characteristics. (ibid)

Fineness of Cement Quality: The hydration of cement is a process which involves penetration of water into cement particles to produce cement gel. Hence, finer-ground cement will hydrate more quickly and produce earlier strength. At the same time, more gypsum is essential to combat the extra C3A revealed by the greater surface area of cement particles.

Since, on drying cement gel shrink and finer cement will correspondingly exhibit greater initial drying shrinkage values are however, similar to those of ordinary Portland cement. Finess is measured by the term specific surface; the average surface of cement in m2/kg. It is obtained according to Bs 12 by measurement of permeability to air of a compacted cement bed of standard thickness, a finer cement being less permeable ordinary Portland cement is required to have a specific surface of not less than 275 m2/kg.

In the final processing of cement, the Taylor (1991) said the clinker is ground in large steel-ball mills to particles mostly in the range 100km down to 10km to give satisfactory hardening properties and gypsum is also added at this time to prevent the cement from flash setting when water is added. The proportion of gypsum used depends on the composition of the cement, more being required for fine cements or those with high C3A or C3S content. The proportion is usually 5% by weight. The energy required for grinding increases with the desired fineness.

Cement Strength: According to COREN (2014) the strength of cement specified is the strength of cement motar and not that of concrete, which could be lower; there is currently no experimental data on the correlation between concrete strengths and the strengths of the cement grades in the Nigerian market. The compressive strength of hardened cement is most important of all the properties for structure use. The strength of motar or concrete depends on the cohesion of cement paste, and its adhesion to the aggregate particles and to a certain extent on the strength of the aggregate itself. The last factor is not considered at this stage, and is eliminated in tests on the quality of cement by use of standard aggregate. (Dawood,).

Strength tests are not made on neat cement paste because of difficulties of moulding and testing with consequent large variability of test results. Cement – sand motar and in some cases, concrete of prescribed proportions and made with specific materials under strictly controlled conditions, are used for the purpose of determining the strength of cement. There are several forms of strength tests: direct compression, direct tension, and flexure.

Packaging of Cement: Modern packaging involves protecting and promoting the product. The package is one of marketing most vital selling tools. Many products have a district image in the consumers mind through their packaging e.g. the "Dangote Brand of Portland Cement" from Benue Cement Plant Gboko. The package of cement should attract the attention of the buyer, communicates relevant visual appeal. Intelligent and creative packaging can therefore mean a difference between success or failure of a product.

Packaging therefore is regarded as both a sales tool, a shipping and protection device. Production department is necessarily concerned about the material-handling and

container-filling costs of alternative packaging means, whereas marketing department think chiefly about the sales promotion and advertising effects of packaging. Harts, (1971) regarded a package as a silent salesman-silent because it cannot be asked questions about the product. Consequently, the information on the package must be informative, accurate and clear.

Manufacturers of products therefore have a responsibility of integrity, because the consumer asserts the right to be able to depend upon the contents of a pack to be consistent with the description and claims on the package. If such integrity is not maintained, consumers' confidence will be destroyed when the product is used and the market for the product will be seriously endangered.

According to Aboucher (1971) Plans should be used to set targets for the amount of cement to be shipped packed and the amount to be transported in bulk packaging ensures a better product arrival, since the powder is insulated against hydration from air moisture. It also ensures arrival of a full ton-that is, the dust loss associated with shipment in tarpaution-covered gondolas or boxcars is eliminated this loss represents a cost of packaging and related transport costs. The cost of packing, then are usually higher than the cost of the cement saved, unless the cement in question is being shipped long distances, or in moderate distances, if the cement is a more costly grade.

Also, if hydration is a serious matter such as it would be in water shipment and in humid or damp regions, cement should not be shipped in bulk whatever the distance or grade. However, for most grades of cement on short or medium-length hauls, it is safe to say that packaging is not necessary if the estimate of dust loss is reasonably close, since in such cases packing costs would exceed the value of dust loss.

Setting Time of Cement: Setting time is the time required for stiffening of cement paste to a defined consistency. Indirectly related to the initial chemical reaction of cement water to form aluminum – silicate compound. Initial setting times is the time when the paste starts losing its plasticity http//:www.quora.comwhatis-theinitialsettingtimeforcementorconcret (2014). Initial setting time is defined as the period elapsing between the time when water is added to the cement and the time at which the needle of 1mm square section fails to pierce the test block to a dept of 5mm from bottom of the mould. A period of 30 minutes is minimum initial setting time, specified by ISI for ordinary cement and rapid hardening Portland cement and 60 minutes of low heat cement.

The final setting time is defined as the period elapsing between the time when water is added to cement and the time at which the needle of 1mm square section with 5mm diameter attachment makes an impression on the test block. 600 minutes is the maximum time specified for the final set for all the above mentioned Portland cement. IS: 269-1976 specifies the strengths in compression on standard motar-cube. The Constructor (2016)

Consumers Perception of Quality of Local Brands of Cement

Local brand is a company brand marketed exclusively in only one country. (Wikianswers.com.business). A local brand is a brand that can be found in only one country or region. Also, a brand according to Warner (2002) is defined as an identifiable product, service, person, or place augmented in such a way that buyer or users perceive relevant, unique added values which closely match their needs. Geldel noted that a brand's success is also dependent on its ability to sustain these added values in the face of competition. Thus, successful brands in any market are distinctively differentiated and are thus rapidly recognized by buyers. Brands represent a company or product intangible values, which reinforce the royal relationship between producers and consumers. For instance, when consumers choose between different brands of cars, they rely not only on the physical characteristics of those cars, but also on the added value they perceive in what each brand communicates about the driver's personality.

In addition, Pile (1999) stated that a

brand exists only in the collective mind of the consumer. A brand is described as a personality or an identity which is described in the collective perception of the consumer and that, like any other personality, it is unique, because it is made up of promises fulfilled and a discrete set of values. Pile (ibid) stated that a brand character is communicated by a very large number of tangible and intangible experiences, and that, when the various elements fuse together well, a brand is unmistakably different from every other 'similar' product or service. He noted that, a strong brand is not copyable – even when everything about your product or service is copyable. Creating and sustaining brands according to Chernatory (2002) requires the development of a number of brand elements which serve to identify and define the brand. These elements are important as we study local brands of our Portland cement products, in which consumers are identified with. These elements include: (i) A distinctive name; (ii) Sign of ownership; (iii) Functional capability; (iv) Service component; (v) Legal protection; and (vi) Shorthand notation and symbolic feature. The researcher reasoned that a distinctive brand name and functional capability of product are essential quality element for effective perception of quality of product particularly at point of purchase.

Methodology:

Ho: Consumer product knowledge does not have significant influence on their perceived quality of local brands of Portland cement.

The research design adopted for this study was non-experimental design using cross-sectional approach: the dependent variable for the study was consumers' perception of quality of Local Brands of Portland cement. The independent variable was consumers' product knowledge of Local Brands Portland cement in Nigeria.

Participants: Three hundred and fifty (350) cement consumers participated in this study. The Participants were proportionally/randomly selected across five selected cities of: Abuja, Kaduna, Enugu, Port-Harcourt and Lagos. These cities were selected due to high population density and high rate of construction work carried out regularly by construction firms, individuals and other organizations using local brands of cement in the selected cities. A total of 350 structured questionnaires were administered. However 330 were returned and used for the study. Five groups of cement consumers were designed for the study to whom questionnaire were administered. They include Brick Layers, Brick Caste Producer, Real Building Engineers, road construction engineers and quality control engineers, who are more experienced on the use of Portland cement to provide relevant information. The researcher used analysis of variance (ANOVA) to analyze data based on participants' responses from the structured questionnaire. ANOVA was used to test hypotheses 1-3 because all the hypotheses were to test the relationship of one variable over the other variables and ANOVA is the most appropriate statistical tool used in testing such variables.

Socio-demographic Characteristics of Respondents

From the Socio-demographic Characteristics of Respondents, majority of the respondents (31.8%) are within the age category of 30-39years, 24.8% are of the age category 40-49years, 19.1% and 13.0% of the respondents are of age 20-29 and 18-20years respectively, while the respondents of age 50-59years are 11.2%. Majority of the respondents about 41.5% are HND/Degree holders, while 32.7% are OND/NCE holders, 13% of the respondents have SSCE while 10.9% and only 1.8% have a Master's degree and PhD respectively. The majority of the respondents are males with a total percentage of 71.8% while that of the female is 28.2%.

Furthermore, the study reveals that most of the respondents 37% are supervisors while managers are 29.1%, technicians 23.9% and quality control engineers is 10%. The majority of the respondents 44.2% have the minimum years of experience 1-5years. While 30.3% have 6-10years experience. Only 7.3% have

21-35years of experience which is the maximum number of years and 13.3% with 4.8% have 11-15years and 16-20years of experience respectively. The

Brick caste producers 31.8%, are the highest level of cement consumers with frequency of 31.8%, following Brick layers 29.1% and Real estate firms 21.2%. The lowest consumers of cement are the Quality control engineers while road construction engineers are 10.6%. The quality of socio-demographic data of the participants suggests that the entire participant are highly qualified and experienced to provide professional ideas, information and responses to the questions in the questionnaire.

Test of Hypothesis

$H_{0:}$ Consumers' product knowledge does not have significance influence on consumers' perceived quality of the local brands of Portland Cement.

Table 1.1: Analysis Of Variance (Anova) Showing the influence of product knowledge on consumers' perceived quality of the local brands of Portland Cement.

Product Knowledge	N	Mean	SD	DF	F	P
Low	168	21.432	0.536	1	40.311	0.000
High	162	20.14	0.512			
Total	330					

From the above Anova table (Table 1) showing the influence of product knowledge and consumers perceived quality of the local brands of Portland cement, the following result was obtained. (P-value = 0.000, DF = 1, F=40.311). Since the P-value is less than 0.05 which is the acceptance level of significance, the null hypothesis which states that there is no significant influence between the product knowledge and consumers' perceived quality of the local brand of Portland cement is rejected. This result suggests that the consumers' level of product knowledge does significantly influence the perceived quality of the local brands of Portland cement in Nigeria. The hypothesis for this study confirms also that consumer product knowledge has significant influence on consumer perception of quality of local brands of Portland cement. In line with the research findings, FutRell (2002) noted that, when consumers recognize a need, they collect information provided by, evaluate the information, decide to buy and after the purchase determine whether they are satisfied with the purchase. In addition, empirical research findings from Varghese and Massay (2005) also suggests as that, cement companies should take steps to promote cement and its uses to end consumers as well as organize consumers, architects, and mason meet, where they can impart correct knowledge above different grades and correct usage but also protect them about duplicate brands.

Conclusion and Recommendation

In the light of the foregoing, the following conclusion has been made in respect of influence of consumers' product knowledge on consumer perception of quality of local brands of Portland cement. Regulatory agencies on product quality over the years do not impact positively on the level of consumer education in Nigeria particularly on the quality of local brands of cement produced. If this is done, it will improve consumers' product knowledge and enhance their perception of cement quality and make them informed and knowledgeable buyers. Product knowledge has a significantly positive influence on consumers' purchase intention of quality

cement product that they are knowledgeable about. Product knowledge has a significant positive influence on product involvement in purchase of Portland cement type and grade.

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Determinants of Mathematics Achievement among Female Mathematics Students in Tertiary Institutions in Delta State.

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Abstract

The general objective of this study is aimed at examining the Determinants of Mathematics Achievement among Female Mathematics Students in tertiary institutions in Delta State. The specific objective of this study centered on the issue of Locus of Control, Mathematics Anxiety, Student attitudes, as well as their mathematical achievement as the dependent variable. The sample consists of 240 randomly selected female mathematic students in their first and second year of study in the selected tertiary institutions in Delta state. The mean age of the participants was 19years. Data were collected via a validated questionnaire. Multiple regression analysis was used to analyze the data. The results show that Locus of Control, mathematics anxiety, Student's attitude all have significant positive relationships with mathematical achievement with Student's attitude being the highest predictor. The study concludes that Mathematics as the bedrock of science and technology and students with negative beliefs or attitude about mathematics perform poorly, whereas the students with positive attitude about mathematics perform creditably better. The study recommends that policy makers should put up polices in place in other to encourage students in studying mathematic, thereby alleviating the negative effects of mathematics anxiety. These programs should be implemented during the elementary school years, before children's anxiety about mathematics and mathematic related courses becomes strongly established as they get to higher schools.

Key Words: Mathematics anxiety; locus of control; student's habits

Introduction

Mathematics enables measurement in scientific and technological operations as well as in accounting related subjects, operation research, quantitative technics, commerce etc. Mathematics as the bedrock of science and technology and students with negative beliefs about mathematics perform poorly, whereas the students with positive beliefs about mathematics perform creditably better. Mathematics as the bedrock of science and technology leads a multifunctional role that is multifaceted and multifarious (Ale & Adetola 2009). The geometric increase of students in Nigeria enrolling for arts subject-that has to do with less mathematics is a going concern.

It has been suggested that students with negative beliefs about mathematics perform poorly, whereas the students with positive beliefs about mathematics perform creditably better (Karp, 1991). Thus, what goes on in the mathematics classroom may be directly related to the beliefs students hold about mathematics. Hence, it has been argued that student's beliefs play a major role in their achievement and in their formation of beliefs and attitudes towards mathematics (Emenaker, 1996). Addressing the causes of negative beliefs held by students about mathematics therefore is crucial for improving their learning skills (Uusimaki & Nason, 2004).

The main objective of this study is centered on examining the determinants of Mathematics Achievement among Female Mathematics Students in (DELSU): The specific objectives sought to ascertain the effects of Locus of Control, Mathematics Anxiety and *Student attitudes* on mathematical Achievement.

Review of Literature

Mathematics Anxiety and Mathematics Achievement

Mathematics anxiety has been the topic of more research than any other area in the affective domain and has become very popular research topics for both mathematics educators and educational psychologists (Tooke 1998). Mathematicians and mathematics educators have great concern that teachers' attitudes toward mathematics may affect more than their students' values and attitudes toward mathematics; these attitudes may affect the effectiveness of the teaching itself (Teague & Austin-Martin,1981). Mathematics anxiety is more than a dislike toward mathematics. Smith (1997) characterized mathematics anxiety in following ways: (a) uneasiness when asked to perform mathematically, (b) avoidance of math classes until the last possible moment, (c) feelings of physical illness, faintness, dread, or panic, (d) inability to perform on a test, and, (e) utilization of tutoring sessions that provide very little success. Mathematics anxiety has long been defined as a state of discomfort which occurs in response to situations involving mathematical tasks which are perceived as threatening to self-esteem (Cemen, 1987).

Hadfield and McNeil (1994) postulated that mathematics anxiety's causes can be divided into three areas: environmental, intellectual, and personality factors. Environmental factors include negative experiences in the classroom, parental pressure, insensitive teachers, mathematics presented as rigid sets of rules, and non-participatory classrooms (Dossel, 1993; Tobias, 1990).

Many researchers attempt to trace the evolution of mathematics anxiety among high school and college students back to their elementary school classroom experiences. When early school experiences get the blame for mathematics anxiety, the elementary teacher is usually labeled as the responsible party. Mathematically anxious teachers are said to pass their anxieties on to their students (Buhlman & Young, 1982).

All of the prospective elementary teachers in this study had environmental, cognitive, and personality factors that contributed to their levels of mathematics anxiety. They all had negative classroom experiences and minimal family support, they all suffered from mathematics test anxiety, and they all had fears in regard to teaching mathematics themselves. He also found out that they all are aware of their negative feelings toward mathematics, and they are all

determined to prevent the passage of their negative feelings on to their own students.

Teacher and student's attitudes have been a major focus of many research studies involving mathematics anxiety. Teague and Austin-Martin (1981) investigated teachers' mathematics anxiety and its relationship on teaching performance. The results indicated a correlation between the two variables. In addition, mathematics methods courses were found to reduce anxiety towards mathematics, but not significantly change attitudes towards mathematics. Similarly, Olson and Gillingham (1980) concluded from their study that attitude toward mathematics and mathematics anxieties were not significantly related. On the other hand, Arem (1993) structured a popular Cruikshank and Sheffield (1992) wrote that they were unconvinced that elementary school children suffer from mathematics anxiety. Instead, they argued that teachers, who fail to implement seven important measures, cause their students to learn math-anxious behaviors. These measures include teachers who: (a)show that they like mathematics; (b) make mathematics enjoyable; (c) show the use of mathematics in careers and everyday life; (d) adapt instruction to students' interests; (e) establish short-term, attainable goals; (f) provide successful activities; and (g) use meaningful methods of teaching so that math makes sense. Martinez (1987) pointed out that Math-anxious teachers can result in math-anxious students. Sovchik (1996) offered the relationship between mathematics anxiety and future students as one that is passed from teachers to students.

Akinsola (2008) study mathematics anxiety and its relationship to in-service teacher's attitude to the studying and teaching of mathematics and found significant relationships between teachers' mathematics anxiety and their attitudes towards the studying and teaching of mathematics. Teachers with high mathematics anxiety tend to avoid studying and teaching of mathematics.

Study attitude and mathematical achievement

There are many factors responsible for underachievement like, motivation, study habits, attitude towards teacher, attitude towards education, school and home background, concentration, mental conflicts, level of aspiration, self-confidence, examination fear, etc.(Sirohi,2004). Poor habits of study not only retard school progress but develop frustration, destroy initiative and confidence and make prominent the feeling of worthlessness towards himself and the subject of study whereas effective methods ensure success, happiness and sense of accomplishment (Smith & Littlefield, 1948). All too often, students perform poorly in school simply because they lack good study habits. In many cases, students don't know where to begin, don't fully understand the material, are not motivated by it, or feel that there was too much work given to them with too little time to complete or study it. If their studying skills do not improve, these students will continue to test poorly and not perform to their fullest potential.

In a study of underachievement in relation to study habits and attitudes by Sirohi (2004) the most significant factor contributing to underachievement is poor study habit which has been indicated by 100% underachievers in their study. Since learning is not a team sport but an activity that involves solely the student and the knowledge, it behooves on individual students to set a good work or study habits rather than been vagarious. Since certain skills need to be acquired at an early age-particularly mathematics and reading, writing, and thinking in one's native language-it is important that the idea of self-teaching be inculcated in the earlier years so that learning these essential skills will automatically lead to the development of good study habits and attitude towards mathematics.

Locus of Control and Mathematical Achievement

In the context of education, locus of control refers to the types of attributions we make for our success and for/or failures in school tasks (Grantz, 2006). Locus of control is grounded in expectancy-value theory, which describes human behavior as determined by the

perceived likelihood of an event or outcome occurring contingent upon the behavior in question, and the value placed on that event or outcome. More specifically, expectancy-value theory states that if (a) someone values a particular outcome and (b) that persons believes that taking a particular outcome action will produce that outcome, then (c) they are more likely to take that particular action (WikEd, 2006). Locus of control is the perceived source of control over our behavior. It influence the way we view ourselves and our opportunities (Gershaw, 1989). Rotter (1966) classified locus of control into a bipolar dimension from internal to external. Internal control is the term used to describe the belief that control of future outcomes resides primarily in oneself. In other words, people with internal locus of control believe they control their own destiny (Gershaw, 1989). External control refers to the expectancy that control is outside oneself, either is in the hand of other powerful people or due to fate/chance or luck.

Research has shown that having an internal locus of control is related to higher academic achievement (Findley & Cooper. 1983) , students with internal locus of control earn better grades and work harder(Grantz,1999) and include spending more time on home work as well as studying longer for test. Continuing he said it make sense because if you believe working hard pay off then you are likely to do so (Grantz, 1999).

External locus of control may be caused by continued failure in spite of continued attempts at school tasks (Bender,1995) and a high external locus of control, in turn, leads to a lack of motivation for study and school in general (Grantz,1999). If one has an external locus of control, he may feel that working hard is futile because their efforts have only brought disappointment.

Ultimately, they may perceive failure as being their destiny (Grantz, 1999). In other words, students with an external locus of control are more likely to respond to failure by giving up hope and not trying harder (Anderman & Midgley, 1997). Out of the 36 studies reviewed by Bar-Tal and Bar-Zohar (1997) on locus of control and mathematical Achievement 31 of the studies indicated a significant relationship with internals having higher achievement than external.

Hypotheses

$H0_1$: There is no significant positive relationship between Locus of Control and Mathematical Achievement

$H0_2$: There is no significant positive relationship between Mathematics Anxiety and Mathematical Achievement

$H0_3$: There is no significant positive relationship between *Student attitude* and Mathematical Achievement

3 Materials and Methods

This study examines the Determinants of Mathematics Achievement among Female Mathematics Students in selected tertiary institutions in Delta State. The institutions selected were Delta State University (DELSU), College of Education Agbor and College of Education Warri.

Mathematical achievement was measured by female student's cumulative grade point average (CGPA), a determinant of academic success amongst 240 randomly selected (two hundred and forty female mathematic students) in first and second year of study in the selected higher institutions in Delta State with 80 students randomly selected from each school. But 199 (82.9%) sets of questionnaire was retrieved and used for analysis. The mean age of the participants was 19years. Their ages range from 17 to 21 years. The research design employed in this study was survey research design. The researcher examined the independent variables (locus of control, study habits and mathematics anxiety) and Mathematical Achievement (dependent variable). And correlation analysis as well as multiple regressions was used for the analysis.

Instrumentations

Locus of control was measured with the locus of control behavior scale based on Rotter (1966) cited in Akinsola (2008) was used as measuring instrument. It consists of 13 paired items. The instrument has a coefficient alpha of

0.82.Mathematics Anxiety Rating Scale was measured using the mathematics anxiety rating scale by Richardson & Suinn, 1972 modified by Akinsola (2008) was used to measure the student's mathematics anxiety. It consisted of 30 items on a five-point Likert scale. The instrument yielded a reliability index of 0.79.The Student Attitude Questionnaire (SAQ) has been used and refined in three major studies of children's beliefs and attitudes about mathematics (Eccles, 1983; Eccles et al., 1986 and Judith, Allan & Jacquelynne, 1990) in Akinsola (2008). The questionnaire contains items to assess student's expectancies for success, perceived values, perceived ability, perceived effort, and perceived task difficulty in mathematics and statistics *while* Mathematical Achievement was measured with the student's CGPA. The questionnaires were analysed using Statistical Packages for the Social Sciences (SPSS) 21th Edition.

Result and Discussion

Table 4.1 Results of Multiple Regressions of dimensions of Counseling Psychology and Personality on Mathematical Achievement

coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	75.965	1.825		.539	.591
Locus of Control	.396	.020	.417	5.14	.000
Mathematics Anxiety	.331	.040	.288	2.16	.002
Student attitude	.434	.039	.341	2.22	.003

a. Dependent Variable: Mathematical Achievement

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
	.722[a]	.676	.457	1.516	1.979

a. Predictors: (Constant), Locus of Control,Mathematics Anxiety, *Student attitude.*

ANOVA[a]

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	868.986	4			.000[a]
Residual	362.209	195	182.829	80.487	
Total	1231.195	199			

a. Predictors: (Constant), Locus of Control,Mathematics Anxiety, *Student attitude.*

b. Dependent Variable: Mathematical Achievement

		1	2	3	4
Locus of Control	**Pearson correlation**	**1**			
	Sig. (2-tailed)				
	N	**199**			
Mathematics Anxiety	**Pearson correlation**	**.516****	**1**		
	Sig. (2-tailed)	**.000**			
	N	**199**	**199**		
Student attitude	**Pearson correlation**	**.678****	**.815****	**1**	
	Sig. (2-tailed)	**.000**	**.000**		
	N	**199**	**199**	**199**	
Mathematical Achievement	**Pearson correlation**	**.974****	**.881****	**.590****	**1**
	Sig. (2-tailed)	**.000**	**.000**	**.000**	
	N	**199**	**199**	**199**	**199**

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

Test of Hypotheses

$H0_1$: There is no significant positive relationship between Locus of Control and Mathematical Achievement.

The level of significance that was calculated in table 4.1 is less than the established p-value (.000 < 0.05), and giving the Beta value (β = .396, p = 0.000) therefore the null hypothesis is rejected to accept the alternate which states that there is significant positive relationship between Locus of Control and Mathematical Achievement.

However, the result of the tested hypothesis indicates that there is significant positive relationship between locus of control and Mathematical Achievement. This finding align with (Findley & Cooper. 1983) who affirmed that having an internal locus of control is related to higher academic achievement, students with internal locus of control earn better grades and work harder(Grantz,1999) and include spending more time on home work as well as studying longer for test. This is also supported by (Grantz, 1999) when he stressed that if you believe working hard pay off then you are likely to do so.

Ho_2: There is no significant positive relationship between Mathematics Anxiety and Mathematical Achievement.

The calculated level of significance (In multiple regression table-4.1) is less than the p-value of 0.05 i.e. (.002 < 0.05), while the Beta value (β= .331, p= 0.002), the null hypothesis is rejected and alternate is accepted implying that Mathematics Anxiety have significant relationship with Mathematical Achievement. The finding revealed that mathematical anxiety enhances Mathematical Achievement

is in consonant with Akinsola (2008) who opined that mathematics anxiety contributed mostly to problem solving ability in mathematics thus imply that the more the mathematics anxiety of students the better their Mathematical Achievement.

Ho_3: There is no significant positive relationship between *Student attitude* and Mathematical Achievement.

The critical level of significance of 0.05 is less than the p-value established (0.03 < 0.05) and the Beta value (β=.434, p=0.03), therefore the null hypothesis is rejected to accept the alternate**,** indicating that there is significant positive relationship between *Student's attitude* and Mathematical Achievement.

This finding is in accord with Sirohi (2004) that there are many factors responsible for underachievement like, motivation, study habits, attitude towards teacher, attitude towards education, school and home background, concentration, mental conflicts, level of aspiration, self-confidence, examination fear, etc. he emphasized that Poor attitude or habits of study not only retard school progress but develop frustration, destroy initiative and confidence and make prominent the feeling of worthlessness towards himself and the subject of study whereas attitude towards education ensure success, happiness and sense of accomplishment.

More so, the constructs are positively correlated (table 4.2), and the model summary shows that .457 (45.7%) variations in Mathematical Achievement is accounted for by changes in the independent variable (Counseling Psychology and Personality). This was further corroborated by the F-value of 80.487 which was significant at 0.05 levels. The result thus shows that the variable is a good fit and without exceptions have high predictive value in relation to Mathematical Achievement. The Durbin Watson score of (1.979) indicates the absence of multi-colinearity, since 1.979 can be approximated to 2 (Mark et al., 2009).

Conclusion and Recommendations

Mathematics enables measurement in scientific and technological operations as well as in accounting related subjects, operation research, quantitative technics, commerce etc. Mathematics as the bedrock of science and technology and students with negative beliefs about mathematics perform poorly, whereas the students with positive beliefs about mathematics perform creditably better.

The study reviews the cognitive and affective components of mathematics anxiety and how it affects student's performance in mathematics. We also have shown how these components relate to students' perceptions of mathematics, valuing of mathematics, and mathematics performance. Researchers should examine the antecedents of the affective and cognitive components of mathematics anxiety in the home and school environments in order to provide a better understanding of their developmental course.

Thus policy makers should put up polices which should be put in place in other to encourage students in studying mathematic, thereby alleviate the negative effects of mathematics anxiety. These programs should be implemented during the elementary school years, before children's anxiety about mathematics and mathematic related courses becomes strongly established as they get to higher schools.

We also recommend that further studies should assess when the two components of mathematics anxiety can be identified in younger elementary school students. Because most of the work in the anxiety area has focused on the relations of anxiety, perceptions of ability, and performance,

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Dynamics of Money Supply and Inflation in Nigeria

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Abstract

This paper provided quantitative analysis of the dynamics of money supply, deficit financing and inflation in Nigeria. Using secondary data, the findings of the bounds test reveal that the estimated equation and the series are co-integrated. The ARDL results suggested a long run positive relationship exists between deficit financing and inflation, and long run positive relationship exists between money supply and inflation, and show a significant relationship in the short. The study recommends that the government must adopt appropriate macroeconomic policies to reduce budget deficit, which will result in reduction in inflation growth and in turn lead to the growth and development of the country.

Keywords: Fiscal Deficit; ARDL; Inflation

Introduction

Inflation has been a disputed term which poses a huge challenge to economists. Essentially, inflation refers to a continous and constant rise in the general level of prices of goods and services in an economy. It divulges itself most clearly in the decline in the value of money. According to Yahya (2013), the major empirical explanations of inflation include fiscal, monetary and balance of payment aspects. Inflation is also premeditated to be due to a rise in the money supply. However, the fiscal perspection, vista inflation as rising from budget deficits which are considered central determinant of inflation. However, the fiscal aspect is closely related to the monetary views of inflation since government insufficiency are often financed by money creation in developing economies. Essentially, in the balance of payments aspect, emphasis is based on the exchange rate. The collapse of the exchange rate usually brings about inflation through increase in import prices and higher inflationary expectations which are often accommodated through an accelerated wage indexation mechanism.

Essien and Uche (2002) distinguish two features of inflation which are worth noting. Inflation is associated with general rise in an individual good and service price. In addition, once and for all increase in the price level does not meaningfully add momentum to the constructed inflation.

On the other hand, a onetime rise in the price of certain goods may cause a chain of price increases which can lead to a constant increase in inflation.

Inflation has been a problem in Nigeria since 1970s when the country's weak economic base became problematic, especially towards the end of 1970s. There were all sorts of disequilibria in the system caused by imbalance between the spending power and the productive capacity of the country. The distortions were caused by the nible depletion of the foreign reserves thus leading to disagreement in the balance of payments, and a nible expansion of overall monetary expenditure in the country which helped to stimulate prices (Omofa, 2006).

As observed by Yahya (2013) inflation led to the abandonment of the German currency in the 1920s, caused a national strike in France in 1973 and a national riot in Egypt in 1977.

Also almost all free market countries have experienced some degree of protest against inflation.

The rate at which inflation is rising and dampening budget implementation at all system of government as well as business daily activities in Nigeria has become a perturbing issue for many Nigerians. In fact inflation has been a sustained menace to the Nigeria system, since the 1990's. It is contra to this background that the researchers attempt to empirically analyze the extent of the effects of money supply, fiscal deficit on inflation.

Essentially, investigating this issue empirically in Nigeria is a notable challenge that is overdue in view of the mammoth significant importance attributed to it. Until recently, there was comparatively less empirical research on the relationship between deficit financing, money supply and inflation in Nigeria. As stated in this paper, the limited empirical studies on this point have utilized conventional econometric method best suited to identifying whether individual variables are related to inflation (Ayoedele & Emmanuel, 2005). It is cleared from the literature that earlier studies have examined the determination and targeting of inflation, (Asogu, 1991; Johnson, 1973; & Kuszczak and Murray, 2015) among others. As such, this paper will discover if long-run relationship exists between monetary growth, budget deficit and inflation in Nigeria. It also tackled the possible effects of exchange rate manipulation and monetary tenet on inflation in Nigeria.

The study explore the AutoRegressive Distributive Lag Model (ARDL) which has wax popular in economic analysis during the last decade. The study coverred over the period of 1985 to 2014, based on the background that structural economic reforms started in Nigeria in 1986. AutoRegressive Distributive Lag Model (ARDL), corrects the lapses often

associated with OLS, also using ARDL method, one can investigate the relationship between the variables of importance in both the short-run and long run.

The current study also utilise a ECM technique to test the short and the long run relationship and the VDC to predict exogenous shocks of the variable.

The oddment of this paper is organized as follows. Section 2 discusses the literature review, the data and methodology used for the study will be discussed in Section 3, Section 4 analyses empirical results and Section 5 presents the conclusions and policy reccommedations of the study.

Literature Review

The Concept of Inflation

Inflation is one of the most regularly used terms in economic analysis, yet the concept is variously misconstrued. Inflation as a concept has various schools of thought, but there is a consensus among economists that inflation is a continuous increase in the prices of goods and services. Simply put, inflation depicts an economic situation where there is a general increase in the prices of goods and services, monotonously. It could be defined as a continuing rise in prices as measured by an index such as the consumer price index (CPI) or by the implicit price deflator for Gross National Product (GNP). The term inflation in Jhingan (2006) is a persistent and appreciable rise in the general level of prices.

Different analyst have presented different theories on inflation. The economists who have provided the theories of inflation are broadly categorized into two, Monetarists and Structuralists. Monetarist associated inflation to the monetarist causes and suggested monetary measure to control it. The structuralists believed that inflation occurs because of the unbalance economic system and they used both monetary and fiscal measures together for sorting out economic problems. Essentially, this study is built on monetary theory of inflation.

Empirical Studies

Sizable empirical work has been done on money supply and its inflationary consequences in Nigeria. Omofa (2006), conducted an empirical investigation on money supply and its effect on the Nigerian inflationary process from 1985-2000. The primary objective of his study was to examine the effect of money supply on the Nigerian inflationary process, the study was based on the fulfillment of economic a priori criteria, i.e., sign and size of the estimates of interest. The traditional criteria relating to the R2 were not used. The study made use of the F-ratio, the t-value and the Durbin Watson statistic in estimating the goodness of fit of the regression equation and statistical significance of the parameters. He used money supply in the current (Mt) and previous (Mt-1) period, the price level in the lag period of one (pt-1), foreign price (pt), interest rate (A), the level of output i.e., GDP (Y), the exchange rate (E) and the government deficit (GD) to analyze changes in the general price level, i.e., rate of inflation (Pt). The overall fit showed a very significant relationship between the price level and the exogenous variables. It showed that about 99.9% of the changes in the price level amid the period under consideration was explained by the model. The remaining 1% could be explained by other economic factors not included in the model. This tends to validate the monetarists contention that if monetary variables can be subjected to control, then the price level would be simultaneously controlled. This shows that if the explanatory variables can be sufficiently controlled, varied to about 99.9% the price level can be brought under reasonable control. Essentially, the overall significance was very high (i.e F-Statistic at 99.7%), it showed that the data fits into the model and at least one of the coefficients or parameters of the model is nonzero.

Methodology

Inflation is determined by many variables. These variables include the level of money supply, aggregate demand, cost of inputs of production, population, deficit

financing, and psychological factors. The model for this study is expressed as:

Inf = *f* (Ms, Im, Df, exch, Pop) *(1)*

Essentially, DF and INF was inputed into the model to capture their impact on inflation

The regression notations is substituted to read

$Inf = \alpha_0 + \beta_1 Ms + \beta_2 Im + \beta_3 Df + \beta_4 Exch + \beta_5 Pop$ $\mu 2)$

The logged version of the model is as follows:

$LogInf = \alpha_0 + \beta_1 LogMs + \beta_2 LogIm + \beta_3 LogDf + \beta_4 LogExch + \beta_5 LogPop + \mu$ (3)

Where; Inf = Inflation

Ms = Money Supply (M2)

Im = Import

Exch = Exchange Rate

Df = Deficit financing

Pop = Population

U = Random Variable

In this study, money supply has been measured through M2 (Broad money) and has increasingly been recognized as a major determinant of inflation. Some researchers argue that there exists an adverse relationship between inflation and money supply (Johnson 1973). Whereas some other theorists argue that the relationship between the two variables is positive Asogu (1991).

Deficit financing is an important explanation of the increase in money supply. Thus, the structuralists are inadvertently emphasizing money supply when they emphasize deficit financing. Import prices explains the contribution of imported inflation.

Essentially, this study empirically estimated the dynamics of money supply, deficit financing and inflation and other fundamental macroeconomic factors with the help of the above described methodology for Nigeria. The study uses annual data on the variables described above covering 1985 to 2014. The data has been taken and compiled from Central Bank of Nigeria Statistics bulletin, International Monetary Fund database and World Bank database.

A priori expectation

It is expected that Ms, Im, Bd, Ad and Pop are positively related to inflation. This is given as: Ms>0 Imp>0; Df>0; Exch>0; and Pop>0. This implies that as these variables increases; inflation also increases.

Co-Integration with ARDL

The ARDL model specification for equation (1) is;

$$\Delta InINF_t = \alpha + \sum_{i=1}^{\eta} \beta_i \Delta InINF_{t-i} + \sum_{i=0}^{b_1} \gamma_i \Delta InMS_{t-i} + \sum_{i=0}^{b_2} \delta_i \Delta InIM_{t-i} + \sum_{i=0}^{b_3} \mu_i \Delta InDF_{t-i} + \sum_{i=0}^{b_4} \Omega_i \Delta InEXCH_{t-i} + \sum_{i=0}^{b_5} \omega_i \Delta InPOP_{t-i} + \pi_1 InINF_{t-1} + \pi_2 InMS_{t-1} + \pi_3 InIM_{t-1}$$

In equation (4), η and b_{4}= lag length for the Model, Δ = first differencing operator and ε = white noise disturbance error term. The long-run and short-run parameters of equation 5 and 6 would be estimated once a cointegration is established. The long-run relationship specification is:

$$InINF_t = \Psi + \sum_{i=1}^{\eta} \theta_i InINF_{t-i} + \sum_{i=0}^{b_1} \theta_i InMS_{t-i} + \sum_{i=0}^{b_2} \theta_i InIM_{t-i} + \sum_{i=0}^{b_3} \theta_i InDF_{t-i} + \sum_{i=0}^{b_4} \theta_i InEXCH_{t-i} + \sum_{i=0}^{b_5} \theta_i InPOP_{t-i} + \varepsilon_t \quad (5)$$

However, to restore equilibrium proximately may not be possible because of the speed of adjustment. This could be influenced by the adjustment process used to capture changes in any of the factors affecting fiscal deficit or exchange rate depreciation overtime. Hence, ECM can be used to capture the speed of adjustment of exchange rate depreciation equation. The ECM is:

$$\Delta InINF_t = \rho + \sum_{i=1}^{\eta} \beta_i \Delta InINF_{t-i} + \sum_{i=0}^{b_1} \gamma_i \Delta InMS_{t-i} + \sum_{i=0}^{b_2} \delta_i \Delta InIM_{t-i} + \sum_{i=0}^{b_3} \mu_i \Delta InDF_{t-i} + \sum_{i=0}^{b_4} \Omega_i \Delta InEXCH_{t-i} + \sum_{i=0}^{b_5} \omega_i \Delta InPOP_{t-i} + \lambda ecm_{t-1} + \varepsilon_t$$

Where: ecm_{t-1} represents the error correction term lagged for one period and λ= the coefficients for measuring speed of adjustment in equation (6). In this ECM equation, we assume a lag length of *t-i.* Each coefficients of equation 6 represents the short run dynamics of the model.

Result and Discussion

Pretest: unit root and cointegration test

The results of the pretest are provided in Tables 1, 2 and 3 below. The pretest was necessary to confirm if the ARDL approach is appropriate.

Table 1: Unit root test for stationarity in level form
(Regression include an intercept without a linear trend)

Variables X_t	DF Statistics	ADF test Statistics	ADF Lag Length	ADF Critical Value	Remarks
INF	-1.8941	-2.0738	1	-3.5806	Non-stationary
MS	-1.9671	-2.6506	1	-1.9533	Stationary
IM	-4.2394	-5.2507	1	-3.5875	Stationary
DF	-3.5514	-4.1646	1	-2.9718	Stationary
EXCH	-1.2254	-2.0588	1	-3.5875	Non-Stationary
POP	-1.2613	-2.7337	1	-2.9718	Non Stationary

Source: Eviews output computed by the authors, 2016

Table 2: Unit root test for stationarity in first difference
(Regression include an intercept without a linear trend)

Variables X_t	DF Statistics	ADF test Statistics	ADF Lag Length	ADF Critical Value	Order of Integration
INF	-2.8939	-4.0638	1	-3.5806	I(I)
MS	-2.4403	-3.6506	1	-1.9533	I(0)
IM	-3.0579	-5.2507	1	-3.5875	I(0)
DF	-2.5514	-5.1646	1	-2.9718	I(0)
EXCH	-4.7441	-6.2875	1	-3.4501	I(1)
POP	-5.2613	-7.7337	1	-3.9718	I(0)

Source: Eviews output computed by the authors, 2016

Table 3: ARDL bound test

Computed F-Statistic: 5.15	Lag (K) = 2
Critical Bound Value (5%)[5]	I(0): 2.649, I(1): 3.805

Source: E views output computed by the authors, 2016

The results in Tables 1 and 2 show that there is no enough evidence to accept the null hypothesis of non-stationary for all the series using the DF/ADF test-statistics. All the variables are not integrated of same order. That is, some of variables are either I(0) or purely I(1). If all the I(0) and I(1) series are mutually cointegrated, then the ARDL approach is unequivocally an appropriate technique for the estimation. Table 3 shows the results of the calculated F-statistics (Wald test) when each variable is considered as a dependent normalized variable in the ARDL-OLS regressions. This result reveals that the calculated F-statistics(5.15) is higher than the upper bound critical value (3.805) at 5% error level. Based on this, the study concluded that a long run cointegration relationship exists for the estimated ARDL models. Thus, the null hypotheses of no cointegration are rejected. This implies INFLATION (INF) and representative independent variables are cointegrated. This means that for the periods studied there was a long run stable relationship among inflation, and vector of explanatory variables which includes broad money supply, import, deficit financing, exchange rate and population stationary. Since cointegration is

established in the test, then it follows that a non-spurious long run relationship exists and the error correction representation can be obtained. The result obtained by normalizing on INF in the long run is reported in Table 4 while Tables 5 and 6 present the result of the short-run dynamic coefficients and the model diagnostic and stability tests, respectively.

Notes: Critical values are extracted from Pesaran (1997); Unrestricted Intercept and No Trend (Case III)

Table 4. Estimated Long Run Coefficients using ARDL Approach (Dependent variable: INF).

Regressors	*ARDL(1,0,0,0)*		
	Coefficient	*t-Values*	*Prob. Valu es*
M2	4.5174	-0.8141	0.0236
Δ IM	0.1326	-0.8617	0.0421
Δ DF	-0.0012	-0.2991	0.7674
Δ EXCH	-3.5072	- 0.3572	0.7240
Δ POP	6.2767	-0.6222	0.5396

Significant at 5% level
Source: *Eviews output computed by the authors, 2016*

Estimated Short Run Coefficients using ARDL Approach (Dependent variable: INF).

Regressors	*ARDL(1,0,0,0)*		
	Coefficient	*t -Values*	*Prob. Values*
Δ M2	-22.13	-0. 9309	0.3630
Δ IM	0.2673	-0.8317	0.4154
Δ DF	0.0121	-2.5942	0.0173
Δ EXCH	-0.2360	1.1262	0.0234
Δ POP	-2.5211	-0.2573	0.7995
ECM(-1)	-1.0942	-4.8521	0.00 01

Significant at 5% level
Source: *Eviews output computed by the authors, 2016*

Robustness Indicators		
R2		0. 79
Adjusted R2		0. 56
Durbin Watson Stat		1. 89
F Statistics		6. 2(0. 005)
Serial Correlation,	F 1.142[0.231]	
Heteroskedasticity,	F 2.461[0.146]	

Source: *Eviews output computed by the authors, 2016*

The long run relationship of the estimated coefficients show that growth of money supply has a significant impact on inflation. This conformed to monetary theory that inflation is highly monetary dependent. Also, the import variable is significant at 5% level. The result shows that 1% increase in import leads to approximately 13% increase in inflation,. All other variables are non significant.

On the short run representation, only the coefficient of changes in deficit financing and exchange rate are significant at 5 percent level, with negative sign of exchange rate implying that changes in exchange rate have significant negative effect on changes in inflation for the period studied. Essentially, the adverse effects of money supply raises further issues about the usual theoretical linkage between money supply and price. The traditional macroeconomic theory states that money should have positive and significant effect on price level. The economic justification for the negative effect of money supply on price level is that inflation is not caused only by aggregate demand pressure but rather due to hiccups in the supply chain of goods both from the domestic and foreign supply channel. In other words the fluctuation in the price level is more of aggregate supply induced rather than total demand. Also, given the higher coefficient of exchange rate, it seems that exchange rate is more important in the price determination in Nigeria than monetary expansion and real output production. This corroborates many other studies (Steven, 1997 and Ajakaiye, 1994). In an import dependent country like Nigeria, changes in exchange rate are directly reflected in the prices of the goods and services. The fiscal deficit have positive impact on inflation and is significant at 5%. The fiscal deficit is closely linked to the monetary expectations of inflation since government deficits are always financed by money creation in developing countries.

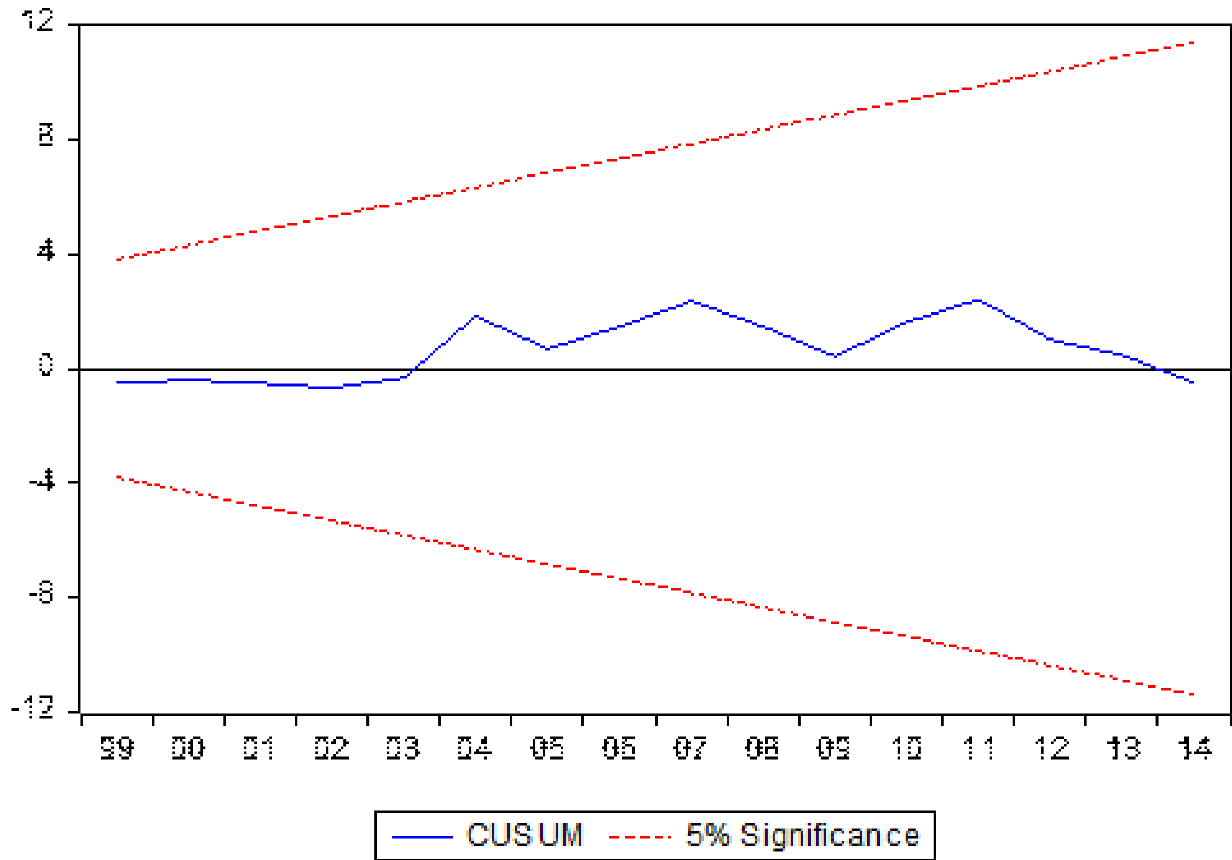
Essentially, on the short run representation import is positively related with inflation in Nigeria, the collapse of the exchange rate normally brings about inflation through higher import price and increases in inflationary pressure are always accommodated through an accelerated wage indexation mechanism.

Furthermore, population has positive impact on inflation but this was not significant, this is due to deficiency in fiscal and monetary policy operated in the country. Only 56 percent of systematic variation in the value of changes in inflation was accounted for by changes in the series of attendant explanatory variables used, the remaining 44% is attributed to stochastic variable.

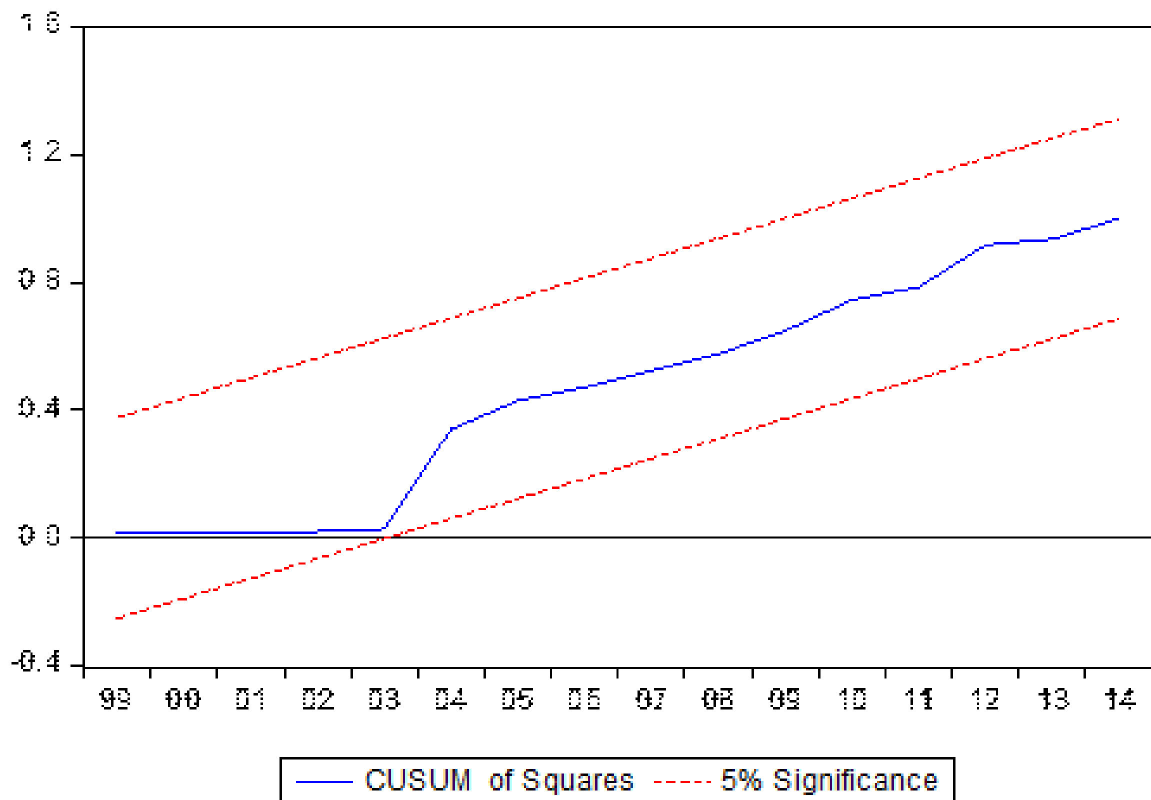
The coefficient of the ECM was found to have the right sign (being negative), large in magnitude and also highly significant. Conceptually, a significant error term with right sign indicates a feedback effect of any deviation exchange rate depreciation from its long run (or equilibrium) steady path thus suggest that any perturbation or disequilibrium will automatically adjust back to the long run equilibrium wholly at a high speed of 100 percent in each period sampled. The regression for the underlying ARDL fits very well at R2 of 79 percent. The overall model is highly significant and there is no residual serial correlation which suggests that the model could fit for any policy formulation agenda. The model was subjected to the diagnostic tests against serial correlation, functional form misspecification and non-normal errors (Table 5).

The stability of error corrections model should always subjected to graphical investigation (Pesaran, Shin &Smith, 1995). A schematic representation of the Cumulative Sum (CUSUM) and the Cumulative Sum of Square (CUSUMSQ) are also established. The cumulative sum (CUSUM) and cumulative sum of squares (CUSUMSQ) plots is shown in schematic1 from a recursive estimation of the model show a stability in the coefficients over the sample period.

Plot of Cumulative Sum of Recursive Residuals



Plot of Cumulative Sum of Square of Recursive Residuals



The straight lines represent critical bounds at 5% level of significance

Figure 1. Stability Test.

Variance Decomposition (VDC) Analysis

The results of the VDC are presented in Table 6. The column SE is the forecast error of the variable to be forecast at various lengths into the future. The empirical evidence indicates that 24.65% of inflation change is contributed, its own innovative shocks. Further shock in deficit financing explains inflation by 57.86% and the money supply contributes to inflation by 9.58%. The share of other variables is very minimal. During the initial period, the variation in changes in inflation is caused by the inflation itself. As time passes, the change in inflation is contributed by government fiscal differences. However, the impact exerted by other macroeconomic variables on inflation is very low. Therefore, it can be stated that over the horizon of 10 years, fiscal deficit plays the most important role, explaining 57% variation in inflation in Nigeria.

Table 6. Variance Decomposition (VDC) Analysis.
Variance Decomposition of INF:

Perid	S.E.	INF	M2	DF	IMPORT	EXCH	POP
1	12.86072	100.0000	0.000000	0.000000	0.000000	0.000000	0.000000
2	14.76581	83.42852	5.706556	9.748988	0.048571	0.998953	0.068411
3	19.63973	52.99538	8.478635	34.2453 5	2.140586	1.833094	0.306954
4	20.86025	48.87304	7.542462	31.82569	6.024399	5.425423	0.308986
5	23.63231	38.20176	9.269364	41.90317	5.475820	4.261733	0.888153
6	27.47562	28.28220	9.359483	52.83223	4.076033	4.672805	0.777241
7	28.68523	26.19061	8.728075	54.07380	4.026420	6.054439	0.926656
8	28.99772	26.04162	8.932255	52.94979	4.097454	6.387766	1.591110
9	29.52825	25.27725	9.441838	53.30987	3.951750	6.160784	1.858516
10	29.90715	24.65298	9.581765	53.77055	4.011406	6.165183	1.818112

Cholesky Ordering : INF M2 DF IMPORT EXCH POP

Conclusion

This paper examined the dynamic of money supply, fiscal deficit on inflation in Nigeria. It adopted the monetarist's method based on its usefulness for the purpose at hand. From the various econometric tests carried out, it was revealed that fiscal deficit had significant impact on the price level in Nigeria. The implication of this result is that, the focal point by the monetarists on the relative effectiveness of monetary policy in controlling inflation may be the best policy for the Nigerian economy. Money supply, import, and population are important variables in explaining variation in the price level, though with a negligible effect on it.

Premised on the findings of the study, the following recommendations are hereby made:

i. Government should pursue conservative fiscal policies by reducing substantially the fiscal deficit, it should be noted that fiscal deficits when financed through the financial set up as currently done in Nigeria not only increase aggregates but impinge directly on the money supply.
ii. The Central Bank of Nigeria should continue to focus on controlling the growth of the money stock through a restrictive monetary policy.
iii. The above recommendations underscore the need for monetary and fiscal co-ordination as they complement each other. Government should not be pursuing a liberal fiscal policy when the

Central Bank is advocating restraint in the face of mounting pressure on the price level.

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Perception on Adoption of International Financial Reporting Standard for SMEs in Nigeria

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Abstract

This study adopts a survey research design to assess the level of awareness and perception of owners/managers on the adoption of International Financial Reporting Standards (IFRS) for Small and Medium Enterprises (SMEs) in Nigeria. To achieve the objective of the study, one hundred (100) SMEs in Benue State were selected. The data collected from SMEs owners /managers with the aid of a questionnaire that was designed to give the respondents the choice to express their views on the level of awareness and perception on the adoption of IFRS for SMEs were analyzed using descriptive statistics. The findings reveals that majority (54 percent) of the SMEs are not aware of IFRS for SMEs, those that are aware sees the adoption of the standard for SMEs as good and majority of the SMEs are not prepared to adopt IFRS for SMEs . The study recommends among others the creation of more awareness to SMEs operating in the country on the need for SMEs to adopt IFRS for SMEs.

Keywords: International Financial Reporting Standard, SMEs, Nigeria

Introduction

There is a growing interest by governments, academics and researchers on small and Medium Scale Enterprises (SMEs). This is due to its critical role towards the economic development and sustainability of any nation through employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries (Ariyo, 2005; Ayyagari, Demirguc-Kunt, & Maksimovic, 2011; Edmiston, 2007; Neumark, Wall, & Zhang, 2008; Tether, 1998 & Iorpev, 2012). Kpelai (2009), Briciu, Groza and Ganfalean (2009) stressed that, SMEs are the engine room for economic growth. Though, they may look small or inconsequential but are actually the foundation of any economically stable nation (Azende, 2012).

However, SMEs worldwide are faced with many challenges such as poor quality of records, information asymmetry, perceived risk and uncertainties that affect its effective contribution to the economy. In Nigeria, the major challenge of SMEs is shortage of finance which occupies a very central position (CBN, 2011). Since, the banks which suppose to remain the major source of finance to SMEs world over and Nigeria in particular in most instances, are unwilling to grant credit to SMEs and where the banks are willing, the costs of those credits are high due to poor quality of accounting records if any, lack of collateral and high cost of getting SMEs information.

This has led to gross under performance of SMEs sub- sector and has undermined its contribution to economic growth and development (Iorpev, 2012). Therefore, the nation and its stakeholders need to provide ways to mitigate SMEs challenges, thereby enabling them to perform effectively at the same time contributing to the economy. Thus there is need to improve the quality of SMEs financial reporting, so as to enable them attract credits to finance their developmental projects. Hence, high quality financial reports of small or large firm may reduce the problem of information asymmetry, cost of credits and improved confidence in financial reports.

The global move towards the adoption of International Financial Reporting Standards (IFRS) for SMEs will result to high quality, transparent, and comparable financial information thereby improving the confidence in the reports (Ojo , 2012). The IFRS for SMEs was developed after IFRS which was designed to meet the requirements of investors in companies whose securities are traded in public capital market (Jain, 2010), but a significant need existed for an accounting standard for SMEs that would consider appropriately, their financial statement users, while balancing the costs and benefits in terms of financial statements users (Mage, 2011). To meet this need, in July, 2009 the IASB issued International Financial Reporting Standard (IFRS) for Small and Medium-Sized Entities (SMEs) which represents the culmination of a five year process that started in 2004 with the issuance of a discussion paper (Mage, 2011).

The IFRS for SMEs that became effective immediately on issuance in 2009 was for entities that did not have public accountability, publish general purpose financial statements for external users and their debt or equity instruments are not traded in a public market. It was aimed at but not limited to providing a common high quality and internationally respected set of accounting requirements for SMEs which will benefit both developed and emerging economics, improving the comparability for users of SMEs accounts, reducing the cost of reporting and capital, cost of information and information asymmetry, enhancing the overall confidence in the accounts of SMEs, providing a platform for growing businesses that are preparing to enter public capital market where application of full IFRS is required (Armstrong et al , 2007; IASB 2009). Since then many countries have adopted and some, like Nigeria, are planning to adopt IFRS for SMEs. Nigeria's adoption of IFRS was launched in September, 2010, and designed such that all stakeholders and SMEs must mandatory adopt IFRS by January, 2014 (Madawaki, 2012). The transition date for SMEs began in 2012 with transition planning, preparation for opening Statement of Financial Position (SFP) and comparative figures and

investor's communication was expected to take place in 2013, adoption of IFRS and ensuring compliance and monitoring in 2014.

It is clear that Nigeria is set to adopt this standard for reporting by SMEs .The adoption of IFRS for SMEs would improve financial reporting by these entities and in turn positively impact their performance given the indispensability of proper accounting systems for SMEs, and thus enable them to gain access to credit (which is major challenge for SMEs in Nigeria) from financing institutions worldwide. However, as Nigeria is about to adopt this standard for reporting by SMEs, it is imperative to ascertain the level of awareness and perception of owners/managers on adoption of IFRS for SMEs in the country. It is in view of this, that this study seeks to assess the level of awareness and perception on the adoption of IFRS for SMEs in the country.

This study is important because it will help the regulators, government and other stakeholders to know the level of awareness and perception of SMEs owners/managers on the adoption of IFRS for SMEs. This study focuses on owners/managers of SMEs, because even though SMEs operating in the Country have been directed to adopt IFRS for SMEs, the decision to adopt the standard or not lies with owners/managers. This is due to the cost involved in adopting IFRS for SMEs. This paper is structured as follows: Section two takes a brief review of related literature; Section three is the methodology; Section four covers data presentation, analysis and discussion of the results; Conclusion and policy recommendations are presented in section five (5).

Review of Related literature

There are different views on what Small and Medium Scale Entities is in different jurisdiction which may be due to the extensive variety in businesses worldwide. For instance some view SMEs in terms of some main aspects such as number of employees, balance sheet total, size and range of products, revenue, turnover, markets, and so on. However, one of the general definitions of SMEs is the one given by International Accounting Standard Board (IASB). The IASB view SMEs as Companies that do not have public accountability, and prepare general purpose financial statements for external users (IASB, 2010) or follow generally accepted accounting principles (GAAP). Though every business entity whether small or large has some form of accountability, if only to its owners and the local tax authorities. Public accountability is defined to cover entities with or seeking to have securities traded in a public market or that hold assets in a fiduciary capacity as their main business activity. The definition is therefore based on the nature of an entity rather than on its size. From above it is clear that, the entities which have public accountability are capital market oriented entities and entities that have assets for broad groups of outsiders in a fiduciary capacity, whether or not they are capital market oriented. Hence, SMEs are neither listed entities nor financial service business.

The SMEs have been of central importance both in the process of globalization and in strengthening worldwide economy, thus the accounting information presented by SMEs is also very important. It is due to this that IFRS for SMEs was issued in July, 2009. IFRS for SMEs may represent a considerable step towards global convergence of financial reporting practices by SMEs. It will help to improve the quality and comparability of SME financial statements all over the world and would be helpful for SMEs in gaining access to finance (Neag, Masca & Pascan, 2009).

It was in 2001, when IASB formally started to develop accounting standards for the suitability of SMEs while keeping the emerging economies in focus. A discussion paper was designed for this purpose in 2004 with the title of Preliminary Views on Accounting Standards for Small and Medium-sized Entities and for this discussion 28 paper comments were invited from around the world. Emphasis and proposal were directed to the core elements of accounting standards which are recognition, measurement, presentation and disclosure of financial information in financial reports. The first exposure draft of IFRS for SMEs was published by IASB in

February, 2007 with the aim to provide uncomplicated and easy to understand set of accounting principles for unlisted companies based on full IFRS. Based on this exposure draft field tests were conducted by IASB on a sample of 116 small firms from 20 different countries. On the basis of comments and reviews on exposure draft, and from the results of field tests the job for IASB was eased up in further enhancing and simplifying the accounting standards for SMEs, and finally launching the official and final version of IFRS for SMEs on 9th July, 2009 (IASB, 2009). The IASB previously considered, in principle, full IFRSs as appropriate for all entities, but acknowledged at the same time the different user needs and cost consideration for SMEs. The IASB decided that its mission would permit it to extend its focus also to SMEs (IASB, 2004).

IASB along with IFRS for SMEs also released an implementation guide for the understanding of its users. This implementation guide explains the standards much more in detail along with examples in terms of financial statements and disclosure checklist. IASB developed IFRS for SMEs by taking into consideration the cost-benefit analyses of these standards to the applying firms. Criteria like recognition, measurement and accounting treatments have been eased up in comparison to the criteria available in full-IFRS. Topics concerning disclosure issues have been relaxed in IFRS for SMEs and irrelevant topics have been omitted (Fitzpatrick & Frank, 2009). IASB did not hold itself back from making these standards even more compatible and easy for the end users; and is working on the launch of its training material for IFRS for SMEs. A total of 35 modules will be developed in the training module, and out of which 17 modules have been released to the public. These modules are subject to be reviewed by different multi-levels peers (IASC Foundation Education, 2009).

After the introduction of IFRS for SMEs in 2009, several researchers try to look at this standard. Girbina, Albu & Albu (2012) examines the convergence of the Romanian regulators with IFRS for SMEs, using modified jaccard's coefficient, Absence Index, Divergence Index and Average Distance to measure the convergence level. The result indicates differences (such as presentation of unpaid subscribe shares, introduction of principles of materiality, substance over form, the elimination of LIFO, prohibition of capitalized formation expenses) which provides divergences between the two set of regulations and magnitude of change to be done to increase the level of convergence. Litjens, Bissessur, Langendijk, & Vergoosen (2012) examine how preparers perceive the association between cost and benefits associated with IFRS for SMEs. Their result indicates that a voluntary adoption decision depends on the preparer's context for the cost and benefits analysis, which appears to be non-linear process.

Francis & Juliet (2012) examines the suitability of IFRS for SMEs for small businesses in Ghana by assessing their need for the IFRS for SMEs and the appropriateness of IFRS for SMEs as accounting standard of choice for small business in Ghana. The finding reveals that Small businesses in Ghana have limited international structures and activities which do not result in the need for internationally comparable financial reporting information. Small business also do not receive request to provide such information. More so, the total of 19 out of the 27 issues addressed by the standard and assessed in the study were found to be irrelevant to small business in Ghana. The size, legal form and the number of owners influence the suitability of the standard for small businesses in Ghana.

Strouhal (2012) examines the problems associated with the implementation of IFRS for SMEs in the Czech Republic. The research was done based on the structural interviews with the representatives of accounting profession (preparer, auditor, user, professional chamber and accounting regulator).The results from the interviewees shows that the major costs of a possible application of the IFRS for SMEs will be additional costs connected to the preparation of second financial statements based on Czech accounting regulation due to the tax purposes.

Interviewees are convinced that the major benefit of the adoption of the IFRS for SMEs would be the unification of accounting methods and principles which will leads to higher comparability of accounting information. Possible application of the IFRS for SMEs might be considered as an opportunity to change the strong linkage of accounting and tax system in the Czech Republic.

Bohusova & Blaskova (2011) evaluate the current approach to the IFRS for SMEs adoption and implementation over the world, and analyzed the problems connected with harmonization of financial reporting legislation used by SMEs all over the world. They use secondary data to ascertain the common characteristics of countries which have already adopted the IFRS for SME. The findings indicate that IFRS for SMEs adoption has been associated with certain distrust, particularly in countries that are economically strong and have a relatively high quality financial statement. Whereas, countries with lower economic performance approach to the adoption of IFRS for SMEs with high expectation, the implementation of the standard would be associated with extra costs that would exceed its benefits in these countries. They concluded that economically strong countries (with higher GDP per capital) are not considering and have lower willingness to adopt IFRS for SMEs.

Aamir & Farooq (2010) assesses the preparedness of small and medium-sized entities in Sweden to adopt International Financial Reporting Standards (IFRS) for Small and Medium-Sized Entities using a qualitative research employing semi-structured interviews was carried out with eleven interviews in order to solidify the quality criteria of the research work. Sample was selected based on convenient sampling and opinions from three different categories of respondents (audit firms, SMEs and experts opinion from the academic perspective) would be gathered. All collected data were analyzed against the theoretical framework. The findings shows that SMEs in Sweden are not inclined towards IFRs for SMEs and are not ready in any way to adopt these standards. The Swedish GAAP has been designed over years and all SMEs are very much familiar with the rules and principles applicable in Swedish GAAP. They also reveal that the inclination of SMEs in Sweden is towards Swedish GAAP rather than IFRS for SMEs.

Quagli (2010) evaluate the homogeneity among respondents according to the different perspectives of analysis between both the users, preparers and also in European countries. The result from the questionnaire collected and analyses shows a substantial diversity among respondents. In particular preparers demonstrate a strong opposition to the IFRS for SMEs, while users are more favorable. Concerning the country classification, German-Speaking countries and Latin countries show much less appreciation for that standard with respect to Anglo-Nordic countries. Simpson (2008) examines the views of stakeholders who have direct or indirect association with the financial reporting of SMEs in Ghana, a developing country. He also assesses the suitability of current reporting standards for SMEs in Ghana. The results show that, there is lack of uniformity in the application of reporting standards by SMEs and the general level of compliance is low, citing problem such as lack of skilled accounting personnel, high cost in applying standards and low level of awareness of existing standards. Besides, the level of awareness of IFRS for SMEs which SMEs in Ghana must be compliant by the year 2009 is very low. A critical look at the review it is clear that not much have been done on IFRS for SMEs in emerging market like Nigeria. There is need to assess the level of awareness and perception on the adoption of IFRS for SMEs so as to add to the literature in this area.

Methodology

This study adopts a survey research design to assess the level of awareness and perception of owners/managers on the adoption of IFRS for SMEs in Nigeria. To achieve the objective of the study, one hundred (100) SMEs in Benue State were selected. The choice of Benue State is because all the tribe in

Nigeria operates Small and Medium Scale businesses in the State due to its relative peace and the result of this study will be representation of what is obtainable in Nigeria. A questionnaire was distributed to each Owner or Manager of the SMEs selected for the study. The instrument was deliberately designed to give the respondents the choice to express their views on the level of awareness and perception on the adoption of IFRS for SMEs in Nigeria. The data collected were analyzed using descriptive statistics and the Statistical Package for Social Sciences (SPSS) was used to run the data.

Data Presentation, Analysis and Discussion

The results presented below are based on the data collected from the questionnaire issued to one hundred owners/ managers of businesses (SMEs) operating in Benue State. Eighty (80) responses were received out of the 100 questionnaire administered, representing 80 percent response rate. The response rate (80 percent) is quite impressive and compares very favorably with most studies (See, Herbert, Tsegba, Ohanele & Anyahara, 2013; Francis and Juliet 2012, Lesley 2011; and Rezaee, Smith & Szendi, 2010; Mogbel & Bakay 2010).

Table 1: Characteristics of the Eighty (80) Sample Respondents

Sex(Gender)	**Ownership of Businesses**	**Qualification of SMEs Owners / Managers**
Male (56) 70%	Family Business (22) 27.5%	Sec. School and Below (23) 28.8%
Female (24) 30%	Sole-Proprietorship (34) 42.5%	Diploma and First degree (45) 56.2%
	Partnership (19) 23.8%	Postgraduate (12)15.0%
	Limited Company (5) 6.2%	

Sources: Field Survey, 2013.

Table 1, shows the characteristics (Sex, business ownership and owners/manager qualification) of the respondents of the sampled SMEs. The result indicates that 56 representing 70 percent of the respondents are males while 24 representing 30 percent are females. This implies that most of the sampled SMEs are owned or managed by males in the study area.

On the ownership structure of the SMEs Table 1 shows that 22 respondents representing 27.5 percent of SMEs are family businesses, 34 respondents representing 42.5 percent are sole proprietors. 19 respondents representing 23.8 percent are partnership kind of business, while 5 respondents representing 6.2 percent of the SMEs are limited companies. This means that most SMEs within the study area are sole proprietors and family owned businesses, which may be due to the ease in the requirements for registration of such business type.

The result in Table 1 also reveal that 23 respondents representing 28.8 percent of SMEs owners/managers are secondary school and below holders; 45 respondents representing 56.2 percent are Diploma and first degree holders while 12 respondents representing 15 percent of the SME's owners are post graduate holders. This implies that majority of the SMEs owners/managers are diploma and degree holders, which will enable them to effectively respond to the issues raised in this study.

Table 2: Level of Awareness of SMEs on IFRS Adoption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Aware	43	53.8	53.8	53.8
	Aware	37	46.2	46.2	100.0
	Total	80	100.0	100.0	

Source: Authors' computation using SPSS

Table 2 reveals that, 37 respondents representing 46.2 percent of the sample are aware of the adoption of IFRS for SMEs, while 43 respondents representing 53.8 percent are not aware of the adoption of IFRS for SMEs. This shows that majority of SMEs owners are still not aware of the IFRS for SMEs in the Study area. This finding agrees with that of Simpson (2008) who found that the level of awareness of IFRS for SMEs in Ghana is very low.

Table 3: Opinion on IFRS for SMEs Adoption

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Undecided	10	12.5	27.0	27.0
	Not good	6	7.5	16.2	43.2
	Good	21	26.2	56.8	100.0
	Total	37	46.2	100.0	
Missing	System	43	53.8		
Total		80	100.0		

Source: Authors' computation using SPSS

The opinion of Owners/managers on adoption of IFRs for SMEs shown in Table 3 above, shows that out of the 37 respondents representing 46.2 percent that are aware of IFRS for SMEs, 56.8 percent sees adoption of IFRS for SMEs as good, 16.2 percent sees it as not good while 27 percent are still undecided (see Table 3). This implies that, majority of SMEs owners/managers that are aware of IFRS for SMEs sees its adoption as being good for them.

Table 4: SMEs Preparedness on Adoption of IFRS for SMEs

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Not prepared	26	32.5	70.3	70.3
	Prepared	11	13.8	29.7	100.0
	Total	37	46.2	100.0	
Missing	System	43	53.8		
Total		80	100.0		

Source: Authors' computation using SPSS

On the level of preparedness of SMEs that are aware of IFRS for SMEs shown in Table 4 above, revealed that 29.7 percent of SMEs that are aware of IFRS for SMEs are prepared for the adoption of IFRS for SMEs, while 70.3 percent are still unprepared. This clearly shows that even the numbers of SMEs owners / manager that are aware of IFRS for SMEs adoption in Nigeria majority of them are not prepared. This result agrees with that of Herbert, Tsegba, Ohanele and Anyahara (2013) who found that Nigeria was not ready for IFRS adoption.

Conclusion

This study assesses the level of awareness and perception of the owners/mangers of SMEs on the adoption of IFRS for SMEs in Nigeria. The finding reveals that most of the SMEs in Nigeria are not aware of the adoption of IFRS for SMEs and are not prepared for the adoption of IFRS for SMEs. However, the owners /managers of SMEs that are aware of the standard in Nigeria see adoption of IFRS for SMEs as good. The study recommends that government at all levels, Regulatory agencies and other stakeholders of SMEs in the country need to educate SMEs owners/managers on IFRS for SMEs through talk shows, radio and television programmes, seminars and conferences in order to improve their knowledge and competences, thereby, enhancing their level of awareness and preparedness towards the adoption of IFRS for SMEs.

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Board Diversity and Financial Performance: Evidence from Nigerian Firms.

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Abstract

This paper examines the effect of corporate board diversity on financial performance. Board diversity is thought to be desirable because it creates an opportunity for the interests of a majority of stakeholders to be catered for. Data for this study was obtained from the audited annual reports of companies and the ordinary least squares (OLS) method was employed. The E-views statistical package was adopted in estimating the model of the study. The major findings of this study are: board diversity positively affect financial performance, board independence, board gender diversity and board ethnic diversity have no statistical significantly effect on financial performance, however, board nationality diversity has statistically significant effect on financial performance in Nigeria. The study recommends that: board gender diversity should be mainstreamed in Nigeria; over-heterogeneity should be prevented in Nigerian corporate boards; there should be genuine effort to achieve ethnic balance in Nigerian boards; as much as possible, Nigerian boards should have a fair degree of international divergence.

Keywords: Board diversity, financial performance, board gender diversity, board independence.

Introduction

Over the years many studies have been conducted and empirical results have shown commendable support for corporate board diversity (Christiansen, Bin, Pereira, Topalova & Turk 2016; Jindal & Jaiswall 2015; Vafaei, Ahmed & Mather 2015; Randoy, Oxelheim & Thomsen 2006). It is commonly felt that diversity brings richness on the board as divergent experiences, sensitivities, capabilities and orientations enrich boards, paving way for higher decision making competencies. This is seen as a recipes for higher performance by boards (Joecks, Pull & Vetter 2012; Catalyst 2013). Franconia, Labelle and Sinclair-Desgane (2008) note that one current thing that is wanted is to increase the representation of different stakeholders on the management and corporate boards of companies with current reforms Canada, United States and Western Europe requiring that majority of board members and audit committee members be independent. The agreement is that this favours greater divergence of opinions and interests and these would keep managerial discretion over operational and strategic decisions within acceptable limits. Board diversity is in many dimensions; it includes gender diversity, age diversity, cultural/ethnic diversity, nationality diversity and executive/independent board diversity (Randoy et al 2006; Fan 2012; Vafaei et al 2015).

Studies on board design and the existing politics of board design is significantly influenced by recent governance sandals such as Enron, Parmalat, Ahold and Skandia (Bohren & Strom 2010). Potential benefits of board diversity are thought to include: improved decision making by ensuring boards have full array of knowledge; overcoming tendencies toward groupthink and premature consensus, and promoting important social values consistent with equality. It could also be potentially costly by decreasing effectiveness, less information sharing and cohesiveness, cooperation; and could inhibit performance if quotas are valued more highly than experience, expertise and quality (Larkers & Toyan 2014).

A growing volume of empirical literature on board diversity is in the area of gender diversity. A lot of researchers are investigating the effect of gender sensitivity on corporate boards Bohre & Strom 2006; Randoy & Oxeheim 2006; Adams & Ferreira, 2009; Hafsi & Turgut 2010; McMahon 2010; Dezso & Ross 2012). Corporate boards are still heavily dominated by male folks. In many cases the presence of females on corporate boards typifies a mere symbol of tokenism (Dutta & Bose 2006). It is widely believed that corporate boards will be richer with more females with the relevant experience and pedigree (Grosvold, Brammer & Reyton 2007)). The U.K currently monitors the presence of women on corporate boards, and in 2008 only 11.7% of FTSE 100 companies were women (Sealy, Doldor & Vinnicombe 2009).

Another aspect of board diversity that is frequently examined in empirical and theoretical literature is board composition in terms of the mix between executive and non-executive (independent) directors. It has been variously argued that more independent boards are usually more effective at solving agency problems in modern businesses (Fernandez 2005; Ongore, K'Obonye, Ogutu & Bosire 2005). It is noted that despite the mixed empirical results on the effects of board diversity on firm performance, it is still argued that board diversity is desirable because it offers a means of impressing organizational value and performance, it offers a fair representation for the diverse stakeholders of the firm and a reflection of the structure of the society which hosts the firm, this protects the interests of a majority of stakeholders (Milliken & Martin, 1996; Van der Walt & Ingley 2003; Dukwiez & Herhert 2004; Zainol, Zulkifi & Saleh, 2013)

We may note that while substantial progress has been made in the mix of executive and non-executive (independent) directors composition of corporate entities in Nigeria, the same cannot be said about gender composition, nationality composition, ethnic composition and professional background composition in the same boards (Lincon & Adedoyin, 2012; Omoye, & Eriki, 2013; Agara & Stainband, 2014; Garba & Abubakar,

2014).

Given the significant amount of inconclusiveness of empirical studies on board diversity and firm performance more studies must be conducted to explore grounds for generalizability of results.

This study therefore seeks to contribute to empirical evidence by conducting a cross-sectional study of listed firms on the Nigeria Stock Exchange (NSE). To guide the conduct of this study, the following hypotheses are formulated in light of both theoretical expectation and prior empirical evidence.

To achieve the objectives of this study the remainder of the paper is organized as follows. The next section (Section II) provides a systematic review of related literature, providing a conceptual review, theoretical framework and an empirical review; Section III specifies the methodology applied, stating the process of data collection and analysis, Section IV presents estimated results and discussion of results; Section V gives the conclusion and proffers some recommendations.

Review of Related Literature

Conceptual Issues

Board diversity refers to the composition of corporate boards. Bernile, Bhagwat and Yonker (2016) observed that existing literature on diversity usually makes a distinction between the observable (demographic) and unobservable (cognitive) characteristics of corporate boards. Thus, Erhard, Werbel, and Shrader (2013) measured board diversity as the percentage of women and minorities on large US corporate boards. Wang and Clift (2009) defined it as the proportion of women and racial minorities on the board of directors. This definition is also adopted by Carter, Simkins and Simpson (2003). In this study, board diversity will be measured in terms of gender diversity (number of female board members), board independence (the proportions of corporate boards that are of independent/non-executive directors), board ethnic diversity (how many of the ethnic groups in Nigeria are on the boards: Hausa/Fulani, Ibo, Yoruba and others) and nationality diversity (how many foreign nations are on Nigerian corporate boards). One argument is that diversity increases board independence because people with different genders, ethnic or cultural backgrounds might ask questions that would not come from directors from more traditional background (Carter et al 2003).

Gender diversity represents an aspect of board composition. It is commonly measured as the presence of female on the board of directors (Dutta & Bose 2006; Ekada & Mboya 2012; Wagana & Nzulwa 2016). Francoeur et al (2008) see gender diversity as female representation in boards or top-management positions. In this study gender diversity on the board will be measured as the number of female directors in corporate boards in Nigeria. Board independence is commonly measured as the proportion of independent directors. These include those formally declared by the company to be independent and those in non-executive positions (Fan 2012; Cimerova, Dodd & Frijns 2014). This definition is also adopted in this study.

Board ethnic diversity refers to the composition of the board of director with respect to ethnic/cultural background of directors (Zainal et al 2013). Omoye and Eriki (2013) observed that the importance of ethnicity in a country like Nigeria where ethnicity is a major consideration for resource allocation is very significant. An ethnically diverse board may experience more conflicts, not withstanding, but the decisions may have batter quality overall (Smith, Smith & Varner, 2005). Board diversity in terms of nationality is in some ways analogous to board ethnic diversity. It is bringing together culturally diverse board members from a more global perspective. This is more usually associated with multinationals and companies with international investors. Firm performance is generally the effectiveness and efficiency with which firms apply resources to achieve the objectives for which they are set up. Santos and Brito (2012) noted that the concept of firm performance should be distinguished from the broader construct of organizational effectiveness, they note that firm performance or business performance is a subset of

organizational effectiveness that covers operational and financial outcomes. There is thus, confusion in the definition of performance. One of such confusion is the use of antecedents of performance as performance indicators (Cameron, 1986). Santos and Brito (2012) concluded that there are at least five dimensions to performance: financial performance, commercial satisfaction, employee satisfaction, social performance and environmental performance. It follows therefore that most studies on firm performance focus on financial performance (Randoy et al 2006; Joshi & Roh 2009; Miller & de Carmen 2009; Boone & Walter 2009; McMahon, 2010).

Theoretical Framework

This study leans heavily on four theories: principal-agent theory, stewardship theory; resource-dependence theory and group diversity theory.

Principal-Agent Theory

Simply known as agency theory, this theory was developed to highlight the problem of modern corporations. The problem is largely that of conflict of interests between shareholders and managers (Berle & Means 1932; Jensen & Meckling 1976). The agents in an agency arrangement are usually believed to have information advantage over the principals because of their privilege position, and are usually believed to exercise a tendency to use such information opportunistically even at the detriment of the principals. Accordingly one of the key elements of an agency view of the board is that outside board members will not collude with inside directors to the detriment of shareholders' interests (Carter et al 2003).Thus, the agency theory sees diversity as a means of protecting minority interests in modern corporations. Though in the agency theory the interest to be protected are primarily those of the shareholders there are other stakeholders whose interests should also be protected. All other stakeholders' interests are usually subsumed under those of the shareholders. Latter, researchers felt strongly that other stakeholders' interests were significant enough to worth separate and distinct consideration. This led to the development of the stakeholders theory (Wang & Clift 2009). It is thus argued that diversity will maximize the interests of a majority of stakeholders.

Stewardship Theory

The stewardship theory has its roots in psychology and sociology. It infers that managers are faithful and competent managers of resources and are best positioned to optimize the interests of shareholders (Van Ness, Miesing & Kang 2009). According to Fauzi and Locke (2012), it is the ratio of inside directors that is important in a board because inside directors bring the superior information to the board for decision-making. Stewardship theory relates to the boards task of providing support and advice to management (Letting', Aosa & Machuki 2012). The tenets of stewardship theory lead to the conclusion that the inside directors are most effective directors. The inside directors have sufficient information and are closer to management that communication and monitoring are enhanced with the inside directors (Loukil & Yousfi 2013). Donaldson and Davis (1991) assumed that there are no conflicts of interests between shareholders and management and thus there are no opportunistic agents and hence no tendency for opportunism.

Resource Dependence theory

This theory focuses on the relationship between a firm and its external environments. In this theory the directors play the role of resource provider by acting as a link between the firm and the external environments (Choobineh 2016). The board thus serves to link the company with external organizations so as to be able to address environmental dependences like creating channels of communication with constituents of importance to the company at the same time the provision of commitments of support from important organizations and groups in the environment (Rose, Munch-Madse & Funch 2013). Fauzi and Locke (2012) argued that from a resource dependence theory

perspective, a larger board brings greater opportunity for more links and hence access to resources. It can also be argued in the same perspective, that a more diverse board will bring greater opportunities to the boards as such boards will be able to generate more links with more diverse bases and thus more resources.

Group Diversity Theory

Groups that are diverse tend to have the capacity to solve problems faster because the diversity in background, experiences, orientations and capabilities offers an immediate access to various resources which can be easily deployed in such problem-solving situations. The teams bring different perspectives to the decision making processes. This increases the quality of decision making. It is argued that diversity increases the network connections of the team (Dobbin & Jung, 2011; Ongore et al 2015).

Review of Empirical Studies

Board Gender Diversity and Performance:

Hafsi and Turgut (2010) found a positive and significant effect of board gender diversity on performance. They note that board gender diversity breeds better sensitivity to social issues and those women seem to make a difference where governance is weak. Several studies have this found positive and significant effect of gender diversity of the board on performance (Francoeur et al 2008, Adams & Ferreira, 2009). Grosvold, Brammer & Reyton (2007) found evidence that there are strong statistically significant, positive correlations between gender diversity and both firm and board size. Dezso and Ross (2012) found that female representation in top management improves firm performance out only to the extent that firm strategy is focused on innovation. McMahon (2010) also found a positive relationship between board gender diversity and innovation. It thus suggests that when women are able to bring innovation on corporate boards, they are able to inspire higher performance. It is theoretically expected that more women in corporate boards will induce higher firm performance particularly when their presence on corporate boards is not mere symbol of tokenism. Vafaei et al (2015) found that gender diversity affects performance and not the opposite. However, Randoy and Oxeheim (2006) note that the performance effect of gender diversity is mixed, for instance, Bohre and Strom (2006) find a negative relationship between female board membership and market-to-book ratio while Zahra and Stanton (1988) find no relationship.

Board Independence and Performance: Board independence is theoretically expected from agency point of view to be key corporate governance mechanism for making decisions that will lead to maximizing shareholders wealth. There appears to be discouraging empirical results on board independence. As noted above, the theoretical expectation is that board independence will enhance firm performance but many empirical studies suggest contrary (Bohren & Strom 2010; Vafaei et al 2015; Jindal & Jaiswall, 2015). However, Cinerova et al (2014) observe that board independence has insignificant and negative impact on performance even when board independence is positively and significantly related to board cultural diversity. K'Obonye et al (2015) also found an insignificance relationship between board independence and firm performance. Carter et al (2003) also agree with the negative relationship.

Ethnic Diversity and Performance: Ethnicity has cultural sensitivity as people of different ethnicity are usually of different cultural orientations. The divergence in cultural orientation means that there will be difference in attitude and approach to decision making and this may affect performance. Carter *et al* (2003) found no significant relationship between ethnic diversity of the board or important board committees, and financial performance though there is a positive relationship. Fondas and Sassalos (2000) note the board diversity which includes members from different backgrounds, race and ethnicity will improve organization value and

performance. Wang and Clift (2009) postulate that board diversity (ethnicity) may increase the competition with the firm's internal labour force since various groups know that they are not excluded from the highest positions which are available depending on each person's skills and qualifications. Erhardt, Werbel and Shrader (2003) found that board diversity measured by female proportion on the board and that by ethnic minorities is positively correlated with financial performance. Avery, Mckay, Tonidandel, Volpone and Mori (2012) found that race and ethnic makeup positively affected productivity. The same were the studies by Larcker and Tayan (2011) and Fan (2012).

However, it is noted that existing studies provide inconclusive evidence of the benefit from a shareholder value perspective of increasing the number of women, and ethnic minorities on the boards (Solan, Fanto & Darley 2011). Hafsi and Turgut (2010) found that ethnic diversity has significant effect on performance. They however noted that little research has been done on the subject of ethnic board diversity as it is still in its infancy. Carter et al (2010), measuring firm performance by Tobin Q and ROA, found no relationship between ethnic diversity on corporate boards and firm performance.

Board Nationality Diversity and Performance: Nationality diversity is a broader and more global perspective on ethnic diversity. Board nationality diversity is theoretical expected to have the same effect on performance as ethnicity. Gong (2006) found a significant and positive correlation between nationality diversity and performance among 370 US firms. Studying 146 Swiss firms, Nielsen and Nielsen (2014) found that nationality diversity of top management teams is significantly and positively associated with firm performance. Jindal and Jaiswall (2015) also found nationality diversity to be positively associated with Tobin Q at 1% level of significance. Randoy and Oxetheim (2006) found no significant effect of nationality on stock market performance or on ROA. Eulerich, Velte and Van Uum (2014) found that nationality diversity negatively affects corporate performance and averred that this may be due to the fact that such diversity can decrease communication between board members.

Method and Data

The data used in this study are obtained from audited annual financial statements of selected firms quoted on the Nigerian Stock Exchange (NSE). A sample of 83 subjects was used in this study. This sample is purposively selected to represent the different sectors of the Nigerian economy, this was done to ensure representativeness of the studied firms; the study covers the period 2000 to 2015. The E-Views statistical package is used to estimate the parameters of the model adopted for this study. The ordinary least squares (OLS) method is used; this was to enable the causality of the variables to be explored. The causal model used to explain the dependent variable from the explanatory variables of this study is given below as:

$$EPS = ß_0 + ß_1GED + ß_3BED + ß_4BND + ß_5LEV + B_6AUTP + ß_7FSZ +$$

The variables are defined and operationalized as given in Table 1.

Table 1: Definition and Measurement of Variables

Variable	Symbol	Expected Sign	Measurement
Financial Performance	EPS		Net income per ordinary share
Gender Diversity	GGED	+	Number of female directors
Board Independence	BDIN	+	Proportion of outside directors
Board Ethnic Diversity	BDED	+	How many of the major ethnic groups in Nigeria are on the board, all minor ethnic groups are counted as one.
Board Nationality	BDND	+	Nations other than Nigeria on the board
Leverage (control variable)	LEV	+	Proportion of Assets financed by debt capital
Firm size (control variable)	FSZ	+	Log (Total Assets)
External Auditor Type (control variable)	AUTP	+	If Big-4 1, otherwise 0 – a dummy variable

Source: Researchers' Conceptualization

Analysis of Data

Table 2: Descriptive Statistics

	EPS	BDIN	BGED	BDED	BDND	FSZ	LEV	AUDTP
Mean	232.9507	0.689201	1.180723	3.289157	1.361446	10.78528	0.621466	0.819277
Median	97.00000	0.700000	1.000000	3.000000	1.000000	10.81502	0.618000	1.000000
Maximum	1571.000	1.000000	5.000000	4.000000	5.000000	12.49516	1.242100	1.000000
Minimum	-34.00000	0.437500	0.000000	1.000000	0.000000	8.635484	0.138500	0.000000
Std. Dev.	336.7738	0.124316	1.201062	0.773496	1.283842	0.8606 02	0.217205	0.387128
Skewness	2.244111	0.138399	0.880771	-0.704293	0.553862	-0.308455	-0.050468	-1.659494
Kurtosis	7.701593	2.280283	3.107205	2.535735	2.383276	2.918865	2.466254	3.753922
Jarque -Bera	146.1115	2.056360	10.77107	7.6071 56	5.558926	1.338931	1.020460	40.06162
Probability	0.000000	0.357657	0.004582	0.022291	0.062072	0.511982	0.600357	0.000000
Sum	19334.91	57.20368	98.00000	273.0000	113.0000	895.1782	51.58170	68.00000
Sum Sq. Dev.	9300159.	1.26727 5	118.2892	49.06024	135.1566	60.73210	3.868608	12.28916
Observations	83	83	83	83	83	83	83	83

Source: Computed from Figures Extracted from Various Annual Reports Using E-Views

Table 2 shows that except for board composition in terms of executive/non-executive directorship, board composition in terms of nationality, firm size and leverage, the data on all the studied variables are normally distributed at 5% level of significance, as shown by the probabilities of the Jarque-Bera (JB) statistic. Also, the wide range of the values of the variables shows that the firms are not dominated by any particular type of firms. The mean value of EPS is over 233 kobo with a standard deviation of 336.77. Similarly, female membership of board range from 0 to 5 with a standard deviation of 1.201. The results show that within country ethnic diversity has a mean value of 3, and a standard of 0.77. The table also shows a significant presence of international diversity on Nigerian corporate boards. The boards comprise of national from a maximum of 5 different, nations, with a mean value of 1.36 and a standard deviation of 0.8606. also, the firms are not dominated by large or small firms, maximum logarithm of total assets (proxy for firm size) is 12.495 while the minimum is 8.635 with a standard deviation of 0.8606. However, the table clearly shows that the firms are mostly audited by the big-4 audit firms (above 81%).

Table 3: Correlation Matrix

	EPS	BDIN	BGED	BDED	BDND	FSZ	LEV	AUDTP
EPS	1.000000							
BDIN	0.016734	1.000000						
BGED	0.041973	-0.214531	1.000000					
BDED	0.299042	-0.242833	0.153095	1.000000				
BDND	0.335437	0.122530	-0.185237	-0.474945	1.000000			
FSZ	0.076162	-0.339501	0.194962	0.046994	-0.153114	1.000000		
LEV	0.214638	-0.282159	0.133107	0.138779	-0.301290	0.416342	1.000000	
AUDTP	0.123020	-0.169836	0.176013	0.217370	-0.014190	0.276275	0.322781	1.000000

Source: Computed from Figures Extracted from Various Annual Reports Using E-Views

Table 3 shows that there is the absence of the problem of mult-colinierity in our model-his is because, no two explanatory variables are perfectly or very nearly perfectly correlated. This suggests that there are no outliers capable of distorting the results of our analysis.
The results in Table 3 also show that all the explanatory (both the independent and control) variables are positively associated with the dependent variable. However firm size is shown to be negatively associated with number of other nations whose citizens are members of Nigerian corporate boards.

Table 4: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BDIN	85.08468	234.6782	0.362559	0.7179
BGED	0.747580	29.32012	0.025497	0.9797
BDED	83.00113	46.14587	-1.79866 9	0.0760
BDND	89.62127	30.04925	2.982480	0.0038
FSZ	4.403388	25.27783	-0.174200	0.8622
LEV	519.1482	183.9305	2.822523	0.0061
AUDTP	60.15549	95.96052	0.626877	0.5326

R-squared	0.251559	Mean dependent var	232.9507
Adjusted R -squared	0.1 92471	S.D. dependent var	336.7738
S.E. of regression	302.6336	Akaike info criterion	14.34349
Sum squared resid	6960621.	Schwarz criterion	14.54749
Log likelihood	-588.2548	Hannan -Quinn criter.	14.42545
Durbin-Watson stat	2.098475		

Source: Computed from Figures Extracted from Various Annual Reports Using E-Views

Table 4 shows that the R-squared and adjusted R-squared statistics are 0.2516 and 0.1925, these indicate that the combined effects of all the explanatory variables in our model (board independence, board gender diversity, board ethnic diversity, board nationality diversity, firm size, leverage and external auditor type) are only capable of explaining 25.16% of the systematic variations in our dependent variable (financial performance-EPS) and when adjusted for degree of freedom only 19.25% of the systematic variation of EPS can be explained by the explanatory variables.

The table also shows a Durbin-Watson (DW) statistic of 2.098 which implies that there are no problems of auto-correlation in our model. The low values of R-squared and adjusted R-square imply that there are very many other variables outside our model that drive EPS.

Discussion of Results

The firm specific variables' results lead to the following relationships:

Board Gender Diversity (BGED): with a coefficient of 0.7475 and a probability of 0.9797, BGED is found to positively affect EPS, though the effect is not significant at a 5% level of significant. This conforms to our apriori expectation that gender diversity is positively associated with financial performance though the relationship is not significant. This leaded to the acceptance of H_1 at a 5% level of significance. The result is contradictory to the finding of Grosvold et al (2007).

Board Independence (BDIN): with a coefficient of 85.064 and probability of 0.7179. BDIN is found to be positively related to EPS but the influence is not significant. This conforms to our apriori exception that board independence is positively related financial performance though this relationship is not significant; this leads to the acceptance of H_2 at 5% level of significance. This result is consistent with the findings of K'Obonye et al (2015) and Carter et al (2003).

Board Ethnic Diversity (BDED): with a coefficient of 83.001 and a probability of 0.076. BDED is found to positively affect EPS. The effect is not significant at 5% but is significant at 10% level of significance. This conforms to our apriori expectation that board ethnic diversity if positively related to financial performance. This leads to the acceptance of H_3 at a 5% level of significance and is consistent with the finding of Carter et al (2003).

Board Nationality Diversity (BDND): with a coefficient of 89.621 and a probability of 0.003, BDND is found to have positive and significant effect on EPS at a 5% level of significance. This conforms to our apriori expectation that board nationality diversity is positively related to financial performance. This leads to the rejection of H_4. The result is consistent with the finding of Nielsen and Nielsen (2014).

Firm Size (FSZ) is found to positively (4.403) affect EPS, the effect is not statistically significant (0.862) at a 5% level of significance. **Leverage** (**LEV**) is found to positively (519.146) affect EPS and the effect is found to be statistically significance (0.0061) at a 5% level of significance. The **External Auditor Type (AUTP)** is also found to positively affect EPS, though the effect is not statistically significant at a 5% level of significance.

Conclusion and Recommendations

From the findings above it can be concluded that generally board diversity positively affects financial performance though such effects may not be significant in some instances. For instances, only nationality diversity is significant in our model. The probable explanation for this is that while diversity is desirable and ensures richness and robustness on corporate boards, diversity on its own cannot guarantee sustainable financial performance for corporate entities. The following recommendations are therefore made to guide corporate governance regulators and corporate leaders.

a. Concerted efforts must be made to prevent over-heterogeneity that is attendant upon board diversity as this will create coordination problems.
b. To make board gender diversity really worth its practice, mere tokenism should be avoided by: significantly increasing the gender sensitivity of Nigerian corporate boards and more importantly quotas should not be emphasized at the expense of the quality, experience and value been brought to corporate board by female directors.
c. Corporate boards in Nigeria should always strive to achieve ethnic balance as this will ensure that resources and patronage can be readily obtained from all sectors of the society.
d. Firms should ensure that there is a fair representation of international citizens on their boards. The world has become one big "market place" both for sourcing funds and for consumer patronage. Firms

are better if they can reach across international borders for needed inter-links.

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A Review of the Impact of Sustainability Reporting on Corporate Performance in Nigeria

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Abstract

This paper reviews works conducted by previous researchers on the impact of sustainability reporting on corporate performance. To achieve this, prior studies conducted in both developed and under-developed countries of the world were reviewed. From the review, it was found that the accounting framework for recording sustainability indices is yet to be developed. The review also found that, the relationship between sustainability reporting and corporate performance is weak, creating little impact on performance measures. However, of all the three measures of sustainability, the social aspect seems to be impacting more on performance. Based on the review, the paper concludes that, more reporting should be made on reporting environmental and economic aspects to ensure sustainable development by companies.

Keywords: Sustainability reporting, sustainable development, environmental aspect, economic aspect, corporate performance.

Introduction

Sustainability accounting, also known as social accounting, social and environmental accounting, corporate social reporting, corporate social responsibility reporting, or non-financial reporting originated about 20 years ago and is considered a subcategory of financial accounting that focuses on the disclosure of non-financial information about a firm's performance to external parties. Such parties are investors, creditors, capital providers and other stakeholders. Sustainability reporting represents the various activities that have a direct impact on society, environment and economic performance of firms.

Most companies in the world are embracing sustainability accounting and reporting in their financial statements. According to Global Reporting Initiative (2011), thousands of organizations worldwide now produce sustainability reports. KPMG research shows that in 2008 nearly 80 percent of the largest 250 companies worldwide issued sustainability reports, up from around 50 percent in 2005. Similarly, KPMG International Survey (2011) which covered 34 countries (Nigeria inclusive) shows that 95 percent of the 250 largest global companies now report on their corporate responsibility activities. Also, corporate responsibility reporting has gained ground within the Top 100 companies in each of the 34 countries (KPMG, 2011). This is in response to the demand for organisations to be more transparent in how they treat their economic, social and environmental activities as they affect their stakeholders. Sustainability accounting and reporting is therefore seen as impacting substantially on performance of corporate organisations.

Adapting organizations (especially firms) to their environments signify a reciprocal or symbiotic relationship between the 'duos' as typified by systems model of viewing business. Considering the current environmental crisis, businesses must give more to their environment. The environment in which businesses operate is on an unsustainable course. We are now faced with serious challenge of environmental changes such as global warming, health care and poverty. This situation is similar to what Welford (1997) describes as tangible environmental crises (serious water shortage around the world, Global food insecurity and decline in fish catches). We lose 25 billion tons of topsoil every year to activities of companies. This type of environmental un-sustainability associated with continuously rising demand and a shrinking resource base now spills over into social and economic instability. Human health is deteriorating and life expectancy rate in the poorest countries is on decline. The immune system of every unborn child in the world is now adversely and probably irrevocably affected by toxins in food, air and water. These critical losses are occurring while the world population is increasing by millions of people per year.

Following from the above therefore, many are looking to business to be part of the solutions. For instance, Welford (1997) maintains that business seems content to see the natural system on the planet disintegrating, people starving and social structures falling apart. Business is central to the problem and must be central to the solution. Indeed the expectations of corporate responsibility in areas such as environmental protection, human rights, human capital, and product safety are rising rapidly. Key stakeholders such as shareholders, employees, and financial institutions want business to be responsible, accountable and transparent.

It should be noted that business leaders and most academic literature on sustainability accounting and reporting widely recognize that this reporting system is beneficial. Therefore, any company that is not involved in sustainability reporting could be considered as striving towards unsustainable development.

In the light of the above, this study therefore reviews literature on the sustainability reporting and its impact on the performance of corporations in Nigeria.

Review of Related Literature

The main purpose of this study is to review sustainability accounting and reporting

and corporate performance of selected quoted companies in Nigeria. This section reviews relevant literature on the subject of interest. It specifically discusses conceptual framework and an empirical review to guide the

Conceptual Framework

Sustainable Development: Sustainable development sets the pace for sustainability accounting and reporting. By way of definition, World Commission on Environment and Development (1987) in Bell and Morse (2008) and Edwards (2005) defines sustainable development 'as meeting the need of the present generation without compromising the ability of future generations to meet their own needs'. Aras and Crowther (2008) looks at sustainable development as a development that attempts to bridge the divide between economic growth and environmental protection, while taking into account other issues traditionally associated with development. It seeks to develop the means for supporting economic growth while supporting biodiversity, relieving poverty and without using up natural capital in the short term at the expense of long-term development. They maintain that sustainable development is often misinterpreted as focusing solely on environmental issues. In reality, it is more than that as sustainable development policies encompass three general policy areas: economic, environmental and social. In support of this, they emphasise that, the 2005 World Summit outcome document, refer to the 'interdependent and mutually reinforcing pillars' of sustainable development as economic development, social development and environmental protection.

Since Sustainability Reporting is directly tied to the concept and goal of sustainable development, its purpose is to provide information which holistically assesses company performance in a multi-stakeholder environment. Thus, to investors, sustainability reports are important in two aspects: First, the environmental performance and social performance are important bases for social and environmental analysis, as the current financial disclosure cannot comprehensively reveal the risk, debts, and returns of enterprises. Second, investors have gradually increasing regard for the environmental and social risks as important indicators of enterprises' efforts to improve corporate governance and increase transparency.

Sustainability Reporting

There is no single, generally accepted definition of Sustainability Reporting. It is a broad term generally used to describe a company's reporting on its economic, environmental and social performance. It can be synonymous with triple bottom line reporting, corporate responsibility reporting and sustainable development reporting, but increasingly these terms are becoming more specific in meaning and therefore subsets of Sustainability Reporting (KPMG, 2008).

Schaltegger (2004) in Jasch and Stasiskiene (2005) defines sustainability reporting as a subset of accounting and reporting that deals with activities, methods and systems to record, analyse and report, firstly, environmentally and socially induced financial impacts and secondly, ecological and social impacts of a defined economic system (e.g. a company, production site, nation, etc). Thirdly, sustainability reporting deals with the measurement, analysis and communication of interactions and links between social, environment and economic issues that constitute the three dimensions of sustainability reporting.

Sustainability Integrated Guidelines for Management (The SIGMA Project 2003) defines sustainability accounting as “the generation, analysis and use of monetarised environmental and socially related information in order to improve corporate environmental, social and economic performance”.

One of the more useful definitions of sustainability reporting includes that given by the Global Reporting Initiative (GRI). According to GRI (2011) sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goals of sustainable development.

The three areas of sustainability reporting included in the definition by GRI are discussed in this sub-section:
Economic aspect

Economic aspect of sustainability is divided into: Economic Performance: Economic performance includes direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained, and payments to capital providers and governments; financial implications and other risks and opportunities for the organization's activities due to climate change; coverage of the organization's defined benefit plan obligations and Significant financial assistance received from government.

Market presence: Market presence includes range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation; policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation; procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.

Indirect economic impacts: This includes development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement; understanding and describing significant indirect economic impacts, including the extent of impacts.

Environmental aspect

Environmental aspect includes the following:

Materials: This includes materials used by weight or volume and Percentage of materials used that are recycled input materials.

Energy: Energy involves direct energy consumption by primary energy source; indirect energy consumption by primary source; energy saved due to conservation and efficiency improvements; initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives and initiatives to reduce indirect energy consumption and reductions achieved.

Water: water includes total water withdrawal by source, water sources significantly affected by withdrawal of water and percentage and total volume of water recycled and reused.

Biodiversity: This includes location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas; description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. It also includes habitats protected or restored, strategies, current actions, and future plans for managing impacts on biodiversity; number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

Emissions, effluents and waste: This includes total direct and indirect greenhouse gas emissions by weight; other relevant indirect greenhouse gas emissions by weight; initiatives to reduce greenhouse gas emissions and reductions achieved; emissions of ozone-depleting substances by weight; NOx, SOx, and other significant air emissions by type and weight as well as total water discharge by quality and destination. It also reports on total weight of waste by type and disposal method; total number and volume of significant spills; weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally; identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.

Products and services: This includes initiatives to mitigate environmental impacts of products and services, and extent of impact

mitigation and percentage of products sold and their packaging materials that are reclaimed by category.

Compliance: This includes monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Transport: This includes significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Overall, this should include the total environmental protection expenditures and investments by type.

Social aspect

Social aspect of sustainability reporting involves the following:

Labour: Under labour, we have the following issues:

Employment: This concerns total workforce by employment type, employment contract, and region, broken down by gender; total number and rate of new employee hires and employee turnover by age group, gender, and region; benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations and return to work and retention rates after parental leave, by gender.

Labour/management relations: This has to do with percentage of employees covered by collective bargaining agreements; total number of incidents of discrimination and actions taken; freedom of association and collective bargaining; operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.

Child labour: This involves operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.

Forced and compulsory labour: Under forced and compulsory labour, we report operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.

Security practices: Security practices involve percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.

Indigenous rights: This reporting involves total number of incidents of violations involving rights of indigenous people and actions taken.

Assessment: This includes percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.

Remediation: This has to do with the number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.

Social Safety: Social safety activities have to do with the following:

Local communities: Activities here include percentage of operations with implemented local community engagement, impact assessments, and development programs; operations with significant potential or actual negative impacts on local communities and prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.

Corruption: Items to be reported under corruption are percentage and total number of business units analyzed for risks related to corruption; percentage of employees trained in

organization's anti-corruption policies and procedures and actions taken in response to incidents of corruption.

Public policy: Public policy involves public policy positions and participation in public policy development and lobbying; total value of financial and in-kind contributions to political parties, politicians, and related institutions by country;

Anti-competitive behaviour: total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes.

Compliance: Compliance involves monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Product responsibility: This has to do with customer health and safety, life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. It also covers total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.

Product and service labelling: This entails reporting the type of product and service information required by procedures and percentage of significant products and services subject to such information requirements; total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes as well as practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

Marketing communications: Marketing communications involve reporting on programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship; total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.

Customer privacy: Customer privacy reports the total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Compliance: this reports the monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

Review of empirical studies

The section reviews prior empirical works on the impact of Sustainability reporting on corporate performance just as Hubbard (2008) observes that while many frameworks have been developed for sustainability reporting, few have received much general attention. Limited light has actually been cast on organisational performance by sustainability reporting to date and so far it is unclear what impact it has actually had on organisation strategies, practices and outcomes. Empirical works on impact of Sustainability reporting reviewed here are:

Burritt and Schaltegger (2010) discusses the current development of sustainability accounting research the world over to identify the critical and managerial paths, and to assess the future of sustainability accounting and reporting. They reviewed the extant literature on sustainability accounting and reporting in two opposing, yet important perspectives and made some attempts to resolve these differing views. The first point was the critical approach which maintains that sustainability reporting is a 'fad' which will fade over time. They argued that the very notion of being able to account for the biosphere and its sustainability is at odds with the existence of corporations that strive in a capitalist market system by exploiting the people and resources of, usually less developed nations. The second approach was a more managerial focused view, which suggested sustainability accounting provides the tools to

measure and manage areas outside traditional financial accounting and assist decision-making by internal and external stakeholders. They suggested that sustainability accounting may become a trend if it is accepted; that the current tools and methods are the first step in a methodological development process towards sustainability accounting providing useful and high quality information.

They went further to identify three approaches located within this second view – the managerial focused path towards sustainability accounting. First was the inside-out approach that recognises the sheer complexity of the measurement and accounting for sustainability and also that quality useful information is necessary to make related decisions. Thus, while not perfect, the existing set of sustainability accounting tools and methods forms but a first pragmatic step in the long and complex journey towards more useful and high quality information. Second, outside-in view encompasses the notion of stakeholder-driven approaches where the outcomes and processes include stakeholder dialogue and public sustainability reports.

In the study of corporate social responsibility and financial performance Tsoutsoura (2004) states that there are different views of the role of the firm in society and disagreement as to whether wealth maximization should be the sole goal of corporation. Using extensive data over a period of five years, (1996 – 2000). The study explores and tests the sign of the relationship between corporate social responsibility and financial performance. The relationship was tested using regression analysis. The results indicate that the sign of relationship is positive and statistically significant; supporting the view that socially responsible corporate performance can be associated with series of bottom-line benefits.

Olawale (2010) researched on the impact of corporate social responsibility on profitability of the Nigerian banking sector, using First bank as a case study. The Pearson product moment correlation was used to establish and test the hypothesis: Corporate Social Responsibility has a significant impact on the profitability of First Bank plc. The result of the hypothesis confirms that there is a positive relationship between Corporate Social Responsibility and profitability.

Morhardt, Baird and Freeman (2002) were interested in knowing whether environmental and social improvements are the cause or result of good or bad performance in other managerial and financial areas. They however relied on the work of Hart and Ahuja (1999) who looked at return on sales, return on assets and return on equity of 127 large firms in the four years following initiation of required toxic release inventory in the United States, when many companies were actively seeking to decrease their toxic effluents. The found that, business effects of undertaking environmental and social improvements (and reporting on them) is not as clear as it might be, largely because it is difficult to test causality. They believed that the analysis of the correlation between environmental or social performance and financial performance or reputation would shed light on this. They concluded that in 1991 and 1992, all three financial variables were significantly correlated with emissions reductions.

Robbins (2011:2) while writing on "does corporate social responsibility increase profits?" maintains that most executives believe that corporate social responsibility reporting can improve profits. They understand that corporate social responsibility can promote respect for their company in the marketplace which can result in higher sales, enhance employee loyalty and attract better personnel to the firm. Also, corporate social responsibility reporting activities focusing on sustainability issues may lower costs and improve efficiencies as well. Robbins (2011:3) observes that reviewing individual empirical studies can be confusing. But by using the technique of 'meta-analysis,' many studies can be statistically analyzed to determine collective results. A meta-analysis on corporate social responsibility and its link to profits won the famed socially responsible investing, Moskowitz Prize in 2004. The study, "Corporate Social and Financial Performance: A Meta-Analysis," was compiled by

researchers Marc Orlitzky, Frank L. Schmidt and Sara L. Rynes. It yielded encouraging data suggesting a positive link between corporate social responsibility and increased profits. Summing up their results, the researchers said, we conducted a meta-analysis of 52 studies (which represent the population of prior quantitative inquiry) yielding a total sample size of 33,878 observations. The meta-analytic findings suggest that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility, is likely to pay off…corporate social performance appears to be more highly correlated with accounting-based measures of corporate financial performance than with market-based indicators, and corporate social performance reputation indices are more highly correlated with corporate financial performance than are other indicators of corporate social performance. This meta-analysis establishes a greater degree of certainty with respect to the corporate social performance and corporate financial performance relationship than is currently assumed to exist by many business scholars. So the research generally indicates that corporate social responsibility does offer potential benefit to corporate profits.

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Board of Governance and Credit Risk Management of Deposit Money Banks in Nigeria

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Abstract

This study examined the impact of board of directors' governance on the credit risk of banks in Nigeria. The study adopted correlational research design in a cross-section of 11 banks for a period of 6 years (2009-2014). Feasible Generalized Least Squares (GLS) regression technique of data analysis was used and the study found a significant relationship between board governance and credit risk management. The results show that board of directors' independence has significant positive impact on the credit risk management during the period covered by the study. The size of the board has negative but insignificant impact on the credit risk during the period. It was also observed that the presence of board audit and credit risk committees has significantly and negatively impacted on the credit risk management of banks during the period under review. The study therefore recommends among others that regulators (CBN and SEC) should increase surveillances, supervisions and enforcement of the code of best practices on corporate governance in the Nigerian banking industry. It also recommended that competent people with accounting and finance background should form part of the board of directors.

Keyword: Credit risk management, deposit money bank, governance board

Introduction

Prudential regulations of banks are aimed at avoiding both the systematic and unsystematic risks, which undermine the efficiency of the overall financial system and the economic growth and development of a country. Thus, to achieve the aim of banking system, a sustained banking public confidence is necessary; confidence in this regard refers to peoples' faith in the banks, that is, the extent to which people generally believe that their money is safe and that the possibility of loss is remote (Emeka, 1997). Therefore, a risk management framework was established for banks in all jurisdictions to safeguard the banking public confidence and improve performance around the world, including Nigeria.

Risk Management creates business value through an integrated process of identification, estimation, assessment, handling, and controlling of risk (Roggi, Garvey, & Damodaran 2012). Lam (2003) add that risk management connotes a comprehensive and integrated framework for managing credit risk, market risk, operational risk and economic capital and risk transfer in order to maximize firm value. Management of risk is therefore an essential activity in all business organizations, particularly financial institutions, because taking risks and dealing with uncertainty are essential parts of doing business. According to Roggi et al., (2012) risk management in recent times is beyond a mere mitigation activity, rather a value-creating activity. Chijoriga (1997) opined that credit risk is the most expensive risk in financial institutions and its effect is more significant as compared to other risk as it directly threatens the solvency of financial institutions. The magnitude and level of loss caused by the credit risk as compared to other kind of risk is severe to cause high level of loan losses and even bank failure. Loans are usually regarded the largest source of credit risk to commercial banks. Hence, credit risk management should be at the center of banks operations in order to maintain financial sustainability and reaching more clients. The goal of credit risk management is to maximize a bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

However, the recent credit and liquidity crises have threatened the banking industry globally, both before and after the global financial crises, the event that left depositors, bankers and customers in crises of deposits recovery and crises of confidence. In Nigeria, credit and liquidity problem as well as failures of banks in Nigeria was first reported in 1930, and with the establishment of Central Bank of Nigeria (CBN) in 1958, over 21 banks failures were recorded between 1930 and 1958 (Emeka, 1997). The Nigerian banking crises of 1990s that caused the transfer of government's deposits from licensed banks to the CBN necessitated the bail-out of 13 banks by the Nigerian Deposits Insurance Corporation (NDIC) and CBN. According to Bello (2013), Nigerian banks have recently suffered wide spread of financial malfeasances which led to declaration of many banks as distress, and takeovers and mergers have left a historical landmark in the history of financial service sector of the country. Thus, necessitated the CBN embarked on second turnaround since 1998 banking crises, which include the rescue of 8 banks through capital and liquidity injections, as well as prosecution of the banks' Chief Executives (Sunusi, 2012). He further states that such actions became necessary to restore confidence in the banking public and bring sanity in the Nigerian banking system.

The CBN focuses its policies on minimizing exposure to risk by banks operating in Nigeria, and different measures-regulatory, cyclical, financial and operational standards and modification of Corporate Governance code were done to sanitize the financial sector particularly the banking industry (Bello, 2013). Thus, existing literature on corporate governance stressed that both bank performance and risk management are dependent on implementing good corporate governance (Tandelilin et al., 2007). According to them, better implementing good corporate governance is not only concerned about better expected return but is also concerned about better managing the risk.

The regulatory agencies SEC and CBN are

of the view that weak corporate governance has been responsible for some recent corporate failures in Nigeria. The Code of best practice on corporate governance in Nigeria considers Corporate Governance as a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectation of the other stakeholders. It therefore, emphasizes the need for the practice of good corporate governance to corporations particular financial institutions (banks), the need is the retention of public confidence through the enthronement of good corporate governance considering the utmost importance given to the banking industry. According to the Code, the primary responsibility for ensuring good corporate governance in banks lies with the board of directors.

Therefore, the primary responsibility for ensuring good corporate governance in banks in Nigeria lies with the board of directors. The principal objective of the boards is to ensure that, the banks are properly managed and management performance is effectively overseen to protect and enhance the interest of all the stakeholders. Vassileios (2011) argued that board of directors has an impact on risk management of banks, because of the failure of many large financial institutions around the world and some take over because of neglecting the basic rules of risk management and control. Therefore, he conclude that a risk failures in banks is usually as a result of the inability of the board of directors to exercise effective control over senior management and to challenge the measures and strategic guidelines that were submitted to them for approval.

However, despite the role board of directors is playing banks recently are facing default and distress in Nigeria. For instance, Bello (2013) posits that, there is wide spread of financial malfeasances in the financial sector which led to the declaration of many banks as distress that has never been in the history of the Nigeria financial sector. Moreover, a joint examination of Nigerian banks by NDIC and the CBN in 2011 revealed that, there is an extreme weakness in corporate Governance of banks and weak credit administration. Thus, these prompted the research problem which this study set to investigate. That is, whether or not the corporate governance mechanisms are effective in credit risk management of deposit money banks in Nigeria. Also, the absence of empirical studies that logically examined the relation as well as the impact of board governance mechanisms on the credit risk management of deposit money banks in Nigeria motivated the study. It is therefore against this background that this research set to investigate the effectiveness of corporate board on the credit risk management of deposit money banks in Nigeria.

The main objective of the study is to examine the impact of corporate governance mechanisms (board of directors' size and independence, board audit and credit committee) on the credit risk management of deposit money banks in Nigeria.

Literature Review

Corporate Governance according to Sanda, Mikailu and Garba, (2010) is concerned with ways in which all parties interested in the well being of a firm (or stakeholders) attempt to ensure that managers and other insiders take measures (or adopt mechanisms) that safeguard the interests of the stakeholders. They add that, one of the major mechanisms of ensuring this is the board of directors, which they refer to as the apex decision making body that monitor and control corporate entities. In the words of SEC and CBN in their Codes, Corporate Governance is a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectation of the other stakeholders. The code further emphasizes that, the need for the practice of good corporate governance by corporation particularly financial institutions (banks), is the retention of public confidence through the enthronement of good corporate governance considering the utmost importance given to the banking industry (CBN, 2006). According to the Code, the primary responsibility for ensuring good corporate governance in banks lies with the board of directors. And, the principal objective

of the board is to ensure that, banks are properly managed and management performance is effectively overseen to protect and enhance the interest of all the banks stakeholders.

The board of directors according to SEC Code of Corporate Governance is accountable and responsible for the performance and affairs of company; it should define the company's strategic goals and ensure that its human and financial resources are effectively deployed towards attaining those goals. The code further described the composition and structure of the board; the Board should be of a sufficient size relative to the scale and complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings; membership of the Board should not be less than five and should comprise a mix of executive and non-executive directors, headed by a Chairman. The majority of Board members should be non-executive directors, at least one of whom should be an independent director. Moreover, the code requires the members of the board should be individuals with upright personal characteristics, relevant core competences and entrepreneurial spirit, and should have a record of tangible achievement and should be knowledgeable in Board matters. Members should also poses a sense of accountability and integrity and be committed to the task of good corporate governance, should be independent of management to enable it carry out its oversight function in an objective and effective manner.

SEC requires the board to carry out its duties and responsibilities via committees. It should determine the number and composition of such committees ensuring that each committee comprises the relevant skills and competences and that its members are able to devote sufficient time to the committee's work. The Board may in addition to the Audit Committee required by the Companies and Allied Matters Act (CAMA) establish a Governance/Remuneration Committee and a Risk Management Committee and such other committees as the Board may deem appropriate depending on the size, needs or industry requirements of the company. It is worth noting that only directors should be members of board committees while senior management may be in attendance. In addition, the board is responsible for the process of risk management; it should form its own opinion on the effectiveness of the process, while the management is accountable to the board for implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company. All this are applicable to banks, however, following the uniqueness of the banking industry the CBN come up with its code.

Some of the additional requirements in the CBN code include, that the maximum board size of 20 directors and at least two non-executive board members should be independent directors who do not represent any particular shareholder interest and hold no special business interest with the bank, appointed by the bank on merit. As a matter of emphasis and to ensure quality of the board, the CBN requires that all directors should be knowledgeable in business and financial matters and also possess the requisite experience. According to the code, banks should be headed by an effective board composed of qualified individuals that are conversant with its oversight functions, and only people of proven integrity and who are knowledgeable in business and financial matters should be on the board. This is expected to yield effective credit risk management and high assets quality in the banks.

Therefore, board of directors characteristics relate with financial intermediation from different aspects as shown by the literature. For instance, Yun (2009) analysis of effective financial intermediation with respect to liquidity reveals that corporate governance influences forms mix of cash and lines of credit and therefore, corporate liquidity is a channel through which governance work. This assertion confirm the work of Dittmar and Mahrt-Smith (2007) who found that firms with good corporate governance guard their cash

resources better, while firms with poor governance results in a quick misspend of excess cash in ways that mostly decreases operating performance. It is in light of this that, most regulators and in particular Basel committee (2008) positions the board of directors in the heart of banks liquidity risk management, by holding the board responsible for the level of liquidity risk of banks and the way this risk is managed. Moreover, the principles of Basel Committee also require the board of directors to review and approve annually the strategy, policies and practices in relation to liquidity management.

Therefore, researchers investigated different attributes of the board of directors; with respect to the board size, Bello (2010) used the number and frequency of directors meetings and is considered to be an important element in monitoring effectiveness of the board in controlling managers as well as the corporate operations and performance. While board composition or structure according to him determines the extent of its independence and that, board with higher proportion of outsiders (non-executive/independent directors) are generally considered to be objective and independent in its monitoring function. Based on his argument board size and independence is expected to improve financial intermediation.

Review of Empirical Studies

Extant literature on corporate governance or board of directors' characteristics usually centered on the effects of the board on the corporate performance and, some studies used some specific aspects of the performance. Dionne and Triki (2005) investigate risk management, board independence and financial knowledge of the board of directors, they found that independence has effect in hedging risk, while financially active directors encourage corporate hedging and financially educated directors (defined as those with accounting background) play no active role in risk management. However, their results when combined show that firms are better off with financially educated directors on their boards. The result also suggests that, having directors with a university education on the board is an important determinant of the level of hedging.

With respect to the board financial expertise, Booth and Deli (1999) and Guner, Malmendier and Tate (2004) report a positive relation between the presence of a commercial banker in the board and the firm's debt level (credit level or asset quality). Their findings suggest that commercial bankers as a proxy for financial expertise provide the financial expertise needed to enable the firm to contract more debt.

Delis *et al.,* (2009) investigate the relationship between the level of bank liquidity and the structure of the board of directors, in terms of board size and independence. Their empirical result using a sample f banks operating in 10 OECD countries, during the period 2000-2006 shows a negative relationship between board size and bank liquidity, while the impact of board independence is U-shaped. Suggesting that liquidity increases only after a certain value on the ratio of independence directors over total director is reached.

Chisti (2012) used the actual operating data of Indian banks and investigate the relevance of Indian bank asset quality and operating performance. The results indicate that the higher the profitability, the higher the asset quality (quality loan imputed).

McNulty, Florackis, and Ormrod (2012) in an examination of the formal structures of boards, found that financial risk-taking was lower in boards that were smaller in size, that is, fewer than eight directors. The proportion of non-executive directors and the existence of risk committees were not found to have any significant effect on corporate risk. Second, in examining the impact of director characteristics, financial risk-taking was lower where the board tenure of executive directors was significantly greater than that of non-executives. Also, there was some evidence of higher financial risk-taking in companies where executive director remuneration was significantly greater than that of non-executives.

Similarly, McNulty et al., (2012) revealed no significant relationship between any of the

board variables (size and independent) and the measures of business risk. Hence, the result appears contrary to common expectations, assumptions and prescription. This could be a function of using inappropriate risk measures, but other studies have found a significant relation with business risk. Alternatively, the finding is indicative of a lack of board involvement in risk; or, that business risk management is primarily an executive function.

Bello (2013) investigate corporate governance and risk exposure of banks in Nigeria where the study argued that risk exposure is beyond that of a country but financial dependency and global chain of financial institutions. However, the study model corporate governance mechanisms and level of risks, and the results obtained show that among corporate governance mechanisms studied; board Composition or independence, Audit Quality and Capitalization have significant inverse relationship with risk. Other variables in the model though not significant statistically, reveals also a negative association. The aggregate results indicated the effectiveness of corporate governance in reducing risk exposure.

Research Methodology

In this paper we adopted correlation research design in assessing the impact of corporate governance on the credit risk management of deposit money banks in Nigeria. The population of this study covers all the 17 deposit money banks listed on the floor of the Nigerian Stock Exchange (NSE) Market as at 31st December, 2014. However, all the banks that were not in the NSE listing for all the period (2009 through 2014) covered by the study were filtered out, because of the difficulties in accessing their data. Based on this, the population is reduced to 11 banks, and hence the sample of the study. The study used secondary data from the financial statements of the sampled deposit money banks for the period of six years (2009-2014). Therefore, our database consists of 66 observations, that is, 11 banks for 6 years.

Technique of Data Analysis and Models Specification

This paper employed panel regression technique of data analysis, due to the problem of heteroskedasticity in the panel; Generalized Least Squares (GLS) regression is adopted. This is necessary, because the use of OLS in the presence of heteroskedasticity provide spurious regression problem that can lead to statistical bias (Granger & Newbold 1974). Similarly, Gujarati (2004) opined that whatever conclusions we draw or inference we make may be very misleading. Therefore, estimation using GLS is capable of producing estimators that are BLUE (Best Linear Unbiased Estimators). The analysis is conducted using Statistics/Data Analysis Software (STATA 11.02). Therefore, the measurements of the variables used in the study are presented in Table 1.

Table 1: Variables Measurements

Variables	Definition/Measurements
Credit risk management	Is measured by the ratio of net non -performing loans and advances to total loans and advances outstanding at year end.
Board size	Measured by the total number of directors sitting in the board of directors of a bank at the end of accounting period.
Board independence	Is measured by the ratio of non -executive/independent directors to total directors sitting in the board of a bank at the year end.
Audit committee presence	Is measured by a total score of 3; 1 for size, 1 for independence and 1 for financial knowledge.

Model Specification

The model that was used to estimate the relationship between the variables is as:

$CRM_{it} = \gamma_0 + \gamma_1 BSIZ_{it} + \gamma_2 BIND_{it} + \gamma_3 ACP_{it} + \mu_{it}$ i

Where CRM_{it} is the credit risk management of bank i in year t; $BSIZ_{it}$ isthe boards of directors size of bank i in year t; $BIND_{it}$ is the board of directors independence of bank i in year t; $ACP_{it}$is the presence of audit committee in bank i in year t. And γ_0 is the intercept, while γ_1, γ_2, and γ_3, are the coefficients/estimator sand $\mu_{it}$is the residuals.

Results and Discussions

This section presents the analysis of results obtained from the data collected for the study. The section begins with the analysis of the descriptive statistics of the data collected for the study as presented in Table 2;

Table 2: Descriptive Statistics

Variables	Mean	SD	Min	Max	N
CRM	0.0971	0.1122	0.0119	0.6041	66
BSIZ	14.5758	2.1631	11.000	20.000	66
BIND	0.6065	0.0620	0.4667	0.7500	66
ACP	2.7273	0.4488	2.0000	3.0000	66

Source: Authors' computation from STATA.

Table 2 shows that the measure of credit risk management in the deposit money banks during the period has an average of 0.0971 (9.71%) with standard deviation of 0.1122 and minimum and maximum values of 0.0119(1.19%) and 0.6041 (60.41%) respectively. The results suggest that there is a wide dispersion from the value as the standard deviation is higher than the mean. The table on the other hand indicates that on average the sample deposit money banks during the period has 14 members in their boards, with standard deviation of 2.1631, implying that the size of the boards are dispersed from the mean. The minimum board size during the period is 11 members and the maximum is 20 members. Moreover, table 2 indicates that on average the independence of the board is 60.65% composition of non-executive/independent directors in the boards of the sampled deposit money banks during the period, with standard deviation of 0.0620, implying that there is low dispersion from the mean value. The minimum and maximum board independence during the period is 46.67% and 75% respectively. Lastly, the table indicates that on average the audit committee presence in the sampled banks is 2 scores during the period. The standard deviation value of 0.4488 implies that the data is dispersed from the mean. The maximum and minimum audit committee presence is 2 and 3 respectively.

The descriptive statistics of the data collected for the study suggested that the data is not normally distributed as pointed by the higher values of standard deviation; the study applied Shapiro Test for Normal Data (see appendix). The technique test the null hypothesis (that the data is normal), that is, the variable came from a normally distributed population. The results in the appendix indicate that the data from CRM variable is not normally distributed, because the P-values are significant at 1% level of significance. On the other hand, the BSIZ, BIND and ACPare normally distributed because they are not significant at all levels of significance. Thus, the null hypothesis (that, the data is normally distributed) is not rejected. Therefore, the inferential statistics of the data is analyze in the following section; it begins with the summary of the Pearson correlation Coefficients of the variables of the study as presented in Table 3.

Table 3: Correlation Matrix

Var.	CRM	BSIZ	BIND	ACP
CRM	1.0000			
BSIZ	-0.0479	1.0000		
BIND	0.3778*	-0.1624	1.0000	
ACP	-0.2982**	0.06924	-0.2187***	1.0000

*correlation is significant at the 1% level (2-tailed)
**correlation is significant at the 5% level (2-tailed)
***correlation is significant at the 10% level (2-tailed)
Source: Authors' computation from STATA.

The correlation results from Table 3 show that there is a negative relationship between CRM and the size of board of directors (BSIZ) from the correlation coefficient of -0.0479, which is not statistically significant at all levels of significance. This implies that as the size of the board increases, credit risk management increases. The result from the table also indicates that there is a significant statistical positive relationship between CRM and the board of directors' independence (BIND), from the correlation coefficient of 0.3196, which is statistically significant at 1% level of significance. This implies that as board independence increases credit risk management decreases. Moreover, Table 3 shows a negative relationship between CRM and ACP from the correlation coefficient of -0.2982, which is statistically significant at 5% level of significance. This suggests that the presence of audit and credit risk committee improves credit risk management in the banks.

Regression Results and Hypotheses Testing

In this section, the hypotheses formulated for the study are tested; the section begins with the discussion of the regression model summary.

Table 4: GLS Regression Results

Variables	Coefficients	ρ - Value
BSIZ	0.0022	0.434
BIND	0.4757	0.000
ACP	-0.0599	0.002
CONSTANT	-0.0592	0.580
R Square	0.1920	
Wald Chi2	53.59	0.0000
Hettest: Chi2	58.97	0.0000
Mean VIF	1.05	
Hman:Chi2	4.66	0.1984
RE: Chibar2	20.06	0.0000

Source: Authors' computation from STATA.

In this study we conducted some robustness tests due to the uncertainty as to the conformity with the classical assumptions of and in line with the panel nature of the data used. For instance, some of the classical assumption of OLS regression model assumed that the error terms are normally distributed and independence (that is the error terms are uncorrelated); the explanatory variables are not perfectly correlated (absence of multicollinearity); the variance of the error terms is constant (Homoskedastic). When these assumption are not been met, the estimators are biased and cannot be use in drawing any inference. The results from Table 4 provide evidence of the absence of perfect multicollinearity among the independent variables, because the mean Varince Inflation Factor (VIF) is 1.05. The rule of thumb for the VIF is that, a value of 10 and above is an indication of perfect multicollinearity. Similarly, evidence from Breuch Pagan/Cook-Weisberg coefficient of 58.97 with p-value of 0.0000 confirms the presence of the effects of heteroskedasticity, that is, there is no constant variance (heteroskedastic) in the residuals.

The table also shows that both the Hausman specification test (Chi2 of 4.66 with p-value of 0.1984) and the Breusch and Pagan Lagrangian Multiplier Test for Random Effects, indicated that there is no statistical significant different among the Units of the panel (Chibar2 of 20.06 with p-value of 0.0000), and therefore, OLS regression model can be used in the study. However, the OLS model was not fit; hence we employed GLS to fit the model.

The results from table 4 indicate that the explanatory variables explained 19.20% of the total variations in the discretionary loan loss provision of the sampled banks during the period of the study, from the R^2 value of 0.1920. The table also shows that the model is fit as evident by the Wald Chi^2 of 53.59 which is at 99% significance level (as indicated by the ρ-value of 0.0000). Therefore, the hypotheses formulated are tested in the following section.

Test of the Research Hypotheses

Table 4 shows that board size (BSIZ) of the sampled banks has a positive impact on the credit risk of the banks, from the coefficients of 0.0022 which is not statistically significant at all levels of significance (p-value of 0.434). This implies a direct relationship between BSIZ and CRM, that is, as membership in the boards' increases; the credit risk management (non-performing loans in relation to total loans and advances) increases, the results is not statistically significant at all significance levels. Based on this, we failed to reject the null hypothesis one (H_{01}), which states that board of directors' size has no significant impact on the credit risk management of deposit money banks in Nigeria. We therefore infer that the size of the board of banks in Nigeria did not

significantly influence the management of credit during the period covered by the study.

Table 4 shows that board independence (BIND) of the sampled banks has a significant positive impact on the credit risk of the banks, from the coefficients of 0.4757 which is statistically significant at 1% level of significance (p-value of 0.000). This implies a direct relationship between BIND and CRM, that is, as membership of independent directors in the boards' increases; the credit risk management (non-performing loans in relation to total loans and advances) increases, the results is statistically significant at 1% significance levels. Based on this, we reject the null hypothesis two (H_{02}), which states that board of directors' independence has no significant impact on the credit risk management of deposit money banks in Nigeria. We therefore infer that the independence of the board of banks in Nigeria did not significantly improve the management of credit risk during the period covered by the study.

The Table shows that audit committee presence (ACP) of the sampled banks has a significant negative impact on the credit risk management of the sampled banks, from the coefficients of -0.0599 which is statistically significant at 1% level of significance (p-value of 0.002). This implies an inverse relationship between ACP and CRM (non-performing loans ratio), that is, as the presence of audit committee in terms of finance knowledge and experience in the committee increases; the credit risk management improves, and the results is statistically significant at 1% significance levels. Based on this, we reject the null hypothesis three (H_{03}), which states that presence of audit committee has no significant impact on the credit risk management of deposit money banks in Nigeria. We therefore infer that audit committee presence in the deposit money banks in Nigeria did significantly improvecredit risk management during the period covered by the study.

These findings have implication to regulators and policy makers in the Nigerian banking industry. The findings implied that there is strong need to increase surveillances, supervisions and enforcement of the code of best practices of corporate governance in the Nigerian banking industry. This will enable the regulators to curtail the problems of credit and liquidity crises and the loss of confidence by the banking public.

Conclusions and Recommendations

The study concludes a significant association between corporate governance and credit risk management of the deposit money banks in Nigeria during the period. Specifically, the study concludes a significant positive relationship between board independence and credit risk management in the deposit money banks in Nigeria. On the other hand, the study concludes that board size has an insignificant impact on the credit risk management; while the presence of audit committee is significantly and negatively related with credit risk management of the banks in Nigeria. That is, the mechanisms of corporate governance examined in this study did influence credit risk management during the period covered by the study.

We therefore recommends that regulators of the deposit money banks in Nigeria should increase surveillances, supervisions and enforcement of the code of best practices of corporate governance in the Nigerian banking industry. We also recommend that honest people with unquestionable integrity should form part of the board of directors.

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Appendix

```
. xtset id year, yearly
       panel variable:  id (strongly balanced)
        time variable:  year, 2009 to 2014
                delta:  1 year
```

```
. xtsum crm bsz bind acp
```

Variable		Mean	Std. Dev.	Min	Max	Observations
crm	overall	.0971111	.1122345	.0118852	.6040596	N = 66
	between		.0868358	.0399934	.3371295	n = 11
	within		.0750744	-.1824366	.3640413	T = 6
bsz	overall	14.57576	2.163051	11	20	N = 66
	between		1.863932	12	19.16667	n = 11
	within		1.213176	11.74242	16.90909	T = 6
bind	overall	.6064618	.0620057	.4666667	.75	N = 66
	between		.0519373	.507265	.6658897	n = 11
	within		.0368065	.5416801	.74083	T = 6
acp	overall	2.727273	.4487746	2	3	N = 66
	between		.1711518	2.5	3	n = 11
	within		.4175631	1.893939	3.227273	T = 6

```
. swilk crm bsz bind acp
```

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
crm	66	0.63376	21.494	6.649	0.00000
bsz	66	0.96958	1.785	1.256	0.10456
bind	66	0.97553	1.436	0.785	0.21634
acp	66	0.96584	2.005	1.508	0.06583

```
. pwcorr crm bsz bind acp, star (0.05) sig
```

	crm	bsz	bind	acp
crm	1.0000			
bsz	-0.0479	1.0000		
	0.7026			
bind	0.3778*	-0.1624	1.0000	
	0.0018	0.1925		
acp	-0.2982*	0.0692	-0.2187	1.0000
	0.0150	0.5811	0.0777	

```
. reg crm bsz bind acp
```

Source	SS	df	MS
Model	.15723374	3	.052411247
Residual	.661544132	62	.010670067
Total	.818777872	65	.012596583

```
Number of obs =     66
F(  3,    62) =   4.91
Prob > F      = 0.0040
R-squared     = 0.1920
Adj R-squared = 0.1529
Root MSE      =  .1033
```

crm	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bsz	.0011259	.0060067	0.19	0.852	-.0108813	.013133
bind	.6003149	.2142232	2.80	0.007	.1720889	1.028541
acp	-.0568276	.0292754	-1.94	0.057	-.1153483	.0016932
_cons	-.128383	.1959763	-0.66	0.515	-.5201341	.263368

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of crm

         chi2(1)      =    58.97
         Prob > chi2  =   0.0000
```

```
. vif
```

Variable	VIF	1/VIF
bind	1.07	0.930375
acp	1.05	0.951023
bsz	1.03	0.972422
Mean VIF	1.05	

```
. xtreg crm bsz bind acp, fe

Fixed-effects (within) regression               Number of obs      =        66
Group variable: id                              Number of groups   =        11

R-sq:  within  = 0.0718                         Obs per group: min =         6
       between = 0.4011                                        avg =       6.0
       overall = 0.1824                                        max =         6

                                                F(3,52)            =      1.34
corr(u_i, Xb)  = 0.3038                         Prob > F           =    0.2712
```

crm	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bsz	.0020524	.0087638	0.23	0.816	-.0155334	.0196382
bind	.2536962	.2874896	0.88	0.382	-.3231939	.8305862
acp	-.0376972	.0266346	-1.42	0.163	-.0911434	.0157491
_cons	.0161487	.2198367	0.07	0.942	-.4249859	.4572832
sigma_u	.07776924					
sigma_e	.08086637					
rho	.48048393	(fraction of variance due to u_i)				

```
F test that all u_i=0:     F(10, 52) =     4.92              Prob > F = 0.0001

. est store fixed
```

```
. xtreg crm bsz bind acp, re

Random-effects GLS regression                   Number of obs      =        66
Group variable: id                              Number of groups   =        11

R-sq:  within  = 0.0703                         Obs per group: min =         6
       between = 0.3844                                        avg =       6.0
       overall = 0.1919                                        max =         6

                                                Wald chi2(3)       =      7.15
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0672

------------------------------------------------------------------------------
         crm |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         bsz |   .0011861    .007123     0.17   0.868    -.0127747    .0151468
        bind |   .4043636   .2430223     1.66   0.096    -.0719514    .8806786
         acp |  -.0396029   .0252512    -1.57   0.117    -.0890943    .0098885
       _cons |  -.0573997   .1993201    -0.29   0.773    -.4480598    .3332604
-------------+----------------------------------------------------------------
     sigma_u |  .06650837
     sigma_e |  .08086637
         rho |  .40349095   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. est store random

. hausman fixed random

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
         bsz |    .0020524     .0011861        .0008664        .0051056
        bind |    .2536962     .4043636       -.1506674        .1535917
         acp |   -.0376972    -.0396029        .0019057        .0084723
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        4.66
                Prob>chi2 =      0.1984


. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        crm[id,t] = Xb + u[id] + e[id,t]

        Estimated results:
                         |       Var     sd = sqrt(Var)
                ---------+-----------------------------
                     crm |   .0125966       .1122345
                       e |   .0065394       .0808664
                       u |   .0044234       .0665084

        Test:   Var(u) = 0
                             chibar2(01) =    20.06
                          Prob > chibar2 =   0.0000
```

```
. xtgls crm bsz bind acp, p(c)

Cross-sectional time-series FGLS regression

Coefficients:  generalized least squares
Panels:        heteroskedastic with cross-sectional correlation
Correlation:   no autocorrelation

Estimated covariances      =        66          Number of obs      =        66
Estimated autocorrelations =         0          Number of groups   =        11
Estimated coefficients     =         4          Time periods       =         6
                                                Wald chi2(3)       =     53.59
                                                Prob > chi2        =    0.0000
```

crm	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
bsz	.0021963	.002807	0.78	0.434	-.0033054	.007698
bind	.4757355	.1080087	4.40	0.000	.2640424	.6874286
acp	-.0599435	.0192021	-3.12	0.002	-.0975789	-.0223081
_cons	-.0592217	.106877	-0.55	0.580	-.2686968	.1502534

Public Expenditure: Implication on Economic Growth in Nigeria (1990-2014)

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Abstract

This research investigates the implication of public expenditure in education on economic growth in Nigeria over a period from 1990 to 2014, with emphasis on total educational expenditure analysis. The objective of this study is to evaluate the implication of public expenditure on economic growth in Nigeria using Simple linear regression Mode. The study used Ex-post facto research design and applied time series econometrics technique to examine the effects of public expenditure on economic growth in Nigeria. The results indicate that Total Education Expenditure is highly and statistically significant and have positive relationship with economic growth in Nigeria in the long run. We conclude that economic growth is clearly impacted by factors both exogenous and endogenous to the public expenditure in Nigeria. It was therefore recommended that, Government should direct its expenditure towards the productive sectors like education as it would reduce the cost of doing business as well as raise the standard of living of poor ones in the country. Also efforts should be made to increase government funding on education to curtail the level of strikes in our education sector and as well increase funding on anti-graft or anti-corruption agencies like the Economic and Financial Crime Commission (EFCC), and the Independent Corrupt Practices Commission (ICPC) in order to arrest and penalize those who divert and embezzle public fund.

Keywords: Public expenditure, economic growth, education, gross domestic product

Introduction

Explaining the phenomenon of the growth of government expenditure has always been a wide field in the science of Public Finance. In developing countries, particularly, the sub-Saharan African countries (SSA), harnessing domestic investment for growth is contingent on the relative stability in the level of governance indicators which are known to be highly volatile for the region. As a corollary, countries within the region are politically endowed with long histories of poor and bad governance (Chudi and Chudi, 2013). This assertion is further corroborated by Akanbi (2010) when he submitted that poor governance that is reflected in the unstable political environment in most African countries has been a major hindrance to increasing domestic investment over the years. Thus, modeling investment determinants for countries within the sub-region requires accounting for the structure of governance. Failing to account for governance indicators might make the study to be suffering from omitted variables bias, thus making the emanated findings to be interpreted with a high order of caution and while at the same time subjecting policy messages there from to be viewed with a high degree of scepticism. Some scholars have argued that increase in government spending can be an effective tool to stimulate aggregate demand for a stagnant economy and to bring about crowed-in effects on private sector. According to Keynesian view, government could reverse economic downturns by borrowing money from the private sector and then returning the money to the private sector through various spending programs. High levels of government consumption are likely to increase employment, profitability and investment via multiplier effects on aggregate demand. Thus, government expenditure, even of a recurrent nature, can contribute positively to economic growth. On the other hand, endogenous growth models such as Barro (1990), predict that only those productive government expenditures will positively affect the long run growth rate. In the neoclassical growth model of Solow (1956), productive government expenditure may affect the incentive to invest in human or physical capital, but in the long-run this affects only the equilibrium factor ratios, not the growth rate, although in general there will be transitional growth effects. Others have argued that increase in government expenditures may not have its intended salutary effect in developing countries, given their high and often unstable levels of public debt. The government consumption crowd-out private investments, dampens economic stimulus in short run and reduces capital accumulation in the long run. Vedder and Gallaway (1998) argued that as government expenditures grow incessantly, the law of diminishing returns begins operating and beyond some point further increase in government expenditures contributes to economic stagnation and decline.

Various empirical studies on the relationship between government expenditure and economic growth also arrived at different and even conflicting results. Some studies suggest that increase in government expenditure on socio-economic and physical infrastructures impact on long run growth rate. For instance, government expenditure on health and education raises that productivity of labour and increase the growth of national output. Similarly, expenditure on infrastructure such as road, power etc. reduces production costs, increase private sector investment and profitability of firms, thus ensuring economic growth (Barro, 1990; Barro and Sali-i-Martin, 1992; Roux, 1994; Okojie, 1995; Morrison and Schwartz, 1996). On the other hand, observations that growth in government spending, mainly based on non-productive spending is accompanied by a reduction in income growth has given rise to the hypothesis that the greater the size of government intervention the more negative is its impact on (Glomm and Ravikumar, 1997; Abu and Abdullah, 2010).

Despite the rise in government expenditure in Nigeria over these years, there are still public outcries over decaying infrastructural facilities. Also, merely few empirical studies have taken holistic examination of the effect of government

expenditure on economic growth regardless of its importance for policy decisions. More so, for Nigeria to be ready in its quest to become one of the largest economies in the world by the year 2020, determining the effect of public expenditure on economic growth is a strategy to fast-track growth in the nation's economy.

A crucial question that requires an urgent answer is whether the government aggregated, disaggregated and sectoral expenditures impact positively on economic growth of Nigeria. This study attempts to provide an answer to this question by empirically estimating the effects of disaggregated and sectoral educational expenditure on economic growth in Nigeria. This study comprises section one introduction, section two review of related literature, section three is methodology and section four is conclusion and recommendation.

Review of related Literature

Theoretical Framework

Wagner's Law

Wagner's Law is named after the German political economist Adolph Wagner (1835-1917), who developed a "law of increasing state activity" after empirical analysis on Western Europe at the end of the 19th century. He argued that government growth is a function of increased industrialization and economic development. Wagner stated that during the industrialization process, as the real income per capita of a nation increases, the share of public expenditures in total expenditures increases. The law cited that "The advent of modern industrial society will result in increasing political pressure for social progress and increased allowance for social consideration by industry." Wagner (1893) designed three focal bases for the increased in state expenditure. Firstly, during industrialization process, public sector activity will replace private sector activity. State functions like administrative and protective functions will increase. Secondly, governments needed to provide cultural and welfare services like education, public health, old age pension or retirement insurance, food subsidy, natural disaster aid, environmental protection programs and other welfare functions. Thirdly, increased industrialization will bring out technological change and large firms that tend to monopolize. Governments will have to offset these effects by providing social and merit goods through budgetary means.

In his Finanzwissenschaft (1883) and Grundlegung der politischenWissenschaft (1893), Adolf Wagner pointed out that public spending is an endogenous factor, which is determined by the growth of national income. Hence, it is national income that causes public expenditure. The Wagner's Law tends to be a long-run phenomenon: the longer the time-series, the better the economic interpretations and statistical inferences. It was noted that these trends were to be realized after fifty to hundred years of modern industrial society.

Peacock and Wiseman Theory of public expenditure

In 1961, Peacock and Wiseman elicited salient shaft of light about the nature of increase in public expenditure based on their study of public expenditure in England. Peacock and Wiseman (1967) suggested that the growth in public expenditure does not occur in the same way that Wagner theorized. Peacock and Wiseman choose the political propositions instead of the organic state where it is deemed that government like to spend money, people do not like increasing taxation and the population voting for ever-increasing social services. There may be divergence of ideas about desirable public spending and limits of taxation but these can be narrowed by large-scale disturbances, such as major wars. According to Peacock and Wiseman, these disturbances will cause displacement effect, shifting public revenue and public expenditure to new levels. Government will fall short of revenue and there will be an upward revision of taxation. Initially, citizens will engender displeasure but later on, will accept the verdict in times of crisis. There will be a new level of "tax tolerance". Individuals will now accept new taxation levels, previously thought to be intolerable. Furthermore, the public expect the state to heal up the economy and adjust to the

new social ideas, or otherwise, there will be the inspection effect.

Peacock and Wiseman viewed the period of displacement as reducing barriers that protect local autonomy and increasing the concentration power over public expenditure to the Central government. During the process of public expenditure centralization, the role of state activities tend to grew larger and larger. This can be referred to the concentration process of increasing public sector activities. Nowadays, the growth in public expenditure has become a compulsion and thus, the disturbance situations matter little.

The Classical versus the Keynesian approach of public expenditure

The classical economists believe that the government intervention brings more harm than good to an economy and that the private sector should carry out most of the activities. In his Welfare of Nations, Adam Smith (1776) advocated much on the "laissez-faire" economy where the profit motive was to be the main cause of economic developments. According to the classical dichotomy, an increase in the total amount of money leads to a proportionate increase in all money prices, with no change in the allocation of resources or the level of real GDP, which is known as money neutrality. The classical economists assumed that the economy was perfect: it is always at full employment level, wage rate and rate of interest is self-adjusting and as a matter of fact, the budget should always balance as savings is always equal to investment. Since they believe that the economy was always at its full employment level, their objective was certainly not growth.

Keynes categorized public expenditure as an exogenous variable that can generate economic growth instead of an endogenous phenomenon. Hereby, Keynes believed the role of the government to be crucial as it can avoid depression by increasing aggregate demand and thus, switching on the economy again by the multiplier effect. It is a tool that bring stability in the short run but this need to be done cautiously as too much of public expenditure lead to inflationary situations while too little of it leads to

Solow growth model

In his classic 1956 article, Robert Solow proposed the study of economic growth basing itself from a standard neoclassical production function. Neoclassical growth theory focuses mainly on capital accumulation and saving-related topics. Assuming there is no technological progress, this would imply that the economy has reached the steady-state equilibrium, where per capita income and capital are constant. Solow found that the critical elements of GDP growth are technical progress, increased labour supply and capital accumulation. More profound research showed other factors as well to increase GDP growth: availability of natural resources and human capital. As a matter of fact, the income share of human capital is large in industrialized countries. Moreover, the result of high investment ratio (large physical capital stock) might as well increase the GDP growth. On the other hand, Solow residual is the change in total factor productivity which is technical progress. In other words, it means the amount by which output would increase as a result of improvements in methods of production, with all inputs unchanged.

Micro Explanations of the growth of transfer payments

Attitudes to the redistribution of income: Next, let us spend a little time thinking about the growth of transfer payments as societies have become more affluent. In theory, two conflicting views of the relationship between transfer payments and increasing affluence are possible:-

a. With increasing affluence, there should be less need for transfers;
b. With increasing affluence, the economy can afford to help the less well-off more and therefore transfer payments should increase relative to the total.

One's view of (a) depends on the view taken of the nature of poverty and hence of the purposes of income redistribution. One could, for example, argue that the principal aim of redistribution is to provide a minimum level of

income for people in society. This suggests an absolute notion of poverty. Alternatively, it is possible to argue that poverty is essentially relative and that the aim of income redistribution should be to reduce inequalities in the distribution of income, irrespective of the absolute levels of the incomes of the poor. If one takes the latter view, the question of what is likely to happen to the amount of transfer payments as an economy becomes richer depends on what happens to the degree of inequality as the average level of income in the economy rises. The argument for (b) depends on the notion that the marginal benefit from increases in income falls as income rises (one could develop the idea of an income-elastic social conscience).

There are many other ideas concerning income redistribution. For example, one could argue that as society grows, it becomes more interdependent and risks from unemployment, old age, poor health etc. become greater. Society could then be given the role of compensating for these greater risks and their impacts on individual citizens. A variation on this would be to suggest that with increased interdependence and increasing affluence, low income involves greater relative deprivation. Then one could add an insurance principle: people realise that at some future time they might be badly off and are thus prepared to pay higher taxes to support the poor as an insurance against the risk of their becoming so.

When considering arguments regarding transfers, one has also to consider the possibility that growth in resource-using public expenditure may be a second-best but politically more feasible means of redistributing income. This assumes that a number of the major public expenditure programmes do actually involve a redistribution of income from richer to poorer. This idea has, however, been attacked, by Stigler amongst others. Stigler's Directors' Law suggests that public expenditure benefits the middle class most and is paid for by the sick and the poor.

Changing demographic and economic structures: A number of ideas which we mentioned above in relation to resource-using expenditures apply also to transfer payments. These include:

a. **Demographic structure:** increased numbers of older people or of children increase (other things being equal) the size of transfer payments. The total size of pension payments depends also, of course, on the average age of retirement from work. A major recent political problem in Italy has concerned the determination of the Left to maintain existing rules which allow public sector workers to retire on a state pension from the age of 50. The issue of retirement age is an important one throughout Europe. Equally important, of course, is the extent to which pensions and child benefit payments maintain their real value over time. One possible response to growing numbers of pensioners in an economy is to allow the real value of the pension to fall. It should be noted that there are alternative views of the meaning of the `real value' of the State pension. One view is that to maintain its real value the pension should be increased in line with the general rate of inflation in the economy. The alternative view is that pensions should increase in line with the average wage rate in the economy. A rule based on this view would see pensions increase more rapidly and increase the total payments to pensioners more rapidly. Supporters of this view argue, however, that these payments would not constitute an extra burden on wage-earners since there would not need to be any increase in tax rates to pay for the higher pensions.

The extent to which pension payments do, in fact, constitute a burden on the current generation of wage-earners depends on the extent to which pension payments are funded. That is, a government can act like an insurance company, collecting a social security tax from workers and investing this money in a fund, the interest from which would be used to pay for future pension payments.

Each generation would be paying for its own future pensions. However, governments have in general treated taxes raised allegedly for social security purposes as part of current revenue and have used the money for current expenditure. Pension payments for one generation are then made from the taxes paid by current wage-earners. There is then obviously a problem during periods in which the proportion of pensioners in the population rises sharply. One way out of this dilemma is to encourage or require people to take out private pension plans. This brings us back to problems of income distribution since unemployed and low-paid workers are unlikely to be able to afford payments to private pension plans. The question of the balance between private and public pensions is a major one which will be of great political importance in the coming years.

b. **Household structure:** the increasing numbers and proportions of marriages ending in divorce have led to an increasing number of single parent families. Such families tend to be more heavily dependent on state benefits such as income support and housing benefit. This is another controversial area. One outcome in the UK has been the setting up of the Child Support Agency to try to make all divorced parents contribute to the support of their children. Another outcome has been a significant increase in social and political hostility towards single parents, although the 1997 Conservative Party conference saw some signalling of a reduction in this hostility.

c. **Economic recession:** higher unemployment leads to higher transfer payments (and to lower tax revenue), although this also depends on the extent to which unemployment benefits retain their real value over time and the extent to which rules regarding entitlement to such benefits remain unchanged. This is generally seen as a cyclical phenomenon. However, all European countries have seen significant long-term increases in unemployment in recent decades.

Empirical Review

The role of government involves public spending in order to maximize social welfare and various attempts have been done to test whether these government expenditure contribute to the economic growth rate. Since the Wagner's law suggests that economic growth should rise with increasing public spending, tests for Wagner's law is also relevant.

Meltzer and Richard (1981) and Persson and Tabellini (1990) consider public choice to make the government distribute the social benefits. They explained the growth of government in the 18th and 19th century which increased the number of low income voters who push for more redistributive expenditures. In their model, they explained how the government embarked on satisfying the median voters which generate a relationship between economic growth and public spending if the position of the decisive voter shifts towards the lower end. When incomes of skilled labour increases, redistribution is needed.

Barro (1989a, b) based on the Summers-Heston data (1988) to have found from a sample of 98 countries for the period of 1960-85 that the growth in GDP per capita is positively related to initial human capital and to investment and negatively related to GDP per capita, political instability and price distortions. Barro (1990) in another distinguished paper states that the role of the fiscal policy (Government expenditure and taxes) along with the rate of economic growth has been part of the literature on endogenous growth that government spending directly affects the private production functions.

Demirbas (1999) investigated on the presence of the Wagner's law using data for Turkey over the period of 1950-1996. His research focuses on the existence of a long-run relationship between public expenditure and the GNP. As a result, there was no link between these two variables. On the other hand, Anwar et al. (1996) examined the causality between economic growth and general government

expenditures for 88 countries over the period of 1960-92 using unit root and cointegration techniques. They found unidirectional causality for 23 countries, bidirectional causality for 8 countries while only 23 countries attested that economic growth causes an increase in the role of the government to make it grow larger in size.

Henrekson (1993) carried out time-series analysis for Sweden using data for the period of 1861-1990 and he concluded that "we cannot find any long-run relationship between GDP and government expenditure and we judge it to be probable that this finding carries over to other countries as well". Henrekson has tested the Wagner's law using two-stage cointegration (Engle and Granger, 1987) and has found no support for it in the case of Sweden. Furthermore, in a very alluring paper, Henrekson (1993) questioned the validity of previous findings. He argued that before testing for causality between public spending and economic growth, one must make sure that the data for these variables are stationary. Otherwise, non-stationary variables will lead to spurious results.

James and Bradley (1996) extend the Henrekson's methodology by using error-correction models to examine the Granger-Causality between government expenditure and economic growth. He found only 6 positive relationships between the two variables from a list of 22 countries. From the remaining countries, only one pointed out unidirectional causality and bi-directional causality.

Hondroyiannis and Papapetrou (1995) used the Johansen (1988) cointegration technique to test the long-run relationship between government spending and national income for Greece. As a result, no remarks were found to support the Wagner's law, that is, the causality between government expenditure and rate of economic growth. Bohl (1996) tested for evidence for Wagner's law on G-7 countries using primarily post-World War II data. The data was integrated of order one. Except for Canada and UK, the other countries provided no evidence on any relationship between these two variables. When Granger causality was applied in these two countries, it was found that real per capita income Granger caused government size, thus, supporting the Wagner's hypothesis.

Error-correction model was used by Payne and Ewing (1996) to test for Wagner's law on a sample of 22 randomly selected countries. Evidence of Wagner's Law is found only for Australia, Colombia, Germany, Malaysia, Pakistan and the Philippines. Bi-directional causality is found for India, Peru, Sweden, Switzerland, UK, U.S., and Venezuela, and Granger causality is absent in Chile, Finland, Greece, Honduras, Italy and Japan. Lin (1995) reinvestigated Murthy (1993) and used data from Mexico for the period of 1950-80 and 1950-90. There was a mixed evidence to support Wagner's law in the 1950-80 period and to reject it on the other period. Ram (1987) reported that while some time-series studies support the Wagner's hypothesis, cross-sectional studies lack such support. Nonetheless, Ram (1986) in a cross-sectional investigation found that government size has positive effect on economic performance and growth and this does apply to a vast number of countries. In another paper, Ram (1986) tested the Wagner's law for 63 countries from time period of 1950 to 1980. It concluded as a multiplicity of results for different countries. In one of the countries analyzed, Mauritius was one of them and it was noted that Wagner's law does not hold for Mauritius.

Beck (1985) measured government expenditure in real terms for the US to separate the price effect from the total government expenditure. It showed that nominal value of government expenditure might be misleading as it does not show the growth in government expenditure in volume. Beck (1981) noted that a more than proportional increase in government spending relative to GDP growth rates is generally a post-1945 phenomenon.

Mahmood and Sohrad (1992) study and tried to explain the rise in government expenditure at state level in the United States. Since, it is advocated by Wagner's law that the income elasticity of demand for public goods is greater than one, that is, public goods and

services are luxuries, it is postulated that the use of time series data and middle-income groups will be more consistent. This was done by proper regional representation and as a result it was proclaimed the income elasticity of demand for public goods is greater than unity. Daniel Landau (1983) examines the relationship between the share of government consumption expenditure in GDP and the rate of growth of real per capita GDP by using data during the period of 1961-76 for a sample of 96 countries. The result of the study suggests a negative relationship between the two variables above mentioned. The negative link was because of the full sample of countries, unweighted or weighted by population, for all six periods examined.

Saunders (1988) in a very appealing paper set the factors behind the size and growth of public expenditure in OECD countries between 1960 and 1980. The framework of the model revealed that the growth in public expenditure is a function of economic, social and political interactions. Five variables were identified and found to be statistically significant to explain the growth of government spending. Following several additions and removal of variables, it was found that the growth of public expenditure is partly the cause of evolving demographic and economic nature. Moreover, social, historical and political influences' on public spending is debatable. Gregorious and Ghosh (2007) made use of the heterogeneous panel data to study the impact of government expenditure on economic growth. Their results suggest that countries with large government expenditure tend to experience higher economic growth. Gemmell and Kneller (2001) provide empirical evidence on the impact of fiscal policy on long-run growth for European economy. Their study required that at least two of the taxation/expenditure/deficit effects must be examined simultaneously and they employ panel and time series econometric techniques, including dealing with the endogeneity of fiscal policy. Their results indicate that while some public investment spending impacts positively on economic growth, consumption and social security spending have zero or negative growth effects.

Mitchell (2005) evaluated the impact of government spending on economic performance in developed countries. He assessed the international evidence, reviewed the latest academic research, cited examples of countries that have significantly reduced government spending as a share of national output and analyzed the economic consequences of these reforms. Regardless of the methodology or model employed, he concluded that a large and growing government is not conducive to better economic performance. He further argued that reducing the size of government would lead to higher incomes and improve American's competitiveness.

Olorunfemi, (2008) studied the direction and strength of the relationship between public investment and economic growth in Nigeria, using time series data from 1975 to 2004 and observed that public expenditure impacted positively on economic growth and that there was no link between gross fixed capital formation and Gross Domestic Product. He averred that from disaggregated analysis, the result reveal that only 37.1% of government expenditure is devoted to capital expenditure while 62.9% share is to current expenditure. Olopade and Olepade (2010) assess how fiscal and monetary policies influence economic growth and development. The essence of their study was to determine the components of government expenditure that enhance growth and development, identify those that do not and recommend those that should be cut or reduce to the barest minimum. The study employs an analytic framework based on economic models, statistical methods encompassing trends analysis and simple regression. They find no significant relationship between most of the components of expenditure and economic growth.

Methodology

The study used Ex-post facto research design and applied time series econometrics technique to examine the long and short run effects of public expenditure on economic growth in Nigeria. To examine the effect of

public expenditure in Education on economic growth in Nigeria, we adopt the Simple Linear Regression Model. This model therefore estimates that:

GDP = f (Ede,)…………………………(1)

The above model was modified and estimated as follows:

Yt = β0 + β1EDe + µt…………………….. (2)

Where Yt = Dependent Variable (GDP).
EDe = Total Educational Expenditure
β0 = Represents the constant or intercept on Y axis.

β1= Is the Regression co-efficient.

µt= Error or disturbance term.

The equation above can be restated to carry its parameters.

Data Presentation and Analysis

Having specified the model in the above sub-section, it is hereby estimated and presented. In the model structured, the variables used are annual time series data spinning from 1990-2014. The challenging aim of this study is to identify the individual significance of the considered variable in the model specified in the previous sub-section. Therefore the empirical data associated with this and related statistics/regression results are as stated below:

Regression Result on the effect of total government expenditure in education on Gross Domestic Product (GDP)

The general aim of this study is to identify the effect of total government expenditure in education on Gross Domestic Product (GDP). Therefore the empirical data estimates associated with this regression results are as stated below:

Method: Least Squares
Sample: 1990-2015
No of observation 25

Table 1: Regression of (GDP) on (Ede) Dependent Variable: (GDP)

Variable	Coefficient	St.Error	t-Statistic	Prob.
C	9.565268	0.338439	21.04472	0.0000
Ede	0.400519	0.066635	6.544121	0.0000

R^2= 0.761480
Source: E-views 4.1

The equation in the second model regressed GDP on EDe. The coefficient of the constant term is 9.565. The sign borne by the regression coefficient of constant is positive. This implies that holding the independent variable, the GDP increases. The regression coefficient of EDe carries positive sign and its t-value (6.544) is statistically significant at 5% level. This implies that EDe affects the GDP significantly. The t-value for the regression coefficient of EDe is significant as confirmed by the t-probability (0.0000). It is estimated from the result that 1% increase in LOG(EDe), on the average, will lead to 0.30% increase in LOG(GDP). The computed value of R^2 = 0.761480 shows that 76.14% of the total variation in the Gross Domestic Product (GDP) is accounted for by the explanatory variable (EDe) while 23.86% of the total variation in GDP is attributable to influence of other variables which are not included in the regression model. This means that the regression coefficient of EDe is 6.544 and its P-value is 0.0000. Since the P-value (0.0000) < 0.05 (5% level of significance), we reject the null hypothesis and conclude that the level of

total education expenditure has significantly effected on economic growth in Nigeria.

Conclusions and Recommendations

From this study, it was found that total government expenditure on education (EDe) has significant effect on Gross Domestic Product (GDP). In this case, EDe is a true parameter of measuring economic growth. The finding made is confirmed by the p-value of the regression coefficient of EDe which is 0.0000. Obviously, this value is less than the 0.05 (5%) level of significance. It is found from the result that 1% increase in total government expenditure on education (EDe), will bring about an approximate increase by 0.4% increase in GDP. It is observed from this result that when government increases her expenditure on education, human skills will be enhanced and this will eventually lead to economic growth in Nigeria. It is also found that total government expenditure on education (EDe) accounts for 76.14% of the total variation in the dependent variable (GDP).

However, only about 2% and 3% of total government revenue and oil revenue was spent on education between 1981 and 2006. The fact that proportionate volume of government finance is not directed at human capital development in the Nigeria is evident by the fact that education expenditure takes less share of government's revenue.

In the light of the researchers' findings, the following recommendations are proffered:

1. Government should ensure proper implementation of educational expenditure in order to meet set goals and targets.
2. Monitoring and control of public spending in the educational sector. The budgetary allocation for educational sector should be increased and well implemented.
3. Government should ensure that capital expenditure and recurrent expenditure are properly managed in a manner that it will raise the nation's production capacity.
4. Government should direct its expenditure towards the productive sectors like education as it would reduce the cost of doing business as well as raise the standard living of poor people in the country.
5. Effort should be made to increase government funding on education to curtail the level of strike in our education sector and as well increase funding on anti-graft or anti-corruption agencies like the Economic and Financial Crime Commission (EFCC), and the Independent Corrupt Practices Commission (ICPC) in order to arrest and penalize those who divert and embezzle funds.

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A Comparative Analysis of Personal Income Tax Act 2004 and 2011: Effects on Personal Income of Employees in Nigeria.

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Abstract

This paper analyzed the effect of Personal Income Tax Act 2004 and 2011 on the personal income of employees in Nigeria. The study used content analysis research design. The extant literature reviewed the following findings: (i) that the Personal Income Tax Amendment Act 2011 affected the tax payer's revenue generation due to the increase in the tax rate which constituted a major change in the computation of tax table. (ii) that the amended law makes it very easy to calculate income taxes unlike before, thus eliminating the loopholes that was both exploited by tax payers and the tax man. The paper concludes that the amendments will mean different things to different people, possibly with some unintended consequences. Many may have to pay more while some will pay less and a few will be indifferent. The paper recommends that the tax authorities at various levels, Nigeria Professional Accounting bodies, the Chartered Institute of Taxation of Nigeria, CITN, and their members to carryout sufficient education, seminar and enlightenment programmes for all the stakeholders connected or affected by the amended Act. It also recommends that the government should embark on aggressive infrastructural development to justify taxes received.

Key words: PITA, PITAM, Tax Rate, Employees, Nigeria.

Introduction

Personal Income Tax (PIT) is the oldest form of tax in the country as it was first introduced as a community tax in northern Nigeria in 1904 and later implemented through the Native Revenue Ordinances to the western and eastern region in 1930 and later incorporated into Direct Taxation Ordinance No.4 of 1940. According to Decree No.4 of 1993, Personal Income Tax is a tax imposed on the incomes of individuals, communities and families. It is also charged on the incomes due to a trustee or an estate.

The need to tax personal incomes throughout the country prompted the Income Tax Management Act (ITMA) of 1961. In Nigeria, personal income tax for salaried employment is based on pay-as-you-earn (PAYE) system (FRN, 2011), and several amendment have been made to the 1961 Income Tax Management Act. For instance, in 1985 PIT was increased from N600 or 10% of earned income to N2,000 plus 12.5% of income exceeding N6,000. In 1989, a 15% withholding tax was applied to savings deposits valued at N50,000 or more while tax on rental income was extended to cover chartered vessels, ships or aircraft. In addition, tax on the fees of directors was fixed at 15%. These policies were geared to achieving effective protection for local industries, greater use of local raw materials, generating increased government revenue among others.

It has been evident that personal income tax in Nigeria has remained the most unsatisfactory, disappointing and problematic of the tax system in Nigeria (Oyebanji, 2005; Salami, 2011; Osemeke, 2010). The problems associated with personal income tax have invariably influenced the spate of its amendment as deliberate efforts towards addressing the problems identified with it from time to time. The Personal Income Tax Act (PITA) 1993, repealed the Income Tax Management Act (ITMA) 1961 and the Income Tax (Armed Forces and Others Persons) (Specials Provisions) Act 1972. The latest of such amendment is that contained in the Personal Income Tax (Amendment) Act 2011. The main objective of the study therefore is to analysis the effect of Personal Income Tax Act 2004 and 2011 on personal income of employees in Nigeria. Other specific objectives are as follows:

1. To examine the relationship between the old tax rate and new tax rate on personal income of employees in Nigeria.
2. To determine the extent the amended law eliminates the loopholes that were exploited by tax payers and the tax man.

Review of Related Literature

Theoretical Consideration

The Nigerian tax system has undergone significant changes in recent times. Tax laws are being reviewed with the aim of repealing obsolete provisions and simplifying the relevant ones (Asabor, 2012). Based on the Amendments, a number of challenges will arise from applying the new changes and this will affect the tax payers greatly. In Nigeria, it is safe to say that personal income tax is mostly paid by civil servants. This is because the taxes are deducted before the employees receive their pay (Asada, 1997; Ariwodola, 2000; Oduh, 2012; Akintoye, 2013; Okpe, 1998; Angahar & Sani, 2012). In private sectors, most employers do not bother with PAYE deductions. Those that do make deductions do not remit said deductions to the state. Majority of the self employed citizens mostly do not pay income tax. Due to this, a lot of money is lost; money that could have been gainfully used to improve the lot of the populace.

Under the old PITA, interest may be imposed on tax defaults but there was no prescription on how the interest should be applied. Historically, tax authorities apply the interest at a flat rate on a one-off basis. But the new Amendments now explicitly require interest to be calculated on an annual basis. This means simple interest method whereby interest on tax due for a period is multiplied by the number of years outstanding. Where the period contains less than a whole year, then the interest must be prorated on a monthly or daily basis from the date the tax becomes due until it is paid (Uche & Uche, 2014).

Personal Income Tax in Nigeria is governed under an act called the Personal

Income Tax Act (PITA).The new amendments effect several sections of the Personal Income Tax Act, particularly section 33 which deals with Personal Relief and relief for children, dependents etc. This has now being replaced with a Consolidated Relief Allowance (CRA) of N200,000 + 20% of gross income. They have also reviewed Minimum Tax upwards from 0.5% to 1%. The tax table has also being notably amended.

Table 1: Revised tax bands

Old income band	Old rate	New income band	New rate
First N30,000	5%	First N300,000	7%
Next N30,000	10%	Next N300,000	11%
Next N50,000	15%	Next N500,000	15%
Next N 50,000	20%	Next N500,000	19%
Above N 160,000	25%	Next N1,600,000	21%
		Above N3,200,000	24%

Source: Personal Income Tax (Amendment) Act, Official Gazette, 2011

Amendments to the Personal Income Tax Act and its Implications

According to KPMG (2012), the amendments are as follows:

a. **Date of Commencement of the PITAM:** The date of commencement of the PITAM is 14th June 2011, based on the Federal Republic of Nigeria Official Gazette No. 115, Vol. 98. This date is the same as the date of assent of the Act by the president. As a consequence, tax payers and employers may be required to re-compute the personal income tax (PIT)/pay-as-you-earn (PAYE) tax due for the period June 2011 to January 2012. We envisage that many taxpayers will qualify for refund from relevant tax authorities (RTAs) by reason of their overpayment of tax under the old PIT regime.

b. **Persons on who tax is to be imposed/interpretation:** The main amendment to section 108 of the PITA is the redefinition of itinerant worker to includes "an individual irrespective of his status who works at any time in any state during a year of assessment (other than as a member of the armed forces) for wages, salaries or livelihood by working more than one state for a minimum of twenty (20) days in at least three (3) months of every assessment year". Based on the amendment, employees of service companies who migrate from state to state in providing services to clients may now qualify as itinerant workers. Similarly, entrepreneurs, company executives and other personnel who by virtue of their responsibilities work in multiple locations in different states may quality as itinerant workers.

The PITAM also amends section 2 of the PITA by inserting a new subsection (1A) that provides that "notwithstanding anything in the Principal Act, the relevant tax authority in a state shall have powers to collect tax under this Act from itinerant workers". Following the above, individuals who now qualify as itinerant workers, may find themselves liable to tax in more than one state. Consequently, such individuals or their employers would need to set up adequate administrative processes to effectively track the duration of stay and income subject to tax in the different states.

c. **Incomes Chargeable/Personal Relief**

I. **Tax free allowances are no longer**

available: Section 3 of the PITA has been amended to highlight the fact that both temporary and permanent employees are liable to PIT. However, the more important implication of the amendment to this section is the effective deletion of section 3 (1) (b) (ii)-(xii), which provides employees with tax free allowances such as leave allowance, housing allowance, etc. With the amendment, PITAM has withdraw all tax free allowances previously enjoyed by employees under the section, with the exception of reimbursement of expenses incurred by an employee in the performance of his duties, and from which the employee is not expected to drive any profit or gain.

ii. **Increase in statutory reliefs:** The PITAM replaces the personal relief of N5,000 plus 20% of earned income, that was hitherto available under section 33 (1) of the PITA, with the consolidated relief allowance (CRA). The CRA is to be computed as the higher of N200,000 or 1% of gross income, plus 20% of gross income . Gross income is not defined by PITAM. Rather gross emoluments, which is not used anywhere in the Act, is defined as "wages, salaries, allowances (including benefits in kind-BIKs), gratuities superannuation and any other incomes derived solely by reason of employment".

iii. **Application of the CRA to individuals other than employees:** Section 33 (1) of the PITA allows every individual to claim the personal relief of N5,000 plus 20% of earned income. The intention of the provision is further substantiated by the definition of earned incomes as "income derived.... from a trade, business, profession, vocation or employment" in the first schedule to the PITA. PITAM is however, not as specific as PITA, on the applicability of the allowance in the case of every individual. It also replaces the reference to earned income in section 33 (1) of the PITA, with the term gross income which is not defined. Rather, it defines gross_emolument, a term usually associated with employment income. But given that CRA is claimable on gross income- which, based on a comparison between section 34 of PITAM and section 36 of PITA, is used synonymously with total income.

iv. **Valuation of BIKs:** Based on the provisions of section 3 of the PITAM, all benefits and perquisites provided to employees are taxable, with the exception of meals generally provided in any canteen, non-assignable luncheon vouchers, protective clothing and reasonable removal expenses. BIKs are also to be considered in determining an employee's gross emolument for CRA purpose (section 5 of PITAM). It is important to note that sections 4 and 5 of the PITA contain explicit provisions on the bases for valuing BIKS for both tax and CRA purposes (aside from cash emoluments) incurred on employees qualify as benefits or perquisites to the employees.

v. **Relocation allowance, life insurance premium deduction, interest on mortgage for owner occupied house, etc are still available:**

It is important to note that the provisions of sections 4, 20 and 33 on non-taxable BIKs, tax-deductible expenses and statutory reliefs (other than personal relief) were not amended by the PITAM.

d. **Employment**: The PITAM amends the conditions under which the gains or profits derived from the exercise of employment duties in Nigeria will be

exempt from Nigeria PIT. The key changes to this section are as follows:

I. Inclusion of the phrase "and the remuneration of the employee is not borne by a fixed base of the employer in Nigeria" in subsection 1(a) (i) of section 10.
ii. Definition of the period of residency in Nigeria to include period of annual leave or temporary period of absence.
iii. Expanding subsection 1 (a) (iii) to include the phrase "under the provisions of the avoidance of double taxation treaty with that country".
iv. Expending the phrase employer is in Nigeria, as stated in subsection 1(b) to include "or has a fixed base in Nigeria", and deleting the provision "unless the duties of the employment are wholly performed….in a country other than Nigeria…..".
v. Deleting subsection 5 of the said section.

The above amendments will likely raise questions, especially with respect to employees whose duties of employment are wholly performed outside of Nigeria, but whose employer is in Nigeria or has a fixed base in Nigeria.

e. **Charge of Income Tax (Minimum Tax) – Section 37:** The minimum tax payable under the PITA has been increased from 0.5% of total income to 1% of total income.
f. **Service of Notice of Assessment – Section 57:** The amendment to this section 57, now allows RTAs to send assessment notice to tax payer via courier and e-mail. This is expected to enable taxpayers receive their notices of assessment promptly.
g. **Establishment of Body Appeal Commissioners (BAC) – Section 60:** The amendment to this section 60, essentially replaces the BAC with the Tax Appeal Tribunal, thus aligning the PITA with the provisions of the Federal Inland Revenue Service (Establishment) Act, 2007 on tax appeal process.
h. **Refund of Excess Withholding Tax (WHT) –Section 73:** The amendment to this section 73, now empowers tax payers to request for refund of excess WHT. The excess should be refunded within 90 days or granted as tax credits against future taxes.
i. **Penalty for Failure to Deduct Tax – Section 74:** The key implications of the amendments to this section 74, are as follows:
   i. A person who fails to deduct WHT on a qualifying transaction would no longer have to be convicted before being liable to a penalty of 10% of the tax not deducted or remitted.
   ii. The interest payable for non-remittance/late remittance of WHT would not be based on the prevailing Central Bank of Nigeria Monetary Policy Rate. This would endure that the interest rate is more determinable.
   iii. The Accountant-General of the Federation is now empowered to recover at source, taxes owed by Government Ministries, Departments and Agencies (MDAs) from the budgetary allocations due to them. Hopefully, this will increase the tax compliance level of public institutions.
j. **Interest for Late Payment of Income Tax:** The amendment to section 77, interest for late payment of PIT will now be computed on an annual basis. In effect, such interest would be compounded as against the flat/simple interest basis that previously applied.
k. **Pay-As—You-Earn (PAYE) – section 77:** Every employer is required to file a return with the RTA of all emoluments paid to its employees, not later than 31st January of every year in respect of all employees in its employment in the preceding year. Any employer who contravenes the provisions of this section will be liable on conviction to a penalty of N500,000 in case of a body corporate and N50,000 in the case of an individual.

Based on the above provision, employers that have filed the returns relating to 2011 tax year may have to re-file such returns, to reflect the provisions of PITAM from 14th June 2011.

l. **Tax Clearance Certificate (TCC) – section 85:** The PITAM requires MDAs and Commercial Banks to demand for an individual's TCC in respect of change of vehicle ownership, application for plot of land and any other transaction as may be determined from time to time. This transaction is in addition to the nineteen (19) previously specified under the PITA. The PITAM also requires the MDAs and banks to verify TCCs submitted to them with the issuing RTA.

The above amendments are targeted at identifying taxable persons that are outside the PIT net. However, it remains to be seen if RTAs will effectively collaborate with MDAs and banks to achieve the objective of this amendment; or if the provisions would merely be an additional bureaucratic bottle neck in the processing of transaction for which TCC is a pre-requisite.

m. **Functions of the State Board – Section 88:** The main amendment to this section 88, seeks to introduce an efficient mechanism for funding State Boards of Internal Revenues (SBIRs) by allowing them to retain a percentage (not less than 5%) of the tax collected. The expectation would be that each state government would fix the percentage at a level that would enable the SBIR meet its cost of collection and administration.

This provision, while encouraging SBIRs to increase their revenue collection, may result in aggressive revenue drive, without regard to due process, where an alleged tax liability is disputed by the tax payer.

n. **Third Schedule: Income Exempted** The more significant amendments to this schedule are as follows;

a. **President, vice president, etc will not pay PIT**: based on the deletion of paragraphs 2 and 3 of this schedule, the official emoluments of the president, vice president, Governors and Deputy Governors will no longer be exempted from PIT.

b. **Tax exemption of income from bonds and short –term securities:** The PITAM inserts a new paragraph which exempts income earned from bonds issued by Federal, State and Local Governments, as well as on bonds issued by corporate including supranational, from income tax. The paragraph also exempts interest earned by holders of the bonds and short-term securities, from income tax.

o. **Sixth Schedule: Income Tax Table**

I. **Change in income tax table**: The PITAM replaces the sixth schedule of the PITA with a new schedule as follows:

First N300,000	Taxed	At	7%
Next N300,000	Taxed	At	11%
Next N500,000	Taxed	At	15%
Next N 500,000	Taxed	At	19%
Next N1,600,000	Taxed	At	21%
Above N3,200,000	Taxed	At	24%

ii. **Tax-exempt income and tax-deductible expenses**: The new sixth schedule specifies the following as tax exempt:
   * National Housing Fund Contribution
   * National Health Insurance Scheme Contribution
   * Life Assurance Premium
   * National Pension Scheme
   * Gratuities

Inconsistency in the basis for computing CRA: Section 5 of the PITAM provides that CRA will be computed as the higher of N200,000 or 1% of gross incomes, plus 20% of gross income. Paragraph 1 of the new sixth schedule however, specifies that the CRA will be granted on income at a flat rate of N200,000 plus 20% of gross income (KMPG, 2012).

Research Method

The research design of this study is the content analysis. Content analysis has been defined as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding (Berelson, 1952; Krippendorff, 1980; and Weber, 1990).

Analysis and Implications

The amendments will mean different things to different people, possibly with some unintended consequences. Many may have to pay more while some will pay less and a few will be indifferent. Below is the analysis of the annual gross income bands and the implications for different categories of income earners:

Gross Annual Income	Tax Implication	Comments
N345,000	Higher taxes	These categories of individual will suffer 100% increase in tax as a result of the increase in minimum tax from 0.5% to 1% of gross emolument.
N441,500	Indifferent	Tax payable is the same under the new amendment but any individual earning less than this would see their taxes increase by up to 100% in some cases (see above)
N441,500 – N12,150,000	Lower taxes	Individuals in this gross income bracket will see a reduction in their tax liability of up to 4.8%.
Above N12,150,000	Higher taxes	Any individ ual earning more than N12,150,000 per annum will pay higher taxes by up to 1.5% in view of the higher effective tax rate under the new amendments notwithstanding the marginal reduction in the top tax rate from 25% to 24%

Assumption

The above analysis is based on the following assumption:-

1. No other allowances are granted under the amendment PITA other than the consolidated allowance and personal relief.
2. Individuals comply with all statutory deductions and contributions including NHF and pension.
3. The compensation under the old PITA was structured for tax efficiency (the result will be different if otherwise). If the compensation under the old PITA was not structured for tax efficiency then the amended PITA will result in a decrease in tax liability for all individuals regardless of income bracket.

Summary of Findings

The findings made from the study reveals that Personal Income Tax Act 2001 affect the personal income of employees in Nigeria. However, the foregoing discussion has clearly highlighted the various effects associated with the Acts. Some of the major findings of this work are:

❖ The Personal Income Tax Amendment Act 2011 affected the tax payer's revenue generation due to the increase in the tax rate which constituted a major change in the computation of tax table.

❖ The amended law makes it very easy to calculate income taxes unlike before, thus eliminating the loopholes that was both exploited by tax payers and tax man.

Conclusion

The implication of this amendment is that all those who are earning below N 345,000 per annual will experience a major increase in taxes paid due to the increase in minimum tax from 0.5 to 1%. Minimum tax applies to all those who would have no taxable income after subtracting their relief. Similarly, all those earning above N 12,150,000 per annual will experience a slight increase of about 1.5% due to the higher effective tax rate. Those earning N 440,000 per annual will not see any noticeable change in taxes paid. Luckily, the majority of workers (those who earn between N 441,500 and N 12,150,000) will see a slight reduction in tax liability of up to a maximum of 4.8%.

Recommendations

Based on the above findings, the study recommends that:

❖ The tax authorities at various levels, Nigeria professional accounting bodies, the Character Institute of Taxation of Nigeria, CITN, and their members to carry out sufficient education, Seminar and enlightenment programs for all the stakeholders connected or affected by the amended Act.

❖ The government should embark on aggressive infrastructural development to justify taxes received.

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Audit Reputation and Market Valuation of Listed Firms In Nigeria

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Abstract

The study is a review of literature on the effect of audit reputation of market value of firms in Nigeria. From the reviewed empirical literature the study observed that much study have been done on audit reputation and how the perceived audit quality via audit reputation affect stock market reaction in terms of share prices. Different measures of market value are used. Some used market price per share, others used Tobin's Q and others used them in combination. The study observed that; findings in the reviewed studies were mixed with some reporting a positive effect of audit reputation proxy by Big-4 auditors on market value; others report a negative effect while others found no effect. The studies conclude that audit reputation and market valuation literature is still a growing body of literature given the lack of consensus in the findings of the studies reviewed so far. The study further recommends that more robust findings are possible if Nigerian researchers can build on the existing methodology.

Keywords: Audit reputation, market valuation, listed firms in Nigeria

Introduction

The auditing profession performs a role in giving reasonable assurance to the various users of financial statements as it relates to the reliability and credibility of the figures presented by management in the financial statements. This audit function seems to be reticent because in recent times, several cases of corporate financial scandals in Nigeria like Cadbury Nigeria, African Petroleum, Savannah Bank, African International Bank, Wema Bank, Nampak, Finbank, Spring Bank, Intercontinental Bank, Bank PHB, Oceanic Bank and Afribank (Odia, 2007; Okolie & Agboma, 2008; Adeyemi & Fagbemi, 2010; Okolie & Izedonmi, 2014) have been reported. This has posed a great challenge on the credibility of audit function since these cases resulted from audited financial statement that failed to possess the ability to detect and report financial misstatements and manipulations. This has brought a great deal of disappointment to investors and other corporate financial reporting stakeholders. It is therefore a necessity to identify and investigate what effect the audit reputation has on the quality of financial information and the signal it sends to the market on the value of firms audited by the Big-4 auditors.

In essence, can audit reputation improve audit quality and send reasonable signals to the market as it pertains to the credibility and reliability of this financial information? This remains a researchable question that need to be investigated. De Angelo (1981) posits that when audit firm is large, it has less incentive to behave opportunistically. This suggest that large audit firms desires to be known for high quality audit services because they have the wealth and more valuable reputation which they may not want to tread for anything. Moizer (1979) states that audit firms with large size have an incentive to investigate and report irregularities because of the fear of losing reputation hence, they ensure high audit quality.

This study intends to review literature on the effect of audit reputation (size) on the valuation of companies across the globe. This study will give a guiding light to the management of listed firms who intends to add value to their organization in the stock market on what decision to take regarding the type of auditor choice. Again it will be of immense significance to academics and other researchers as it will set the pace for further research in the area of audit reputation and firm valuation.

The ensuing sections of the paper are organized and presented around the following themes: conceptual issues; theoretical framework; review of related empirical literature; summary, conclusion and recommendations.

Audit Firm Size and Audit Quality

Size of audit firm has been one of the most commonly used audit quality variables in prior research and it has consistently provided positive effect on audit quality. Wibowo & Rossieta (2010) assert that the probability for delivering high audit quality increases as the audit firm size gets bigger.

Audit firm size explains whether a client financial statement is audited by a large company or by a small company De Angelo (1981) is of the view that when the audit firm is large and has many clients, it has less incentive to behave opportunistically. This suggests that larger or more prestigious accounting firms have greater incentives not to perform a low-quality service at a high-quality price because they have more wealth and more valuable reputation (Dye, 1993; De Angelo, 1981). In support of this, studies like Watts and Zimmerman (1986); Ashbaugh & Warfield (2003) suggest that large audit firm size give higher audit quality because of greater monitoring ability gained by size.

Moizer (1979) opines that large audit firms have an incentive to investigate and report irregularities because of the fear of losing reputation hence, ensuring audit quality. Lennox (1999) adds to this by stating that, large audit firms have greater stake to avoid issuing inaccurate reports. His view is consistent with that of De Angelo (1981) and Dye (1993) that big auditors have more to lose by failing to report a discovered breach as a result, increasing the audit quality supplied by such

large audit firm.

It is worth noting that these big audit firms may offer better services than smaller ones because they may possess more resources and may utilize staff with superior skill and experience (Palmrose, 1986; Dezoot, Hermanson, Archambeatt & Reed, 2002; Louise, 2005. To Francis (2004), big audit firms have established brand name reputation and therefore have to protect this reputation by providing high audit quality. Various studies also find that larger audit firms are associated with a variety of phenomena consistent with high quality, including lower litigation activity, fewer accounting errors, higher earnings response coefficients, lower probability of informed trading (DeFond, 1992; Davidson and Neu, 1993; Teoh and Wong, 1993; Becker, DeFond, Jiambalvo & Subramanijam, 1998; Francis and Williams, 1998; Francis, Maydew & Sparks 1999; Lennox, 1999; Nelson, Elliot & Tarpley, 2002; Chang, Dasgupta & Hillary, 2007; Seyedhossein, Saudah & Maisara, 2013).

Others theorized that there is no real audit quality difference but that the perception exists because large firms are well known and have gained a reputation for high quality (Imhoff, 1988; Boone, Brocheler & Carroll 2000; Lawrence, Minutti-Meza and Zhang, 2011; Okolie, 2014). On the whole, there seem to be mixed evidences on audit quality and audit firm size, but it appears that there is some relationship between them since most empirical studies find large audit firms to have more incentive to be accurate because they have a reputation at stake and therefore have more to lose in case of any litigation.

Theoretical Framework

There are various views about the audit theory. This study builds its foundation on Agency Theory, Lending Credibility Theory; Theory of Inspired Confidence and Signaling Theory. Agency theory is most prominent and widely used audit theory. This theory is based on the idea that when a business is first established, its owners usually manages it and as the business grows, the owners appoints agents to oversee the management of the business in the best interest of the owners. This separation of the ownership from management gave rise to the agency theory. The theory analyses the relationship between two parties i.e. the investors and managers. The manager undertakes to perform certain duties for the investors and the investor undertakes to reward the managers.

This theory is adopted on the premises that agents have more and better information than the principals. This information asymmetry makes it difficult for owners to monitor the affairs of the company; this gave rise to the demand of auditors (Watts & Zimmerman, 1978; Salehi, 2010; Farouk & Hassan, 2014; Okolie, 2014 & Kipchoge, 2015). According to this theory, the role of the auditor is to supervise the relationship between the managers and the owners more as a control mechanism that diminishes information asymmetry and protects the interest of the owners (Salehi, 2010; Eilifsen & Messier, 2000; Schipper, 1989; Warfield, Wild & Wild, 1995). Wallace, Naser & Mora (1994) states that agency theory believes that audit quality help to decrease the disagreement between directors and investors.

Hence, agency theory is a useful theory of accountability which helps in explaining the development of audit quality which is capable of adding credibility to financial statements. The users of these financial statements are perceived to gain benefits from the increased credibility as they are better-off in making improved quality investment decisions based on reliable information.

Although Porter in Salehi (2010) is of the view that audited information does not form the primary basis for investors' investment decisions. Healy and Palepu (2001) are of the view that, since directors are aware of the quality of audit, they will tend to disclose more information thereby adding to the credibility of the financial statements. The ability of audit to lend credibility to financial statements is one of the driving forces for the development of audit quality. With such credibility assurance, users' confidence can be attained.

The theory of inspired confidence links the users' requirement for credible financial

reports and the capability of the auditor to meet such demand. According to Okolie (2014), the theory bestows on the auditor high level of confidence as the only messiah who can bring to the principal all relevant information necessary and capable of reducing information asymmetry thus, the auditor is under an obligation to conduct his work in a manner that does not betray the confidence which he commands. Signaling theory suggests that companies with good performance use financial information disclosure through the help of quality audit to send signals to the market.

This theory also believes that the market perception of the quality of the company's auditor influences the company's share price. According to Xin, Andre, Elaine and Hong (2008), audit quality serves as a signal of company's value in the market. Okolie (2014) is also of the opinion that even voluntary disclosure that may be used as signals, can achieve enhanced credibility only in the presence of a quality audit. This also explains the necessity for the development of audit quality.

Audit Quality and Firm Valuation

Lawani, Umanhonlen and Okolie (2015) state that firm value is the total value of the company's stock. According to Muhibudeen (2015) business can be valued differently depending on the context which may include; Economic value, accounting value and market value. This study is concern with market value that refers to the value of a firm on the stock market. This firm value is based on trade and the beliefs of investors on the quality of audit on the financial statement which then portrays the accounting figures contained in them as relevant and credible. Consistent with the above is the assertions of Mukhtaruddin, Relasan, Bambang, Irham & Abukosim (2014) that, High stock price makes the value of the firm high. High value indicates prosperity (Soliha & Taswan, 2002) and that share prices should not be too high or low but should be optimal.

Looking at the value of firm's share prices from the perspective of audit quality, Hogan (1997) argues that audit quality is capable of affecting IPOs (initial public offers) pricing. This is in consensus with the view of Ghosh (2007) that external audit quality affect firm value. Wibowo and Rossieta (2010) assert that high quality audit is perceived to be a vital factor that contributes to market efficiency of any economy. Taqi (2013) also argues that while failure audits causes decline in firm value a high audit quality rather impact on the firm value positively. Jusoh and Ahmad (2014) are also in support of the assertion that the quality of the audit is capable of positively impacting on or impairing on the value of firms.

Hence, where the quality of an audit firm becomes questionable and threatened, the value of firms audited by such firm decrease as a result, such companies withdraw the services of the audit firm. This was the case with once a time famous accounting firm "Arthur Andersen" (Ziaee, 2014; Ali, Reza and Mahdi, 2009). Research has shown that firm market value is heavily dependent on audit quality. It is pertinent that the quality of audit be improved as this will lead to a rise in the credibility of financial information incorporated in the financial statements. Consequently, sending signals to the market as to what is necessarily the value of a specific firm

Review of Empirical Related Literature

Firth (1978) argue that the quality of the audit firm that audited the financial statement do not really matter but the type of audit opinion on the financial statement. Xin, Andre, Elaine and Hong (2008) examine the impact of audit quality on Initial Public Offer (IPO) under-pricing using sample of Australian firms for a period of eight years using regression model on the 371 sampled observation data. The results suggest that quality audit proxy by Big-4 serve as a signaling device that enhances post-issue market value of equity.

Also, Lin, Liu and Wang (2007) studied the market implication of Audit Quality and Auditor switch from the Chinese perspective. The findings suggests that large auditors in China are perceived more effective in curbing

earnings management leading to higher Earnings Response Coefficient (ERCs) and conclude that audit information is valued by the market in china and large auditors have been able to differentiate themselves in the Chinese stock Market. Consistently, Hussainey (2007) examined the impact of audit quality (measured by the big 4 accounting firms) on the ability of the investor to predict future earnings using regression model. The study covers UK non-financial firms for a period of 7 years covering 1996 – 2002. Their findings reveal that financial statement audited by big 4 auditors are capable of assisting investors in better anticipation of future earnings of firms. Further to this, if the earnings of a firm can be anticipated, it then means that investors can rely on such information for future investment which will automatically impact on the value of the firm. Since the prediction of firms earnings can affect its value we then infer that audit quality can impact on firm value.

Lasse, Hannu and Tomi (2013) findings is not different from the previously reviewed study even though the study was for a longer period of fifteen years using a large sample of 1915 takeover offers in the USA. The study investigates whether the market perception of auditor quality makes a difference to the market value of a firm. The findings reveal that the takeover process makes a small correction to the market price of the target when it has Big-4 auditor.

Again, Hsien and Hua (2013) in trying to answer the question 'Do Big 4 audit firms improve the value relevance of earnings and equity?' used ordinary least square regression method on the data from Taiwan capital market. The evidence found is that the earnings and book value of equity audited by Big-4 auditors explain more variation in stock return than those audited by non-Big-4 auditors. Consequently, they draw a conclusion that both earnings and book value audited by Big-4 audit firms are generally more relevant than those audited by non-Big-4 audit firms. Jusoh and Ahmad (2014) investigate the relationship between Audit quality and firm performance in Malaysia. The study proxies firm performance by ROA and Tobin's Q testing for both book value performance and market share value performance. The study sampled 730 listed companies in Malaysia and used multivariate regression model to analyze the data obtained from the sample on a 3 year period. The finding reveals that audit quality proxy by Big-4 affects positively both performance indicators (ROA and Tobin's Q). This is possible since audit quality have the potentials of reducing agency cost hence resulting in increased performance

Ziaee (2014) investigated the effect of audit quality on the performance of listed companies in Tehran Stock Exchange. The study used period of audit, audit reputation and audit firm experience as variables for audit quality. Correlation analysis technique was used and the study finds that audit quality can affect the financial performance of companies. Ardiana (2014) in evaluating the role of external audit in improving firm's value in Indonesia where audit characteristics comprise of audit tenure, audit firm size and audit opinion and firm's value is measured by price to earnings ratio (P/E), Price to book value (P/B) and Tobin's Q. The study used 2,240 company-year observations (i.e. 320 companies for 7years) for 2007-2013 periods. The finding reveals that all three measures for firm's value are affected by the various audit quality characteristics; Audit firm size, audit tenure and audit opinion.

A study by Ahsan, Haiyan and Donghua (2014) on audit quality and market pricing of earnings and earnings components in China seems to have a different result from others already reviewed. The study shows that Big-4 audit does not provide any incremental benefit to clients in terms of market pricing of clients' financial numbers. Mohammed (2012) in his investigation into what determines valuation of IPOs in Saudi Arabian companies used regression analysis on twenty-eight sampled companies covering a number of sectors for 6 years. The findings reveal that there is an adverse effect of the external auditor on the IPOs premium in Saudi market. This means that the premium value is reduced when the external auditor is one of the Big 4. Prior to this

finding is the study by Marjolein (2011). The study tries to find out whether investors react on a restatement announcement in a different way when the restating company is audited by a Big-4 audit firm. The study made use of regression analysis tool. The evidence reveals that the audit quality measured by the size of the audit firm, has no role in the market reaction following a restatement.

Recently, another study from Iran by Shah-hosseini (2014) examines the effect of audit quality on the valuation of IPO. The study used elements of audit quality to consist of Audit Firm Size, Auditor Specialization and type of Audit Opinion. Adopting a regression model, the result indicate that they is no relationship between Audit Firm Size, type of Audit Opinion with valuation of shares but find a direct relationship between Auditor Specialization and value of shares in IPOs. These findings are consistent with the study of Firth, (1978), and Mohammad, (2012) on Audit Firm Size but differs where the findings are also not agreeing with the point that the size of the audit as affirmed by some researchers like Hussainey (2007), Xin, Andre, Elaine and Hong (2008), Farouk and Hassan (2014) but strongly opines that it is the specialization of the accounting firm auditing the financial statement that can affect the firm value. However, following the argument of De Angelo (1981) and Francis (2004), it is audit firm with size that also possesses the specialization for the work. Drawing from the above evidences, we may infer that the effect of audit quality has mixed results in other economies

In Nigeria, research on audit quality and firm valuation by Okolie (2014) investigates the influence that audit firm size exerts on the market value of companies in Nigeria. The study made use of a 6 year period and 57 companies giving a total of 342 observations. The study reveals that audit firm size exerts significant influence on the market price share of companies sampled in Nigeria.

Farouk and Hassan (2014) also examine audit quality impact on financial performance of quoted cement firms in Nigeria. They sample 4 firms and the collected data were analyzed using multiple regression analysis. The results of the findings shows that auditor size and auditor independence have significant impacts on the financial performance of quoted cement companies in Nigeria. This study covers one industry in the manufacturing sector of listed firms in Nigeria. It is necessary to improve on the sample size by incorporating other sectors even if it is to take one firm from each sector so as to give a fair representation of quoted companies in Nigeria.

Conclusion and Recommendations

It is evidential that audit quality as it relates to audit reputation (audit firm size) has been seriously investigated over the years. Most recently, there is this switch of investigation from what determine audit quality towards finding effect of audit quality on the value of firms. It is also observed that this switch seems to be operational in other economics as it is noticed in the study that very few studies have been carried out in the area of audit firm size and market value of firms in Nigeria.

Noticeably, most of the reviewed studies made us of regression analysis which is one of the good analytical tools in cause-effect studies. Some studies outside Nigeria used market price per share and Tobin's Q to measure market value while Nigerian studies made use of market price per share. So far, this has not account for any variation in findings in Nigeria as opposed to findings in other economies as findings from the use of Tobin's Q as measure for market value shows a positive effect of auditor reputation on market value of firms. However, there is need for this measure to be adopted in Nigeria as findings from other economies may not be automatically generalized to a developing environment like Nigeria. In the course of this study, other audit quality surrogates which may as well impair on market value of firms were discovered though, not reported in this study.

The study therefore concludes that the literature on audit reputation as proxy for audit quality is still a growing body of literature given the lack of general consensus in the findings of the studies reviewed. Also that

there are very few studies found on audit reputation and firm value in Nigeria. From the foregoing, it is quite obvious that a gap exist in the literature in Nigeria which further studies should fill. Therefore, recommends that further studies particularly in Nigeria should build on the existing literature by expanding on methodology already used by researchers in Nigeria such as the use of Tobin's Q to measure market value and adding other surrogates of quality audit like audit experience, auditors specialization, audit independence, audit fees and audit tenure. Besides, more robust findings is possible if study period and sample size are increased.

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Effect of Corporate Governance on the Dividend Policy of Firms in Nigeria

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Abstract

This study analyzed the effect of corporate governance on the dividend policy of firms in Nigeria. The study used ex post factor research design. The secondary data gathered were analyzed using regression analysis. The regression result shows a strong relationship between the independent variables and return on assets with a variation of 64.1%. It means that other variables not considered by this model account for only 35.9%. The result shows that managerial ownership has a significant effect on dividend payout of the firms and that board composition has no effect on dividend payout of the firms. Base on the findings, the study therefore recommended that manufacturing companies in Nigeria should maintain a limit for management ownership and control of resources through the companies policies as this can greatly determine the dividend policy of the firms. Managers will distort information about the company to outsiders and will be willing to retain dividend as postulated by the agency theory and if the ownership is left in the hands of management it will thus impair dividend payment.

Keywords: Dividend, Board composition, managerial ownership and corporate governance

Introduction

In most developed countries like the US or UK stock ownership is often dispersed and it is claimed that each individual shareholder has only limited incentives and ability to monitor the management. The major conflict in the governance of companies appears to be between powerful managers and small outside shareholders (Hamid, U. Et al 2012). As stated in (Jensen, 1986) Dividend pay-outs are seen as a means to reduce the cash flow that managers can use at their discretion.

Corporate governance is enhanced in Nigeria with the promulgation of the investment securities act 1999, Capital Market and ease of obtaining redress in the law courts for corporate abuses. As stated in Bonin and Wachtel (2003) the presence of institutional infrastructures in central Europe aid shareholder rights, dividend payment demand to reduce cash flows, reduces agency problems. Best practices expected of firms though not responded to according to expectations in Nigeria have brought to the knowledge of managers what is expected of them to promote good corporate governance. In Izedonmi (2010) the proposed adoption of the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) by Nigeria is a drive towards enthroning corporate disclosures and governance operated in major advanced countries. In Nigeria, Azobu (2010) noted such increases in transparency in corporate governance and ease of comparability of firms by investors. Prior to the proposed introduction of IFRS and IPSAS, the companies and Allied matters Act 1999 states the minimum disclosures of firms above the statement of accounting standards (SAS) era when firms refused to comply with its disclosure requirement; now improving corporate governance of Nigerian firms. As in Europe where Berglof and Pajuste (2003) observed a growing rate of corporate governance in firms, increase in investment and development of acceptable dividend policies. The Central Bank of Nigeria has put in place strategies to remove family ownership of banks, protect minority shareholders, and improve dividends payment and corporate governance. The control of firms by a clique of shareholders, impedes the independence of the board of directors, creating potential avenues for expropriation and establishing the conditions for dividend policy as explained by the outcome model of La Porta *et al.* (2000). The main objective of this study is therefore to examine the effect of corporate governance on dividend policy of firms while its specific objectives include to;

i. Examine the effect of managerial ownership on dividend payout.
ii. Ascertain the effect of board composition on dividend payout.

Literature review

Conceptual framework

Managerial Ownership and dividend policy: Several researches argued differently about a manger's role in ownership. The ownership hat being on the heads of managers may help in elimination of free cash flow problem and may better support the mutual interest of management and shareholders. Thus it results in high payout ratio keeping more shares with the mangers (White, 1996; Fenn and Liang, 2001). Researchers have suggested dividend payment as an apparatus to control the management compass as the inside ownership provide direct opportunity to use internal funds on unprofitable projects. This approach anticipates negative relationship between insider ownership and dividend payout (Short, Zhang, and Keasey, 2002). D'Souza (1999) observed the negative relationship among agency cost and market risk with dividends payment. Vhen and Sinha in their working paper "Large Shareholders and Dividend" investigated that payoff policies can be manipulated by the voting power rather than equity ownership.

Board composition and dividend policy

This can also be viewed as board dispensation. (Shleifer and Vishny, 1986) defined board dispensation as the ratio or percentage of share holders involved in the management of the firm. The existence of a large number of shareholders or a low level of

shareholders concentration in the management increases the potential agency costs given the free-rider problem associated with higher board composition. (Jorge Farinha, 2002) This can go a long way in affecting the corporate decision of a firm in regards to its dividend policy.

Empirical Review

Since the issue of corporate governance and dividend payout policy has been reviewed in the theories above, several studies have been conducted on the topic using data from both developed and developing economies. Some of these studies are reviewed below:

Linter (1956), using 38 Jordanian firms. They find that these firms have a target dividend payout with low rate of target adjustment. In addition, target adjustment is an asymmetrical process depending on whether dividend payout is above or below target. Dividend adjustment is found to be asymmetric for below-target dividends adjustment as well for above target with positive and negative earnings. Their findings support the asymmetric information of agency explanation of dividend smoothing. By running several multiple regressions using return on assets as proxy for dividend payout policy instead of Tobin s Q.

Manos (2002) had investigated the agency theory of dividend policy in the context of an emerging economy, India. He had modified the Rozeff's cost minimization model by introducing a business group affiliation namely foreign ownership, institutional ownership, insider ownership and ownership dispersion as a proxy for agency cost theory. The results reveal a positive impact of all business group affiliation to payout decisions. The positive relationship between foreign and payout indicates that the greater the percentage held by foreign institutions, the greater the need to induce capital market monitoring. Besides that, capital market monitoring is also important when the dispersion of ownership increases since the more widely the ownership spread, the more acute the free rider problem, hence, the greater need for outside monitoring. Further, the evidence of a positive relationship between institutional and the payout ratio is consistent with the preference for dividends related prediction.

Short *et. al* (2002) is the first example of using well-established dividend payout models to examine the potential association between ownership structures and dividend policy. They had modified the Full Adjustment Model, the Partial Adjustment Model (Lintner 1956), the Waud Model (Waud 1966) and the Earnings Trend Model. Moreover, the paper presents the first results for the UK, where the institutional framework and ownership structures are different from the US. The result from the four dividends models consistently shows positive and statistically significant associations between institutional ownership and dividend payout ratios and thus suggests a link between institutional ownership and dividend policy.

Khan (2006) investigates how the ownership structure of firms affects their dividends policies. A key contribution of this article is that it exploits extremely rich ownership data on all beneficial owners (individuals, insurance companies, pension funds and other financial institutions) holding more than 0.25% of any given firm's equity. A significantly negative relation between dividends and ownership concentration result appear to corroborate Rozeff's model, dividends fall when the degree of ownership of ownership concentration increase, which is generally associated with better incentives to monitor. However, the positive relationship between dividends and insurance companies would suggest that they are relatively poor at monitoring compared to individual investors. These results imply particularly acute agency problems when insurance company shareholdings is high and provide some support for the views expressed in the various governance reports.

Methodology

Ho_1: Managerial ownership does not have significant affect on dividend payout.

Ho_2: Board composition does not have significant affect on dividend payout**.**

This study adopts ex-post facto research

design. The secondary source of data used was sourced from four quoted manufacturing companies in Nigeria. These companies include: Nigerian brewery, 7 up bottling company, International brewery and Guiness Nigeria PLC, within the period of 2010-2014. The data collected were analyzed using ordinary least square (OLS).

The model specification used is stated as follows:

$DPR_{ft} = \alpha + \beta_1 MO_{ft} + \beta_2 BC_{ft} + U_{ft}$

Where;

α = Constant

DPR = Dividend payout ratio (The ratio of Total dividend paid to the Total net income of the firm at that time)

MO = managerial ownership (The ratio of share owned by manager/board members to Total shares of the firm at that time)

BC = Board composition (the ratio of share holders involved in the management of the firm at that time)

FT= Firm ($_F$) at time ($_T$)

U = Error term used in the model.

$\beta_1 - \beta_4$ = Beta coefficient of the independent variables.

Decision Rule

Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

- and results

Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
DPR	20	-.12	.49	.1421	.03136	.14025
MO	20	.04	.19	.0968	.01137	.05085
BC	20	.14	.53	.3685	.02221	.09933
Valid N (listwise)	20					

Table 1 presents the descriptive statistics of all the variables. N represents the number of paired observations and therefore the number of paired observation for the study is 35.

The Dividend payout ratio (DPR) has a mean of 0.1421 with a deviation of 0.14025. The result also reveals that, the managerial ownership (MO) reflects a mean of 0.0968 with a deviation of 0.05085 and Board composition (BC) with a mean of 0.3685 with a deviation of 0.09933 . These deviations shown by all the variables both dependent (DPR) and independent (MO and BC) indicates the level at which these variables can increase or decrease.

The result of the descriptive statistics in respect to the study's independent variables indicates that Nigerian brewery manufacturing firms dividend payment policy is affected more by the level of their board composition as a result of its high mean, The reason for this could be due to the high level of share owners involved in the managerial activities of the firms in this study.

Regression of the Estimated Model Summary

This section of the chapter presents the results produced by the model summaries for further analysis.

Table 2: 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	.641[a]	.411	.342	.11376	.411	5.941	2	17	.011	1.243

a. Predictors: (Constant), BC, MO

b. Dependent Variable: DPR

Table 2, presents the regression result between Managerial ownership, Board composition and Dividend policy. From the model summary table above, the following information can be distilled.

The R value of 0.641 shows that, there is a strong relationship between (MO, BC) and DPR at 64.1%. Also the R^2 stood at 0.411.The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (DPR) that can be explained by the independent or explanatory variables (MO and BC).Thus the R^2 value of 0.411 indicates that 41.1% of the variation in the DPR of listed manufacturing firms can be explained by a variation in the independent variables: (MO and BC) while the remaining 58.9% (i.e. 100-R^2) could be accounted by other variables not included in this model.

The adjusted R^2 of 0.342 indicates that if the entire population is considered for this study, this result will deviate from it by only 0.069 (i.e. 0.411 – 0.342). This result shows that there is a deviation of the sample examined and the total population by 6.9%.

The table further shows the significant change of 0.11 with a variation of change at 5.941% indicate that the set of independent variables were as a whole contributing to the variance in the dependent variable by that margin.

Regression Results

Regression analysis is the main tool used for data analysis in this study. Regression analysis shows how one variable relates with another. The result of the regression is here by presented in this section.

Table 3 Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.120	.103		1.167	.259		
	MO	1.815	.535	.658	3.395	.003	.922	1.085
	BC	-.417	.274	-.295	-1.523	.146	.922	1.085

a. Dependent Variable: DPR

The regression result as presented in table 3 above to determine the relationship between MO, BC and DPR shows that when the independent variables are held stationary; the Dividend payout ratio variable is estimated at 0.120. This simply implies that when all variables are held constant, there will be a significant increase in the *DPR* of listed brewery manufacturing companies up to the tune of 12.0% occasioned by factors not incorporated in this study. Thus, a unit increase in MO will lead to a significant increase in

DPR by 65.8%. Similarly a unit increase in BC will lead to an insignificant decrease in DPR by 29.5%.

Test of Research Hypotheses

Ho_1: *Managerial ownership does not have significant affect on the dividend payout.*

Given that the significant level is 0.05 and the calculated value for Managerial ownership (0.003) is less than the significant level, we therefore reject the Null hypothesis and conclude that managerial ownership has a significant effect on dividend payout ratio.

Ho_2: *Board composition does not have significant affect on dividend payout.*

Given that the significant level is 0.05 and the calculated value for Board composition is 0.146 which is greater than the significant level and as such we accept the null hypothesis and conclude that there is no significant relationship between board composition and dividend payout.

Discussion and Interpretation of Results

The result of the descriptive statistic shows that the dividend payout ratio of listed brewery manufacturing companies in Nigeria is determined greatly by their Board composition which is seen in the mean size of the variable (0.3685) which is above the other independent variables.

The regression result shows a strong relationship between the independent variables and return on assets with a variation of 64.1%.It means that other variables not considered by this model account for only 35.9%.

In line with the first objective which is to Examine the effect of managerial ownership on dividend payout, the result shows that managerial ownership has a significant effect on dividend payout of the firms while the second objective which is set to Ascertain the effect of board composition on dividend payout, the result reviewed that board composition has no effect on dividend payout of the firms.

Conclusions

Based on the findings of this study from the test of the two research hypotheses earlier formulated in the study, the researcher has therefore come to the following conclusions outlined in respect to each hypothesis:

- Managerial ownership has a significant effect on dividend payout of listed brewery manufacturing firms in Nigeria.
- Board composition has no significant effect on the dividend payout of listed brewery manufacturing firms in Nigeria.

Recommendations

In consonance with this study's findings, the following recommendations become imperative:

- Manufacturing companies in Nigeria should allow more share holders engage in the managerial activities of the companies as this can help them make fair and better dividend policies which will show a balance in the opinions of both the management and shareholders in regards to the benefits attached in dividend policy formulation.
- Manufacturing companies in Nigeria should maintain a limit for management ownership and control of resources through the companies policies as this can greatly determine the dividend policy of the firms. Managers will distort information about the company to outsiders and will be willing to retain dividend as postulated by the agency theory and if the ownership is left in the hands of management it will thus impair dividend payment.

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Appendix I

MO	BC	DPR
0.08	0.2	**0.2877**
0.09	0.26	**0.3222**
0.08	0.2	**0.2309**
0.08	0.4	**0.098**
0.07	0.14	**0.0723**
0.16	0.42	**0.3783**
0.19	0.46	**0.4897**
0.19	0.53	**0.1704**
0.17	0.38	**0.1704**
0.18	0.36	**0.1216**
0.068	0.33	**0.0328**
0.069	0.38	**0.0321**
0.065	0.43	**0.0346**
0.06	0.42	**0.0556**
0.054	0.33	**0.0429**
0.11	0.4	**0.1251**
0.07	0.45	**-0.118**
0.07	0.4	**0.1088**
0.04	0.44	**0.101**
0.04	0.44	**0.0864**

Guiness, Nigeria brewery, 7up bottling company and International brewery.

Accountability and Transparency as a tool for Enhancing Better Work Environment

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Abstract

This paper examines the concept of accountability and transparency in the third tier of government as a tool for enhancing better work environment. The result of a survey by Afro-barometer shows that, the practice of accountability and transparency appears not to be deep-rooted in Nigeria local government system as evidenced from the respondents. Apart from a strong advocacy for the institutionalization of the culture of accountability and transparency into the local government system, the paper suggests campaigns by anti-corruption agencies for entrenchment of accountability and transparency into the local government system and an urgent need to increase the local government allocation through additional resources transfers as an incentive to improve performance.

Keywords: Accountability, transparency, ethics, local government.

Introduction

Local government is the third tier in Nigeria's federal system of government. It is nearest to the people at the grassroots. It is a structure that provides for the goods and services needed by the people and to also bring development and good governance to the local level. To underscore this importance, Section 7(1) of the 1999 constitution of the Federal Republic of Nigeria specifically guarantees a democratically elected local government system, while schedule 4 of the same constitution defines the functions of the local government. The implication of its constitutionally guaranteed governance structure and its closeness to the people is that the institution of Accountability and Transparency and their norms in governance should be more evident at this level. In a situation where these cherished norms in governance (Accountability and Transparency) are absent unethical practices now take over, creating an unhealthy working environment which results into poor service delivery at this tier of government. Again, in recent years, issues of Accountability and transparency have taken an added prominence as people at the grassroots, interest groups as well as business and the media are demanding more from the local governments both in terms of service quality and cost effectiveness. The public wants to be sure that, what is been collected from them as tax is properly utilized and that, the decisions been made by their elected representatives are informed, fair and meet the needs of their respective communities.

Against this analytical background, this paper examines the concept of Accountability and Transparency and the link between them at the third tier of government. The paper also examines various strategies of institutionalizing the culture of Accountability and Transparency at the level of this governance so as to be able to reposition and create a conducive work environment for better service deliveries and development at the grassroots level.

The Concepts of Accountability and Transparency

The concept of Accountability has a long tradition both in political science and financial Accounting. In political science, John Locke's theory of the superiority of representative democracy built on the notion that, accountability is only possible when the governed are separated from the governors (Staftan, 2009).

In ethics accountability is often used synonymously with such concepts as responsibility answerability, blame, worthiness, liability and other terms associated with account giving.

In leadership roles, accountability is the acknowledgement and assumption of responsibility for action, products, decisions and policies including the administration, governance and implementation, within the scope of the role or employment position and encompassing the obligation to report, explain and answerable for resulting consequences (Abubakar, 2010).

In line with the above, Akindele *et. al,* (2011) in their contribution to the discussions on the concept of Accountability contended that:

> Accountability is a way of being answerable or liable for ones actions and/or inactions and conduct in office or position. It has equally been defined as the process of making elected officials and other office holders accountable and responsible to the people who elected them or appointed them for their actions while in office. Thus accountability connotes the state or quality of been liable and required by a special person or group of people to report and justify their actions in relation to specific matters or assigned duties.

Contributing to the debate, Erero (2000) said that, accountability focuses attention upon the sanctions or procedures by which public officers may be held to account for their actions. Malena and McNeil (2010) defined accountability as the obligation of public power holders to account for or take

responsibility for their actions. Accountability exists when power holders must explain and justify their action or face sanctions. From the foregoing we can conclude that accountability is associated with three different meanings; greater responsibility to elected superiors; greater responsiveness to community groups; and greater commitment to values and higher standards of morality.

According to the United Nations manual for Local Government Accounting and Budget Execution (1952), accountability is a legal liability involving the establishment of a pattern of control over receipts and expenditure that permit a determination either by the executive or by legislative, funds that are spent for public purposes.

Forms of accountability

Accountability can be in the form of social accountability, financial accountability, political accountability, administrative accountability, ethical accountability and legal accountability.

Social accountability

Social accountability is affirming and making operational and direct accountability relationship between the citizens and the state (Malena and McNeil, 2010). Social accountability practices include for instance; participatory public policy, participatory budgeting, public expenditure tracking and citizen monitoring and evaluation of public services (Malena and McNeil, 2010).

Financial accountability

Financial accountability is the establishment of the pattern of control over the receipts and expenditures that permits a determination either by the executive or by the legislature (or both) that public monies have been used for public purposes (Ola and Effiong, 1999). It is concerned with the establishment of pattern of control over receipts and expenditure of public funds. Financial accountability is the justification of estimates, the superintendence of the use of appropriated funds, the devices for timing the rate of expenditure and the auditing of accounts (Ayo, 1998).

Ethical accountability

This is the practice of improving overall personal and organizational performance by developing and promoting responsible tools and professional expertise and by advocating an effective enabling work environment for people and organization to embrace a culture of sustainable development.

Political accountability

This arises where the political leadership being a social contract between the leader and the led rests on the sanctity of the constitution from which the government in power derives its legitimacy, Akpa (2008).

Political accountability can be measured in the following ways:

- the extent to which politicians in public offices have kept to the bounds of checks and balances contained in the constitution;
- the extent to which politicians have conducted themselves in a free and fair elections without violence, rigging and rancor;
- the extent to which politicians in office have kept faith with their electoral promises.

Administrative Accountability

Internal rules and norms as well as some independent commissions are mechanisms to hold civil servants within the administration of government accountable. Within the department or ministry, first behavior is bounded by rules and regulations; secondly, civil servants are subordinates in a hierarchy and accountable to superiors. Apart from internal checks, some watching units accept complains from citizens, bringing government and society to hold civil servants accountable to the citizens.

Legal accountability

Legal accountability is usually enforced through the courts and tribunals and other quasi-judiciary institutions. In developed

countries like Britain, France, USA and a host of others, they ensure that everyone whose conduct is questionable in one form or the other is subjected to legal accountability regardless of the person's social or political status in the society Alakuro (1999).

Transparency

Transparency refers to the uprightness, fairness and openness in dealing with people generally both at official and private levels. It has to do with living a life that is anchored on principles of probity, good conscience and clean track record devoid of stains of cover-up, cheating, or lying. A transparent officer insists on dispensation of justice in an unbiased manner which is devoid of ethnic, religious or nepotic considerations.

Akpa, 2008 enumerated the attributes of the transparent officer as follows:

- he is ready and willing to share information in an open manner;
- he makes open to the people existing procedures for making decisions;
- ensures that, there exist open channels of communication between the public and government to enable the citizens to understand and monitor government properly;
- he is responsive to the yearnings and aspirations of the people;
- he obeys due process procedures and the rule of law in order to be perceived as equitable and fair;
- he makes available to the public all public accounts and audit reports.

From the foregoing we can infer that transparency deals with moral obligation, act, attitude or behavior that is in tune with practices commonly applauded within a given society, organization or environment.

Dwivedi (1978) cited in Ikotun (2004) conceptualized transparency in the public service to exist whenever public servants, individually or collectively refuse to use position in a way which compromises public confidence and trust because of conflict of loyalties or values, or as a result or attempts to achieve some form of private gain at the expense of public welfare on common good.

Egonwan (1999) maintains that a transparent worker does not relegate positive management practices to the background with a view of perpetuating systematic illegalities that guarantee personal enrichment, self aggrandizement and blatant misappropriation of public funds. He maintained that, the situation could be very worrisome as it could attract suspicion, distrust, youth restiveness and loss of confidence by the local populace, who are engaged in unabated demands for transparency, accountability, integrity in the management of their resources.

The link Between Accountability and Transparency

The twin concepts of Accountability and Transparency have in recent years become household terms and the veritable ringtones of good governance. According to Abubakar (2010), these two paradigms are important pillars of democratic governance in modern societies and in governance in the local government system. They are closely related that they reinforce each other for optimum results. Accountability normally takes its roots from transparency because there is no way an officer will allow himself to the whims of accountability if he is not transparent. This is because transparency is a matter of ethical behavior and morality implying that it is only people of upright moral disposition that will want to be accountable (Akpa,2008). Accountability and transparency therefore constitute the wheel for democratic governance to run and therefore constitute its accelerator in compelling a government to live up to expectations.

Transparency alone many not lead to anything unless there is accountability, this is because accountability is the outward manifestation of transparency. The two are needed in a work environment to create an effective and efficient workforce that will be able to win the confidence of the public.

Local Government in Nigeria: An Assessment

The 1999 Constitution of the Federal Republic of Nigeria specifically establishes

local government administration as the third-tier of government. According to Awotokun (2001), the main functions of a local government as stipulated in the fourth schedule of the 1999 constitution are as follows: (see appendix I).

It could be seen from the constitutional provisions that, two groups of functions are set for local government to perform and the primary objective of establishing local government is to provide a means of making available a number of services stated in the constitution to meet the needs of the people at local level.

Based on the provisions of the constitution as per appendix I. Afrobarometer (2008) conducted an assessment of the performance of local government in Nigeria in 2008. The survey was done in two parts. The first part labeled Table 1a assessed the role of local governments on provision of essential services. The second part labeled 1b assessed the public opinion on consultation and accountability by the local councils. See the tables below.

Table 1a: Assessment of the role of local government on provision of essential services

Essential services	Fairly/very well	Fairly/very badly	Do not know/have not heard enough
Maintaining local roads	33	65	2
Maintaining local market	37	60	2
Maintaining health standards in public restaurant and food stalls	33	62	4
Keeping our community clean (for instance, refuse removed)	41	58	2
Collection of license fees ofbicycles, carts, and barrows.	37	54	10
Collection rates on privately owned houses	31	57	13

Source: Afrobarometer 2008 (www.afrobarometer.com)

Table 1b: Public opinion on consultation and accountability by the local council.

Public opinion	Fairly/very well	Fairly/very badly	Do not know
Making the council's programme of work known to ordinary people	22	68	10
Providing citizens with information about the council budget (that is, revenue and expenditures)	20	71	9
Allowing citizens like yourself to participate in council's decisions	18	73	9
Consulting others (including traditional, civil and community leaders before making decisions)	24	63	12
Providing effective way to handle complaint about local councilors and officials.	21	68	11
Guaranteeing that local government revenues are used for public services and not private gain	22	68	11

Source: Afrobarometer (2008) accessed at www.afrobarometer.org.

The analyses are based on responses obtained from respondents in round 4 Afrobarometer survey conducted in Nigeria in April 2008.

In the survey, a total number of 2,408 Nigerian citizens aged, 18 years and above were interviewed using structured questionnaires in face-to-face interviews. The survey respondents were asked 'How well or badly would you say your local government is handling the following matters? Responses were collected and presented in table 1a and 1b.

From the results of the survey shown in table 1a and 1b the public seem not to be satisfied with the performance of the local councils. This may stem from a number of constraints the local councils face in their attempt to provide satisfactory services to the public. Some of them include inadequate trained manpower, poor budgetary provisions and absence of up-to-date annual accounts to work on among others. In the face of all these constraints, if the local councils make accountability and transparency their guiding principle, they will be able to create an enabling work environment that will result in effective and efficient work force that will win the confidence of the public.

The failure of local governments to provide accountable and transparent governance is particularly serious because it negates the popular slogan in the country that local government is closest to the people. The solution to this is that, there should be a deliberate attempt in trying to institutionalize the culture of accountability and transparency in the workforce of the local governments.

Institutionalizing the Culture of Accountability in Local Government Administration in Nigeria

Culture plays a critical role in governance. It defines the values, roles, norms and expectations of right and wrong and/or proper and improper behaviours of members of the society. It ensures transparency and accountability at several levels of governance such as family, village, local, state and federal government (Idachaba, 2006). Culture has a strong influence in defining the relationship between citizen and government and between the political leaders and the electorate.

This rests on the popular notion that, councils which are likely to put people first stand to propagate high moral standard in the conduct of their activities. This can only be achieved through institutionalization of the culture of accountability and transparency. To institute this culture, the councils must ensure the following;

- Council leadership must promote and support principles of ethics by setting examples for other council members to emulate.
- Training and orientating in ethical values and standards.
- Council chairmen and councilors must always uphold the law and order at all times, act within the trust placed on them.
- Council officials must ensure that, whenever there is conflict between public and private interests, only public interest should prevail.
- Always put your conducts in a way that integrity is not at any point questioned.
- Try as much as possible to document all gifts, hospitality and a favour received as member of the council, but be close with discernment not to accept gifts meant to reasonably influence your sense of judgment.
- Ensure that in the course of carrying out public business, like awarding contracts/making public appointments or recommending individuals or groups for rewards and benefit, always steer to make decisions on ground of merit not on selfish and parochial considerations. The principle of due process should be scrupulously adhered to. Transparency international initiatives, Budapest (1999).
- Promotion of administrative accountability through relevant codes of conduct, laws, rules, public service reforms establishment of integrity and moral rectitude watchdogs (within and outside the public service).
- Provision of avenues for whistle-blowing as well as measures to protect whistle-

blower.

· Application of local government financial memorandum civil service rules and public enlightenment against corruption by ICPC and other anti-graft agencies.

Various countries in the world have the principles of accountability and transparency enshrined in their local government system, for instance, in India, the 1996 Indian conference of Chief Minister initiated a drastic policy shift and stressed the charter of citizenry rights, accountability of public servants, and transparency in the State administration. This move led to the enthronement and the propagation of charter of ethics and a civil service code that must be based on secularism, equality, impartiality, social justice and the rule of law.

In United Kingdom, there is a symbolic relationship between the cabinet secretary and the Minister to the extent that, both do not see themselves as working at across purposes, but they see themselves as guarantors of government properties and programmes. The cabinet secretary ensures that, ministers do not use the civil service for party political ends.

In Sweden, the Swedish model of the local government system with a long tradition is different and unique. Here, elected representatives act as watchdogs to the electorate. The local government audit has increasingly been in the saddle of inspecting and assessing how committees, assembly drafting committees and individual elected representatives follow the laid down goals and political intentions of the assembly or local government. The audit unit of the local government has a central role in searching insight into and control of all the activities that local government are responsible for.

These few examples are models which local government operators in Nigeria should emulate.

Conclusion and Recommendations

The existence of local government as a third-tier of governance in Nigeria has apparently come to stay although debates continues as to whether they should be autonomous or placed under the control of states (Erero, 1997). Equally efforts are been made (albeit with significant obstacles) at making democracy and democratic governance an article of faith in Nigeria. Such a democratic culture will however not ensure at other levels of governance if it does not ensure at the local government level that accountability of local government officials to the people must be sustained (Erero, 1997).

Local Government in Nigeria must be open to scrutiny as found with the state and Federal-tiers of government. Therefore there is need for civil society to constantly; demand transparency and accountability from the local government officials. Moreover civil society organizations such as human and social-economic rights groups should help develop strong accountability and transparency processes/mechanisms as well as play active watchdog role. In addition, there should be explicit and enforceable constitutional and statutory provisions that will make local governments responsive transparent and accountable to local people (Afrobarometer, 2008).

The anti-corruption campaigns and other related campaigns to entrench accountability and transparency must be vigorous not timid. Such campaigns must be consistent in applications and must be devoid of selectivity in applications and choice of battle fronts if they are to retain credibility and to be internalized by all Nigerians (Idachaba, 2006).

The National Orientation Agency (NOA) must wake up from seeming slumber and rise up to the challenge of being the arrow head for the new national societal value reform that is well articulated through a consultative participatory process and which is imbibed and implemented by all segments of the society with particular focus on the family, youths, women, men and all age groups.

There is urgent need for the government to increase local government allocation. The evidence of an overall problem of accountability and transparency of local government suggests that, the design of intergovernmental transfers is likely to be a blunt instrument to strengthen incentives for

better allocation of public resources. Providing incentives to local government to improve performance through additional resource transfers (additional to their constitutionally determined share in federal revenues) conditional on actual improvements in service delivery will only have the desired impact if incentives of higher tiers of government are better aligned to improved services (Khemani, 2004).

Institutionalizing accountability and transparency in local government administration requires the total efforts of the electorate by playing a dominant role in ensuring good governance.

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Appendix I
Functions of Local Government as stipulated in the fourth schedule of 1999 constitution

(a) The consideration and the making of recommendations to a state commission on economic planning or any similar body on:

i. The economic development of the state population in so far as the areas of authority of the council and of the state are affected;

ii. Proposal made by the said commission or body;

(b) Collection of rates, radio and television licenses;

(c) Establishment and maintenance of cemeteries, burial grounds and homes for the destitute;

(d) Licensing of bicycles, trucks (other than mechanically propelled trucks), canoes, wheel barrows and carts;

(e) Establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences;

(f) Construction and maintenance of roads, streets, street lightings, drains and other public highways, parks, gardens, open spaces, or such public facilities as may be prescribed from time to time by the House of Assembly of a state;

(g) Naming of roads and streets and numbering of houses;

(h) Provision and maintenance of public convenience, refuse disposal;

(i) Registration of all births, deaths and marriages;

(j) Assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribed by the House of Assembly of a state;

(k) Control and regulation of:

i. Out-door advertising and boarding;

ii. Movement and keeping of pets of all description;

iii. Shops and Kiosks;

iv. Restaurants, bakeries and other places for sale of food to the public;

v. Laundries; and

vi. Licensing, regulation and control of sale of liquor.

Secondly, the function of a local government council shall include participation of such council in the government of a state as regards, the following matters:

(a) The provision and maintenance of primary adult and vocational education;

(b) The development of agriculture and natural resources, other than the exploitation of minerals;

© The provision and maintenance of health services; and

(d) Such other functions as may be conferred on a local government council by the House of Assembly of the State.

Developing Environmental Taxation in Cameroon: Practice-problems and Perspectives

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Abstract

This research focuses on enterprises and their management practices manifested through their economic activities on the environment and reporting such relationships to stake holder. Fundamentally, accounting, as the official language of business helps in examining the effects of the performance of enterprises on their environment and also relies on the premise that basic accounting (that is financial, managerial or environmental or social) rules, procedures require that accountants should be capable of capturing all products and periodic costs for the purposes of reporting to end users' public of accounting information for decision making (IFRS 2005) IASB (2007) and IFAC (2005). This paper furthermore, reviews EMA (1998), guidelines by IFAC (2007), EMA (2002) "Forum for the Future". It also considers and examines possible and equitable practical methods under the framework for measuring externalities for the introduction of environmental issues through adoption of environmental costs. By this tax, it is possible to approximate the external costs of the environment, which is not captured internally by traditional or conventional accounting such as financial or management accounting reports. Within this context, therefore, these papers, reviews the theoretical proposition on environmental issues and accordingly, make proposals for environmental taxation. Meanwhile, this paper also relies on the premise that industrialized or emerged economics have set the pace by dealing with environmental issues like environmental tax amongst others, whereas Cameroon in particular, and Africa in general, which is highly affected by environmental degradation seems to be lagging behind.

Keywords: Environmental taxation, problem and prospect, Cameroon

Introduction

The discussion on environmental degradation and protection has been on-going for about a century or so and much has been written about environmental issues and policies generally. That notwithstanding, the discipline of environmental economics has a lot on the challenges of environmental degradation, though the accounting discipline has lagged behind in the research on environmental matters such as environmental costs, although some serious efforts have been made of late in dealing with the myriad of problems via some policies, regulations and rules. Many countries, for example, have green taxes or carbon taxes. This research attempts an analysis of what has been done on the accounting front and looks at the question of environmental taxes and raises the issues of what Africa and Cameroon in particular should do given that most of the ecological damage is on going in the continent. In dealing with the environmental issues, we are conscious of the fact the present generation has a duty to leave an environment better for future generation. As such, over exploitation of the environment should not compromise the use by the future generation-hence, over search for sustainable development assured through the efforts of economic actors and all us.

Origin of environmental issues and challenges:

At the 21st General Assembly of the United Nation in 1972, the UNEP (United Nations Environmental Programme) was founded, and based in Nairobi, Kenya. This was in recognition of the magnitude of environmental problems in the world. In that declaration (1977) on the Institutional and Financial arrangement for international environmental cooperation, the world body was on the lead, and brought the world together to act in a concerted effort in order to protect the environment.

The General Assembly of the United Nation's Role

Indeed, convinced of the need for prompt and effective implementation by Governments and the international community of the measures designed to safeguard and enhance the environment for the benefit of present and future generations of man, decides to establish:

- The Governing council of the United Nations Environment Programme (UNEP).
- The Environment secretariats;
- The Environment Fund;
- And the Environment co-ordination board.

As such, this set the pace for the global concern about the environment and encouraged the nations, businesses, and individuals to be ever vigilant on environmental issues such as degradation and rehabilitation.

Statement of Problem

I. **The Relevance of Institutional theory in the discipline of accounting and challenges:** Since the emergence of institutional theory in the 19th century, contributions to the institutional thinking have been provided from several disciplines such as law, economics, political science and sociology, to be brief Coase, (1948). However, in accounting, institutional theory has been applied to largely examine the interdependencies between accounting and its social environment with a focus on either accounting as an internally generated institution or the influence of the institutional environment on accounting practices, e.g. the institutional perspectives on management accounting practices examine accounting change and the issue of legitimacy, Luckmann (1966) While, the wide range of institutional analysis exist with various conflicting definitions and interpretations, this study invokes the sociological perspective of institutions because of its usefulness in examining the importance of contextual factors and biases in the convergence process. This paper, specifically, views institutions as social structures that rely

on rules, norms, and routines that have been established as guidelines for social behaviour, Luckmann (1966). Accounting as the official language of business, creates accountability relationships aiming to achieve legitimacy and predictable behaviour, and thereby facilitates decision-making even in complex and uncertain environments, Caose, (1948) accordingly, accounting standards and practices and the resulting accountability relationship can be regarded as institutions because they represent typifications of habitualised actions that provide meaning and stability. Institution can only be adequately understood in the context of their historical development, and accounting and accountability should be viewed in their relevant context by taking into account the influences of social, political, economic, legal and historical factors. This examination of integration between accounting and its specific context provides useful insights into the emergence and development of accounting standards, practices and resulting accountability relationships, IFAC (1995). Indeed, an institution's potential to provide social order and control is dependent on its legitimacy that reflects stability, credibility and comprehensibility, Berger. (1956) and luckmann (1966). Legitimacy is not a commodity to be possessed or exchanged but a condition relation of cultural alignment, normative support, or consonance with relevant rules and laws. As such, accounting, practices need to fit the institutional environment to gain and remain in legitimacy, IFAC (1995), and IAS/IFRS (Council 2002)

ii. **The challenge of sustainability**: Whereas, environmental protection and maintenance is necessary for sustainable development, this cannot be properly addressed unless the actual externalities and associated costs are known. Accordingly, the next section of this paper reviews the works thus far done on environmental management accounting with special focus on the IFAC guidelines on Environmental Management Accounting (EMA). Meanwhile, the following subsection looks at the methods of considering and dealing with environmental externalities, and followed by a discussion on the case for and against the considerations for environmental taxes the African and European case studies, and finally drawing some conclusive observations.

The IFAC president, Graham N.G Ward, in his forward to the guideline document reiterated the urgent need for harmonised environmental accounting practices by stating that:

"Environmental Issues-along with the related costs, revenues and benefits are of increasing concern to many countries around the world. But there is a growing consensus that environmental accounting practices simply do not provide adequate information for Environmental Management Accounting (EMA) has been receiving increase attention (IFAC: EMA, 2), Savage and Jasch (2005).

iii. **Emergence of Environmental Management Accounting (EMA)**: The developments towards EMA can be traced to Decision 6/3 (1998) of the United Nations Development of Sustainable Development (UNDSD) that encouraged the United Nations Division for Economic and Social Affairs (UNDESA) and other organisations to study the factors that influences organisational decision making such as competitiveness and environmental management including the adoption of best practices.

This study will therefore, analyse the accounting methodology, considered useful to captive environmental costs both for the enterprise and for the externalities. In so doing, it further examines an equitable method of introducing Environmental tax in order to hold enterprises responsible for their part of the environmental costs caused by their activities. This tax also attempts to approximate the

external cost of the environment which is not captured internally by management accounting practices and reports.

It is but certain, therefore, that in order to appreciate the extent of environmental degradation one has to understand and know the costs involved as well as the costs of the tax base.

An overview of concepts of EMA issues and challenges: This section of the paper equally reviews some work done on EMA accounting to the IFAC 2005 guidelines as discussed in the seminal report sponsored by the IFAC (2005) International Guidance on Environmental Management Accounting, Savage & Jasch (2005).

Its scope includes working definitions and interpretations for practices on management accounts, financial accounting, and environmental accounting, etc. The document is structured as follows:

Chapter one: presents an introduction to several topics by briefly reviewing why organisations and accountants should care about environmental issues;

Chapter three: discusses physical environmental management accounting;

Chapter four: discusses monetary environmental management accounting. The coast categories described in this document includes; materials costs of products. Output material cost of Non-Product outputs, Waste and emissions control cost, prevention and other environmental management costs, research and development costs and less tangible costs.

Chapter six presents: brief, real-world examples of EMA applications and links related to other types of accounting and external reporting activities.

Rationale/Significance of environmental Issues:

i. The EMA-IFAC (2005) International Guidance Document on:
   · Such issues as the rationale for accountants taking keen interest in environmental issues.
   · Why organisations or accountants should care about environmental issues?
   · We need to care for the environmental issues because the pressures from the stakeholders, such as the local communities, environmental activist groups, and business partners have also added to the environmental-related costs.
   · And organisations need also to initiate voluntary programmes to respond to the interests of these groups.
   · Finally, there is increasing recognition that conventional management accounting practices do not provide sufficient and accurate information for the purpose of environmental management and environment related cost management.
   · An organisation's decision-making can use the physical, flow information for example, and cost information provided by EMA to make decisions that impact both on the environmental and financial performance of the organisation, namely:
   · Pollution prevention;
   · Design for the environment;
   · Environment life cycle assessment/costing/design;
   · Environmental supply chain management;
   · Environmentally preferable purchasing;
   · Extended producer/product responsibility;
   · Environmental management systems;
   · Environmental performance education and benchmarking;
   · Environmental performance reporting.

ii. **Objectives of Environmental Policies**: Within the context of the United Nation Conference on the Environment and Development (UNCED) which held at

Rio de Janeiro, Brazil in 1992, it specifies the following fundamental objectives of environmental policy:

- To incorporate environmental costs in the decisions of producers and consumers, and also to reverse the tendency to treat the environment as a "free good" and to pass the costs on to other parts of the society, other countries or to future generations
- To move more fully towards the integration of social and environmental costs into economic activities, so that prices will appropriately reflect the relative scarcity and total value of resources and thereby contribute towards the prevention of environmental degradation.

Environmental Accounting: Context concepts and Language: In an attempt to raise awareness on the relevance of the context of environmental issues, many thinkers have provided different meanings from several disciplines, However, environmental Accounting [EA] Is a broad tern used in a number of different contexts, such as:

- The assessment and disclosure of environmental related financial information in the context of financial accounting and reporting [EFA];
- The assessment and use of environment related physical and monetary information in the context of environmental management accounting [EMA].

i. **Environmental National Accounting (ENA):** National level accounting with a particular focus on national resource stocks and flows, environmental costs, externality costs etc. Accordingly, environmental accounting concepts present a system for providing accurate and quantitative measures of costs and resulting effects, efficiency and effectiveness of investments in environmental preservation activities.
   - Any quantitative approach to linking financial and environmental performance.
   - The collection, recording classification, extraction, and summary of information related to the natural environment.
   - Links the economy to the biophysical environment. It enables people to understand the full spectrum of environmental costs and integrate these costs into decision-making. Adoption of environmental accounting techniques increases visibility of environmental costs and benefits, thus increasing costs manageability.
   - The generation, analysis and use of monetarised environmentally-related information in order to improve company environmental and economic performance:
   - Material flow accounting;
   - Full cost accounting;
   - Environmental cost accounting;
   - Environmental financial accounting;
   - Sustainability accounting;
   - Sustainability reporting; and sustainability management accounting.

ii. **Environmental Management Accounting (EMA):** "Is the identification, collection, estimation, analysis, internal reporting and use of materials and energy flow information, environmental cost information, and other cost information for both conventional and environmental decision-making within the organisation" (DSD/UNDESA-2001).

Accordingly, therefore EMA focuses on costs internal to the company; EMA does not include external costs to individuals, society or the environment for which a company is not legally held responsible. EMA places particular emphasis on accounting for environmental costs.

EMA encompasses not only environmental and other cost information, but also explicit information on physical flows and waste of materials and energy. EMA

information can be used for most types of management activity or decision-making in organisations and proactive for environmental management activities.

The International Federation of Accountants (IFAC) recognised problems within the accounting system outlined above, and the UN Expert Working Group with their collaboration in issuing the IFAC – EMA guidance document.

The outputs in the form of publications of the expert-working group to debate include;

- Environmental management accounting: Procedures and principles;
- Environmental Management Accounting: policies and linkages;
- Measurement for improved environmental economic performance: EMA for Government;
- Clean and competitive: EMA for businesses;
- Cases and EMA tools, books and documents;
- IFAC International Guidance document on EMA.

Within this context therefore, EMA was conceived in recognition of some of the inadequate considerations of environmental costs in practice in internal decision-making of conventional management accounting practices such as;

- The unintentional "hiding" of many environmental costs in overhead accounts.
- Inaccurate allocation of environmental costs from overhead accounts back to processes, products, and process lines.
- Inaccurate characterisation of environmental costs as "fixed" when they may actually be variable (or vice-versa).
- Inaccurate accounting for volume (and thus costs) of wasted raw materials.
- The actual lack of inclusion of relevant and significant environmental costs in accounts.
- Poor communications/links between accounting and other departments (IFAC, 2005).
- Increasing importance of environment-related costs;
- Increasing pressure from stakeholders interests in environmental issues;
- Growing demand for integrated consideration of financial and physical aspects of environmental management;
- The concepts of sustainable development and corporate social responsibility require a combined consideration of financial, environmental and social aspects. (Schaltegger and Bworitt, 2000; IFAC, 2005).

Environmental Accounting Implementation Experiences

Introduction

In practice generally, working with the list of accounts allows an accurate assessment of side-wide or organisational-wide annual costs related to environmental issues. And next, these costs are aggregated unto one control consolidated account showing environmental costs: National Accounting and Reporting; Environmental Management Accounting and Reporting; Environmental Management Accounting and Reporting; Sustainability Accounting and Reporting; Sustainability Management Accounting and Reporting to be brief. Moreso, EMA is linked to National Accounting and Reporting, for example because organisations may be required to report environment-related data to government under national and physical reporting government. Again, going by the UN system of Integrated Environmental and Economic Accounting i.e. (UN SEEA), issued in 1993, organisations use these guidelines outline on types of physical and monetary information useful for environmental accounting at national level, EMA-IFAC (1993) and SIGMA, (1992); Forum, for the Future, CIMA (2002). Therefore, they recommended that environmental issues should be disclosed to the extent that they are material to an organisation's financial performance, de Wet and Van Heerden (2003).

I. **Some implementation experiences in countries**: To achieve this goal, the United Nations Statistics Division

(UNSD), with the financial support of UNEP, UNDP and the World Bank has provided technical assistance to several countries for the implementation of the SEEA. Some key component of the SEEA compilation is made up of forest accounts although many others exist. However, the first countries that tested the feasibility of the SEEA before the publications of the Integrated Environmental Economic Accounting (1993) were; Mexico and Papua New Guinea in 1992. Also, Satellite accounts were next implemented in the Republic of South Korea, Philippines, Ghana and Colombia between 1993 and 1998. Evidence conclusively agree that the account compilation methodology used in these six countries is consistent with methodology prescribed in the report (EMA-IFAC (2005), SIGMA (1998). All the said case studies depended on authentic data available from governmental sources and from special studies. It is interesting that the valuation method for depletion allowance used for all the case studies is the net price method. That-not-withstanding, the National Statistical Coordination Board (NSCB), with the technical assistance of the UNSD completed the SEEA implementation project. This project was jointly carried out with the Department of Environmental and National Resources (DENR), the National Economic Development Authority (NEDA) and the United Nations Developmental Programme (UNDP). Going by the ideal methodology, in the case countries, asset accounts for forests, fish, mineral resources, land, soil and water were compiled from (1988 to 1994) all both in physical and monetary/financial terms. In addition, the emissions costs for selected industries were estimated, and environmentally modified indicators were equally assessed and calculated for reporting. Notably, the forest accounts included accounts for dipterocaps, pines, mangroves, mossy and sub-marginal forests. However, Rattan accounts were the only non-timber product accounts included for dipterocaps forests because rattan has a significant economic value nationally, Baumol, and Oates (1998). Furthermore, forest depletion was the most significant part of the environmental cost generated during the period 1988 – 1991, under the case study. However, after depletion as well as the contribution of the forestry industry to NDP (0.39%) in 1994 decreased substantially, Baliz (2006).

ii. The Problem of Externalities and Environmental Taxation: Sustainability, as viewed within the context of this study is that sustainability accounting extends the traditional accounting boundaries to take into account environmental, social and economic costs (and benefits) that accrue to the full range of stakeholders. As such, a distinction, is therefore, made between private costs and benefits which accrue directly to the organisation and societal or external costs and benefits which accrue to other stakeholder, the Global Reporting Initiative, (1993), and the SIGMA stakeholder Engagement Tool (1998 – 2014). Again, for examples, stress has impacts both inside organisation e.g. through lost productivity and outside an organisation e.g. the quality of life of the employees and family. The impact to the organisation is internalised as lost productivity and could be drawn out in a social Financial Statement. The wider impacts on the individual and society are not internalised, and so would appear in an account of external social costs. In addition, to prepare external accounts, an organisation must collect new information on the external environment, social and economic impacts relating to the organisation's activities. Ideally in practice, a stakeholder approach should be used to identify all significant environmental, social and economic impacts associated with the

organisation's activities. As such, a full-life-cycle approach will scope upstream impacts (i.e. associated with the use, disposal or remanufacture of products); and at the operational level (associated with the manufacture and distribution of the products). This approach is used to scope out environmental, social and economic impacts and to prioritise stakeholder interests, ISO 14001. Within this background, the divergence between private benefits i.e. costs, and the special benefits (costs) all results from inefficiency in resources allocation. Meanwhile, environmental costs have both internal and external costs components. The negative environmental effects on society are commonly, the result of operational wastes and emissions; and the positive externalities effects may also arise, and outcome being stability and growth by providing safe and well-paid employment and dealing with local/national suppliers. Furthermore, EMA-IFAC techniques include: avoiding cost approach; damage cost approach; restoration cost approach, and direct magnetisation of emissions, Deborah and Christine (2005).

This study identifies that environmental externalities can be grouped according to their effects on consumers and committees or regions. In addition, environmental pollution or degradation may also be local or regional. From the above views, therefore, externalities are drivers in environmental accounting including estimates of the magnitude and associated costs or benefits of environmental externalities for beyond conventional or traditional accounting.

iii. **Functions Introducing Taxes on Environmental Costs:** This study does recognise that environmental challenges are ever increasing the pressure on government to find ways of reducing such environmental problems like damage while reducing or minimising harm on economic growth of the nation. Within this context, therefore, this paper attempts an approach i.e. suggesting if the environmental costs could be subjected to taxation. This consideration focuses on (i) the taxing of emissions, (ii) tradable emissions permits, and (iii) payment for emission abatement.

iv. **Proposal on how to set Environmental tax and the Theoretical Proposition**: Reflecting on the experience of the past, environmental policy was typically dominated by "command-and-control" regulations e.g. banning or limiting particular materials or technologies. The change in mentality over the decades to date is building on and using market-based instruments such as taxes and tradable emission permits, Coase, (1960). Many discussions on this issue do exist such as those of the OECD Centre for Tax Policy and Administration, the Directorate of Taxation (Environmental); and the Environmental Protection Agency and so on. These documents have guidelines on the costs of abatement in each from:

Each firm would abate up to the level where its marginal abatement costs were equal to the tax rate, so as to minimise its costs inclusive of tax. It will also depend if the EPA sets the right uniform tax rate. Taxation generates EPA/governing revenue; subsidisation is also a charge on revenue, Coase, (1960). Considering the environment as a tax base, it is a notable case that until recently, the public finance literature paid rather little attention to damage to the environment as a potential tax base. However, the use of revenue raised from environmental tax is an important aspect of the environmental tax. Meanwhile, by this option, the Double Dividend Content is the basic appeal of environmental damage as a tax base. By this, the idea is that this revenue-neutral tax reduces environmental damage, and at the same time, reduces welfare costs: These options are available:

I. **The Weak Form:** By raising and using revenues from the Environmental Tax to finance reductions in marginal rates of an existing distortion tax; one achieves costs savings relative to the case where the tax

revenues are returned to tax payments in lump-sum manner.

ii. **The Intermediate Form:** It is possible to find a distortion tax, such that the revenue neutral substitution of the environmental tax for this tax involves a zero or Negative gross costs.

iii. **The Strong Form:** The revenue-neutral substitution of the environmental tax for typical or representative distortion taxes involves a zero or negative gross cost (emphasis in the original).

Considerations on Policy options for Dealing with Environmental Externalities for Taxation

This study, considers sensitive environmental problems like pollution, depletion, and degradation of natural resources which arise because of market failures and government inability to control. There are no markets for environmental goods and services. The tax per unit should be equal to the difference between the social marginal cost, and the private marginal cost.

Some scholars, such as Baumol, and Oates (1998), conclusively highlight that the information problems (i.e. knowledge of marginal damage and marginal social costs, functions, determination of social optimal output, and its uniqueness) in the implementation of the Pigouvian 1948 tax type, (1948). However, these policy options available for internalising environmental externalities are as summarised below:

i. Taxes on output or inputs of polluting units;

ii. Use of market signals for environmental compliance, such as ecolabelling, green rating, and public disclosures;

iii. Taxes on observables, measurable items, such as proxies for pollution tax, base e.g. weight of car, type of fuel (e.g. petrol or gasoil).

iv. Neutral and environmental resources are vital for sustainable development, Deborah and Christine (2005).

I. **Environmental Taxation :** Owen and Adams (1996) conclusively, hold that Environmental taxes are taxes on the base that causes the pollutant. Experience elsewhere show that European countries have been applying environmental taxes for many years, and have also identified many significant economic, social and environmental benefits. In addition, the application of environmental taxes can offer long-term economic, social and environmental gains, and increase the incentive for industry to adopt cleaner production and eco-efficiency. This however, relies on returning taxes, raised on materials and energy input, to the community, by lowering labour taxes or taxes on other productive inputs. One of the most common policies used to tackle the problem of pollution is the so called green, carbon or environmental taxes. Some examples of green taxes include petrol tax, vehicle excise duty, landfill tax, carbon tax, tax on plastic bags etc. SIGMA Environmental Tax Guide (1993), African Development Bank (2000).

ii. **Presenting the Case for Environmental Taxation**: It is generally agreed that, without government intervention, there is no market incentive for firms and individuals to take into account environmental damage and costs, since its impact is spread across many people and therefore, has little or no direct cost to the population; Gauthier, (2002). As such, these are some arguments which have been advanced in favour of environmental taxes as vital drivers for implementation:

· **To the policy makers like governments:** the major appeal of environmental taxes and levis is their potential to provide the best environmental outcome at least costs. In general, for example, labour, income and savings are "goods" that to the economy are productive; while environmental degradation is a "bad" that reduces overall economic welfare.

· **Technological innovations:** another fundamental appeal of this tax is their potential to drive technological

innovations within companies as they try to reduce their emissions.

- Meanwhile, firms which face difficulties in reducing their emissions have alternative mechanism to contribute to environmental protection.
- By internalizing environmental costs into prices, they help to signal the structural economic changes needed to move to a more sustainable economy.
- In addition, the revenue raised by environmental taxes can also be used to reduce the level of other taxes, which can also help to reduce distortions in the economy, while raising the efficiency with which resources are used.

In conclusion, therefore, the main good of environmental tax is to increase the firm's private marginal cost (PMC) until it is equal with social marginal cost curve (SMC). Well designed environmental taxes, and other economic instruments can play an important role in ensuring that prices reflect environmental costs in line with the "polluter plays" principle-and discouraging behaviour that damages the environment. The climate change and aggregate levies, for example, have sent strong signals. E.g. The World Conference on Climate Change report Paris (Dec. (2015), and UNDSD (1998).

iii. **Presenting Objectives to Environmental Taxation:** This study however, observes that several arguments in objection to environmental tax exist, African Development Bank (2002):

- A tax should try to approximate or forecast the cost. In the case of environmental taxes, it is difficult to set taxes at a level which accurately reflects the actual environmental costs of the activity being taxed. Additionally, getting the right costs to set the correct level of taxation: There are problems in setting a tax so that the Private Marginal Cost (PMC) will exactly equate with the Social Marginal Costs (SMC). In addition, a tax should try and get the actual cost of the tax base. Again, if pollution taxes are raised in one country, producers may shift production to countries with lower taxes and benefits. The global pollution remains that same and therefore, the introduction of pollution taxes should be revenue-neutral so that, for example, an increase on environmental tax might be accompanied by the reductions in employment taxes so that the employment consequences of higher taxation are reduced or minimised.
- Conceiving, developing and implementing processes on environmental taxes involves negotiation procedures such as dialogue between the environmental, economic, social and political interested players for the information, education and decision for either acceptance or otherwise of the idea in the first place.
- In designing and implementing environmental tax, the main problem is to fix the actual level of the tax. In addition, knowledge of the pollution abatement, and environmental damage cost curves are needed in order to establish the optimal level of environmental quality, discharges, fees and others.
- In common practice, neither the pollution abatement, neither costs nor environmental damage are known with any high degree of certainty. In addition, environmental taxes can only be useful tools when they are developed in recognition of a political Environmental, Economic, Social and Political circumstances of that country. In general practice, the public will accept the evidence of environmental benefits expected to flow from them.
- As a new tax, any environmental tax would need public education to the public, and due consultation with all

the stakeholders.
- Again, any tax increase on energy and fuels can reduce emission and bring about more efficient use of these products:

iv. **Proposing the Introduction of Environmental Tax in African Countries:** This study has depended to a great extend on Cameroon and case study experiences of selected African countries, from credible source data of international organisations such as UN Agencies, the World Bank, IMF and governments, and specific studies' reports.

This study does uphold, that the environmental degradation in Cameroon like in Africa is immense and wanton. Going by the survey, by the World Bank group (1995-2004) on Africa, with the Report showing these findings:
- The Environmental Economics in Sub-Saharan Africa: Towards Sustainable Development, and showing these findings;
- Estimating the costs and benefits of various environmental-related options;
- Factoring in environmental considerations into sectoral policies.

Presenting the case study on Cameroon, source (World Bank Report-2014).

Focus: "What is environmental degradation costing a national economy? What is value of the benefits yield by improved environmental management?". The gross annual costs (2013-2014) imposed on the Cameroonian economy as a result of environmental degradation can be summarised as follows:-

The source: World Bank Report (2014). However, experiences of some other Application of Environmental Economics are: Among African countries today, South Africa is a leading industrialised country with advanced industrial development, World Bank Development report (2013). The Environmental effects are as presented:-

All the simulations have accordingly indicated that a significant tax on coal will have a positive environmental effect through an overall reduction over the use of coal. The administrative costs as considered show that, the analysis focuses on the economic consequences of a tax on coal, and does not investigate the administrative feasibility of that tax and implications.

v. **Presenting of the case study on OECD Countries**

Environment Tax Revenue: Case Study: OECD Countries (2013)

Source: OECD (2014), Centre for a Tax Policy and Administration. "Is the tax credible and its rate predictable in order to assure environmental improvement?"

In the survey of all member countries under study period, the analysis shows the results:
- Environmental taxes can affect pollution abatement both short-term and structural responses. In the short-term, firms may reduce output, and consumers may adopt less polluting behaviour in response to price changes and tax changes.
- Structural responses are more fundamental changes with long-term consequences, e.g. capital investment decisions, consumer durables etc.
- For an environmental tax to induce structural changes in abatement and innovation, the police i.e. tax must be credible i.e. the public must be convinced that the government has done its home work on rates etc.
- Process of either phasing in or updating an environmental tax is seen as transparent and gradual etc.

"Is Environmental tax revenue useful to government or does it help reduce taxes?" Analytical response results:
- Most environmentally related taxes do not raise much significant revenue for governments.
- Most of the revenue from environmental tax come from few taxes and charges e.g. CO_2 (energy), taxes on driving (fuel, vehicles and tolls), and so on.
- Environmentally related taxes account about 5% of total tax revenues in OECD countries.

- Environmental tax revenue is general government revenue and useful in government budget etc.
- From the debate on carbon taxes, the following issues are raised:

"The theoretical basis for a carbon tax is very straight forward. As carbon tax would raise the price of energy relative to other goods and services", Cameron, David, (2006).

vi. **Introducing Tax on Land, Water and the Environment:** This study presents conclusions that costs of land degradation include lost agricultural production, environmental damage, cost to infrastructure on human and animal health and lives you name them. In dealing with the land and others, the current tax systems were evaluated accordingly, Brown, (2004).

vii. **The Role of the tax System and Income Tax Provisions**: To achieve said goals we acknowledge, that most income tax provisions allow for deductions in maintaining the land, water and other natural resources. Therefore, conservation costs are also covered. It is also argued that the provisions for depreciation over the economic life structural improvements to land might be justified as more accurately reflecting the benchmark tax base and that this element of the current tax provisions tax acts as a correcting medium.

- Tax policy distinguishes between wasting and non-wasting assets. They rather, discriminated between tax payers with high and low marginal tax rates.
- Another problem lies with using deductions to address land degradation problems in the link between the marginal tax rate, and the level of benefits offered, John (2007).

viii. **Some Alternative Solution:** Within the income tax system its agreed rebates are one possibility. Tax credits are an allowance for taxes already paid by the tax payer.

- In general, therefore, tax credits, like rebates cannot exceed tax payable, and cannot be carried forward;
- Again, an alternative to providing subsidies through the tax system is a direct subsidy.
- However, as noted conclusively earlier, the tax system is relatively poor and weak at targeting.

Introducing Global Tax on Environment

In analysing the global environment effects, the Rio De Jenerio principles help. The Rio Declaration (1992), contains the following fundamental principles for international co-operation on environmental issues such as externalities on cross boarder basis. Consequently, if a country uses the atmosphere for waste disposal, should it not but pay a global environmental tax?

The revenue from such a tax could go directly to the United Nations Environment Programme which urgently needs new sources of funding.

In consequence, many practical issues concerning the accounting and administration of global taxes also need to be addressed.

In principle, the concept of global environmental tax would recognise in international law that dumping toxic materials in the oceans also has a cost in the long-term that future generations will have to bear.

The study has no doubt also shown that there are numerous problems, but also prospects and benefits in introducing environmental taxes.

It can be concluded that the accounting data gathering problems raised should not militate against an Environmental tax specifically earmarked for rehabilitating the ecosystems. It is humble indeed to conclude that this environmental tax is deal and good for us as well as for our future generations.

Once this is considered as acceptable policy option, the various environmental management authorities, and UN experts working ministries and stakeholders public could conduct research on how to design and implement this type of tax.

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Managers' Opportunistic Behaviour and Operating Cashflows: Evidence From Nigeria

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Abstract

This study investigated the relationship between managers' opportunistic behaviour and operating cash flow. The study used basically secondary data for a ten year period (2005 to 2014). Fifty (50) manufacturing companies listed on the Nigerian Stock Exchange were used for the study. The study used Ex-Post Facto descriptive design and regression analysis. Data collected were analysed with the use of Ordinary Least Squares (OLS) regression analysis, with the aid of Statistical Packages for Social Sciences (SPSS). Discretionary accruals (DACC) are the explanatory variables for the study and proxies for managers' opportunistic behaviour while operating cash flow (OCF) which is a firm value measure is the dependent variable. Leverage (LEV) and Firm Size (SIZE) were used as control variables. Findings of the study revealed that DACC significantly affected OCF of Nigerian firms for the period 2005 to 2014. It is recommended that managers' opportunistic behaviour should be avoided, as it is commonly believed to reduce the transparency of published financial reports, by masking the true earnings of firms.

Key Words: Managers' Opportunistic Behaviour, Operating Cash Flow

Introduction

As businesses operate for time to time, the managers of these businesses are expected to present their financial reports to users of accounting information. The essence of this is to communicate the economic and financial wellbeing of their companies, to interested stakeholders or users of accounting information. Oyerinde (2011) argued that financial statements still remain the most important source of externally feasible information on companies. Because managers' opportunistic behaviour reduces the quality of financial reporting, it can interfere with the resource allocation in the economy and can bring adverse consequences for the financial market (Matos and Sancovschi, 2005).

In order that financial statement users are not misled by poor quality financial reports, organizations are required to prepare the statements based on accounting standards promulgated on the basis of Generally Accepted Accounting Principles (GAAP). GAAP cannot be extremely restrictive and have to allow for flexible reporting because managers of organizations have better information about the operating environment of their immediate businesses environment than external parties. Since managers can choose from a set of accounting policies, it is natural to expect that they will choose policies so as to maximize their own utility and/or the market value of the firm. Furthermore, Matos and **Sancovschi (2005) opined that** financial statements are to convey managers' information about their companies' performance to users of financial information. GAAP guide managers and allow them to exercise judgment in preparing the financial reports. In the GAAP, managers are permitted to use their best knowledge about their business to enhance the value of the report. The flexibility allowed by GAAP gives room for opportunistic behaviour. Managers' opportunistic behaviour reduces the reliability and usefulness of accounting information to users of financial reports (Whelan, 2004). Operating cash flows as presented in published financial statement should present the true picture of what it purports to represent.

Executives manage earnings to maintain or increase the stock prices of their firms (Graham, Harvey and Rajgopal, 2005). Graham, Harvey and Rajgopal (2005) further stated that managers go to great lengths to report, smooth and predict earnings. Some of the executives believed that achieving a particular benchmark resulted in credibility within the capital market while others stated that this helped to maintain or increase a company's market value. That is to say, those managers believed that achieving a targeted level of profit conveys the prospect of future growth to investors.

Evidences from literature indicate that operating cash flows are often manipulated by managers of organizations. This is because investors would like to observe positive earnings hence managers tend to avoid reporting losses (DeGeorge, Patel & Zechhauser, 1999; Burgstahler and Dichev, 1997). Managers also tend to avoid decreases in earnings. Roychowdhury (2006) stated that firms manage cash flows from operations to avoid reporting losses.

It is in this light that this paper investigated managers' opportunistic behaviour on operating cash flows.

Literature Review

Conceptual Clarifications

Managers' Opportunistic Behaviour: managers' opportunistic behaviour is a term in finance and accounting research that connotes the excesses of managers' behaviour in terms of taking advantage of the allowances given by the generally accepted accounting principles in presentation of their business financial results. It can also be viewed as the process of a business using the Generally Accepted Accounting Principles (GAAP) for the purpose of altering their earnings figures in hopes of attaining a specific desired outcome (Business Dictionary). It can also be called earnings management.

Operating Cash Flows: operating cash flows is an accounting item indicating the money a company brings in from ongoing, regular business activities, such as manufacturing and

selling goods or providing a service. It refers to the amount of cash generated by a company's usual business operations. A company's cash flow from operating activities shows how well the company is able to generate cash (Tarver, 2015).

Empirical Reviews

Arkan (2015) investigated how managers' opportunistic techniques affects net income and cash flow of Kuwaiti manufacturing companies. The results of the study indicated that managers of Kuwaiti firms are involved in opportunistic behaviours as they exercised the discretionary accruals in a negative way.

Cardoso, Martinez and Teixeira (2014) on the other hand, researched on the relationship between free cash flow and the opportunistic behaviours of managers in Brazil. The study aimed at verifying whether a relationship exists between free cash flow (FCF) and the propensity to manage earnings by manipulating discretionary accruals (DA). Lehn and Poulsen (1989) model was adopted to measure the amount of FCF and nonfinancial firms with the greatest stock movement on the Brazilian market for the period 2008 to 2012. Through regression analysis, discretionary accruals (DA) were estimated using the modified Jones model and the relationship between FCF and DA were ascertained. Findings of the study show a positively significant relationship between FCF and DA implying that firms with low growth perspectives and excess FCF are more likely to manage earnings to increase profits because those with better growth prospects tend to use their free cash flow for investments purposes in order to boost production or to enter new markets, with the objective of maintaining profitability.

Li and Zhang (2014) on the other hand investigated the relationship between the discretionary behaviour of managers and cash flows in Australia. This study examined whether the tension of additional cash flows benchmark constrains firms' practice in real activities management. The study hypothesized that suspect firm-years that barely meet both earnings and cash flows forecast would have lower abnormal production costs, compared to suspect firm-years that barely meet only earnings forecast. The study used 13370 firm-year observations of non regulated firms for the period 1987 to 2012. Findings of the study indicated that suspect firm-years that barely meet both earnings and cash flows forecasts exhibit lower overproduction costs and higher abnormal cash flows, compared to the firm-years that just meet earnings forecast. The pressure of meeting additional cash flows forecast does constrain a firm's real activities management, which shows support for the usefulness of cash flows forecast.

Banimahd and Aliabadi (2013) studied the effect of earnings on operational cash flow on the Tehran Stock Exchange. Using the information of 119 firms listed on the Tehran Stock Exchange for the period 2004 to 2011, results indicated that there is a meaningful relationship between the opportunistic behaviour of managers and operating cash flows management.

Nia, Vaeez and Ahmadi (2013) investigated the impact of cash flow volatility and financial leverage on managers' opportunistic behaviour. The study used 90 firms listed on the Tehran Stock Exchange and adjusted Jones model. Using the Pooled Data and cross sectional system and Ordinary Least Square Regressions (OLS) Model for the period of 2006-2011, the results show that cash flow volatility has positively significant relationship with the opportunistic behaviours of managers' while financial leverage is negatively significantly associated with the opportunistic behaviour of managers' of organisations.

Bhundia (2012) on other examined the relationship between free cash flows and the opportunistic behaviours of managers of firms listed on the Indian Stock Exchange. Len and Pulson model (1989) was applied in measuring free cash flows. Correlation method was used and statistical analysis was done by using Eviews software. Systematic-elimination random sampling was used to sample 142 firms for the period 2004 to 2010. The results of this

study signify that there is a positive significant relationship between the opportunistic behaviours of managers and free cash flows and confirm that firm's free cash flows can stimulate the **opportunistic behaviours of managers.**

Kwon (2009) on other hand investigated the relative and incremental value relevance of book value, earnings and cash flows in security prices in the Korean stock markets. The study used Myers (1977), Ohlson (1995) and Feltham and Ohlson (1995) valuation model and performed analyses for all sampled companies. These companies were divided into profit/loss firms and earnings managed/non-earnings managed firms to observe changes in value relevance over the periods 1994 to 2005. Furthermore, the study used 4,865 firm-year observations and found that book value is the most value relevant variable and cash flows have more value relevance than earnings in all samples, subsamples and periods. The results also show that combined value-relevance of book value and cash flows is more value relevant than that of book value and earnings, suggesting that cash flows can be a substitute for earnings in equity valuation model.

Yoon and Miller (2002) researched on the relationship between cash flow and managers' opportunistic behaviour in Korea. The main aim of the study was to examine whether firms have different degrees of incentives to manage earnings depending upon their operating performances measured in terms of Operating Cash Flow (OCF). The study used OCF and Net Income (NI) as proxy for operating performance while the discretionary component of TA was used as a proxy for managers' opportunistic behaviour.

Furthermore, the study used the Kang and Sivaramkrishinan (KS) 1995 Model and the Jones Model; publicly held Korean industrial firms for the period 1994 to 1997 and 2033 firm-year observations. The study found that the Kang and Sivaramakrishnan model is more useful than the Jones model in estimating discretionary accruals. The study also reveals that TA are positively related with operating profit but negatively related with OCF. The results indicate that the negative relationship between TA and OCF is very strong when OCF is positive, but the strength of the negative relationship decreases when OCF is negative. This finding implies that firms performing well tend to decrease reported earnings while those performing badly tend to increase reported earnings.

Methodology

H0: There is no significant relationship between the opportunistic behaviour of managers of Nigerian firms and Operating Cash Flow (OCF).

This study used ex-post facto research design. A population of fifty (50) out of the target population of 85 manufacturing companies listed on the Nigerian Stock Exchange as at December, 2014 and were used for the study. The fifty manufacturing companies comprised of four conglomerates firms, eighteen consumer goods firms, six health care firms, twelve industrial goods firms, seven oil and gas firms, and three natural resources firms. The following criteria were used in the filtering process:

a. Only manufacturing companies listed on the Nigerian Stock Exchange were used for the investigation.
b. The manufacturing companies listed on the Nigerian Stock Exchange that has the needed financial data for the period 2005 to 2014.
c. The manufacturing companies must be in operations as listed companies throughout the period under study.

The study used Ordinary Least Squares (OLS) regression analysis and descriptive statistics in analyzing the data. Operating cash flow (OCF) is the dependent variable for the study while discretionary accruals (DACC) which is a proxy for managers opportunistic behaviours represents the independent variable for the study. The study used basically archival data. Firm size and leverage were used as control variables.

Model Specification

The study used the Modified Jones

Model discretionary accruals. Discretionary accruals $DACC_t = TAC_t - NDA_t$

Where:
$DACC_t$ = Discretionary Accruals in year t
TAC_t =Total Accruals in year t
NDA_t =Non-Discretionary Accruals in year t

While:
$NDA_t = \beta_1 1/A_{t-1} + \beta_2(\Delta REV_t - \Delta REC_t)/A_{t-1} + \beta_3 PPE_t / A_{t-1} + e$

Where:
NDA_t = Non-Discretionary Accruals in year t scaled by lagged total assets
A_{t-1} = Total Assets at the end of year t-1
ΔREV_t = Change in Revenue scaled by lagged total assets in year t
ΔREC_t = Change in Total Receivables scaled by lagged total assets in year t
PPE_t =Gross Property, Plant and Equipment in year t
$\beta_1 \beta_2 \beta_3$ =coefficients of variables 1, 2 and 3
e_i = random variable

This paper used the following regression model:
$OCF_{it} = \alpha + \beta_1 DACC_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + e_{it}$
Where:
OCF= Operating Cash flow
DACC=Discretionary accruals
SIZE= Firm size
LEV=Firm leverage
α = constant

The criteia for the hypothesis testing are: Reject null hypothesis if the p-value is less than 0.05 (p-value < 0.05) or accept the null hypothesis if p-value is greater than 0.05 (p-value > 0.05).

H0: There is no significant relationship between the opportunistic behaviour of managers of Nigerian firms and Operating Cash Flow (OCF).

Table 1: Coefficients of Variables

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	.674	.464		1.453	.153
DACC	-9.826E-9	.000	-.305	-4.121	.000
SIZE	.780	.068	.853	11.549	.000
LEV	-.297	.115	-.187	-2.596	.013

Dependent Variable: OCF
Source: Regression Output

The regression output as indicated in Table 1 show that DACC contributed 30.5 percent; SIZE, 85.3 percent while LEV contributed 18.7 percent to the overall prediction of OCF. These contributions made a significant impact on OCF. This is evidenced from the significance (sig.) values for DACC, SIZE and LEV which are 0.00, 0.00 and 0.01 respectively. These values are less than the p-value of 0.05.

Furthermore, the standardized beta coefficients and t-value for DACC which are -0.31 and -4.12 respectively, shows a negative correlation between DACC and the OCF. This implies that a unit change in discretionary accruals (DACC) results to a negative change in operating cash flow (OCF). In other words, as managers' opportunistic activities increases, it results to a decrease in the relevance of reported OCF of Nigerian firms for decision

making, for the period 2005 to 2014 and vice versa.

The significance value for DACC as shown in Table 1 is 0.00.Since the value 0.00 is less than 0.05, the null hypothesis is therefore rejected. There is therefore a significant relationship between DACC and OCF.

Table 2: Model Summary

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.875	.765	.750	.48718	.765	50.009	3	46	.000	1.703

Dependent Variable: OCF
Source: SPSS Regression Output

Table 2 show that the R value for the hypothesis test is 0.875 and the R square (R^2)is 0.765. The correlation coefficient (R) of 88 percent indicates a very strong correlation between DACC and OCF while the coefficient of determination (R^2) of 77 percent show that the independent variables in the model contributed jointly to explain 77 percent of the variation in the dependent variable (OCF) figures of Nigerian firms. The remainder of 23 percent comprises of variables that were not included in the regression model. The R^2 of 77 percent could be considered as high and so we can confidently say that a greater number of the variables included in the model can explain the dependent variable. The model summary for the study also provides a significance f change of 0.00 which implies that the model for the study is fit.

Discussion of Findings

The result of the hypothesis testing shows that: there is a significant negative correlation between DACC and the OCF. This implies that as the opportunistic behaviours of managers of firms' increases, it results to a decrease in the reliability and relevance of reported OCF. Managers tend to manage cash flow figures upwards in order to achieve a set target. Some of these targets could be: to attract investors, meet or beat analysts' expectations and so on. This is in line with the findings of Yoon and Miller (2002) that indicated a negative relationship between managers' opportunistic behaviours and CFO and this implies that firms performing well tend to decrease reported earnings while those performing badly tend to increase reported earnings.

Furthermore, Roychowdhury (2006) documented evidences that managers manipulate cash flow from operations. Burgstahler and Dichev (1997) found in their study that both Operating Cash Flow and changes in current accruals are managed to increase earnings, while Burgstahler and Eames (2006) documented that both Operating Cash Flow and discretionary accruals are managed upwards to avoid reporting earnings lower than analyst forecasts. From the foregoing therefore, it is obvious that managers of firms in Nigeria engage in opportunistic behaviour..

Conclusions

The reliability and relevance of reported accounting figures determines its relevance to the market. Managers' opportunistic behaviour towards earnings numbers, affects the reliability and relevance of accounting figures. Findings of this study show that managers' opportunistic behaviour affected operating cash flow figure. This implies that managers of firms engage in opportunistic behaviour as they prepare financial accounts. This behaviour should be avoided, since it is believed to mask the true earnings figures of firms and hence reduce the usefulness and reliability of current earnings for forecasting future earnings.

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The Relevance of Capital Structure on Corporate Performance: A Study Of Selected Quoted Manufacturing Companies In Nigeria (2004-2013)

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Abstract

The study examines the relevance of capital structure on corporate performance. Selected manufacturing companies in Nigeria were studied. The impact of capital structure on four variables: Return on Equity (ROE) Return on Assets (ROA), Earnings per Share (EPS), and Sales Growth (SG) were examined. Data spanning 11 years from 2003 to 2014 in respect of the variables were obtained from Central Bank of Nigeria (CBN) bulletin and Nigerian Stock Exchange (NSE) were used. The analysis was done using multiple regressions method. The result of the analysis shows that apart from Return on Assets (ROA), the other variables (i.e. ROE, EPS and SG) have significant influence on capital structure of quoted manufacturing companies. This affirms the relevance of optimum capital structure to corporate performance. The study recommends among others that firms that invest heavily in tangible assets also have higher financial leverage since they borrow at lower interest rates if their debt is secured with such assets.

Keywords: Capital structure, corporate performance, manufacturing companies

Introduction

The issue that confronts the finance manager is how a firm should finance its long-term investments. The manager is primarily concerned with determining the best financing mix or capital structure of the firm. A company's capital structure is the mixture of long-term debt and equity which the company has to procure to finance its projects and operations. The value of a company is regarded as the market value (MV) of its capital structure, i.e. its debt (D) and equity (E), (Ward, 2010). Capital structure decision is the mix of debt and equity that a company uses to finance its business (Damodaran, 2001). It has been a major issue in financial economics ever since Modigliani and Miller demonstrated in 1958 that given frictionless markets, homogenous expectations the capital structure decision of the firm is irrelevant. Brigham and Daves, (2007) affirm that capital structure of a company refers to the way in which the company is financed through a mix of debt and equity capital. It is the proportion of resources that is attributed to the firm through different sources which may include internal and external finances.

The means of financing positive net present value projects has important implications on the corporation. The cumulative effect of these discrete financing decisions result in the capital structure of the firm, and the composition of which has long been a focus of research in corporate finance discipline.

Capital structure represents the major claims to a corporation's assets. This includes the different types of equities and liabilities (Riahi-Belkaonui, 1999). The debt- equity mix can take any of the following forms: 100% equity, 0% debt; 0% equity, 100% debt; and x% equity, y% debt. These alternatives suggest that option one is that of the unlevered firm, it does not take advantage of leverage. The second option is the firm that has no equity capital. This option may not be practical in the real life economic situation, for the reason that no provider of funds will invest his/her funds in a firm without equity capital. This partially explains the term "trading on equity", that is, it is the equity element present in the firm's capital structure that encourages the debt providers to give their scarce resources to the business. Option three is the most realistic one in that it combines both certain percentage of debt and that of equity in the capital structure and thus, the advantage of leverage (if any) is exploited. This mix of debt and equity has long been the subject of debate concerning its determination, evaluation and moreover, accounting (Adaramola, Sulaiman Fapetu, 2005). What actually baffles managers of funds is how to choose the combination of debt and equity to achieve optimum capital structure that could minimize the cost of capital and improve return to owners of the business. Though firms have a choice on how to combine debt and equity, managers attempt to ascertain a particular combination that will minimize the firms cost of capital and hence maximize the firm's profitability, the firm's market value, and generally, corporate performance.

The available literature on the relevance of capital structure to corporate performance reveals that financial performance is a subjective measure of how well a firm can use its assets from its primary business to generate revenues (Dimitris Psillaki, 2008). Drigham (1999) attests that economist and financial experts have not reached an agreement on how and to which extent firms' capital structure (i.e. more of equity and less of debt or vice versa) impacts the value of firms, their performance and governance. *What actually confronts the finance manager is the kind of fund to acquire that is, debt or equity capital in order to maintain an optimal capital structure to enhance firm's performance. According to Acemoglue (1998) debt financing is the more appropriate form of financing operations of high risk firms as a result of tax shield advantage available on interest payment. Myers (2001) holds a contrary view, considers equity financing as more appropriate means of financing high risk firms with a lower success probability and higher cash flow. However Berkovitch and Israel (1996), Habib and Johnsen (2000) consider the combination of both debt and equity as a more appropriate*

means of financing firm's operations.

The choice of an appropriate financing mix is a critical decision for the survival and growth of a firm and also for the purpose of maximizing returns to stakeholders. The existing theoretical and field studies show that the capital structure decision has a considerable influence on the performance of the firm (Ramdam, 2009). Managers and behavioral scientists have looked more carefully at the effect of capital structure decisions on organizational performance (Forbes, 2002; Assaf, 2005; Hutchinson Gul, 2006; Ludvigson, 2007). Graham and Leary (2011) viewed that a lot of studies have been done investigating capital structure of firms, the results obtained are still unclear, asserting that it might be due to wrong investigation on the wrong models or issues, misspecification of managerial decision process or unresponsive of owner-managers.

As a result of the contending views and differences in empirical findings on firm's capital structure and optimal financing means for operations, capital structure is an issue of concern to any firm for maximizing return to shareholders and to enhance firm's ability to operate effectively in an environment that is competitive. It is against this background that this paper seeks to examine the relevance of capital structure to corporate performance of the Nigerian quoted manufacturing companies. More specifically the study, sought to: examine the effect of return on the equity to capital structure of quoted manufacturing companies; examine the effect of return on assets to capital structure of quoted manufacturing companies; examine the effect of earnings per share of quoted manufacturing companies; and examine the effect of sales growth of quoted manufacturing companies.

Literature Review

Conceptual Framework

Capital structure according to Sa'ad (2010) is the way a firm finances its asset through the combination of equity, debt, or hybrid securities. Capital structure is a mixture of a company's debt (long term and short term), common equity and preferred equity. Pandey (1999) defines company's capital structure as the amount of debt level relative to equity on the balance sheet. It is a snapshot of the amount and type of capital that a firm has access to and what financing methods it has to conduct growth initiatives such as research and development in acquiring asset.

Frank and Goyal (2013) opine that short term debt may be defined as any debt incurred by a company that is due within one year. It can also be defined as any bond or other debt that must be repaid or refinanced within one year. Long term debt includes all liabilities other than short term debt and shareholders' equity (Frank & Goyal, 2013). Zeitun and Tian (2007) explain the concept of performance as a controversial issue in the financial strategy of most corporate organization due to its multidimensional meanings. Maximizing profit on assets, and maximizing shareholders benefits are core firms' effectiveness (Chakravarthy, 1998).

The modern theory of capital structure began with celebrated paper of Modigliani and Miller (1958). They suggested that in perfect market, financing strategies do not affect the value of the firm and future performance. Modigliani and Miller demonstrate that if a company's investment policy is taken as given, then in a perfect world, i.e. a world without taxes. Perfect and credible disclosure of all information and no transaction cost associated with raising money or going bankrupt the extent of debt in a company's capital structure does not affect firms' value. However, Modigliani and Miller (1963) later amended their initial argument. They argue that firm's value can be increased by changing the capital structure because of the advantageous debts. However, Jensen and Meckling (1976), disagreed with the earlier proposition and demonstrated that the amount of leverage in a firms' capital structure affect managers' choice of operating activities which in turn affect the performance of the firm. Jensen and Meckling's argument is that managers do not always run the firm to maximize returns to shareholders. They may adopt non profitable investments, even though the outcome may be uncertain to shareholders. They demonstrate

that if debt is included in the capital structure of an organization, it will reduce the agency conflicts between managers and shareholders by constraining or encouraging managers to act more in the interest of shareholders. In the same vein, Myers and Majluf (1984), argue that since all firms' managers try to get optimal capital structure with least possible cost, this led in 1984 to the emergence of pecking theory. The theory suggests that there is no an optimal capital structure for a firm, according to this theory, since there is asymmetrical information between managers and investors. Therefore, to minimize this asymmetric information, managers prefer to finance using retained earnings, debt, and equity respectively.

Review of Empirical Studies

Iorpev and Kwanu (2012) examined the impact of short term debt on the performance of some selected manufacturing firms in Nigeria and concluded that short term debt has a significant negative impact on return on assets (ROA) of the firms under study. However the result showed a negative but insignificant impact between short term debt and gross profit margin (GM). /Abdullah, and Roslan (2012) examined the impact of short term debt on the performance of chemical and industrial sectors of Pakistan. The results reported that there is a significant negative relationship between short term debt and return on equity (ROE). The results also revealed that short term debt has significant positive impact on assets (ROA). /Umar, Tanveer, Aslam and Sajid (2012) examined the impact of current liabilities on asset, earning per share (EPS) and net profit margin (NM). Gatsi (2012) examined the impact of short term debt on Ghanaian banks. He concluded that short term debt positively influences profitability of the selected banks.

Nour (2012) in his study finds out that long term debt has no significant impact on all the performance indices measured by return on equity (ROE), return on asset (ROA), earnings per share (EPS), MBVR and Tobin's Q. Umar et al (2012) conclude that long term liabilities have positive impact on return on equity (ROE). Emjed (2009) reports that there is no significant relationship between long term debt and all three performance measures used in his study, that is, return on asset (ROA), return on equity (ROE) and gross profit margin (GM).

Tian and Zeitun (2007) investigated the effect of capital structure on corporate performance of corporations in Jordan using a panel data sample representing 167 companies during the period 1989 to 2003. The study used panel data models to estimate different measures of corporate performance such as the return on assets (ROA), return on equity (ROE), Earning Before Interest and Tax (EBIT) plus depreciation to total assets, Market Value of Equity to Book Value of Equity (MVE/BE), Price/Earning (P/E) ratio and market value of equity plus book value of liability divided by book value of equity (MBVE) as market performance's measurement. The study also analyzed the variables using descriptive statistics and correlation matrix. The empirical result showed that a firm's capital structure has a significant negative impact on the firm's performance using both accounting and market measurements. The study also found that the short term debt to total assets (STDTA) as a leverage measure has a significantly positive effect on the market performance measure contrary to other measures of leverage such as the total debt to assets and long term to total assets.

Krishman and Moyer (1997) carried out an empirical study on the corporate performance and capital structure of large enterprise for four emerging market economics in Asia namely Hong Kong, Malaysia, Singapore and Korea. The study also tried to investigate the influence of country of origin on both financial performance and capital structure of the corporations studied. The study used Analysis of Variance to test for differences based on country of origin and estimated factor model, regression models to capture the effect of expressed variables on performances. They used four different measures of corporate performance viz-a-viz the return on equity (ROE), the return on invested capital (ROIC), the pretax operation profit margin (PTM) and the market return on

stock (RETURN) and two measures of leverage namely the ratio of total debts to the market value of equity (TD/Equity) and the ratio of long term debt to the market value of equity (LTD/Equity). The study also corrected four problems of short term measurement instability and bias by taking the five years average of the variables. The study found a negative and significant impact of total debt to total equity (TD/TE) on return equity (ROE) of Asian corporations comprising of 81 companies. The study also found out that both profitability performance and capital structure were influenced by the country of origin. The Hong Kong corporations have significantly higher returns on equity and invested capital while performances among firms from the other country were not statically significant. The stock market return model was not significant which suggested that expected differences in accounting performance across the countries were rapidly incorporated in their stock prices. Overall, the evidence from the study only lends limited support to the capital structure theories in these emerging market economies.

Adaramola, Suliamon and Fapetu (2005) conducted a research which aimed at establishing a realistic relationship between the capital structure and corporate performance of selected quoted firms in Nigeria .The study used panel data from fifty quoted firms for the 2002.The data were further built into three different panels. Panel one comprised of data from both banking and non-banking firms, panel two has data from 25 non-banking firms while panel three has data from 25 banking firms. The study employed the ordinary least square (OLS) regression method of estimation analyzed the variables used i.e. Earnings per share (EPS) on leverage ratio, weight average cost of capital and business risk. The study revealed that capital structure has no significant impact on the value of non banking firms as all explanatory variables used in the panel for non banking firms were not statistically significant from zero. On the other hand, the result showed that the value of the banking firms was positively affected by its capital structure. According to the authors, this result suggests that the concept of optimal capital structure is not applicable to the Nigerian banking institutions.

Salaw (2007) carried out an empirical analysis of the capital structure of 50 selected non-financial quoted companies in Nigeria between the period 1990 and 2004. The study investigated the main determinants of the capital structure of the selected quoted firms in Nigeria. The study employed two different analytical techniques namely the descriptive statistics and the inferential statistic (panel data econometrics techniques) in analyzing secondary data obtain from the annual reports of the Nigerian Stock Exchange. The descriptive analysis used in evaluating the selected variables were the mean, mode, median, range and standard deviation. The pooled ordinary least square (OLS) model, fixed effect model and random effect model were used in the analysis of data. The empirical results show that debt financing for listed companies in Nigeria for the period studied corresponds mainly to short term debt nature. Leverage was found to be positively correlated with total debts which according to author, suggest that large firms can better support higher debt ratios than small firms.

Olokoyo (2012), investigated the effect of capital structure on cooporate performance of Nigeria quoted firms by establishing the relationship that exists between the capital structure choice of firms in Nigeria and their returns on assets (ROA) Return on equity (ROE), a market performance measure the effect of size on firms' performance was also established. The study employed panel data analysis by using fixed-effect estimation, Random-effect estimate and pooled regression model. The empirical result based on 2003 to 2007 accounting and marketing data for 101 quoted firms in Nigeria lend some support to the pecking order and static tradeoff theories of capital structure. A firm's leverage was found to have a significant negative impact on the firm's accounting performance measured (ROA). An interesting finding was that all the leverage measures have a positive and highly significant relationship with the market performance measure. It was also established

that the maturity structure of debts affect the performance of firms significant and the size of the firms has significant positive effect on the performance of firms in Nigeria. The study further reveals a salient fact that Nigerian firms are either majorly finance by equity capital or a mix of equity capital and short term financing.

Methodology

The study employed an empirical research design in order to find the relevance of capital structure to corporate performance of quoted manufacturing companies in Nigeria. The study uses secondary data collected from Nigeria, Stock Exchange (NSE fact book) to compute certain variables. The capital structure is proxed by the leverage and it's shortened by LEV. Four independent variables were also used in the study to denote the performance of the selected manufacturing companies. These variables include: Return on equity, return on assets, earnings per share and sales growth. They' variable are abbreviated as ROE, ROA, EPS, and SG respectively. The data used comprised of annual reports, Journals, published materials, financial statements of the selected manufacturing companies in Nigeria from 2004-2013. 60 companies were selected as the population of the study which cut across all sectors of the economy and ranges from agriculture, processes, textile, engineering, chemical to conglomerate. Multiple linear regression technique was used in the application of SPSS - Statistical Package.

Model Specification

In this research, for indication of type and intensity of relationship between dependent and independent variables, we use correlation and estimation of multiple regression models. In addition, hypotheses were tested based on statistical significance using t-value and t-statistics at 5% level of significance.

The following general hypothesis used for this test: Ho: = 0, H_1: 0, Ho hypothesis means the independent variable coefficient is zero and in other words, there is no relationship between the changes in the tested dependent variable and independent variables. Here, the hypotheses are tested in a 5% error level. If the p value <5%, the correlation is confirmed at 95% confidence level and otherwise is rejected. The model utility was examined using: correlation coefficient(R), and coefficient of determination (R^2). The first one (R) is used to show the strength of relationship between the independent and dependent variables. While the second one (R^2) is used to show the predictive power of the independents variable on the dependent variable. T-statistic is used for testing the statistical significance of the parameters, while F-statistic is used for testing the overall significance of the model and the Durbin-Watson (DW) test, is used to test the presence or otherwise of serial correlation. The models used in testing the hypotheses of the study are presented below:

LEV = f (ROE, ROA, ESP, and SG (1)

This functional relationship can be transformed in econometric model.

$LEV = b_0 + b_1ROE + b_2ROA + b_3EPS + b_4SG +$ (2)

Where:

LEV = Leverage

bo = intercept of the regression

b_1, $\mathbf{b_2}$, $\mathbf{b_3}$ and b_4 = are the parameters to be estimated

ROE = Return on Equity as independent variable

ROA = Return on Assets as independent variable

SG = Sales Growth as independent variable

EPS = Earnings per Share as independent variable

e = disturbance term or error term

LEV = D/E (Ratio of Debt to equity as a dependent variable)

Discussion of Result

This section deals with the presentation of data and description of the analysis of the data collected. The data used for this study covered a period of 2004-2013 and are presented in Table 1. The variables of the study essentially relate to return on equity, return on asset, earnings per share, and sales growth.

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
LEV	18.6690	4.96529	10
ROE	7.6870	2.96883	10
ROA	7.1100	2.92327	10
EPS	1.0860	1.33820	10
SG	8.5670	4.75673	10

Source: Computed using SPSS software. N=10

The result of the descriptive statistics shows that the mean for the distribution of leverage is 18.6690 while the standard deviation is around the mean which is 4.96529. ROE has a mean distribution of 7.6870 while the standard deviation from the mean is 2.96883. ROA has a mean of 7.1100 with a standard deviation from the mean of 2.92327. EPS has a mean of 1.0860 with a standard deviation from the mean of 1.33820. SG has a mean of 8.5670 with a standard deviation from the mean of 4.75673. This variation of the standard deviation of the variables from their mean positions shows a fair distribution of the variables around the mean as they move from one year to the other.

Table2: Regression Coefficients

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	9.527	5.849		1.629	.164
	ROE	9.161	1.900	5.478	2.349	.017
1	ROA	-9.427	3.997	-5.550	-2.359	.046
	EPS	.659	.012	.177	.362	.732
	SG	.587	.057	.563	1.033	.035

A Dependent Variable: LEVERAGE

Source: Computed using SPSS software.

As shown by the result of the regression model above, a positive relationship exists between RETURN ON EQUITY (ROE) and LEVERAGE (LEV) and the relationship is statistically significant *(p<0.05)*. The relationship is in line with *a priori expectation.* This result means that a unit increases in RETURN ON EQUITY (ROE) will cause a corresponding increase in LEVERAGE (LEV) by 54.78%.

A negative relationship exists between RETURN ON ASSET and LEVERAGE (LEV) and the relationship is not statistically significant *(p>0.05)*. It is not in line with *apriori expectation.* The result of the analysis shows that units increase in RETURN ON ASSET will lead to a 55.5% corresponding decrease in LEVERAGE (LEV).

A positive relationship exists between EARNING PER SHARE and LEVERAGE (LEV) and the relationship is not statistically significant *(p>0.05)*. However, it is in line with *a priori expectation.* The result of the analysis shows that a unit increase in EARNING PER SHARE will lead to a 17.7% corresponding increase in LEVERAGE (LEV).

A positive relationship exists between SALES GROWTH and LEVERAGE (LEV)

and the relationship is statistically significant *($p<0.05$)*. It is in line with *a priori expectation.* The result of the analysis shows that a unit increase in EARNING PER SHARE will lead to a 56.3% corresponding increase in LEVERAGE (LEV).

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.770[a]	.759	.267	4.25121	2.770

a. Predictors: (Constant), SG, ROE, EPS, ROA

b. Dependent Variable: LEV

Source: Computed using SPSS software.

The coefficient of determination R^2 for the study is 0.759 or 75.9%. This indicates that 75.9% of the variations in the model can be explained by the explanatory variables of the model while 24.1% can be attributed to unexplained variation captured by the stochastic term. The Durbin Watson statistics is 2.770 this shows that there is a minimal degree of negative autocorrelation in the model of the study.

Hypotheses Testing

Using Standard error test to test the hypothesis, we have the following decision rule.

S (b_i) > ½b_i we accept the null hypothesis, that is, we accept that the estimate bi is not statistically significant at the 5% level of significance.

S (b_i) < ½b_i, we reject the null hypothesis, in other words, that is; we accept that the estimate bi is statistically significant at the 5% level of significance.

H_{01}: Return on equity has no significant influence on capital structure of quoted manufacturing companies

LEV= 9.527 + 5.478ROE-5.550ROA + 0.177EPS + 0.563SG. - - - - -(1)

[0.1900] [3.997] [0.012] [0.057]

From the regression equation above,

b_1 = 5.478

Standard deviation of b_1 = 0.1900

Ho:b_1, = 0

H_a:b_1, *=0*

½b_1 equals 2.739

Therefore, using the standard error test, *S* (bi) < ½bi above, 0.1900< 2.739. Thus, we reject the null hypothesis. That is, we accept that the estimate bi is statistically significant at the 5% level of significance. This implies that return on equity has a positive effect on capital structure proxied by the leverage.

H_{02}: Return on asset has no significant influence on capital structure of quoted manufacturing companies

LEV =9.527 + 5.478ROE -5.550ROA + 0.177EPS + 0.563SG- - -(1)

[0.1900] [3.997] [0.012] [0.057]

From the regression equation above,

b_2 =-5.550

Standard deviation of b_2 = 3.997

Ho: b2=0

Ha: b_2 = 0

½b_2 equals -2.775

Therefore, using the standard error test, *S* (b_2) > ½b_2 above, 3.997> -2.775. Thus, we accept the null hypothesis. That is, we accept that the estimate b_2 is not statistically significant at the 5% level of significance. This implies that return on asset has no significant influence on the capital structure of quoted manufacturing companies

H_{03}: Earning per share has no significant influence on capital structure of quoted manufacturing companies

LEV= 9.527 + 5.478ROE-5.550ROA + 0.177EPS + 0.563SG - - - -(1)

[0.1900] [3.997] [0.012] [0.057]

From the regression equation above,

$b_3 = 0.177$
Standard deviation of $b_3 = 0.012$
$H_0: b_3 = 0$
$H_a: b_3 = 0$
$\frac{1}{2} b_3$ equals 0.0885

Therefore, using the standard error test, $S(b_3) < \frac{1}{2} b_3$ above, $0.012 < 0.0885$. Thus, we reject the null hypothesis. That is, we accept that the estimate b_3 is statistically significant at the 5% level of significance. This implies that earning per share has significant influence on the capital structure of quoted manufacturing companies.

H04: Sales growth has no significant influence on capital structure of quoted manufacturing companies

LEV=9.527 + 5.478ROE-5.550ROA + 0.177EPS + 0.563SG - - - -(1)
[0.1900] [3.997] [0.012] [0.057]
From the regression equation above,
$b_4 = 0.563$
Standard deviation of $b_4 = 0.057$
$H_0: b_4 = 0$
$H_a: b_4 = 0$
$\frac{1}{2} b_3$ equals 0.2815

Therefore, using the standard error test, $S(b_4) < \frac{1}{2} b_4$ above, $0.012 < 0.0885$. Thus, we reject the null hypothesis. That is, we accept that the estimate b_4 is statistically significant at the 5% level of significance. This implies that sales growth has significant influence on the capital structure of quoted manufacturing companies.

Conclusion/Recommendations

Capital structure is an issue of concern to any firm for maximizing return to shareholders and to enhance firm's ability to operate effectively in an environment that is competitive. The result of the regression shows a positive relationship between return on equity and leverage. However, a negative relationship exists between return on asset and leverage, the relationship is not statistically significant. Also, the result shows that a positive relationship exists between earning per share and sales growth with leverage. This result shows that these financial ratios help to provide a yardstick for stakeholders to evaluate the past financial performance and the current position of a firm.

The capital structure theory provides models that can evaluate the effectiveness of gearing on the firm's performance. The study examines the relevance of capital structure to corporate performance. Through the analysis, the study assess the effectiveness of leverage on firm's performance using some selected manufacturing companies in Nigeria and the assessment was based from 2004 to 2013.

The study explained clearly that capital structure is the mix of debt and equity finance and reveals that the capital structure theory is valid. It confirms that EPS, ROE, and SG in both the highly and lowly geared firms which are statistically significant and are important determinants of firms' performance. The study confirms that the performance of the firm is influenced by capital mix.

In relation to empirical studies on capital structure and firm's performance, this study affirms that: Capital structure is an issue of concern to any firm for maximization of shareholders' wealth and to enhance the ability to operate effectively in an environment that is competitive. Findings reveals that only ROA is negatively significant to capital structure and therefore the study recommends that firms should prefer internal source of financing as demonstrated by bankruptcy costs theory to minimize financial distress in order to maximize shareholders wealth.

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APPENDIX

	Dependent	**Independent Varia bles**			
Year	Lev	ROE	ROA	EPS	SG
2004	23.0	5.1	4.1	0.16	4.0
2005	23.4	6.14	4.8	0.03	3.7
2006	15.5	6.7	6.0	0.05	4.2
2007	16.6	14.4	13.5	0.31	7.4
2008	7.9	4.0	4.0	0.55	6.1
2009	16.6	9.9	9.7	0.52	6.1
2010	17.8	5.9	5.7	0.24	10.3
2011	24.1	7.7	7.5	2.7	16.5
2012	22.3	8.1	7.6	3.2	16.6
2013	19.7	8.9	8.3	3.3	9.1

Source: Nigerian Stock Exchange (NSE) Fact Book, 2014

Effect of Agricultural Credit Guarantee Scheme Fund on Agricultural Development in Nigeria

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Abstract

Undoubtedly, one of the major and important sectors of the Nigerian economy is agriculture. In spite of the importance of the oil sector, agriculture continues to supply the bulk of employment, income, food and raw materials required for the country's agro-allied industries. However the sector has not grown as expected owing to the inability of farmers and the entire agricultural value chain to gain adequate access to credit from commercial banks. In an attempt to establish a link between the scheme and agricultural growth, the study empirically examined the impact of Loans guaranteed by the Agricultural credit guarantee scheme fund (ACGSF) and maximum lending rates on agricultural growth to determine if the ACGSF and lending rates have contributed to the growth and development of the agricultural sector in Nigeria. This study adopts time series data from 1981 to 2015 where regression analysis was adopted as a statistical tool.The results broadly support the view that the ACGSF has fulfilled its primary objective of contributing to agricultural growth by enhancing the confidence of commercial banks in lending to the agricultural sector. However, more needs to be done.

Keywords: Agricultural Credit Guarantee Scheme, Agricultural Development, Nigeria

Introduction

The growing challenges of achieving national food security and supporting rural populations while providing food at affordable prices to urban dwellers, has brought about increased debate as to the role of the Nigerian government (FGN)in creating a conducive environment for the adequate financing of Agriculture in Nigeria. Prior to the discovery of oil, agriculture was the main contributor to the Nigerian economy. The Central Bank of Nigeria (CBN) in 2012, cited the contributions of the agricultural sector to GDP at 42% which fell far short of the immediate post-independence contribution of 65%, taking into cognizance that almost N300 billion that had been sunk into the sector up till 2012 through the Agricultural Credit Guarantee Scheme Fund (ACGSF), Bank of Agriculture (BOA) Ltd, Commercial Agricultural Credit Scheme (CACS)and the Nigeria Incentive-Based Risk Management System for Agricultural Lending (NIRSAL) .

The food import bill of Nigeria in the last decade stood at 10 trillion naira primarily from the importation of rice, sugar, wheat and fish.Since 2008 food import bill had been hovering around US$4 billion yearly of which, in the year 2010 alone, rice importation bill was US$1billion,wheat US$1.1billion, fish US$ 0.7billion, sugar US$ 0.4billion. Then Permanent Secretary in the Federal Ministry of Agriculture and Rural Development, Sonny Echono, disclosed at a two-day workshop on the Food Crisis Prevention and Management Charter on the 24th of July, 2015 that Nigeria's food imports were growing at an unsustainable rate of 11 per cent per annum.

There is a general consensus that while Nigerian farmers over-utilise labour and land, they underutilize credit. Ajobo and Oguntade, (1996) suggest that the primary reasons for this are limited sources from which credit can be obtained. In addition, (Obeta, 1992) suggests that only a third of the credit needs in rural areas are met by formal lending agencies.A lot of reasons have been adduced as to why formal institutions are unable to meet the credit needs of the agricultural sector in Nigeria some of this reasons include among others that credit applications are in most cases controlled through the institutions' headquarters which are located in the cities. This has put them out of touch with the needs of subsistence farmers. Also, untimely release of funds, cumbersome loan procedures and high interest rates limit farmers' access to loans from this sector.In a bid to curtail this situation, several intervention schemes have been introduced by the FGN over the years among which include; Nigerian Agricultural, Cooperative and Rural Development Bank – NACRDB (now BOA) (1973), ACGSF (1977),CACS (2009) and the most recent, NISRAL (2011). However, not much progress seems to have been made according to (Famogbiele, 2013).

It is on this note that this study analyzes the roles played by ACGSF, lending rates and rural lending in creating a conducive environment for commercial banks to lend to farmers and the value chain thereby contributing to the economic development of Nigeria.

Concept of Agricultural Finance

Agriculture finance refers to resources either public or private for improving social welfare through development of agricultural sector (Shreiner and Yaron, 2001). It includes both public andprivate sector funds that use matching grants to attempt to promote community and sector development, income equality and local empowerment.

Agriculture financing can be divided into the leverage and non-leverage categories. (Thirlwall, 1976) states that leveraged fundsare those with fixed contractual financial obligations, to which the resources of a nation may be offered as collateral. To cope adequately, in the long-run, a nation's debt-servicing capacity must grow at a rate not less than the growth rate of its debt burden (Ariyo, 1999). Non-leveraged funds on the other hand, do not impose fixed or compulsory servicing obligations on the nation. The regularity and magnitude of non-debt resource flows, however, depend on perceived country risk, relative investment yield and enabling factors such as the quality of governance (Ariyo, 1999).

The objective of agricultural financing policies instituted by the FGN is to establish an effective system of sustainable agricultural credit schemes and institutions that could provide micro and macro credit facilities for small, medium and large scale producers, processors and marketers in the agricultural sector of the economy. (CBN,

2005) suggests that "robust economic growth cannot be achieved without putting in place well focused programs to reduce poverty through empowering the people by increasing their access to factors of production, especially credit."

Concept of Rural Finance

The food Agricultural Organization (FAO) defines rural finance as that which encompasses the degree of financial services offered and used in rural areas by people representing all levels of income. It is inclusive of agricultural finance, which is focused on providing financing for agricultural related activities such as input supply, production, distribution, wholesale, processing and marketing, and microfinance which provides financial services for poor and low income people by offering smaller loans and savings services, while accepting a wider variety of assets as collateral.

The inability of households and enterprises to access capital on competitive terms to undertake profitable investments, or take advantage of market opportunities, means that incomes and growth are lower than they need be. Without market instruments to insure against risk, rural households and enterprises may even retreat from profitable projects for which they have adequate liquidity. The absence of competitive savings instruments and other financial services in rural areas leads to less productive forms of savings that cut further into households' scarce liquidity and dampen local growth prospects.

Access to rural financial services can create employment opportunity in the rural area, promote growth and help in poverty reduction. Considering the high proportion of poor populations that live in rural areas in developing countries, the growing income inequality between urban and rural markets, and concerns for food security and population vulnerability in rural communities, a host of development agencies are shifting their attentions to rural financial deepening as part of a strategy to stimulate rural private sector development. The rural arrears in Nigeria accommodate 53 percent of the nation's population of which over 70 percent are poor.

Concept of Credit Guarantee

Finance professionals have widely advocated for credit guarantees to address difficulties experienced by individuals, households, farms and small businesses in borrowing from banks (Gudger, 1999). A guarantee is a contract built on trust and executed in utmost good faith. This then evokes an intricate duty of care on the part of the parties involved to look out for each other's interests, especially that of the guarantor. Generally, guarantees are underwriting of risk of default or collateral security on any contract and have been profitably utilized in lending to the disadvantaged groups, rural development projects; agricultural development projects and export promotions among others. This is mostly utilized in developing countries like the FGN.

The efficacy of credit guarantee scheme for promoting intermediation to the preferred sector of the economy has been a subject of debate. Proponents of the use of credit guarantee have advanced various reasons for the relevance of credit guarantees. First amongst these is that guarantee offered by a third party is generally maintained in secured and liquid form and in the event of default can be easily called up by the lender much easier than tangible collaterals. Where the guarantor is very liquid, guarantee is superior to physical collateral and would be sufficient inducement for the lender can confidently grant loan. Secondly, in the course of extending credit to relatively inexperienced small and micro borrowers, the lending institutions would be expected to apply due diligence and risk mitigation techniques to avoid default while the guarantee agency employs the same to reduce the volume of claims arising from defaults. This produces a synergy that would reduce risk to the barest minimum.In the case of the ACGSF the FGN guarantees loans granted under the scheme by up to 75% of the amount defaulted net of any security realized while the commercial banks cover the remaining 25 percent.

ACGSF

The ACGSF was established by Decree 20 of 1977, and started operations in April, 1978. The aim of the scheme was to encourage banks to lend money to all categories of farmers by providing guarantees on the loans granted by commercial banks for the agricultural purposes defined in the ACGSF Act of 1977. Its original share capital and paid-up capital were N100 million and N85.6

million, respectively. This was subsequently increased to N3 billion in March, 2001. The Federal Government holds 60% and the Central Bank of Nigeria, 40% of the shares.ACGSF guarantees loans extended by commercial banks to farmers by up to 75% of the amount. The Fund is managed by the Central Bank of Nigeria, which handles the day-to-day operations of the Scheme.The fund's only source of income is its investment in treasury bills and treasury certificates with interest accruals.

ACGSF started to guarantee loans in April 1978 and as of 31 December 2015 it had guaranteed a cumulative total of 998,908loans valued at N95.83 billion of which 754,219 loans valued at N 65.93 billion had been fully repaid by 31st December 2015. Delta state benefited the most with a total value of N8.8 billion as against N8.3 billion benefited by the Katsina state Government who came second. Ekiti state has benefited the least from the scheme with a total of 4,769 loans valued at N686.12 million.In terms of value of loans guaranteed under the ACGSF operations The largest percentage of guaranteed loans went to food crops (over 80 percent), followed by livestock, fisheries, cash crops and others.Food crops benefitted N74.99 billion as againstN 17.76 billion,N2.98 billion for livestock and cash crops respectively.

After the deregulation (the removal of interest and exchange rate control by the government and liberalization of bank licensing) of the financial system in 1986, banks started reducing their loans to the agricultural sector due to the perceived risk. For instance the amount of loan guaranteed under the fund dropped below N100 million from 1990 to 1993. In order to reverse the declining trend several innovations and products were introduced under the Scheme such as self-help group linkage program, Trust Fund Model (TFM) and The Interest Drawback Program (IDP).

The Self-Help Group Linkage program was launched under the ACGSF in 1991 and became operational in 1992. Farmers under the program are encouraged to constitute themselves into groups of between 5 and 15 persons on the basis of common purpose.The groups are encouraged to save regularly with a partner banks of their liking for a period of 6 months after which they could then apply to the partner bank for the loan. The amount saved provides part cash security for loans to saving groups. Bank loans acquired by the groups are in most cases in multiples of the balance in their account at the time of the application for the loan.The group savings security cannot be accessed until the loans are fully repaid. The aim of the Self-Help Group Linkage Banking is to encourage savings and banking habit amongst group members so as to enable them build up resources for financing their farm projects without recourse to bank borrowing on the long run. However, over the years the self-help linkage program seems tofailin encourage farmers to constitute themselves into groups. In 2016, most loans guaranteed under the scheme were granted to individuals totaling 5,825 worth N688.39 million as against 4 cooperatives and 1 informal group worth N1.8 million and N250, 000 respectively.

The TFM is a framework for enhancing credit supply to the agricultural and rural sectors of the economy. Under the TFM, firms in the oil sector, State/Local Governments and the private sector place funds in trust with Participating banks to augment the small group-savings of the farmers as security for agricultural loans. The TFM secures 25% or more of the intended loans of the prospective borrowers, the farmers' savings secure another 25% while the ACGSF guarantees 75% of the remaining 50%, thereby leaving the lending bank with a risk exposure of only 12.5%. It is possible forstate governments to increase its stake beyond 25% in order to assist the peasant farmers who may be unable to muster enough savings to qualify for a meaningful amount of loan.

The IDP was developed to manage the interest rate management framework under the ACGSF to reduce effective borrowing rates so as to avoid the introduction dual interest rate regime and also not contradicting the existing deregulation policy of the government.Under the IDP, farmers will continue to borrow from lending banks at market-determined rates. However, the Program will provide interest rebate of a determined percentage to them as an incentive when the loans are repaid as and when due. The IDP has an authorized capital fund of about N2.0 billion. The funding of IDP is jointly by the Federal Government of Nigeria and the Central Bank of Nigeria in the ratio of 60% and 40% respectively.It is regarded as a dedicated fund for interest drawback on agricultural loans and separated from the ACGSF capital. To qualify for

the IDP, the farmer must have repaid both loan principal and interest within the agreed tenor. However, a graced period of three months for repayment may be allowed but drawback entitlement shall be calculated only up to the scheduled date for the final repayment of the loans. This means that interest accruing during the grace period will not be paid of the amount to be refunded.

Economic Interventionism

John Maynard Keynes led a change in the economic thinking in the 1930s that changed the prevailing ideology then that free markets would automatically provide full employment. This was based on the provision of adequate public policy solution to jump start production and employment in America after the great depression of 1930. The main thrust of the Keynes theory was the assertion that aggregate demand is the most important driving force of an economy. He further stated that free markets have no self-balancing mechanism that lead to full employment. Only government intervention through public policies achieve employment and price stability thereby bringing about economic growth.

Economic interventionism is an economic policy that supports government intervention in the market process to correct market failures and promote the well-being of her citizens. Economic intervention seeks to promote economic growth, increase employment, raise wages, control the movement of prices, enable income equality, manage money supply and interest rates and address market failures. Economic interventionism explains the need for the FGN to intervene to motivate commercial banks to lend more to farmers and indeed the entire agricultural value chain

.

Methodology and Results

The data obtained for this study was from the CBN statistical bulletin of 2013 and 2018 whereAgricultural GDP (the dependent variable) is regressed against total loans guaranteed by the ACGSF and maximum lending rates (independent variables)over the period of 1981 to 2016 represented by the equation:

$$\mathrm{GDP} = B_0 + B_1\mathrm{LG} + B_2\mathrm{ML} + B_3\,\mathrm{LR} + E$$

Where

GDP.............. Agricultural Sector Gross Domestic Product

LG ....Agricultural Loans Guaranteed under the ACGSF

ML ....Maximum Lending Rates

E ....Error Term

A good number of statistical tests rely upon certain assumptions about the variables used in the analysis. So when these assumptions are not satisfied, the results may not be trustworthy, thus resulting in a Type I or Type II error, or over or under-estimation of significance. In testing for multi-collinearity (how correlated the independent variables are), the correlations box in appendix 2 shows that none of the independent variables is correlated as nonehas a correlation value greater than 0.7 as the correlation between agricultural loans guaranteed and maximum lending rates is 0.324.Though the variables obtained at source were non-normal, the variables were transformed to a normal nature using SPSS. The result did not show any outliers as shown in the residual statistics box in appendix 7 where the cooks Distance has a maximum value of 0.9 which is less than 1.

The coefficients box shows that the predictor variables (loans guaranteed by ACGSF and Maximum lending rates) are statistically significant making them an important part of the outcome. In terms of goodness-of-fit, the model summary in appendix 3 reflects an $R^2$of 0.925 which indicates that 92.5 percent of total variance in Agricultural GDP is explained by loans guaranteed by Maximum lending rates. The statistical significance in the Annova table of 0.00 is less than 0.5 percent. As a result, the researcher is reasonably confident that the Model used for the Study is better at predicting the outcome than using the average.

Conclusion

The role that the agriculture sector plays in economic development of Nigeria as the provider of employment and food amongst others cannot be overemphasized. It is unfortunate that agricultural production has not been able to keep pace with population growth. A major reason for this is the inability of a considerate portion of farmers and the agricultural value chain to gain access to credit

This study shows that Agricultural loans guaranteed by the ACGSF impacts agricultural

development in Nigeria. In view of this, it is important that FGN does more in improving access to this scheme across the Federation. It is important to identify risks specific to financing Agriculture so as to increase access by rural populations to agricultural credit and other financial services also taking into cognizance the profitability and viability of the Banks involved in the ACGSF. Some of this strategies include among others firstly, adapting financial services and credit policies of commercial banks to the Agricultural systems in each of the six Geopolitical regions in Nigeria. Secondly, the provision of credit to the sector must be made inclusive of the overall approach that emphasizes the development of the entire Agricultural Value chain. Lastly, all Banks involved in the ACGSF, must establish more rural branches so as to improve accessibility of credit to rural populations since most of the time agriculture is practiced in the rural areas.

In terms of which particular area of agriculture benefits the most form ACGSF Food crops has benefited the most. While this is good, cash crops which has benefitted the least from the scheme needs urgent attention in order to boost Nigeria's exports considering that the country is currently undergoing economic recession. States like Ekiti need to do more by way of public campaigns in orderto educate the citizens more on the availability, importance and how to access loans guaranteed by the ACGSF so as to boost access to loans guaranteed by the scheme.

Finally, the study shows that lending rates have an important role to play in the ability of farmers and the agricultural value chains to access agricultural credit so as to boost agricultural development in Nigeria. It is important to note that lending rates have been consistently high over the years with a minimum of 18.36% in 2007 and a maximum of 27.01% in 2015. It is important that CBN, the banks and the private sector take steps in reducing the maximum lending ratesof banks as they have been on a steady increase.

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APPENDIX 1

Descriptive Statistics

	Mean	Std. Deviation	N
Agricgdp	2.9472	1.03636	35
maximum lending rates of banks	21.21	5.856	35
Agricloansguaranteed	5.7104	.92440	35

APPENDIX 2

Correlations

		agricgdp	maximum lending rates of banks	agricloansguaranteed
Pearson Correlation	Agricgdp	1.000	.469	.946
	maximum lending rates of banks	.469	1.000	.324
	Agricloansguaranteed	.946	.324	1.000
Sig. (1-tailed)	Agricgdp	.	.002	.000
	maximum lending rates of banks	.002	.	.029
	Agricloansguaranteed	.000	.029	.
N	Agricgdp	35	35	35
	maximum lending rates of banks	35	35	35
	Agricloansguaranteed	35	35	35

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	agricloansguaranteed, maximum lending rates of banks[b]	.	Enter

a. Dependent Variable: agricgdp

b. All requested variables entered.

APPENDIX 3

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
1	.962[a]	.925	.920	.29306	.925	196.600	2	32	.000

a. Predictors: (Constant), agricloansguaranteed, maximum lending rates of banks

b. Dependent Variable: agricgdp

APPENDIX 4

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.769	2	16.885	196.600	.000[b]
	Residual	2.748	32	.086		
	Total	36.518	34			

a. Dependent Variable: agricgdp

b. Predictors: (Constant), agricloansguaranteed, maximum lending rates of banks

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-3.416	.326		-10.478	.000					
	maximum lending rates of banks	.032	.009	.182	3.551	.001	.469	.532	.172	.895	1.117
	agricloansguaranteed	.995	.057	.887	17.308	.000	.946	.951	.839	.895	1.117

a. Dependent Variable: agricgdp

APPENDIX 6

CollinearityDiagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	maximum lending rates of banks	agricloansguaranteed
1	1	2.946	1.000	.00	.01	.00
	2	.042	8.403	.10	.99	.08
	3	.012	15.370	.90	.00	.92

a. Dependent Variable: agricgdp

APPENDIX 7

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.3715	4.4708	2.9472	.99660	35
Std. Predicted Value	-1.581	1.529	.000	1.000	35
Standard Error of Predicted Value	.050	.164	.083	.024	35
Adjusted Predicted Value	1.3567	4.4940	2.9552	.99470	35
Residual	-.51518	.54359	.00000	.28431	35
Std. Residual	-1.758	1.855	.000	.970	35
Stud. Residual	-1.815	1.887	-.013	1.003	35
Deleted Residual	-.54887	.56275	-.00797	.30432	35
Stud. Deleted Residual	-1.886	1.970	-.011	1.021	35
Mahal. Distance	.028	9.657	1.943	1.823	35
Cook's Distance	.000	.090	.024	.024	35
Centered Leverage Value	.001	.284	.057	.054	35

a. Dependent Variable: agricgdp

APPENDIX 7

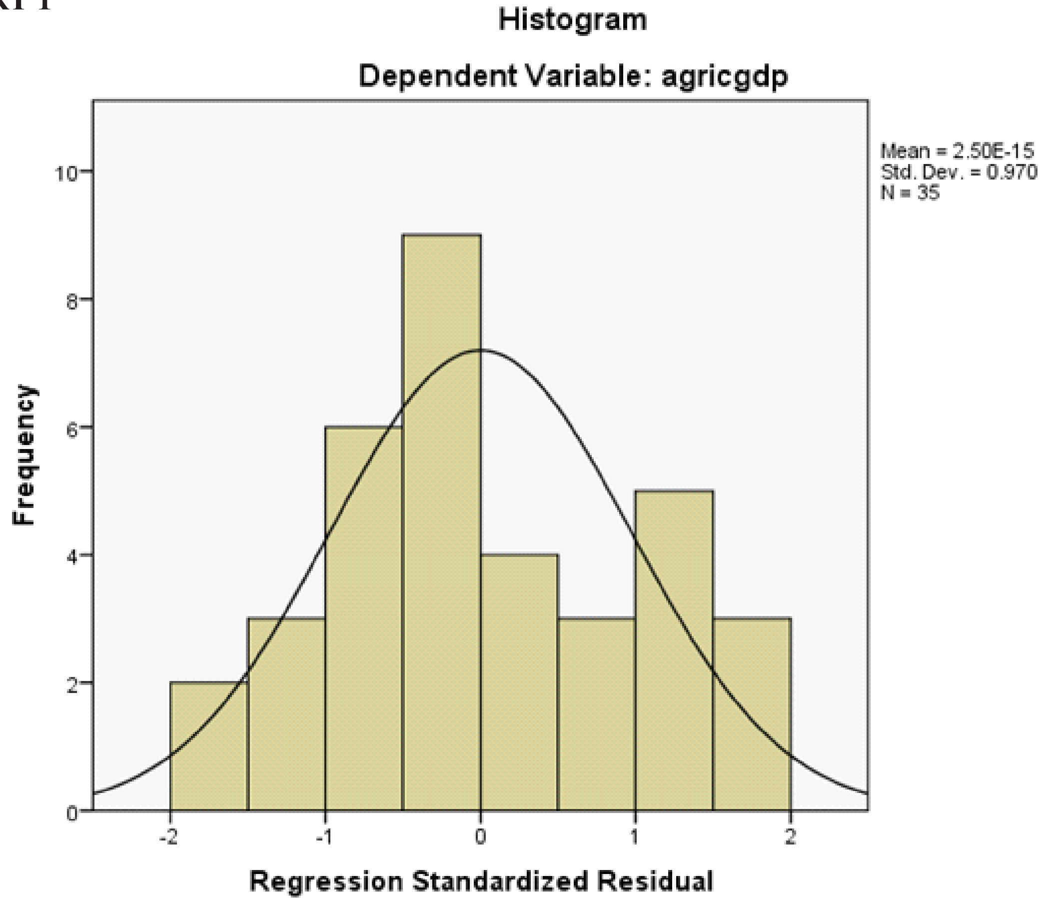
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
loans granted by rural branches of banks	34	35.9	988587.9	62096.950	206183.8389	4.048	.403	15.779	.788
Valid N (listwise)	34								

APPENDIX 8

YEAR	LOANS GRANTED BYRURAL BRANCHES OF BANKS
1881	35.9
1982	44.2
1983	58.2
1984	114.9
1985	373.6
1986	492.8
1987	659.9
1988	3721.1
1989	4730.8
1990	5962.1
1991	1895.3
1992	10910.4
1993	1602.2
1994	8659.3
1995	4411.2
1996	11158.6
1997	11852.7
1998	7498.1
1999	11150.3
2000	12341.0
2001	8942.2
2002	11251.9
2003	34118.5
2004	16105.5
2005	24274.6
2006	24274.6
2007	27263.5
2008	46521.5
2009	15590.5
2010	16556.0
2011	19980.3
2012	22580.0
2013	739923.3
2014	988587.9
2015	41928

CHART 1



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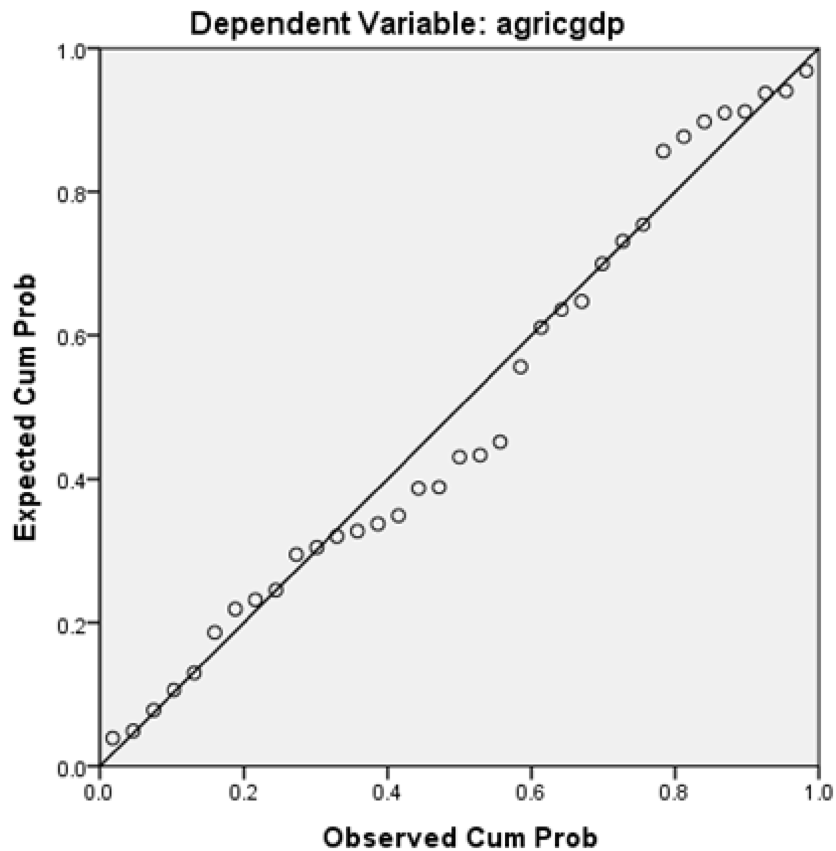
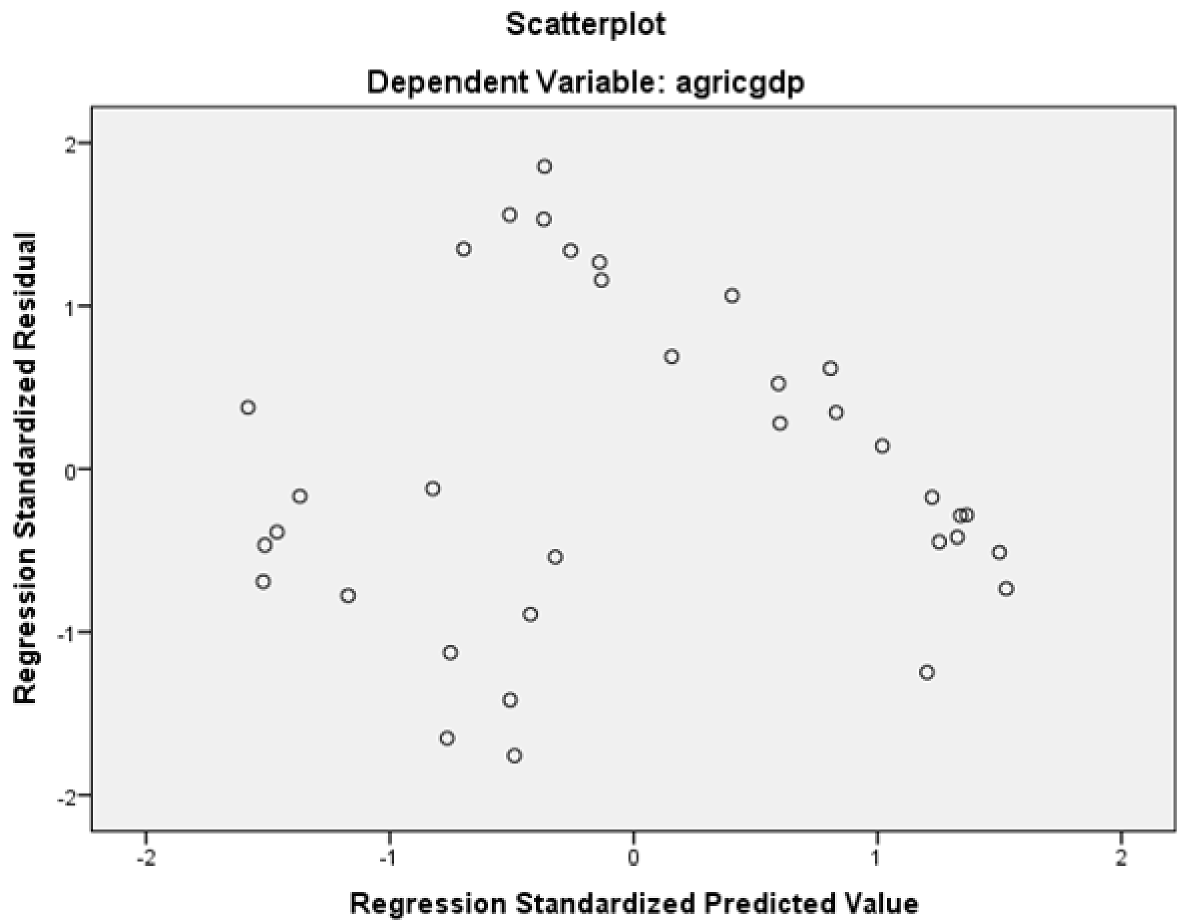


CHART 3



Determinants of Dividend Policy of Nigerian Breweries

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Abstract

This study investigated the determinants of dividend policy of listed brewery companies in Nigeria. Data used in the study was sourced from the annual published account of Nigerian Breweries from 2006-2014**.** The study adopted the expo-facto design. The study used OLS multiple regression to determine the effect of the independent variable on the dependent variable. Furthermore, the T-test statistics was used to test the null hypotheses of the study at 5% level of significance for a two tailed test. Findings from the study revealed that company size and tax are significant determinants of dividend of Nigerian Breweries while financial leverage, profitability are not significant determinants of dividends policy of Nigerian Breweries. The study recommends amongst others the need for organizations to ensure they have a good and robust dividend policy in place.

Key words: Dividend policy, Determinants, Financing, Investment, Performance

Introduction

The primary objective of financial management is the maximization of the owners' wealth and to achieve this, management as custodian of owners' interest, strives to create wealth and add value to the existing assets of the organization on behalf of its owners. To do this, they are faced with three important categories of decision making which are; financing, investment, and dividend decisions (Farrelly, Baker and Edelman, 1986; Allen, Bernando and Welch, 2000; Baker and Wurgler, 2004). These strategic decisions are crucial in the achievement of this primary objective and as such, management must be tactful in their approach especially when it comes to the payment of dividends since they must not only consider the question of how much of the company's earnings are needed for investment, but also take into consideration the possible effect of their decisions on share prices (Bishop, Crapp, Faff, and Twite, 2000). This leads to the basic question that arises in respect to dividend payment which is: Whether the firm should distribute all or part of its earned profits in form of dividends to the shareholders; or plough it back to the business? In answering this question, different dividend policies are adopted by firms.

Thus, a Dividend policy is an action plan put in place by a firm to determine how much of its residual profits will be paid to shareholders as dividends and how much will be held back as retained earnings and this has significant effect on the value of shares since the value of a share depends significantly on the amount of dividend paid out to shareholders (Krainer, 1971; Litzenberger and Ramaswamy, 1982; Murhadi, 2010). As returns to investors, Dividends are usually paid out in form of cash (cash dividends) or shares (share/stock dividends) as returns on their Investment which coincidentally form the basis for evaluating an investment.

Accordingly, the Dividend yield ratio is an important ratio in evaluating investment while the dividend payout ratio shows the proportion of the total residual profits that is distributed as dividend to shareholders (Oyejide, 1976; Fama and French, 1988; Bali, 2003; Gill, Biger and Tibrewala, 2010), and is calculated by dividing the earnings per share with the dividend per share and this varies among firms. This made Gordon, (1959); Ohlson, (1995); Bancel, Mittoo and Bhattacharya, (2005) and Al-Kuwari, (2009), advocates that the higher the dividend payout ratio, the more attractive the shares are to the shareholders. This however may not always be true in all cases since some investors views some firms that retained higher proportions of their profits as firms with strategic investment opportunities. As Hakansson,(1982); Kalay, (1982); Nissim and Ziv, (2001); De-Angelo, De-Angelo and Stulz, (2006), advocate that firms who have viable investment opportunities should retain their profits and invest in such opportunities. Their opinion is based on the premise that when a firm declares cash dividends, it is an indication of the lack of investment opportunities and could be considered negatively thereby resulting in negative abnormal returns in the market share.

Dividend is considered to be a catalyst for the movement of firms' share prices since all the existing theories on the framework of dividend and dividend policy, and empirical researches thereon, have shown a positive linear relationship between dividend payment and share price movement (Alli, Khan and Ramirez, 1993; Allen and Rachim, 1996; Adelegan, 2000; Anil and Kapoor, 2008). However, these researches, to a larger extent, concentrated on financial and service firms with less research attention on manufacturing firms, thereby creating a problem of exclusion, thereby preventing a comprehensive understanding of the determinants of the dividend policy of manufacturing firms in Nigeria which make up the bulk of organizations across the various business sectors of Nigeria and it is against this background that this present research addresses the problem by providing empirical evidence on the determinants of dividend policy of Nigerian Breweries.

The main objective of this study therefore is to examine the determinants of dividend policy of Nigerian breweries and specifically,

to;

I. Investigate the extent to which company size impacts on the dividend payout ratio of Nigerian Breweries

ii. Study the extent to which financial leverage impacts on the dividend payout ratio of Nigerian Breweries.

iii. Examine the extent to which profitability impacts on the dividend payout ratio of Nigerian Breweries.

iv. Determine the extent to which tax impacts on the dividend payout ratio of Nigerian Breweries.

Conceptual Framework

Dividend has assumed significant prominence in business and economic research due to it being one of the parameters for measuring performance and survival of a firm. Similarly, its prominence makes it stands out as one of the listing requirements of the Nigerian Stock Exchange (NSE) as well as being used for processing and analysing accounts for approval and merits award (NSE, Online). Accordingly, the Company and Allied Matters Act of 1990 has devoted Sections 379-386 to dividends and profits matters and at the same time, Dividend policy remains one of the most important financial policies not only from the viewpoint of the company, but also from that of the shareholders, consumers, employees, regulatory bodies and the government (Uwuigbe, Jafaru and Ajayi, 2012).

Dividend is viewed as the share from profit of a firm by the stockholders on a pro rata basis which is determined by the number of shares held by each shareholder (Inyiama, Okwo and Inyiama, 2015). Although, several statutory deductions are made from profits before its residue is appropriated to the shareholders of the company as dividend, its proposal and declaration by the directors of the company at the Annual General Meeting is expected to serve as an indication that the firm is healthy and capable of sustaining and improving upon the current level of financial performance at both the short and long run term. This view is supported by the signaling theory which is determined by the proportion of the net earnings appropriated to the shareholders as dividends, though dividend proposal and declaration is a major challenge faced by directors of a firm, bearing in mind that profit earnings has competing alternative uses.

A comprehensive digestion of the subject matter of dividend policy has been somewhat difficult notwithstanding the fact that many studies has been carried out on it. Thus Black,(1996) wrote that "... the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just don't fit together". The situation is not much different today, where Brealey and Myers (2003) listed dividends as one of the ten important unresolved problems in finance. De Angelo, De Angelo and Stulz (2006) challenge Black's proposition and stated that, this “puzzle” is not a puzzle because it is founded in the mistaken idea that Miller and Modigliani's (1961) irrelevance theorem applies to payout/retention decisions. Miller and Modigliani (1961) provide an accepted argument for dividends irrelevance in a world with perfect capital markets since 1961. However, this argument has been challenged at present. If dividends are irrelevant, why do companies still pay dividends? And why are investors aware of dividends? Nuredin, (2012) stated that firms are faced with the dilemma of sharing dividend to stockholders and retaining their earnings with a view of reinvesting it into the business so as to promote further growth.

Review of Empirical Studies

From the empirical literatures, the relationship between dividend pay-out ratio and performance is mixed. Some studies suggest a positive relationship while others support negative relationship. Few of such studies also confirmed no relationship. The debate on the directional effect on the relationship between the two variables continues.

Abu (2012) constructed an empirical model for selected commercial banks in Bangladesh which led to recommendations that further developed the dividend payout policy for banksand other industry listed in

Dhaka and Chittagong Stock Exchange (DSE and CSE). The resultsreveal that current earnings and liquidity has potential roles for firms to determine payoutpolicy.

Adediran and Alade (2013) explore the relationship between dividend policy and corporate performance of 25 companies quoted on the Nigerian Stock Exchange. The regression result showed a positive and significant relationship between dividend pay-out policy and financial performance.

Alzomaia, and Al-Khadhiri (2013) examined the factors determining dividend representedby Dividends per share for non-financial companies in the Saudi Arabia stock exchanges(TASI), applying regression model and using panel data. The impact of Earnings per share(EPS), Previous Dividends represented by dividends per share for last year, Growth, Debt toEquity (D/E) ratio, Beta and Capital Size on Dividends per Share was considered. It wasrevealed that Saudi listed non-financial firms rely on current earnings per share and pastdividend per share of the company to set their dividend payments.

Arif and Akbar, (2013) *evaluate the determinants of dividend policy of non-financial sector of Pakistan. Five important determinants were identified in this study i.e. profitability, size, tax, investment opportunities and life cycle stage of firm. A sample of 174 non-financial firms listed on Karachi Stock Exchange for the period of 2005 to 2010 was chosen for the study. The researcher first analyzed the relationships of variables for overall non-financial sector and further for sub sectors of non-financial sector. Over all sector analysis has been performed through panel data analysis. Further to check sectoral differences, sector wise regression analysis has been performed. The results identified profitability, tax, size and investment opportunities as most influential determinants of dividend policy. However, there is a lack of stable dividendpolicy in the market.*

Baah, Tawiah, and Opoku , (2014) examined the industry sector determinants of dividend policy and its effect on share prices of companies listed on the Ghana Stock Exchange for the period 2006-2011. The Study used such factors as Price Volatility, Profit After-Tax, Earning Per Share, Size, Growth in Assets, Return on Equity, and Liquidity as explanatory variables and the Dividend Payout as the dependent variable. The study used a sample of twelve companies (12) covering six different sectors of the economy and in finding out the determinants of dividend policy, panel data regression was performed using the SPSS software. The findings showed that the main determinants of dividend policy for companies listed on Ghana Stock Exchange are return on equity, profit after tax and size of the company. However, there are varying factors that influence the dividend payout across the different sectors and Profit After-Tax happens to be a key variable that is consistently considered by most sectors in paying their dividend. Most of the firms listed on the Ghana Stock Exchange, however showed statistically insignificant and weak relation between their Dividend Payout and Share Price

Bahaa, (2015) *seeks to find the determinants of dividend policy of the firms in Kuwait Stock Exchange (KSE). The study used a firm-level panel data set of publicly traded firms on the Stock Exchange between 2011 and 2014. Three determinants were employed (company size, profitability and financial leverage) and the data analyzed within the framework of OLS regression technique. The results showed that the dividend policy in KSE Market is positively affected by leverage and risk and are positively affected by profitability, and company size. Consequently, the major determinants of dividend policy of the firms in KSE are profitability, leverage, level of risk and size. In all, the study found support for the profitability theory and agency cost theory, therefore, the determinants of dividend policy that are suggested by research in developed markets can be applied in developing market as well.*

Gul , Sajid, Razzaq, Iqbal and Khan, (2012) *examined the influence of dividend policy on shareholder's wealth of 75 companies listed on the "Karachi Stock Exchange", for a duration of six years from 2005 to 2010 using multiple regression and stepwise regression. The study used*

shareholder's wealth as a dependent variable which is measured as market price per share, whereas the explanatory variable dividend policy is measured as dividend per share. Furthermore we also used, Lagged Price earnings ratio, Retained Earnings and Lagged Market Value of equity as explanatory variables. Data were collected from company's annual reports, Karachi Stock Market and State Bank of Pakistan. The study found that the difference in average market value (AMV) relative to book value of equity (BVE) is highly significant between dividend paying companies and non-paying companies. Retained earnings have insignificant influence on market value of equity. There is significant influence of dividend policy on wealth of shareholder's, as far as the dividend paying companies are concerned. Lagged Price earnings ratio did not appear to have any significant influence on dependent variable, whereas lagged market value of equity has a significant impact on market price per share.

The relationship between a number of company's selected factors such as free cash flow,growth, leverage, profit, risk, size and the company's dividend payout ratios were examined by Hellström and Inagambaev (2012) using both an Ordinary least square (OLS)and a Tobit regression. Previous studies were reviewed as well as dividend theories in orderto conclude which factors could potentially have an impact on the company's dividendpayout ratios. The dividend payout ratios of large firms were found to have a significantrelationship with free cash flow, growth and risk, while the dividend payout ratios of medium *firms* have a significant relationship with free cash flow, leverage, risk and size.

Inyiama *et al,* (2015) examines the effects, causalities, cointegration, magnitude and strength of the relationships between dividend pay-out policies and other performance indicators in the Nigeria brewery sector. The research made use of secondary data obtained from annual report and accounts of the two market leaders in the sector, Nigeria Breweries Plc and Guinness Nigeria Plc, from year 2000 to 2013. The nature and magnitude of association between the dependent variable (DPS) and the independent variables were determined by using the multiple regression models. Granger causality procedure was applied to determine causalities while Johansen Co-integration test was administered to verify sustainability of the short run relationships. The Augmented Dickey Fuller (ADF), Phillip-Perron's (PP) and Kwiatkowski- Phillip's-Schmidt-Shin (KPSS) tests were conducted on the data series. All the data series were found non-stationary but attained stationarity at first difference. Dividend Per Share (DPS) was found to be positively and significantly influenced by Earnings Per Share (EPS) and Market Price of Equity Shares (MPS), while Net Asset Value Per Share (NAVPS) and Total Assets (TA) exert a negative but insignificant influence on DPS. Retained Earnings (RTE) has a positive but insignificant effect on DPS. There is a strong relationship between DPS and EPS (68.4%), MPS (73.3%) and NAVPS (70%). There is a unidirectional granger causality running from NAVPS to DPS and also from DPS to MPS. The trace test result affirms the sustainability of these outcomes. In line with the signaling theory and consistent with the findings, it is implied that directors should strive to improve on net earnings and also closely monitor the determinants of share price movements in order to enhance share price as a determinant of dividend pay-out

Kajola, *et al,* (2015) *contributed to the on-going debate by examining the relationship between dividend pay-out policy and financial performance of 25 non-financial firms listed on the Nigerian Stock Exchange between 2004-2013. Panel data methodology was employed and pooled Ordinary Least Squares (OLS) was used to estimate the coefficients of explanatory and control variables. The Return on Assets (ROA) served as surrogate for the dependent variable, profitability, while Dividend Pay-out ratio proxied for dividend policy which was the only explanatory variable. Control variables included the firms' size, asset tangibility and leverage while the Regression result revealed a positive and significant relationship between dividend pay-*

out policy (DPO) and the firms' performance (ROA) and recommended that firms' should endeavour to put in place robust dividend pay-out policy that would encourage investment in projects that give positive Net Present Values. This finding is consistent with some prior empirical studies and provides evidence in support of both Signaling and Bird-in-hand hypotheses of the dividend policy theory.

Maladjian and Khoury (2014). Using OLS and the dynamic panel regressions, found that the dividend payout policies are positively affected by the firm size, risk and previous year's dividends, but are negatively affected by the opportunity growth and profitability. This implies that firms pay dividends with the intention of reducing the agency conflicts and that, Lebanese listed firms' prefer to invest their earnings to grow rather than to pay more dividends.

Musiega, Alala, Musiega, Maokomba and Egessa (2013) examined the determinants among dividend payout of non-financial firms listed on Nairobi Securities Exchange which included profitability, growth, current earnings, liquidity, size and business risk. Using purposive sampling technique for sample selection of 30 non-financial companies and descriptive statistics and multiple regressions for analysis, it was found that return on equity, current earnings and firms' growth activities were positively correlated to dividend payout. Businessrisk and size were found to be among the major determinants of dividend payout.

Nuhu, Musah and Senyo, (2014) *examines the consistency of the determinants of dividend payout in financial and non-financial firms in Ghana. The sample for the study was drawn from listed firms on the Ghana stock exchange from 2000 to 2009.The study used ordinary least squares panel regression model to estimate the determinants of dividend payout. The results revealed that, out of the factors shown to have effect on dividend payout (i.e. profitability, board size, leverage and taxes) only board size exhibited consistence for both financial and non-financial firms in Ghana.*

Adopting a mixed research approach, Nuredin (2012) undertook a study seeking to find the determinants of dividend policy such as profitability, growth, liquidity, size and leverage of insurance companies in Ethiopia, using panel data and an in-depth interview. The results showed that profitability and liquidity positively and significantly influence dividend policy of insurance companies in Ethiopia, whereas growth influences dividend policy negatively and significantly. Size and leverage were found to be insignificant in influencing the dividend policy of insurance companies in Ethiopia.

In a related study by Nwidobie (2013), the multiple regression equation model was used to identify dividend policy determinants of quoted firms in Nigeria and found that solutions to agency problems and past dissatisfactory behaviours of shareholders is not a determinant of current and future dividend decisions. The study reveals that there exists an inverse relationship between the needs and desires of shareholders and the naira dividend paid by the firms, implying that dividend policies of quoted firms in Nigeria are not aimed at solving the existing agency problems in these firms.

Osegbu, Ifurueze, and Ifurueze, (2014).analyses the extent of relationships between dividend payment and corporate performance in the Nigerian banking industry between 1990 and 2010. Using regression models, the result shows no significant relation between dividend policy and performance. Interestingly, insignificant relationship occurs between dividend policy and other four explanatory variables (free cash flow, financial leverage, business risk and tax paid on dividend payment ratio).

Murekefu and Ouma (2013) sought to establish the relationship between dividend payout policy and financial performance of companies listed on the Nairobi Stock Exchange. Results indicated that dividend payout is a major factor affecting firm performance. The relationship between the variables was positive and significant.

Oyinlola and Ajeigbe (2013) examined the impact of dividend policy on the stock prices of 22 quoted companies in Nigeria

during the period 2009 to 2013. Regression analysis, correlation analysis and Granger Causality Test were used to test research hypothesis on observations and the findings reveal that both dividend payout and retained earnings are significantly relevant to the market per share of the companies.

Oyinlola, Oyinlola and Adeniran (2014) investigate the impact of performance on the dividend policy of two major brewery companies quoted on the Nigerian Stock Exchange for the period 2002-2010 using *Only secondary data which were analysed by using descriptive statistics, correlation analysis and regression analysis Of whose* findings reveal that, dividend policy is relevant and that a firm's dividend policy is seen as a major determinant for the firm's performance and that Positive relationship exists between dividend policy and performance and s*uggested that optimal dividend policy that would better the lots of shareholders both in the short-run and long-run be adopted.*

Raei, Moradi and Eskandar (2012) examine dividend policies of Iranian listed firms. Results indicate a non-significant relationship between dividend policy and performance proxy, ROA. The study also shows that earning is positively associated with dividend policy.

Salehnezhad (2013) investigates corporate governance and dividend policy in companies listed on the Tehran Stock Exchange for the period 2010 to 2012. Using fuzzy regression analysis, the result showed that a positive relationship exists between financial performance (stock returns) and dividend policy.

Uwuigbe, (2013) *investigated the determinants of dividends policy of firms listed on the Nigerian stock exchange market. To achieve this objective, a total of 50 firms listed on the Nigerian stock exchange market were selected and analyzed for the study using the judgmental sampling technique. Also, the corporate annual reports for the period 2006-2011 were used for the study. The paper was basically modeled to examine the effects of financial performance of firms, firm size, financial leverage and board independence on the dividend payout decisions of listed firms operating on the Nigerian stock exchange market using regression analysis method. The study in its findings observed that there is a significant positive relationship between firms' financial performance, size of firms and board independence on the dividend payouts decisions of listed firms in Nigeria.*

Uwuigbe,et al,(2012) investigate the relationship between the financial performance and dividend payout among 50 listed firms in Nigeria from 2006 to 2010. Result shows a significant and positive association between the performance of firms and the dividend pay-out. The study also reveals that ownership structure and firm's size has a significant impact on dividend pay-out of firms.

Bank profitability, growth, and size were measured by Zaman (2013), using multiple regression and correlation, as potential determinants of dividend policy in Dhaka Stock Exchange of Bangladesh. The study reveals that while profitability appears to be a better determinant of bank dividend policy than a bank's growth and size, it may not be concluded that profitability alone is a strong indicator of bank dividend policy over time in the capital market of Bangladesh.

Methodology

The paper is an ex post facto research which provides a systematic and empirical solution to research problems, by using data which are already in existence. The Ordinary Least Square (OLS) technique was adopted in this study. Accordingly, the magnitude and nature of the relationship between dividend payout ratio and its determining variables were determined using multiple regressions. Data for analysis were extracted from annual report and accounts of Nigeria Breweries Plc between 2010 and 2015.

Description of Research Variables

The research variables were structured into dependent and independent variables for the purpose of the analysis; though the main concern is to evaluate the nature, magnitude and strength of their interactions between the

variables. The independent variables of the study are profitability, tax, size and investment while dividend payout ratio is the dependent variables.

Model Specification

In line with the postulations as stated in the hypotheses, the following model is used to re-examine the association between independent and the dependent variables of the listed Breweries firms in Nigeria.

$$DIVPR_{it} = \alpha + \beta_1 ROA_{it} + \beta_{2it} SIZE + \beta_{3it} FINLEV + \beta_{4it} TAX + ei$$

Where,

$DIVPR_{it}$ = Dividend Payout ratio of firm i at time t

SIZE = Size of the firm i at time t which is proxied by total assets of the firm i at time t

FINLEV = financial Leverage firm i at time t

Tax = Incidence of tax incurred during the year firm i at time t

α = alpha which represents constant in the model

$\beta_1 - \beta_4$ = Coefficients of the variables

ei = error term in the model

Data Presentation and Analysis

Data in respect to the study's independent variables (Size, leverage, profitability and tax) were regressed with a common dependent variable (Dividend payout ratio) and the results are herein presented in the subsequent sections.

Test of Data Validity

To ensure that the results of this study are robust and valid, several diagnostic tests such as Durbin Watson test, variance inflation factor (VIF) and Tolerance statistics were computed as shown in Table2 and 3.

The Durbin Watson is estimated 1.202 which is less than the internationally recognized value of 2. This thus indicates the absence of auto-correlation (see table 3). The Durbin Watson statistics ensures that the residuals of the proceeding and succeeding sets of data do not affect each other to cause the problem of auto-correlation.

The Variance Inflation Factor (VIF) statistics for all the independent variables consistently fall below 8. This indicates the absence of multicollinearity problems among the variables under investigation Berenson and Levine,(1999). This statistics ensures that the independent variables are not so correlated to the point of distorting the results and assists in filtering out those ones which are likely to impede the robustness of the model. There is no formal VIF value for determining presence of multicollinearity. Values of VIF that exceed 10 are often regarded as indicating multicollinearity, but in weaker models values above 2.5 may be a cause for concern (Koutsoyiannis, 1977, Gujarati and Sangeetha, 2007). Thus, this model exhibit low risk of potential multicollinearity problems as all the independent variables have a variance inflation factor (VIF) below 10 (Myers, 1990). This shows the appropriateness of fitting the model of the study with the three (3) independent variables.

In addition, the tolerance values consistently lies between 0.135 and 0.658 (see table 3).Menard (1995) suggested that a tolerance value of less than 0.1 almost and certainly indicates a serious collinearity problem. In this study, the tolerance values are more than 0.1; this further substantiates the absence of multicollinearity problems among the explanatory variables.

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
DIVPR	4.5056	2.11511	9
SIZE	66158352.0000	15673244.74068	9
LEV	137.0989	34.17897	9
PROF	25.6378	3.08360	9
TAX	13562455.1111	5565592.19822	9

Source: *SPSS output, Version 20.*

Table 1 presents the descriptive statistics for both the dependent and explanatory variables of the study. N denotes the number of years under observations. Therefore the number of years under observation as shown in table 1 is 9 years.

The dividend payout ratio (DIVPR) reflects a low mean of 4.5units with fluctuations of 2.1. This means that on the average, the dividend payout ratio of Nigeria breweries is estimated at 4.5% during the period under investigation.

Also, the mean in respect to the size of the firm which is theproxied firm's total assets stood at N66,158,352 million with a fluctuation of N15,673,244.74 million. This means that on average, the total size of the firm during the period under study is. N66,158,352. From this figure one can therefore conclude that the firm under investigation is a large one.

More so, table 1 reflects a mean in respect to leverage (LEV) to be N137.1 million with a deviation of N34.2 million. Leverage which can aptly be described as the extent to which a business or investor is using the borrowed money. Business companies with high leverage are considered to be at risk of bankruptcy if they are not able to repay the debts and it might lead to difficulties in getting new lenders in future. But for the company under analysis, the leverage could be said to be moderate.

Furthermore, profitability which was proxied by the net profit margin reflects a mean of 25.6% with a fluctuation of 3.1%. This means that on the average, the net profit margin of Nigerian breweries stood at 25.6.

Finally, table 1 reflects a mean in respect of tax to be N13,562,455 million with a fluctuation of N5,565,592. This implies that on the average, Nigerian Breweries has been paying tax to the tune of N13,562,455 million during the period under investigation.

Regression Results

Regression analysis is the main tool used for data analysis in this study. Regression analysis shows how one variable relates with another. The result of the regression is hereby presented in this subsection of the study.

Table 2: 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	.991[a]	.982	.964	.40342	.982	53.978	4	4	.001	1.202

a. Predictors: (Constant), TAX, LEV, SIZE, PROF

b. Dependent Variable: DIVPR

Source: Researcher’s Computation Using SPSS output, Version 20

Table 2 above displayed the model summary of the explanatory variables: TAX, LEV, SIZE and PROF regressed with a common dependent variable: DIVPR. The interpretations of the computed statistics are presented in the subsequent paragraphs.

The R value stood at 0.991. The R value measures the relationship between the dependent and independent variables. Thus an R value of 0.991 indicates that, there is a very strong relationship between the dependent and the explanatory variables.

The table also reflects a value of 0.982 in respect to the coefficient of determination otherwise known as the R^2.The R^2measures the percentage of the total change in the dependent variable (DIVPR) that can be explained by the independent or explanatory variables (TAX, LEV, SIZE and PROF). Thus an R^2 value of 0.982 indicates that, TAX, LEV, SIZE and PROF accounts for 98.2% of the total variation in the DIVPR while the remaining 1.8% (i.e. 100-98.2) of the variation could be explained by other factors not considered in this model. Such factors include the capital structure of the company, investment decisions, privatization and capital market activities.

The implication of this result is that TAX, LEV, SIZE and PROF are very responsive to the DIVPR and that is why it accounts very high for its variation.

Furthermore, the adjusted R^2 value of 0.964 or 96.4% indicates that if the entire population is considered for this study, this result will deviate from it by only 1.8% (i.e. 98.2% – 96.4%). This result is therefore considered valid since the difference between the population and the result is insignificant.

Lastly, the F-statistics is estimated at 53.978. This indicates that the predictor variable was as a whole contributing to the variation in the dependent variable and that there exist a statistically significant relationship at 0.001 between DIVPR and TAX, LEV, SIZE and PROF. This further indicates that the overall equation is significant at 1% which is far below the 5% generally acceptable level of significant in social sciences.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.468	2.319		.202	.850	-5.971	6.908		
	SIZE	-4.285E-008	.000	-.318	-3.584	.023	.000	.000	.579	1.726
	LEV	.006	.005	.089	1.073	.344	-.009	.020	.658	1.520
	PROF	.027	.118	.039	.226	.833	-.302	.355	.153	6.540
	TAX	4.004E-007	.000	1.054	5.742	.005	.000	.000	.135	7.404

a. Dependent Variable: DIVPR

Source: Researcher's Computation Using SPSS output, Version 20

Table 3 above presents the model coefficients in respect to the independent variables: TAX, LEV, SIZE and PROF. The table reveals that SIZE of the Firm and TAX are statistically significant, while LEV and PROF are statistically insignificant at 5% level of significance for a two tail test.

The regression results as presented in table 3 above to determine the influence of the independent variables on the dependent variable which revealed that when all the predictor variables are held stationary, DIVPR of Nigerian Breweries is estimated at 46.8%. This simply implies that when all the other variables are not considered, there will be a significant increase in the DIVPR of Nigerian Breweries by 46.8% occasioned by factors not incorporated in this study.

However, a unit change in TAX, LEV, SIZE and PROF will bring about a significant negative change in the DIVPR by 318. Similarly, a unit change in LEV will bring about an insignificant change in DIVPR by 0.089 units. Also a unit change in PROF will lead to an insignificant change in DIVPR by 0.039 while a unit change in tax will bring about a significant change in the DIVPR by 1.054 units.

Test of Research Hypotheses

Ho₁: *Company size does not significantly impact on the dividend payout ratio of Nigerian Breweries.*

Given that the critical value of t is ± 2.306 (see t-table in appendix 1) and the calculated t-value is -3.584 (see table 3) which lies outside the region of acceptance; the study therefore rejects the null hypothesis and accepts the alternative hypothesis and conclude that Company size significantly impact on the dividend payout ratio of Nigerian Breweries.

Ho$_2$: Financial leverage does not significantly impact on the dividend payout ratio of Nigerian Breweries.

Given that the critical value of t is ± 2.306 (see t-table in appendix 1) and the calculated t-value is 1.073 (see table 3) which lies within the region of acceptance; the study therefore accepts the null hypothesis and conclude that Financial leverage does not significantly impact on the dividend payout ratio of Nigerian Breweries.

Ho$_3$: Profitability does not significantly impact the dividend payout ratio of Nigerian Breweries.

Furthermore, given that the critical value of t is ± 2.306 (see t-table in appendix 1 section) and the calculated t-value is 0.226 (see table 3) which lies within the region of acceptance; the study therefore accepts the null hypothesis and conclude that Profitability does not significantly impact on the dividend payout ratio of Nigerian Breweries.

Ho$_4$: Tax does not significantly impact on the dividend payout ratio of Nigerian Breweries.

Finally, given that the critical value of t is ± 2.306 (see t-table in appendix 1) and the calculated t-value is 5.742 (see table 3) which lies outside the region of acceptance; the study therefore rejects the null hypothesis and accepts the alternative hypothesis and conclude that Tax significantly impact on the dividend payout ratio of Nigerian Breweries.

Discussion and Interpretation of Results

The study's first objective sought to examine the extent to which size of the firm impacts on the dividend payout ratio of Nigerian Breweries. Findings from this study in respect to the test of the first hypothesis revealed that size of Nigerian Breweries significantly impact on the dividend policy of the company. However the impact is a negative impact indicating that a unit change in the size of Nigerian Breweries will bring about a significant negative decrease.

Generally larger firms tend to pay higher dividends because of stable earnings. Researchers have identified positive relationships between size and dividend payouts. Large size firms can obtain external finances because of their high asset value and better growth perspectives, therefore dividend payments are not reduced with high investment opportunities (Afza and Mirzan 2010). This finding is consistent with findings of Ahmed

and Javed, (2009). They stated that, in some countries the size of the firm has a negative influence on dividends. This is because large firms want to meet investment needs internally rather than externally. They hold funds under their control rather than distribution as dividends.

The finding also agrees with Fatemi and Bildik (2012) who observed the decreasing pattern of dividends on a sample of more than 17000 companies from 33 countries utilizing data from 1985 to 2006.Their findings revealed that the percentage of dividend payers reduced sharply from 87% to 53% over the 22-year of analyzing period and this tendency is consistent and persistent across all 33 countries. The declining percentage of payers in developed markets is, the US (47%), Australia (67%), the UK (56%), Canada (60%), and Germany with (45%). In addition, the existence of the stock markets and availability of expanded opportunities for sale and repurchase of shares has decreased the importance of dividends in the firms. Further results identified cross-sectional determinants of dividend policy. Large size, high profitability and low growth opportunities have positive relationships with propensity to pay dividends. According to the authors' suggestion, the payout policies of smaller and less profitable firms with more investment opportunities are major factors responsible for the decline in dividend behaviour.

Also considering the second objectives of this study which sought to examine the extent to which inventory leverage impact on the dividend payout ratios of Nigerian Breweries, a null hypothesis was also formulated in line with this objective and was tested using standard t-test. Finding from the test reveal an insignificant impact of leverage on the dividend payout ratios of Nigerian Breweries. This finding is inconsistent with findings of Okpara and Chigozie, (2010).

More so, with the third objective of this study which was also interested in investigating the extent to which profitability impact on the dividend payout ratios of Nigerian Breweries, the null hypothesis was also formulated in line with this objective and was tested using the t-test statistics at 5% level of significance for a two tail test. Findings from this test reveal an insignificant influence of profitability on the dividend payout ratios of Nigerian Breweries. Profitability is defined as the capability of the entity to produce profits. Profitability plays a vital role in determining dividend policy of the firm. The finding of this study agrees with Baker et al., (2006) who suggested a positive relation between profitability and dividend policy. The finding is however contrary to the opinion of Okpara and Chigozie, (2010) that in some cases when firm's profits are increased then dividends are affected negatively because the firms invest their surplus earnings in their growth rather than distributing as dividends.

Finally, the test of the fourth objective of this study which sought to investigate the extent to which tax impacts on the dividend payout ratios of Nigerian Breweries, the null hypothesis was also formulated in line with this objective and was tested using the t-test statistics at 5% level of significance for a two tail test. Findings from this test reveal a significant positive influence of tax on the dividend payout ratios of Nigerian Breweries.

Taxes affect both shareholders' income as well as corporate earnings. High dividend taxes reduce the demand for dividends. This finding agrees with Chen and Dhiensiri, (2009) that free cash flow and imputation system of tax have significant positive relation with dividend payout ratio, as it enables firms to pay higher dividends. Tax divides investors into different clientele. Investors in a high tax bracket prefer to hold stocks of a firm that pays low dividends and lower tax bracket prefer stock of high dividend paying firms. In response to high tax rates, firms use to follow the stock repurchase options instead of paying cash dividends (Lee et al., 2006). The finding is however contrary to submissions of Casey and Dickens, (2000) who suggested that higher tax rates on dividend income than capital gains, will decrease the dividend payout ratios.

Conclusion and Recommendations

The essence of this study was to examine the determinants of dividend policy of Nigerian Breweries and the following

conclusions has been drawn from the investigations outline in respect to each hypotheses tested:

I. Company size significantly determined dividend policy of Nigerian Breweries.
ii. Financial leverage is not a significant determinant of dividend policy of Nigerian Breweries.
iii. Profitability is not a significant determinant dividend policy of Nigerian Breweries.
iv. Tax is a significant determinant of dividend policy of Nigerian Breweries.

In line with the study findings, the following recommendations have become imperative.

i. In line with the signaling theory and consistent with the findings of this study, directors are expected to propose the pay-out of reasonable portion of their net earnings as dividend if the target is to grow the share price; though mindful of the fact that the firm needs to grow and expand. Bird-in-hand and life cycle theories also support this position especially for older firms within the industry while agency theory prefers payment of more dividends when the firm is new so that the directors could win the acceptance of the shareholders who assembled them as faithful stewards.
ii. Firms should ensure that they have a good and robust dividend policy in place. This will enhance their profitability and attract more investments.
iii. Directorsshould be made to update the records of shareholders including their next-of-kin to avoid a deliberate diversion or undue retention of unclaimed dividend warrants. Due procedures for the recognition and utilization of profit arising from investment of unclaimed dividend should be effected and properly accounted for.
iv. A more prudent and stringent condition be established to compel directorsto invest only in profitable ventures and at the same time, to fully report the utilization of retained earnings through notes to the accounts.

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Appendix I
T- TEST TABLE

t Table

cum. prob	$t_{.50}$	$t_{.75}$	$t_{.80}$	$t_{.85}$	$t_{.90}$	$t_{.95}$	$t_{.975}$	$t_{.99}$	$t_{.995}$	$t_{.999}$	$t_{.9995}$
one-tail	0.50	0.25	0.20	0.15	0.10	0.05	0.025	0.01	0.005	0.001	0.0005
two-tails	1.00	0.50	0.40	0.30	0.20	0.10	0.05	0.02	0.01	0.002	0.001
df											
1	0.000	1.000	1.376	1.963	3.078	6.314	12.71	31.82	63.66	318.31	636.62
2	0.000	0.816	1.061	1.386	1.886	2.920	4.303	6.965	9.925	22.327	31.599
3	0.000	0.765	0.978	1.250	1.638	2.353	3.182	4.541	5.841	10.215	12.924
4	0.000	0.741	0.941	1.190	1.533	2.132	2.776	3.747	4.604	7.173	8.610
5	0.000	0.727	0.920	1.156	1.476	2.015	2.571	3.365	4.032	5.893	6.869
6	0.000	0.718	0.906	1.134	1.440	1.943	2.447	3.143	3.707	5.208	5.959
7	0.000	0.711	0.896	1.119	1.415	1.895	2.365	2.998	3.499	4.785	5.408
8	0.000	0.706	0.889	1.108	1.397	1.860	2.306	2.896	3.355	4.501	5.041
9	0.000	0.703	0.883	1.100	1.383	1.833	2.262	2.821	3.250	4.297	4.781
10	0.000	0.700	0.879	1.093	1.372	1.812	2.228	2.764	3.169	4.144	4.587
11	0.000	0.697	0.876	1.088	1.363	1.796	2.201	2.718	3.106	4.025	4.437
12	0.000	0.695	0.873	1.083	1.356	1.782	2.179	2.681	3.055	3.930	4.318
13	0.000	0.694	0.870	1.079	1.350	1.771	2.160	2.650	3.012	3.852	4.221
14	0.000	0.692	0.868	1.076	1.345	1.761	2.145	2.624	2.977	3.787	4.140
15	0.000	0.691	0.866	1.074	1.341	1.753	2.131	2.602	2.947	3.733	4.073
16	0.000	0.690	0.865	1.071	1.337	1.746	2.120	2.583	2.921	3.686	4.015
17	0.000	0.689	0.863	1.069	1.333	1.740	2.110	2.567	2.898	3.646	3.965
18	0.000	0.688	0.862	1.067	1.330	1.734	2.101	2.552	2.878	3.610	3.922
19	0.000	0.688	0.861	1.066	1.328	1.729	2.093	2.539	2.861	3.579	3.883
20	0.000	0.687	0.860	1.064	1.325	1.725	2.086	2.528	2.845	3.552	3.850
21	0.000	0.686	0.859	1.063	1.323	1.721	2.080	2.518	2.831	3.527	3.819
22	0.000	0.686	0.858	1.061	1.321	1.717	2.074	2.508	2.819	3.505	3.792
23	0.000	0.685	0.858	1.060	1.319	1.714	2.069	2.500	2.807	3.485	3.768
24	0.000	0.685	0.857	1.059	1.318	1.711	2.064	2.492	2.797	3.467	3.745
25	0.000	0.684	0.856	1.058	1.316	1.708	2.060	2.485	2.787	3.450	3.725
26	0.000	0.684	0.856	1.058	1.315	1.706	2.056	2.479	2.779	3.435	3.707
27	0.000	0.684	0.855	1.057	1.314	1.703	2.052	2.473	2.771	3.421	3.690
28	0.000	0.683	0.855	1.056	1.313	1.701	2.048	2.467	2.763	3.408	3.674
29	0.000	0.683	0.854	1.055	1.311	1.699	2.045	2.462	2.756	3.396	3.659
30	0.000	0.683	0.854	1.055	1.310	1.697	2.042	2.457	2.750	3.385	3.646
40	0.000	0.681	0.851	1.050	1.303	1.684	2.021	2.423	2.704	3.307	3.551
60	0.000	0.679	0.848	1.045	1.296	1.671	2.000	2.390	2.660	3.232	3.460
80	0.000	0.678	0.846	1.043	1.292	1.664	1.990	2.374	2.639	3.195	3.416
100	0.000	0.677	0.845	1.042	1.290	1.660	1.984	2.364	2.626	3.174	3.390
1000	0.000	0.675	0.842	1.037	1.282	1.646	1.962	2.330	2.581	3.098	3.300
z	0.000	0.674	0.842	1.036	1.282	1.645	1.960	2.326	2.576	3.090	3.291
	0%	50%	60%	70%	80%	90%	95%	98%	99%	99.8%	99.9%
	Confidence Level										

see t-table in appendix ii) (FROM PAGE 16)

Impact of Deposit Money Banks Credit on the Performance of Agricultural Sector

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Abstract

This study empirically examined the impact of Deposit Money Banks (DMBs) credit on the performance of agricultural Sector. The study used the neoclassical theory of production and efficiency theory. The data for the study were sourced from National Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria Bulletin and The Global Economy from 1986 to 2014. The study used both descriptive and analytical techniques. Data for the variables were normally distributed. The results of unit root test revealed that all variables in the model were integrated at first difference (i.eI(1)) while the co-integration test revealed one co-integrating equation. The study revealed a positive and significant impact of Deposit Money Banks Credit on the growth of agricultural output in the long run. However, agricultural output in the country was negatively influenced by the lending rate. The findings from the error correction model show that the system corrects its initial disequilibrium to long-run equilibrium at 19.5% in each year. The study recommended that efforts should be made by the government and private individuals to encourage or increase investment in the agricultural sector at low lending rate through provision of more financial institutions while, the stringent conditions and pre-requisite required to be met by farmers to participate on the agricultural credits should be reviewed and made accessible to farmers.

Keywords: Agricultural output, credit, deposit money banks, growth and lending rate

Introduction

Among the major challenges facing mankind is to provide an equitable standard of living, adequate food, clean water, safe shelter and energy, a healthy and secured environment, an educated public and satisfying work, for this and future generation. Of all these necessities, the first and most basic to human life and survival is enduring food security which may be described as a situation in which majority of the populace of the country have access to domestically produced food at affordable prices at all times (Akinboyo, 2008). The need to increase food security, industrial development and the Nigeria's export base calls for a strong focus on agriculture since agriculture is a reliable source of industrial and food supply. Agriculture is the cultivation of land, rearing of animals for the purpose of production of food for man, feed for animals and raw materials for our industries (Anyanwu, Oaikhenan, Oyefusi & Dimowo, 1997)). It has been identified as been responsible for key development in the rise of sedentary human civilization, whereby farming of domesticated species created food surpluses that nurtured the development of civilization (Ayegba&Ikani, 2013). It therefore has the potentials of providing employment opportunities, reducing poverty and improving income distribution, speeding up of industrialization and easing off on the pressure of balance of payments disequilibrium. It also plays a very significant role in addressing food insecurity, poverty alleviation and human development challenges (Etonihu, Rahman & Usman, 2013). It is the most dominant sector and indeed, a major source of livelihood for its citizens (Ijaiya & Abdulaheem, 2000).

However, the Nigerian agricultural sector has marked deterioration in its productivity (Amaza and Maurice, 2005). The sector's output has been increasing as it recorded its monetary value of 350.05 billion in 1993 and 2410.05 billion in 2001. The trend continued to increase from 10,310.66 billion in 2010 to 18,018.61 billion in 2014 (CBN, 2015). But, according to the CBN (2000), the contribution of the sector to total Gross Domestic Product (GDP) has been falling as a result of low productivity owing to the dominance of peasant farmers, and their reliance on rudimentary farm implements and low technology. Many reasons have also been advanced for the declining agricultural productivity in Nigeria. One of the factors attributed to the declining productivity of the sector is farmers' limited access to credit facilities (Nwaru, 2004; Manyong et al, 2005; Ilegbinosa, Watson & Itoro, 2012).

These credits could come from financially able bodies like banks, government or individuals (Olaitan, 2006; Cornelius, Arikpo & Ogar, 2015). This credit can be short, medium or long term depending on its duration. Qureshi, Khan & Shan (1992) reported that such credit removes financial constraints faced by farmers' as it provides incentives to adopt new technologies that would otherwise be more slowly accepted. Thus the availability of credit enables farmers to switch quickly to new technologies which enable the achievement of rapid productivity and growth. According to Alfred (2005), acquisition and utilization of these credits for agricultural purposes promote productivity and consequently, improved food security status of a community and country at large. It has been argued that when agricultural credits are made accessible to farmers by Deposit Money Banks, it will go a long way in breaking the cycle of poverty and liberating the farmers to improve their adoption of modern farm technologies which could enhance productivity, farmers' income and agricultural output of the whole economy.

Since suppliers of credit (deposit money banks) are in business for profit and will only lend to credit worthy sectors and knowing the positive role played by agricultural credit on food production, consumption and agricultural inputs. More so, the requirement of deposit money banks to play pivotal roles in providing cheap credit to the sector's operators was initiated. The truth however remains that there are doubts whether deposit money banks have fully comply with this policy requirement or not as there are still rumors of the unwillingness of the banks to grant credit to the sector's operators. Furthermore, where credits

are even granted, the interest charges are often too high. Other problems associated with the access to deposit money banks' credit by the agricultural sector include: excessive paper work, requirement for collateral securities and the fear of default in the payment of the principal and interest by banks (Anthony, Gabriel, & Arikpo, 2015).

The aforementioned problems constitute restrictions to easy access of loans by the interested farmers in the face of; inadequate finance or credit facilities, inadequate farm input, lack of storage facilities, lack of basic amenities, and lack of technical know-how, lack of research and illiteracy of the farmers. It is therefore instructive to empirically investigate the impact of deposit money banks credit on the performance of the Agricultural sector in Nigeria from 1986 to 2014.

Review of Related Literature

Agriculture/Agricultural Output

According to Anyanwu, et al (1997) agriculture involves the cultivation of land, raising and rearing of animals for the purpose of production of food for man, feed for animals and raw materials for industries. It involves cropping, livestock, forestry, fishing processing and marketing of these agricultural products. Agricultural output can be defined as the sum yield from agricultural activities of an individual, group of individuals, state or nation. It also refers to the total amount of agricultural produce by a farmer, in a given period of time. A sectoral analysis in 2006 of the real GDP indicated that the agricultural sector contributed to about 42% of the GDP compared with 41.2% in 2005 (Central Bank of Nigeria, 2006).

Deposit Money Banks (DMBs)*:*

A major job of these banks is to take in deposits from people who want to save and use these deposits to make loans to people who want to borrow. Just like any other private enterprise, the primary objective of a deposit money banks is profit maximization. Because they are profit oriented, they usually request for a collateral security so as to ensure that the amount on credit will be recovered if the borrowers cannot repay.

Theoretical Framework

The study adopts the neoclassical theory of production in measuring agricultural output from efficiency use of Deposit Money Bank loans. The classical theory stipulates that the rate of interest is determined by the demand and supply of capital or by the intersection of the investment demand schedule and the supply/saving schedule and the neo-classical theory of production emphasizes that resource must be available and efficiency used in order to achieve optimum production level. This links directly to the goal of the Deposit Money Banks and agricultural output because loans given to farmers are meant for repayment.

However, it will be impossible for the Deposit Money Banks to recover such loans without first making the money available to the farmers, and ensuring that these resources are efficiently used in order to achieve optimum production. Moreover, it is due to the efficient use of resources that farmer's welfare can improve, and hence, the specification of the neo-classical theory of production can be used to achieve the mission of the Deposit Money Banks which is to make profit from the improved welfare of farmers in the study area.

Empirical Review

Anthony, Gabriel and Arikpo (2015) investigated the role of deposit money banks credit on the growth of the agricultural sector in Nigeria from 1988 to 2011. The study used ordinary least square multiple regression statistical technique. Result from the analysis revealed that both deposit money banks loans and the agricultural credit guarantee scheme fund had a positive relationship with the output of the agricultural sector and that deposit money bank lending rate had a negative and insignificant relationship with the output of the agricultural sector in Nigeria. The study recommended that the loans and finances to the agricultural sector should be increased while the lending rate should be reduced.

Nnamocha and Eke (2015) investigated the effect of Bank Credit on Agricultural Output in Nigeria using the Error Correction

Model from 1970 to 2013. The unit root test results revealed that all the variables were integrated of order one I (1) and long-run relationship existed among them. The study further showed that in the long-run bank credit and industrial output contributed a lot to agricultural output in Nigeria, while; only industrial output influenced agricultural output in the short-run.

Obilor (2014) evaluated the impact of commercial banks' credit to agricultural sector under the Agricultural Credit Guarantee Scheme Fund in Nigeria. The result revealed that Agricultural Credit Guarantee Scheme Fund and Government fund allocation to agriculture produced a significant positive effect on agricultural productivity, while the other variables produced a significant negative effect. The study recommended that farmers should be encouraged to be applying for loans from the participating banks to enhance their agricultural activities and productivity.

Methodology

This research is fundamentally analytical and descriptive as it embraces the use of secondary data in examining the impact of deposit money banks loans on agricultural output in Nigeria. Of course, the descriptive tool consists of graphs, descriptive test statistics, means, variances, median, Jarque Bera, probability, while the analytical tools consist of the econometrical tests (e.g. unit root test, causality test, co-integration test and error correction test).The needed data for this research include data on agricultural output, deposit money bank loans to the agricultural sector, lending rate to the agricultural sector and federal government expenditure to agriculture.

Model Specification

Adopting the model by Anthony, Gabriel and Arikpo (2015) in examining the role of deposit money banks credit on the growth of the agricultural sector in Nigeria with modifications, the implicit form of the model of this research is stated as:

AGRO= f(DMBLN, LNDRA, FGEXP, TLBFR) - - – (1)

Taking the log of the equation (1), the stochastic form is stated as:

$lnAGRO = b_0 + b_1 lnDMBLN + b_2 lnLNDRA + b_3 lnFGEXP + b_4 ln\ TLBFR + U$ - (3.5)

Where; AGRO Agricultural Output in Nigeria, DMBLN = Deposit Money Bank Loans to the Agricultural Sector, LNDRA = Lending Rate to the Agricultural Sector, FGEXP = federal government expenditure to agriculture, TLBFR = Total Labour Force in Agriculture, b_0 =Constant Intercept, $b_{1-}b_4$ = Slope of Coefficients of the explanatory variables that are captured in the model, Ui = Stochastic disturbance term and ln = Natural Logarithm

Results and Discussions

Trend Analysis

Below is the trend analysis of the deposit money bank credit and agricultural output in Nigeria.

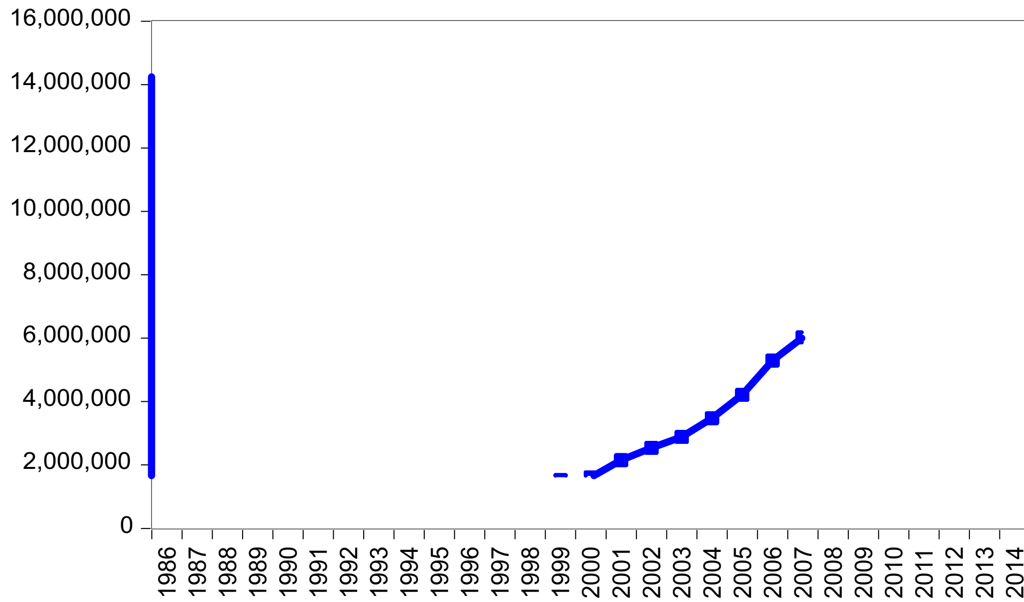

Figure 1: Trend Analysis of Deposit money bank credit and Agricultural output in Nigeria

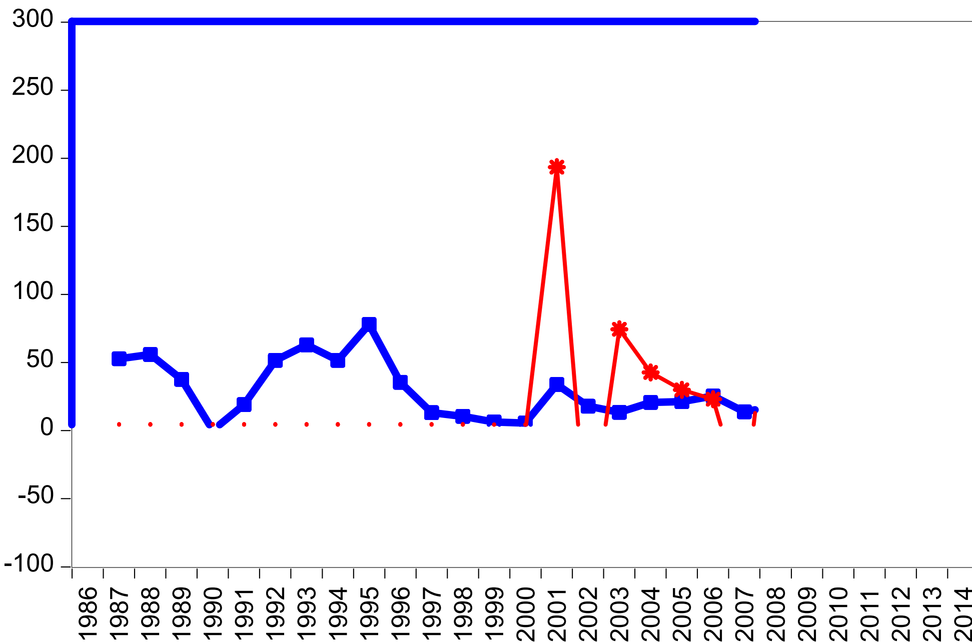

Figure 2: Trend Analysis of Percentage Changes in Deposit money bank credit and Agricultural output in Nigeria

From the trend of agriculture output and deposit money banks credits revealed in Figure 1, it shows that there has been a stable growth from 1986 to 2008 in deposit money banks credits while agricultural output experienced a stable growth from 1986 to 1992. However, in 1993 there was sudden increase which has been stable from the year to 2014. The trend of deposit money banks credits in the periods of 1986 to 1992 explained the movement of agricultural output but not subsequently. A close examination using percentage change in deposit money banks credits and agricultural output revealed in Figure 2 shows that deposit money banks credits has been very steady and stable from 1986 to 2000 with sudden fluctuations in the percentage change of the deposit money banks credits recording its pick and doom in 2009 and 2002 respectively. The trend of the percentage change in deposit money banks credits however converged to the percentage change in agricultural output in 2013 to 2014. But the trend of percentage change in agricultural output recorded initial fluctuation with convergence in 1990, 2000, 2006 and 2013 to2014. The trend therefore does not perters away from the mean value unlike percentage change in deposit money banks credits.

Result of the Descriptive Statistic

The summary results of descriptive statistics of the variables captured in the model are presented in Table 1:

Table 1: Descriptive Statistics of Variables

	AGROT	DMBLN	LNDRA	FGEXP	TLBFR
Mean	3791999.	184984.0	18.79043	15217.28	39988452
Median	1607485.	93315.90	18.36167	7064.546	39248273
Maximum	14172789	631250.0	31.65000	65399.01	55836269
Minimum	32462.18	40200.00	9.433333	20.68884	27205151
Std. Dev.	4356923.	169299.7	4.629361	18640.12	8457466.
Skewness	1.100140	1.415849	0.357933	1.240894	0.271488
Kurtosis	2.926504	3.438391	2.892786	2.607912	1.969785
Jarque-Bera	5.856348	4.921266	1.582350	4.888996	1.638702
Probability	0.053495	0.076008	0.453312	0.079361	0.440718
Sum	1.10E+08	5364535.	544.9223	441301.0	1.16E+09
Sum Sq. Dev.	5.32E+14	8.03E+11	600.0675	9.73E+09	2.00E+15
Observations	29	29	29	29	29

Source: Researcher's Computation from E-views 8 Output

An examination of the 29 observations on Table 1 above reveals that, between 1986 to 2014, agricultural output, deposit money bank credit, lending rate to the agricultural sector, federal government expenditure to agriculture and total labour force averaged about 3791999 million, 184984 million, 18.79%, 15217.28 million and 39988452 persons and the maximum value of 14172789 million, 631250 million, 31.65% 65399.01 million and 55 836 269 persons; with their corresponding minimum values of 32462.18 million, 40200 million, 9.4%, 20.68884 million and 27205151 persons. The test for normality shows that all the variables (AGROT, DMBLN, LNDRA, FGEXP and TLBFR) revealed low JarqueBera value with their respective high probability values. This implies that data for the variables were normally distributed. The data for all the variables had positively skewed distribution. The results of Kurtosis also indicated an approximate value of 3 (that is excess Kurtosis) for all the variables implying that the variables

have mesokurtic shape (that is, K≈ 3) except TLBFR that is platykurtic in shape (that is K 3).

Results of Unit Root Test

The test result of the Augmented Dickey-fuller statistic for all the time series variables used in the estimation are presented in the Table 2 below:

Table 2: Result of Unit Root Test (ADF)

Variables	ADF with Constant					
	At level	**First Difference**	**1% Critical Level**	**5% Critical Level**	**10% Critical Level**	**Order of Integration**
DAGRO	0.162483	-5.367414	-3.711457	-2.981038	-2.629906	I(1)
Prob	0.9642	0.0002***				
DMBLN	-1.271889	-6.169026	-3.711457	-2.981038	-2.629906	I(1)
Prob	0.6281	0.0000***				
LNDRA	-2.571148	-5.601677	-3.711457	-2.981038	-2.629906	I(1)
Prob	0.1107	0.0001***				
FGEXP	-2.950043	-6.101355	-3.711457	-2.981038	-2.629906	I(1)
Prob	0.0523*	0.0000***				
TLBFR	2.06607	-5.756816	-3.711457	-2.981038	-2.629906	I(1)
Prob	0.9998	0.0001***				

Source: Computed from the Unit Root Test (ADF)

Note: These critical values are computed from Mackinnon (1996) and if the probability value of a particular variable is less than the 5% critical value, we reject the null hypothesis of the variable having a unit root. The asterisk (*, **, ***) denotes rejection of the unit root hypothesis at 10%, 5% and 1% critical levels. From the results of unit root in Table 2, all the variables are integrated at 5% critical level at first difference i.e I(1).

Results of Granger Causality

The results of pairwise granger causality test revealed that there is unidirectional relationship running from deposit money banks credit to agricultural output at 5% critical level in Nigeria. More so, there is unidirectional relationship running from agricultural output to federal government expenditure on agriculture in Nigeria at 5% critical level. There also exists a unidirectional relationship running from total labour force to agricultural output in Nigeria at 5% critical level. Pairwise granger causality also reported unidirectional relationship running from total labour force to deposit money bank credit at 5% critical level. The results also revealed that federal government expenditure on agriculture granger cause deposit money bank credit while total labour force granger cause federal government expenditure on agriculture in Nigeria.

Johansen Hypothesized Co-integration Result

The Johansen hypothesized co-integration was carried out to determine the number of stationary long-run relationship among the variables included in the study. It offers two tests, the trace test and the Eigen value test, with a view to identify the number of co-integrating relationships. The results are shown in the Table 3.

Table 3: Result of Unrestricted Co-integration Rank Test (Trace)

n-r	Hypothesized No of CEs	Eigen value	Trace statistic	0.05 critical value	Prob**	Max-Eigen statistic	0.05 critical value	Prob**
4	None *	0.690735	74.66205	69.81889	0.0195	34.68602	33.87687	0.0493
3	At most 1	0.463585	42.97603	47.85613	0.1332	16.81687	27.58434	0.5957
2	At most 2	0.413410	26.15916	29.79707	0.1240	14.40259	21.13162	0.3329
1	At most 3	0.320830	11.75656	15.49471	0.1690	10.44585	14.26460	0.1843
0	At most 4	0.047385	1.310711	3.841466	0.2523	1.310711	3.841466	0.2523

Source: Computations from Eviews 9.5 Output.

Both the Trace and Max-Eigen test indicates 1 co-integrating equation(s) at the 0.05 level denotes rejection of the hypothesis at the 0.05 level. Mackinnon-Haug-Michelis (1999) p-values.

From the Table 3, it revealed that there is co-integration among the variables. This is because the Trace and Max-Eigen statistics of 74.66205 and 34.68602 are greater than their respective critical values of 69.81889 and 33.87687 at 5% level of significance. This implies that there is a long-run relationship between deposit money banks credit and agricultural output in Nigeria.

The Impact of Deposit Money Banks Credit on Agricultural Output in Nigeria (Long-run)

In order to determine the nature of the long run relationship, we used the reserved coefficients of the normalized Johansen co-integrating equation based on the lowest log likelihood. It is stated as:

AGRO=44.59453+0.161373DMBLN - 0.538828LNDRA+0.455724FGEXP+ 3.458188TLBFR

(0.03063) (0.24497) (0.08458) (1.11867)

Note: Standard Errors in parenthesis.

The coefficient of Deposit Money Bank Credit (DMBLN) is with the correct sign. The coefficient is also statistically significant at 5% critical level. It implies that, any unit change (increase) in DMBLN leads to 0.16% increases in agricultural output (AGRO). Thus, there is a strong positive and significant relationship between deposit money bank credit and agricultural output in Nigeria. This result is consistent with that of Anthony, Gabriel and Arikpo (2015) and Nnamocha1 and Eke (2015) who found positive effect bank credit on agricultural output in Nigeria. However, Lending Rate to Agriculture Sector (LNDRA) revealed a strong negative and significant relationship with agricultural output in Nigeria. This has also conformed to the theoretical relationship between lending rate and output.

More so, the coefficients of Federal Government Expenditure on Agriculture (FGEXP) and Total Labour Force (TLBFR) are with the correct signs. The coefficients are also statistically significant at 5% critical level implying the positive influence of federal government expenditure on agriculture and total labour force on agricultural output in Nigeria.

Empirical Results of the Dynamic Model (ECM)

The results are summarized in Table 4

Table 4: Vector Error-Correction Estimates

Variable	Coefficient	Standard errors [t-statistic]
$AGRO_{t-1}$	0.699017	(0.14528)[4.81164]*
$DMBLN_{t-1}$	-0.00814	(0.03837)[-0.21216]
$LNDRA_{t-1}$	0.074347	(0.14310)[0.51954]
$FGEXP_{t-1}$	-0.089389	(0.0332)[-2.69212]*
$TLBFR_{t-1}$	-4.321141	(7.43151)[-0.58146]
ECM	-0.195265	(0.07886)[-2.47601]*
C	0.189548	(0.1855)[1.02181]

The asterisk (*) denotes rejection of the null hypothesis (that is the variable is not significant at 5% critical level).

$R^2 = 0.601455$

$\bar{R}^2 = 0.581891$, F- statistic = 15.030418

The above short run estimates in Table 4 shows that DMBLN and TLBFR were statistically insignificant at influencing agricultural output in Nigeria at 5% critical level in the short run. This implies that deposit money bank credit and total labour force all in the previous years have no significant impact on agricultural output of Nigeria in the current period ($AGRO_t$). The coefficient of agricultural output in the previous year has obeyed the apriori expectation and it is statistically significant at 5% critical level. But, the coefficient of federal government expenditure on agriculture has negated the apriori expectation in the short run.

Furthermore, the coefficient of error correction term is significant with the expected sign and low magnitude (-0.195265). Its magnitude indicates that if there is any initial deviation, the system adjusted slowly where about 19.5% of the disequilibrium maybe removed each period (i.e. each year). This shows that, the speed of adjustment to where agricultural output adjust or converge to long-run equilibrium in Nigeria even when there is initial disequilibrium is at the rate of 19.5%

It is obvious from the coefficient of multiple determinations (R^2) that the model has a good fit as the independent variables were found to jointly explain 60.1% of the movement in the dependent variable with the R^2-adjusted ($\bar{R}^2$) of 58.2%. The overall significance of the model is explained by the F-statistic of 15.03042 which is significant at 5% critical level. Coefficients of the short run dynamics show that, deposit money bank credit is not statistically significant at 5% critical level indicating that, deposit money bank credit does not significantly affect the agricultural output of the Nigerian economy in the short-run.

Residual tests were conducted to see whether estimates are reliable and can yield reliable statistical inferences. The result of Vector Error Correction VEC residual serial correlation Long run Model (LM) tests shows that there is no serial correlation at the selected lag order using the probabilities from chi-square with 36 as degree of freedom. The result of VEC residual heteroskedasticity tests with no cross terms but only levels and squares revealed insignificant Chi-square implying the absence of heteroskedasticity in the model. The model used for the study was also proven dynamically stable using the result of inverses roots of Autoregressive AR characteristic polynomial. This means that results or estimates produced are reliable and can stand statistical inferences.

Conclusion

From the findings of this study, it is obvious that both deposit money bank loans and agricultural credit have positive relationships with the growth of the agricultural sector in Nigeria. However, the agricultural credit fund was not statistically significant in measuring variations in the growth of the agricultural output in Nigeria. It was also revealed that deposit money banks' lending rate has an inverse and insignificant

relationship with the growth of the agricultural output in Nigeria. Conclusively, the deposit money banks in Nigeria play a veritable role in promoting agricultural output and growth through the provision of funds (in form of loans and grants) to the sector.

Recommendations

Based on the findings of this study, the following recommendations were made:

i. Efforts should be made by the government and private individuals to encourage or increase investment in the agricultural sector.

ii. The lending rate on loans to the agricultural sector should be reviewed and fixed at a rate that would encourage farmers to acquire loans from deposit money banks.

iii. The stringent conditions and pre-requisite required to be met by farmers to participate on the agricultural credits should be reviewed and made accessible to farmers.

iv. Government should ensure that bank claims as a result of default and borrowers interest draw backs are paid without delay. This will not only motivate both participating banks and farmers in the scheme but will also attract others who are skeptical about it.

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Impact of Interest and Exchange Rates on Nigeria Manufacturing Sector

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Abstract

The main focus of this study is to evaluate the impact of interest and exchange rates on the performance of the manufacturing sector and in pursuance of this; the multiple regression analysis was used to evaluate the impact of interest rate and exchange rate on the performance of the manufacturing sector. The study used secondary data for analysis. According to the result of the analysis interest rates do not have a significant impact on the performance of the manufacturing sector. Exchange rates showed a significant inverse relationship with the performance of the manufacturing sector within the period covered. Since this is contrary to economic reasoning, the study advocated for more extensive study on this area

Keywords: Interest rate, economic growth, manufacturing sector

Introduction

Manufacturing involves the conversion of raw materials into finished consumer goods or intermediate goods or producer goods. The manufacturing sector is a subset of the industrial sector, others being processing, craft and mining sub-sectors. Manufacturing like other industrial activities, creates opportunity for employment, helps to boast agriculture, help to diversify the economy, while helping the nation to increase its foreign exchange earnings. It also minimizes the risk of overdependence on foreign trade and leads to the fullest utilization of available resources.

Nigeria is endowed with numerous natural resources which could be used as raw materials for manufacturing to serve her domestic needs and also for exports. These resources include minerals such as petroleum, limestone, tin, columbites, kaoline, coal zinc, gypsum, clay, shale, marble, graphite, iron ore, stone etc. Nigerian is also an agrarian society. Nigeria has the capacity to produce a wise range of agricultural products which could be food crops or cash crops. These include oil palm, cocoa, cotton, maize, guinea corn, yams, rice etc. all these can be used in the manufacturing industry as raw materials.

In the 1960's, there was a vigorous policy of import substitution. But this marked the beginning of decline for the export oriented processing of raw materials. The policy of import substitution was mostly initially meant to reduce over-dependence on foreign trade and save foreign exchange. However, it turned out to be a mere assemblage of those items rather than manufacturing. The original aim of import substitution was defeated since almost every item needed by the so-called manufacturing industry was imported. During this time, foreign ownership of manufacturing facilities reached its peak.

In the 1970's, the advent of oil and the enormous resources it provided for direct government investment in manufacturing made the government exercise almost a complete monopoly in the following sub-sectors of manufacturing; basic steel production, petroleum refining, petrochemicals, liquefied natural gas, edible salt, flat steel plants, machine tools, pulp and paper (basic), yeast and alcohol and fertilizer (Nitrogenous phosphates). During the period, the indigenization programme was also initiated; however, the results were poor.

In the 1980's, due to the dwindling government revenue as a result of all in oil prices at the word market, many attempts to stimulate the economy was made. This includes the adoption of export promotion strategy on the realization of the pitfalls of the import substitution strategy. The structural adjustment programme which began in July 1986 emphasized this strategy especially as it relates to non-oil exports, hence the extension of export promotion, incentive of various descriptions. When Nigeria's economic crisis deepened, the plight of the industrial sector became more apparent. This was clearly shown by the negative growth of the industrial output in 1985. It thus became glaring that the so-called big industrial base was built on a very weak foundation. Structurally, most of the industries were plants for the assembly of foreign products for Nigerian market while the domestic resources content of the products of these industries were very low. Moreover, due to the capital-intensive nature of most of these industries, little scope existed for them to explore and efficiently utilize the abundant labour and other local resources in the country. What was observed was the establishment of large plants with huge installed capacities and an import-dependent raw materials requirement that relies on exchange rate availability.

Exchange rate is simply the price of one currency in terms of another. It is the amount of the foreign currency that may be bought in terms of the domestic currency. Ochejele, (2010) . One of the distinguishing features of international trade is the involvement of foreign currencies. Nigerian manufacturing is highly dependent on imports of inputs and capital goods. These are paid for in foreign exchange rate and manufacturing output sector. Also, it follows logical reasoning that reduction (depreciation) of the exchange rate will increase foreign direct investment and this may in turn affect manufacturing output

positively and vice versa. This provides a link between manufacturing output and the exchange rate. Thus, it is on the basis of this nexus that this study examines the extent to which interest/exchange rate affect the manufacturing sector in Nigeria.

Conceptual Clarification

Industrialization plays a significant role in economic development. But industrialization includes the development of the manufacturing sector. Industrialization acts as a catalyst that accelerates the pace of structural transformation and diversification of the economy. It enables a country to fully utilizes its factor endowment and to depend less on foreign supply of finished goods or raw material for its economic growth, development and sustainability, Obasan and Adediran (2010)

The contribution of the manufacturing industries in the economy cannot be overemphasized when considering its employment potential and financial impact on the economy. Apart from its building ground for development by laying solid foundation for the economy, it also serves as import substituting industry and provide ready market for intermediate goods Adediran, (2008) According to Aderibigbe (2010), manufacturing industry contributes significantly to the nations economic development in the following ways:

Increase in government revenue through tax

Manufacturing no doubt leads to industrialization: the bigger the number of manufacturing industries, the better industrialized the society will be.

Improvement in the standard of living: With manufacturing potentials, more of the people will be gainfully employed in various manufacturing activities, per capita income may increase and the general standard of living improved.

Infrastructural Growth: Construction of good roads to areas where raw materials are exploited and citing of manufacturing industries to these sources of raw materials may help improve the growth of basic infrastructural requirements.

Contribution to Gross National Product: The manufacturing sector in Nigeria being next to oil has through their operations contributed to the Gross national Product of the country through earning from exportation of manufactured goods.

Employment Generation: Manufacturing industry performs the major role of employment generation at all levels i.e. skilled, semi-skilled and unskilled labour and thereby fulfilling one of the nations ultimate macroeconomic goods. Okejiri (2008) revealed that one of the largest constraints to the high productivity of Nigeria's manufacturing is the low level of technology.

Methodology and Analysis

To satisfy the objectives of this study, it is important to determine the relationship existing between the performance of Nigeria manufacturing sector (measured by the percentage contribution of manufacturing to GDP) and the interest and exchange rate. Secondary data will be employed in this work. Data will be collected for X1 (Exchange rate), X2 (interest rate) and Y (The percentage contribution of manufacturing to the Gross Domestic Product) from the year 2011-2014. Y is a dependent variable while X1 and X2 are independent variables. The study is quantitative in nature.

This therefore, requires the regression analysis as a tool to determine this relationship. The percentage contribution of manufacturing to GDP is a dependent variable while the interest rates and exchange rates are explanatory variables. The multiple regression model is to be used as shown below $Y=F(X_1, X_2) + £$Y is the dependent variable representing the percentage contribution of manufacturing to GDP; X_1 is an explanatory variable representing interest rates and X_2 is also an explanatory variable representing exchange rate. £ Is assumed to be the random error representing the discrepancy in the

approximation. It accounts for the failure of the model to fit the data exactly. The function f(X1, X2) describes the relationship between X1, X2 and Y. The function $f(X_1, X_2)$ that best fit the data will be used in this work. Assuming a multiple linear regression model $Y = B_0+B_1+B_2+£$

Bo, B_1 and B_2 are called regression parameters or coefficients. They are the unknown constants to be estimated from the data.

The coefficient of determination, R_a^2 of the model will be determined. This value shows how much the explanatory variables explain the outcome of the dependent variable. It is estimated thus:

$$R_a^{2=1} \frac{SSE/n-p-)}{SST/(n-1)}$$

The R_a^2 measures the extent of fit in percentage. Analysis of variances for the regression model will be carried out. It will measure the significance of fitness of the model to the data using the F-test. The F-test is given as:

$$F= \frac{MSR}{MSE}$$

SSE is the sum of square errors, SST is the sum of square total, MSR is the mean square of regression and MSE is the mean square of error. The significance of the individual coefficient estimated shall be determined. This is done by using the t-test.

$$t_j= \frac{B_j-B_j^0}{S.E(B^j)}$$

With (n-p-1) degree of freedom, where P is the number of the explanatory variables and n is the number of observations.

The Durbin Watson D. value will be determined. This detects the presence of autocorrelation in the residuals. Once autocorrelation in the residuals is detected, then the regression model has violated one of its fundamental assumptions, and therefore cannot be used. D is calculated as:

$$D = \sum \frac{\sum et^2}{t-2}$$

Results and Discussions

The regression model employed that fits the data is the quadratic form with only the explanatory variable (exchange rate) taking the second order, while the other explanatory variables (interest rate) remains in the first order.

$$Y_t = B_o+B_1X_{1t}+B_2X_{2t}+B_3X_2+Ct3t$$

Time	Total GDP	Manufacturing	Interest Rate	Exchange Rate	% Contribution of Manufacturing to GDP
2011	23842171	543259.4	18.71	118.8605	2.28
2012	23952171	553469.4	19.72	128.8805	2.34
2013	25883172	663568.5	22.82	137.899	3.28
2014	36886164	773467.6	24.86	149.798	3.40

Source: Central Bank Statistical Bulleting 2014

Table 1: Model Summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Durbin Watson
1	0.950	0.902	0.875	0.49111	1.112

Predictors: (Constant) Sqr-Exchange, Interest, Exchange

Dependent Variable: Percentage contribution of manufacturing sector to total GDP

From table 1, adjusted R^2 is 0.875.

This implies that 87.5% of the explanatory variables (exchange and interest rates) explained the outcomes of the response variable (percentage contribution of manufacturing sector to the total GDP). The Durbin Watson, D, value is 1.112. Testing for the significance of the D value, the critical lower and the upper limit values of the Durbin Watson are 0.814 and 1.730 respectively. Since D_L (=0.814) ≤D = 1.112) ≤Du (=1.730), the test is inconclusive, therefore, we say there is no sufficient evidence that the residuals of the regression model are auto correlated. This implies that the regression model can be for the study.

Testing the significance of the model of the data, we test the following hypothesis:

Ho: B = 0 (model is inadequate)

H1: B ≠0 (model is adequate)

Table 2: ANOVA

Source Variation	Sum of Squares	df	Mean Square	F	F-Table
Regression	24.409	3	8.136	33.734	3.59
Residual	2.653	11	0.241		
Total	27.062	14			

a. Predictors: (Constant) Sqr-Exchange, Interest, Exchange

b. Dependent Variable: Percentage contribution of manufacturing sector to total GDP

From Table 2, the F-statistic is 33. 734 while the critical value $F_{3,11;0.025}$= 3.59 . Since the F (=33.734) > F-table (=3.59), we reject Ho and conclude that the regression model employed is adequate.

Testing for the significance of the interest rate estimate of the regression coefficient (parameters);

Ho: B1 = 0 (interest rate insignificant)

H1: B1 ≠0 (interest rate significant)

Table 3: Coefficient

	Un-Standardized Coefficients		Standardized Coefficients	t	t-table
	B	Std. Error	Beta		
(Constant)	27.898	5.925	0.169	4.709	2.20
Interest	0.73	0.041	-7.004	1.772	2.20
Exchange	0.444	0.116	6.143	-3.833	2.20
Square Exchange	0.002	0.001		3.361	2.20

Dependent Variable: Percentage contribution of manufacturing sector to total GDP

From Table 3, t-statistic test for the significance of the estimate of the parameter. interest rate is 1.772. The critical value is $t_{15-3-1, 0.025}$(2.20).

Since t_{cal}(=1.772) < tt_{ab}(= 2.20). We do not reject Ho and conclude that the estimate for the parameter interest rate is not significant.

Testing for significance of the parameter of exchange rate estimate in the regression model,

Ho: B_2= 0 (exchange is insignificance)

H1: B_2 ≠0 (exchange rate is significance)

From table 3, the t-statistic testing the significance of the estimate of the exchange parameter is -3.833. The critical value $t_{15-3-1, 0.025}$ (2.20).

Since T_{cal} (= 3.833) > T_{tab} (= 2.20), we reject Ho and conclude that the estimate for the

parameter exchange rate is significance.

Testing for the significance of the estimate of the parameter Square of exchange rate in the regression model,

Ho: B3 = 0 (square of exchange rate is insignificant)

H1: B3 $\neq$ 0 (square of exchange rate is significant)

From table 3, the t-statistic testing significance of the estimate of the square of exchange rate is 3.361. The critical value $t_{15-3-1, 0.025}$(2.20).

Since t_{cal} (3.361) > T_{tab} (= 2.20) we reject Ho and conclude that the estimate for the parameter square of exchange rate is significant.

Therefore, the regression equation is,

Y = 27.898+0.073 interest – 0.444 exchange + 0.002 square of exchange,

Y is the percentage contribution the Nigeria manufacturing sector to the total GDP.

It therefore implies that, keeping exchange rate fixed, for every unit increase in interest rate, the percentage contribution of manufacturing sector to the total GDP increases by 0.073 units.

Also, Keeping interest and the square of exchange rates fixed, for every unit increase in exchange rate, the percentage contribution of manufacturing sector to the GDP decreases by 0.444 units.

Furthermore, Keeping interest rate and exchange rated fixed, for every unit increase in the square of exchange rate, the percentage contribution of manufacturing sector to the total GDP increases by 0.002 units.

Logically, it is expected that the level of interest rate should significantly affect the performance of the manufacturing sector. This is because interest represents the cost of capital to manufacturing. According to economic theory, it is also expected that the higher the price, the higher the supply, and the lower the demand. This implies that a high interest rate which translates to high cost of capital will discourage the demand for capital for manufacturing. This will pose the problem of inadequate capital as a result of its exorbitant price. This will lead to poor performance of the manufacturing sector. The result of this study does not support these.

According to the result, interest rate has an insignificant impact on the performance of the manufacturing sector. More research is needed to identify the reason for this. However, possible explanations for this include:

The model does not include all the factors that affect the performance of the manufacturing sector. This suggests that the level of interest rates may actually have a significant relationship with the performance of the manufacturing sector but the impact of other factors affecting the performance the manufacturing sector may have countered this. For instance if CBN enforces a lower rate of interest but power supply becomes hopelessly erratic, the fall in interest rate may not have a significant impact on the performance of the manufacturing sector.

Investors may not be taking adequate advantage of reduction in interest rates because of the collateral requirement demanded by commercial banks before granting loan.

It is possible that the manufacturing sector is being excluded and does no benefit from reduction in interest rate. This is because the CBN do not permit preferential treatment to be accorded to any sector since 1986 and the commercial banks which are driven by profit motive will prefer to loan capital to sectors with higher returns and, or lower risks. As a result funds may not flow to the manufacturing sector in adequate measure. This study covers 2008 to 2012 during which the CBN pursued a market-determined interest rates regime.

The result of the regression analysis shows the exchange rate has a significant inverse relationship with percentage contribution of manufacturing to total GDP. This in line with what is expected. This is because as exchange rates increases, it will be more expensive to procure manufacturing raw materials and equipment from foreign countries. This will result to a negative impact on the performance of the manufacturing sector. This is especially true for Nigeria considering the fact that she is import-dependent.

Recommendation

Based on the discussions and the results of this study, the following are recommended.

a. The Central Bank of Nigeria should take into proper consideration the idiosyncrasies of the economy before adopting any exchange rate policy as this can have serious implications for the manufacturing sector.

b. Researchers should embark on a more extensive research on the impact of interest rates on manufacturing and factors that determine the flow of capital to the manufacturing sector.

Conclusion

From the foregoing regression analysis, the interest rate does not significantly affect the performance of Nigeria manufacturing sector. But this is not expected and so, further studies need to be conducted in this area. According to the result of the regression analysis, exchange rate significantly affects the performance of Nigeria manufacturing sector. Exchange rate and the percentage contribution of manufacturing to the total GDP exhibit an inverse relationship.

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Theories of Corporate Executive Fraud

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Abstract

The paper seeks theoretical underpinnings that explain corporate executive fraud. Several theories and frameworks, with their various derivatives and combinations considered appropriate in discussions of corporate executive fraud were reviewed. The particular theories and/or frameworks reviewed were agency, stewardship, fraud triangle, perfect storm, the American dream and accounting control fraud. While the paper concluded that there is no one fix-all theory or framework that underpins corporate executive frauds; the personality of the executive fraudsters or corporate characteristics played a significant role in almost all known fraud cases. Therefore, the business community, regulators and all those who have an interest in the corporation will do well to look out for these personality and corporate characteristics associated with corporate executive fraud to be able to prevent, deter, detect, investigate and remediate any fraud occurrence.

Key Words: Financial statement fraud, the fraud triangle, theories of financial statement fraud, accounting control fraud.

Introduction

Shareholders entrust their investments to top executive management; yet when recent frauds are analysed as well as the conditions and elements that led to these frauds; one finds that in so many cases, top executive managements are usually most involved (Beasley, Carcello, & Hermanson, 2010). The corporate managers design and execute schemes to deceive investors, auditors and analysts about the true financial condition of the corporations entrusted to them; thereby manipulating the financial data, the share price and other valuation measurements of the corporation. Why is it that, in so many cases, upper level corporate executives are willing to break shareholder trust, betray their principals and commit fraud? The paper seeks the pertinent theory or theories that explain this type of behaviour.

Nature of Corporate Executive Fraud

In this paper, corporate executive fraud refers to financial statement fraud which is considered as the most common type of executive fraud. According to Rezaee (2005:279), financial statement fraud refers to (i) deliberate misstatements or omissions of amounts or disclosures in financial statements to deceive users, particularly investors and creditors; (ii) outright falsifications, alteration or misrepresentation of events, transactions, accounts or other significant information from which financial statements are prepared, (iii) deliberate misapplication of accounting principles, policies and procedures used to measure, recognise, report and disclose economic events and business transactions and (iv) intentional omission of disclosures or presentation of inadequate disclosures regarding accounting principles and policies and related financial amounts. Examples of recent financial statement frauds are those that engulfed Enron, Qwest, Global Crossing, WorldCom etc.

Executive fraud is committed by the top echelons of the firm directly or indirectly. Senior managers may put inordinate pressure on subordinates to achieve results that are impossible without “cooking the books.” On their part, individuals at lower levels in the organisation may not initially realise that they are committing fraud, but instead see themselves as simply doing what is expected to “make their numbers” or responding to the request or directives of a supervisor. An executive fraud starts out as “earnings management” and grows over time to become full-blown 'cooking the books' (Landsittel, 2000). In effect, executive fraudsters may not start with a conscious desire to do so. Other researchers suggest that fraud managers “end up there because the world they are operating in has led them to a challenge beyond their capabilities” (Young, 2000). However, even under extreme pressure, only a small percentage of senior management usually commits fraud.

Unlike street crimes which involve randomness, violent acts, or very little advanced planning, corporate executive fraud is more deliberate and requires planning, organization, trickery and false representation (Albanese, 1995; Wells, 2007). Executive fraud impacts investor confidence and the capital markets negatively, hence regulatory authorities all over the world tighten the rules, and other corporate governance legislation (e.g., the Sarbanes-Oxley Act, 2003; the Nigerian SEC Code, 2011) in attempts to restore investor confidence. Even with increased legislation and new guidance on detection and deterrence of financial fraud schemes, researchers contend that top management fraud is still difficult to detect because of collusion and the lack of effective fraud detection procedures (Albrecht, Albrecht & Albrecht, 2004; Lehman, Weidenmier-Watson & Jones, 2007; Wells, 2007; Hayes, 2006; Kranacher, 2006; Madray, 2006; Marciukaityte,Szewcyk, Uzon & Varma, 2006). Moreover, corporate executive fraud is difficult to eliminate and no company is immune from it (Black, 2003: Dooley, 2002; Hackenbrack, 1993 and Wells, 2002).

Management Theories

Management theories seek to explain the complex relationship between various stakeholders in an organisation, i.e., the

relationship between management, shareholders; and the board of directors of a company. An overview of the Agency and Stewardship, theories are considered relevant for this study and is presented here.

Agency Theory

The agency theory describes a principal-agent relationship between owners (shareholders) and top executives, acting as agents. As agents, directors and managers have a responsibility to their principals for financial statements that fairly present the position and performance of the firm. However, the personal interests of agents do not naturally align with shareholders' (their principals') interests. If the agent has opportunistic tendencies, he or she will pursue interests which are in conflict with those of the principal. These potential conflicts of interests, often referred to as "the agency problem" (Davis, Shoorman & Donaldson, 1997) can be evidenced in frauds and the alteration of financial statements. A typical solution to the agency problem is to structure executive incentives, such as stock options, in ways that align executive behaviour with stockholder goals. Another common solution for the agency problem is for the Board of Directors (a proxy representation for shareholders) to control and curtail the "opportunistic" behaviour of corporate executives, for example, through the audit committee (Donaldson & Davis, 1991). Because of the need to control, this theory argues that the CEO of the company should be a different person than the chairman of the Board of Directors (BOD). When CEO duality occurs, control is diminished and shareholders may lose some ability to monitor management behaviour, hence sacrificing their ownership powers.

Criticism of agency theory linked to questionable corporate governance and its emphases on short-term profits at the expense of long-term viability has been a debated topic (Caldwell & Kari, 2005; Krafft & Ravix, 2005). Other implications in prior research included how corporate boards functioned based on organizational structure, politics, cognitive awareness, and understanding of stewardship theory (Donaldson & Davis, 1993; Golden-Biddle & Rao, 1997; Jones, Felps & Bigley, 2007; Wasserman, 2006). Several recent studies have questioned the simplicity of the agency theory model and have argued for a more comprehensive approach for understanding human actions (for example, Davis, et al., 1997, Daily, Dalton & Canella, 2003; Sundaramurthy & Lewis, 2003).

Stewardship Theory

Unlike agency theory, the stewardship theory views corporate executives as stewards of their companies who will choose the interests of the shareholders over their self-interests, regardless of personal motivations or incentives (Donaldson & Davis, 1991; Sundaramurthy & Lewis, 2003). Since the corporate executives can be trusted to place shareholder interest first, the BOD focuses on empowering rather than controlling or curtailing executives. Rather than being exclusively motivated by self interest, motivations of stewards are varied and complex. Generally, stewards are motivated by a need to achieve and excel in their work, and are able to distinguish between their work and the compensation for it. Stewards also generally gain intrinsic satisfaction through successfully performing inherently challenging tasks. An important aspect of the stewardship theory is that in their minds, they, as stewards are owners of the company in proxy; and they would fulfil their responsibility even when that responsibility is in conflict with their personal interests (Albrecht et al, 2004). Since stewardship theory holds that there is no inherent problem with steward motivation, performance variations may arise from empowerment variations and thus stewardship theory proposes that the steward-CEO can best act when he or she is also the BOD chair (Donaldson & Davis, 1991). Under this theory, CEO duality is an enabling force rather than a control violation (Davis, Shoorman & Donaldson, 1997; Donaldson & Davis, 1991).

Agency Theory Vs Stewardship Theory

Both agency theory and stewardship

theory seek the alignment of corporate executives with shareholders' interests. Neither theory explains fully the complex behaviour of the executives such as whether they will or will not break the trust and commit fraud. For example, the board's lack of psychological independence from corporate executives underlying the stewardship relationship may be partly to blame for the executives' fraudulent behaviour. Furthermore, it is suggested that directors tend to like and admire their corporate executives (Lorsch, 2005). They find it hard to penalize their corporate executives even when the company is not doing well; tacitly tolerating the executives' fraudulent behaviour.

Fraud Triangle Theory

Elements of the fraud triangle theory were first identified by Suntherland (1949) and developed by Cressey (1973). In the 1950s, Cressey interviewed 250 individuals who had been incarcerated over a period of at least 5 months; whose behaviour met two criteria: (i) the person must have accepted a position of trust in good faith and (2) he or she must have been a trust violator and embezzled funds entrusted to them. Trust violators are people one would not normally expect or suspect to commit fraud (Ramamoorti, 2008).

Cressey (1973:742) explains that: Trusted persons become trust violators when they conceive of themselves as having a financial problem which is not shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in the situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property.

Specifically, trust violators and fraud perpetrators must be able to justify their actions to themselves and others as a psychological coping mechanism to deal with the inevitable “cognitive dissonance” (that is, a lack of congruence between their own perception of being honest and the deceptive nature of their action or behaviour). Through the interview process with trust violators, Cressey (1973) determined that the frauds appeared to have three key common elements: (1) The embezzler had the opportunity to perpetrate fraud; (2) there was a perceived non-shareable pressure, and (3) the fraudster had the ability to rationalise the fraud. Consequently, Cressey (1973) summarized these as the three conditions normally present when fraud occurs:

1. **Pressure to Commit Fraud:** This can be either a positive or a negative force. When goals are achievable, pressure contributes to creativity, efficiency and competitiveness. However, temptations for misconduct arise when goals do not appear to be attainable by normal means, yet pressure continues unabated, with career advancement, compensation and even continued employment at risk. When pressure is transformed into an obsessive determination to achieve goals no matter what the cost, it becomes unbalanced and potentially distractive. That is when individuals are most likely to resort to questionable activities that may lead to fraud. The top motivators for fraud have been identified as (i) personal gain (including maximizing performance bonuses and the value of stock-based compensation), (ii) achieving short-term financial goals (either internal targets or external analyst expectations), (iii) hiding bad news from investors and the capital markets (Centre for Audit Quality (CAQ), 2010, KPMG 2009 COSO, 2010), (iv) the desire to recoup and avoid losses (Lowenstein & Rick, 2008) and (v) to increase or prevent a decrease in stock price (Johnson, Ryan & Tian, 2009)
2. **Opportunity for Fraud:** Even when pressure is extreme, financial reporting fraud cannot occur unless an opportunity is present. Opportunity has two aspects: the inherent susceptibility of the company's accounting to manipulation and the conditions within the company that may allow a fraud to occur (Soltani, 2009; PricewaterhouseCoopers, 2009; Ernst & Young, 2009).

3. **Rationalisation of Fraud:** Individuals who commit financial reporting fraud possess a particular mindset that allows them to justify or excuse their fraudulent actions. Personal integrity is critical in determining whether an individual will be prone to rationalise fraud. However, as the pressure or incentive increases, individuals may be more likely to construct some rationalisation for fraudulent actions (CAQ, 2010).

Over the years these conditions have been referred to as the "Fraud Triangle" and it has formed the framework for understanding why people commit fraud as well as finding ways to mitigate it (the fraud). However, it has also been recognised that the fraud triangle alone is an inadequate tool for preventing and detecting fraud because while companies have some control over and can limit opportunities for fraud, pressure as well as rationalisation cannot be observed and controlled and as a result it is very difficult to develop appropriate tools to mitigate these elements of fraud. Figure 1 depicts the core elements of the "fraud triangle"

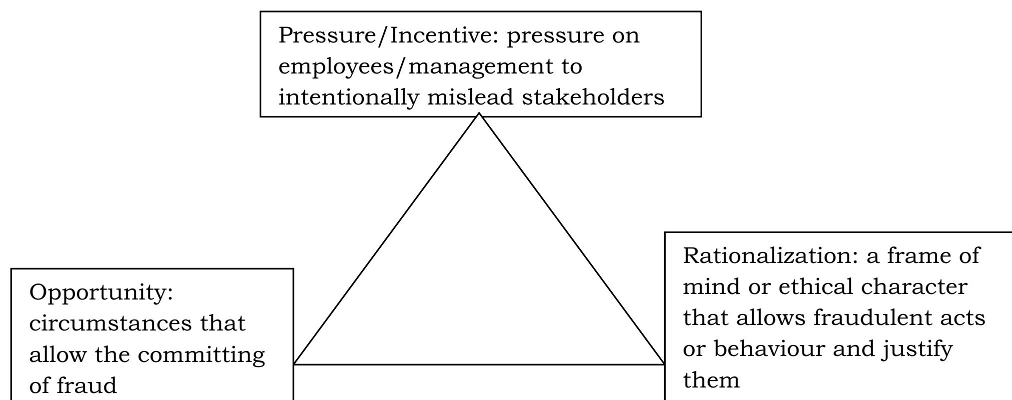

Figure 1: The Fraud Triangle

Source: Albrecht, W.S. 2003 *Fraud Examination* Thomson South Western Publishing

Beyond the Fraud Triangle Theory

To understand why people commit fraud, many anti-fraud professionals refer to the fraud triangle. Its significance in understanding motivation is most evident in the Statement of Auditing Standards (SAS) 99, "Consideration of Fraud in Financial Statement Audit", which makes the concept central. Nevertheless, since the 1950s, professionals and academics have offered insights that have gone **beyond** the fraud triangle. These extensions have enhanced ability of professionals to prevent, deter, detect, investigate and remediate fraud (Dorminey, Fleming, Kranacher & Riley, 2010).

Fraud Diamond

Wolfe and Hermanson (2004) extend the fraud triangle by including a fourth element: **capability** of the potential fraud perpetrator. By adding the capability to commit fraud to the model, i.e., expanding the fraud triangle to a fraud diamond, it is recognized that although the individual may have an incentive, opportunity and rationalisation to commit fraud, personal capacity (knowledge, skill, position ability to handle stress etc) to commit fraud must also be present. In terms of what can be observed Wolfe and Hermanson (2004) explain four observable conditions for committing fraud: (1) authoritative position or function within the organization (2) capacity to understand and exploit accounting systems and internal control weaknesses and (3) confidence that the fraudster will not be detected or if caught will get out quickly or lightly and (4) capability to deal with the stress created within an otherwise good person committing bad acts. The elements of the fraud diamond are exhibited in Figure 2.

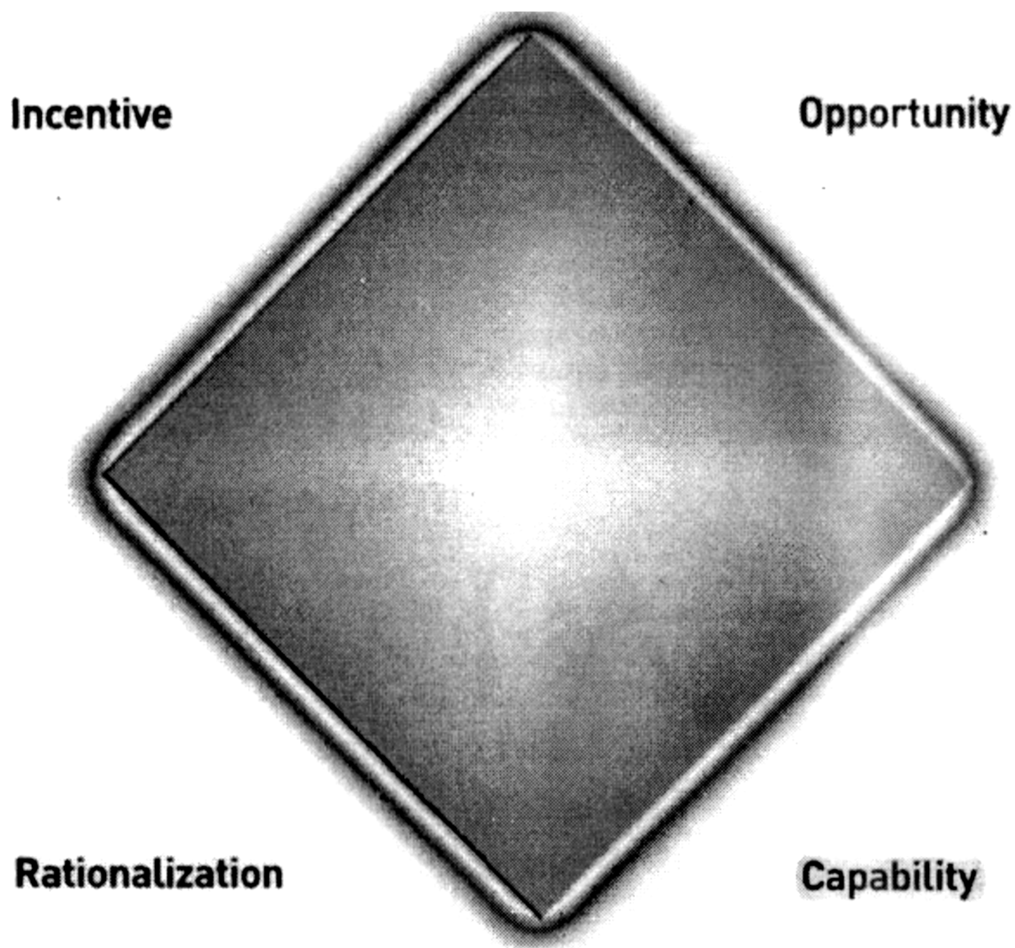

Figure 2: The Fraud Diamond
Source: Wolfe and Hermanson (2004)

The M.I.C.E Concept

The fraud triangle's "perceived pressure" was thought to be an incomplete descriptor of a fraudster's motivation giving rise to a need to provide a broader set of fraud motivators beyond "non-shareable financial need". Kranacher, Riley & Wells (2010) discussed their MICE concept by expanding on Motivation/Pressure. MICE is an acronym that stands for *Money, Ideology, Coercion, and Ego*, which are assumed to be the motivating or "pressuring" factors for committing fraud. Money and ego are the two most commonly observed motivations. Enron, WorldCom, Adelphia, Phaimor and ZZZ Best provide good examples of cases in which convicted perpetrators seemed to be motivated by greed (money) and power (ego) (Kranacher et al, 2010). Less frequently, individuals may be coerced into a fraud scheme; but those individuals can turn into whistle blowers. These lower level individuals are often used to provide insight and testimony against the ring leaders, and as such, receive more lenient sentences. Ideological motivation justify the means where they can steal money or participate in a fraud act to achieve some perceived greater good that is consistent with their ideology or belief.

Kranacher *et al,* 2010 illustrated a conjoined triangle for fraud factors. The original triangle is retained. However, it shares the "opportunity" side with a new triangle. The two new sides on this attached triangle are "criminal mindset" and "arrogance". Essentially, the authors distinguish between those individuals whom they deem "accidental fraudsters" and those they deem "predators". This is an interesting theory in that it makes a distinction between those hapless souls who are caught up in a fraud and "career white collar criminals" who are always on the look-out for easy prey.

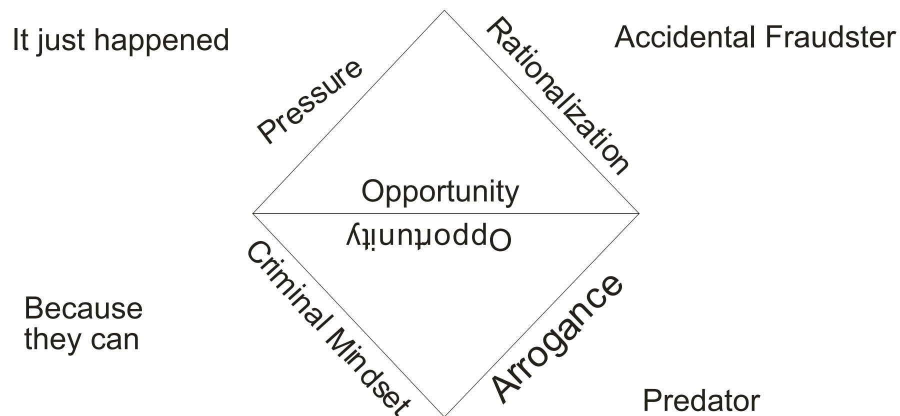

Figure 3: MICE Model:
Source: Kranacher *et al.* 2010

Fraud Pentagon

Jonathan Marks of Crowe Howarth suggests that the fraud triangle is not good enough anymore. He contends that the current business environment is significantly different from the environment that prevailed (in the 1950s) when Cressey first published the study leading to the fraud triangle concept. Table 1 distinguishes the business environment in the 1950s and the contemporary environment of the 21st century.

Table 1: Business environments in the 1950s and 2000s

1950s	2000s
1. Straight line reporting authority 2. Manual processes 3. Dual responsibility 4. Single suppliers 5. Local or regional service area 6. Step-up salary structure	1. Matrix organization 2. Automation 3. Autonomous authority 4.Multiple vendors and global trading partners 5. Global reach 6. Performance based pay

In particular, Marks reasons that (1) performance-based pay and rewards, commonly replacing grade and step-up pay structures, create greater incentive for employees to find unethical ways to reach performance targets, (2) today's more independent employees are armed with greater information and access to corporate assets than in Cressey's 1950s era; (3) corporate culture today celebrates wealth and fame, creating a push among employees for hefty payouts and greater recognition at any price (4) since many businesses no longer are owner-managed, managers and directors at the helm are unlikely to bear ownership costs when mishaps occur.

These differences support the need to expand the fraud triangle to a five side Crowe's Fraud Pentagon, where an employee's competence or power to perform and arrogance or lack of conscience are factored into the conditions generally present when fraud occurs. Competence expands on Cressey's element of opportunity to include an individual's ability to override internal controls and to socially control the situation to his or her advantage. Arrogance or lack of conscience is an attitude of superiority and entitlement or greed on the part of a person who believes that corporate policies and procedures simply do not personally apply to the fraud perpetrator. This person, perhaps fuelled by today's obscene compensation structures, has complete disregard for the consequences bestowed upon his or her victims. Competence and arrogance play a major role in determining whether an employee today has what it takes to perpetuate fraud. Unchecked, the five elements – pressure, opportunity, rationalisation, competence and arrogance – can provoke an individual to commit fraud. Adept individuals

with widespread access to corporate information, a mindset of entitlement, and the confidence to pull it off compound the risk of fraud. Moreover, placing these individuals in a culturally lax environment with poor tone at the top and weak internal controls is a recipe for disaster.

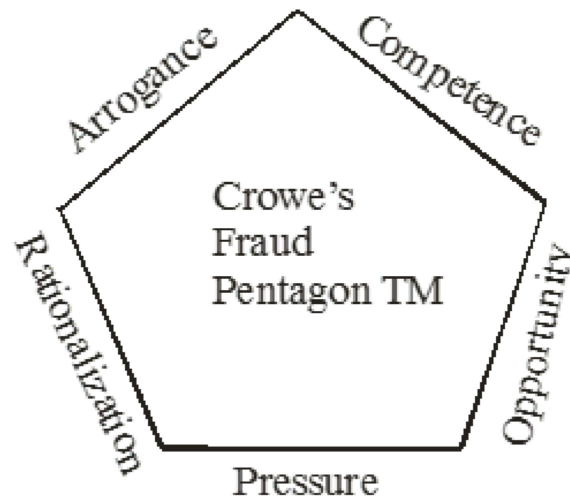

Figure 4: Crowe's Fraud Pentagon

Source: Marks (2009): Playing offence in a high risk environment. *White Paper* Crowe Horwath LLP Retrieved at www.crowehowath.com.

Albrecht's Fraud Scale

Albrecht, Romney, Cherrington, Paye & Roe (1986) adapted the fraud triangle concept from criminology to accounting. Albrecht was particularly interested in identifying the motivations of the perpetrators of occupational frauds and abuses. They identified and classified these motivators as one of nine different types: (i) living beyond one's means; (ii) an overwhelming desire for personal gain (iii) high personal debt, (iv) a close association with customers, (v) perception that their pay was incommensurate with their duties, (vi) a wheeler-dealer attitude, (vii) feeling challenged to beat the system, (viii) excessive gambling habits and (ix) undue family or peer pressure. Like Cressey (1973), Albrecht et al (1982, 1984, & 1986) also suggested that there are three factors involved in occupational frauds and abuse: situational pressures, perceived opportunities and personal integrity (substituted for rationalisation). The benefit of using personal integrity is that by observing both a person's decisions as well as the decision making process, his commitment to ethical decision making can be gauged. As noted by Rezaee and Riley (2010), reliance on a person's decision making and responsibility is central to the idea of deterrence. Albrecht developed the "Fraud Scale" ranking the three factors: When situational pressures and perceived opportunities are high and personal integrity is low, occupational fraud is much more likely to occur than when the opposite is true (Albrecht, Howe & Romney, 1984)

Situational pressures originate from under-paid and over worked staff, excessive debt, and life style; perceived opportunities allow fraud to be committed because of poor internal controls or negligence; personal integrity is where the individual justifies the behaviour as being acceptable with seemingly plausible, but false reasons. Later the statement on auditing standards (SAS) No. 99; Consideration of Fraud in Financial Statement Audit issued by the American Institute of Certified Public Accountants (AICPA) (2002) adopted much of Albrecht's work on the fraud triangle concept. The auditing standard also incorporated fraud risk factors associated with the three variables of the Fraud Triangle concept as follows:

1. Every fraud perpetrator faces some kind of perceived pressure. Most pressures involve a financial need although non-financial pressures can also motivate fraud. Perceived financial pressures that can motivate corporate financial fraud

include but not limited to financial losses, failure to meet analyst earnings expectations or the inability to compete with other companies. Examples of non-financial pressure that can motivate corporate executive fraud include the need to report better than actual performance, frustration with work or even challenges to beat the system.

2. Fraud perpetrators must also have a perceived opportunity. Even with intense pressure, executives who believe they will be caught and punished rarely commit fraud. On the other hand, executives who believe they have an opportunity (to commit and/or conceal fraud) often give in to their perceived pressures. Perceived opportunities to commit fraud include such factors as a weak board of directors or inadequate internal controls and the ability to obfuscate the fraud behind complex transactions or related party structures.
3. Finally, fraud perpetrators must have some way to rationalise their actions as acceptable. For corporate executives, rationalisation to commit fraud might include thoughts such as "we need to keep the stock price high", "all companies use aggressive accounting practices," "it is for the good of the company", or "the problem is temporary and will be offset by future positive results".

The three elements in the fraud triangle are interactive; the greater the perceived pressure, the less rationalisation it takes for someone to commit fraud. The more dishonest a perpetrator is, and the easier to rationalise deviant behaviour, the less opportunity and/or pressure it takes to motivate fraud.

Albrecht's Perfect Fraud Storm Theory

Albrecht et al (2004) examine financial statement fraud from the perspective of agency and stewardship theories. They identify nine factors which together create "the perfect fraud storm". The factors are: (i) a booming economy (which hides the fraud) (ii) moral decay, (iii) misplaced executive incentives (iv) unachievable expectations of the market (v) pressure of large borrowings (vi) selective interpretation of accounting standards; (vii) opportunistic behaviour of audit firms, (viii) greed on the part of a wide variety of groups of people and (ix) educator failures. These factors/elements are fitted onto the fraud triangle model as exhibited in table2.

Table 2: Albrecht's nine "perfect storm" elements fitted unto the fraud triangle model.

Element of the Fraud Triangle	Element of the perfect-fraud storm/broken trust theory
Perceived pressures	3. Misplaced executive incentives 1. Unrealistic expectations of the market 2. Large amounts of debt 8. Greed
Perceived opportunities	1. Booming economy masking many problems 6.Selective interpretation of accounting standards 7. Opportunistic behaviour of audit firms
Rationalisation	2. Moral decay in society 9. Educator failures

Source: Albrecht *et al* (2004)

Albrecht's *et al* (2004) perfect storm theory explains corporate executive fraud in a matrix of three important organizational dimensions: (i) structure and controls, (ii) incentives and rewards and (iii) management behavioural attitudes.

1. **Structure and controls:** Every company has a corporate structure that is either primarily agency theory-based or stewardship theory-based. Corporate structures that support agency theory include controls that limit opportunities of executives to maximize their own utility at the expense of shareholder

interests. Structures that support stewardship theory include high levels of trust and enabling/empowering mechanisms.

2. **Rewards and Incentives:** Every company has executive rewards and incentives that are primarily agency theory based or stewardship theory based. Stewardship theory holds that executives are not primarily motivated by pay, but rather by the intrinsic satisfaction of successful performance. Agency-based rewards and incentives attempt to align CEO interests with those of shareholders.
3. Every executive has **behavioural attitudes** that are either primarily consistent with stewardship theory or agency theory.

Albrecht *et al* (2004) conclude from their analyses that managers who identify with a stewardship perspective rather than with an agency theory perspective are less likely to commit fraud.

The American Dream Theory

The American dream theory of crime was introduced into contemporary sociology by Messner and Rosenfield (1994) as an extension to the Anomie Theory associated with Merton (1938). The central idea of Merton's anomie theory is that the American society places disproportionate emphasis on attaining monetary success relative to that placed on the legitimate means of achieving it. The cultural message of the American Dream is the exaggerated emphasis on monetary success which overwhelms other corporate goals. Indeed monetary success as the principal measuring rod for success becomes the goal that should pursued by "any means necessary". This anomic orientation of the American dream helps explain corporate executive fraud.

The American Dream Theory and Fraud Triangle Theory

A better understanding of corporate executive fraud is possible by relating three key features of the American dream theory, i.e., (i) intense emphases on monetary success; (ii) corporate executives exploiting or disregarding regulatory controls; and (iii) corporate executives justifying or rationalising fraudulent behaviour; with the three variables of the fraud triangle concept (Choo & Tan, 2012):

1. **An intense emphasis on monetary success** (i.e., pressure) in the corporate environment, which promotes productivity and innovation, also induces fraud by corporate executives. Messner and Rosenfield (1994:8) argue that monetary success, which is responsible for the impressive accomplishments of the American society, is also responsible for generating strong pressures to succeed in a narrowly defined way and to pursue such success by "any means necessary" including fraud. In other words, while monetary success has provided the motivational dynamic for entrepreneurship, corporate expansion, extraordinary technological innovation, and high rates of social mobility, it also has provided the motivational dynamic for greed, corporate frauds, unethical behaviours and illegal acts.
2. **Corporate executives exploit/disregard regulatory controls** (i.e., opportunities). An intense emphasis on monetary success leads to a pronounced strain toward anomie: that is, a tendency for corporate executives to exploit/disregard regulatory controls for monetary gains. The American dream embodies the basic value of materialism that has been described as "fetishism of money" (Taylor, Walton & Young, 1973:94.). While materialistic well being is not unique to the Americans, the pre-eminent role of money as a "metric" of success among Americans is pervasive. Orru (1990: 235) succinctly expresses the idea in the following terms: "money is literally, in this context, a currency for measuring achievement". This monetary value orientation contributes to the anomic character of the American dream: the strong emphasis on the importance of accumulating monetary rewards with its relatively weak emphasis on the importance of following legitimate rules and regulations to do so. In other words,

corporate executives seek opportunities to exploit or disregard normative rules and regulation that threatens to interfere with the realisation of monetary success.

3. **Corporate executives justify/rationalise fraudulent behaviour** (i.e., rationalisation). A corporate environment that is preoccupied with monetary success and that implicitly or explicitly allows corporate executives to exploit or disregard regulatory controls also provides justification and /or rationalisation for success by any means including fraud. In this regard, the American dream is a mixed blessing, providing justification/ rationalisation for both the best and worst elements of the American character and society (Messner & Rossenfield 1994:7), or in the words of Merton (1968: 200): "A cardinal American virtue, "ambition" promotes a cardinal American vice, "deviant behaviour". Since monetary success is inherently open-ended, that is, it is always possible in principle to be a "never-ending achievement" (Passass 1990:159). Therefore, the desire to accumulate money is relentless; it entices corporate executives to pursue their monetary goals by any means necessary and provides justification/rationalisation for their monetary success by deviant means such as fraud.

Choo and Tan (2012) believe that the exaggerated emphasis on monetary success incorporated in the American dream is a catalyst for fraud by corporate executives.

Table 5: summarizes how the fraud triangle concept, the broken trust theory and American dream theory relate.

Fraud Triangle Concept	**Broken Trust Theory**	**American Dream Theory**
Pressure	Pressure to commit fraud leads corporate executives to break their agency or stewardship relationships	An intense emphasis on monetary success induces corporate executive fraud
Opportunities	Corporate executives have opportunities to break their agency or stewardship relationships	Corporate executives exploit or disregard controls to commit fraud
Rationalisation	Corporate executives are inclined to rationalise their fraudulent actions and behaviour	A corporate environment that is preoccupied with monetary success provides justification or rationalisation for success by deviant means such as fraud

Table 5: The fraud triangle concept, broken trust theory and American dream theory
Source: Choo and Tan 2012.

Theory of Accounting Control Fraud

The theory of accounting control fraud is from criminology. The theory was developed in the Savings and Loans (S&L) crisis of the 1980s by Black (2005) who synthesized criminology (Wheeler & Rothman, 1982), economics (Akerlof, 1970), accounting, law, and finance. Control fraud "refers to frauds in which those who control an entity (typically, the CEO) use it as a "weapon" to defraud. Accounting is the weapon of choice of control frauds, involving grossly inflated accounting "profits" in order to enrich the CEO/senior officers. Large reported fictional "profits" allows the person controlling the corporation to convert its assets to his or her personal benefit through seemingly normal compensation mechanisms: bonuses, salaries, perks, stock options, and the appreciation in value of stock owned by the CEO. Audacious CEOs make political contributions to influence the external environment to aid the fraud by fending off the

regulators. Charitable contributions aid the firm's legitimacy and the CEO's status and reputation.

The CEO is uniquely placed to remove checks and balances within a company to loot or defraud the firm, shareholders and creditors. The CEO has the ability to hire and fire, to corrupt internal and external controls and make them allies. Accounting control frauds consistently get "clean" opinions for financial statements that show record profitability when the company is, in fact, insolvent and unprofitable. CEOs choose top tier auditors (Big- 4 auditors) as their reputation helps deceive creditors and shareholders (Black, 2005). The CEO can also optimize the company for fraud. He can make investments that have no readily ascertainable market value. That is to say, he or she can invest in assets that are optimal for accounting fraud. Professionals must evaluate these investments/assets; which allow the CEO to hire ones who will "co-operate" and inflate values. Rapid growth (as in a *ponzi* scheme) extends the fraud and increases the "take".

Accounting control frauds has two forms: opportunistic and reactive. Opportunists are attracted to crime-prone environments or settings where it is harder to detect fraud, for example, as a result of deregulation (Black, 2005), Reactive control frauds responded to severe difficulties, for example, when the CEO turns to fraud after concluding that the business will fail (moral hazard). Accounting control fraud theory posits that waves of control fraud occur in a particular industry when the legal, financial and ethical environment simultaneously maximizes the opportunity for both forms of fraud (i.e. in a crime-prone environment which creates pervasive incentives to act unlawfully). The mass insolvency of the savings and loans (S&L) industry, and its nearly optimal nature for control fraud produced the wave of frauds in the Savings & Loans firms in the USA in the 1980s. The bank failures in Nigeria in the 1990s can also be described as accounting control frauds. Currently, no single industry is so uniquely favourable for control fraud, so the frauds have been spread more diffusely in the on-going wave of fraud (Black, 2003) Nevertheless, they appear to concentrate in the new economy/high-technology sectors (Tillman & Indergaard, 2005).

Control fraud theory poses a fundamental challenge to the core models of finance, economics and auditing. Traditional economics and modern finance is premised on the efficient market hypothesis. If markets are efficient, accounting control fraud should be impossible because the fraudulent firms would not send the requisite "honesty signals". Rational lenders and purchasers of shares would not deal with an accounting control fraud. This is an example of "private market discipline" and it would prevent all accounting control fraud; even in the absence of rules, laws, regulators or prosecutors. Easterbrook and Fischel (1991) acknowledge that control frauds have an incentive to "mimic" honest firms. However they assert that honest firms have both the financial incentive and ***unique*** ability to signal that they are honest. Honest firms could send three signals: (i) they would retain top tier (Big-4) auditors, (ii) they would have the CEO invest the bulk of his wealth in the company, and (iii) they would be extremely leveraged (Easterbrook & Fischel, 1991:282). Their reasoning is as follows:

I. A top tier audit firm has such a valuable financial interest in maintaining its reputation that it would never provide a clean opinion to a fraudulent company.
ii. A CEO that invests heavily in the company "bonds" his faithful performance; he or she cannot gain unless the shareholders do, and
iii. A highly leveraged company can either be run very-well to produce profits to meet the debt expense or it can fail promptly.

Research in criminology documented that accounting control fraud can "mimic" the "honesty" signals and that each of the signals that economists asserted could be sent by honest companies were routinely sent by dishonest firms that committed accounting control frauds. Moreover, by the signals used to aid accounting control frauds private market discipline was turned into an oxymoron (Black, 2005).

Accounting control fraud theories also showed what conditions could produce an intensely crime-prone environment that would lead to an epidemic of accounting control fraud likely to hyper-inflate financial "bubbles" and

ruin system capacity to deal with the crisis. The term "bubble" refers to a situation in which there are systematic pricing errors of certain assets, e.g. homes that inflate rapidly in excess of their fundamental values. If markets are efficient, pricing errors should be random and so, inflation of asset prices beyond their fundamental values should not arise. Bubbles, however, do exist and they sometimes hyper-inflate and cause catastrophic damage. Bubbles, therefore, falsify the claims that "free" markets are inherently efficient (Black, 2005).

Accounting Control Fraud Theory and the Fraud Triangle Theory

Cressey's (1973) embezzlers were disproportionately female, rarely had a university degree, and were relatively of low social status. Accounting control fraud, by contrast, are perpetrated by the CEO, a person of respectability and high social status. Cressey's research taught us a great deal about minor embezzlers who were overwhelmingly from lower social classes. The embezzlers Cressey studied are exceptionally unlike the elites that Sutherland (1939) was concerned about. Nevertheless, Cressey generalized from his study of lower social class embezzlers to apply his "fraud triangle" theory to all fraudsters including corporate executive fraudsters.

Cressey's fraud triangle concepts have been enshrined by the AICPA in its auditing standard (SAS 99: Consideration of Fraud in Financial Statement Audit). "Fraud triangle" analysis leads external auditors to ignore what should be their central priority; it predicts that fraudsters are of low status, poorly educated and in embarrassing personal financial crisis. Cressey urged us to look at the bottom of the organizational chart to find fraud. The last person that the auditor would suspect of fraud under Cressey's analysis is the CEO. Even if the auditor overcame Cressey's presumption that senior officers, particularly the CEO, will rarely, if ever engage in fraud, an auditor relying on the fraud triangle would only suspect that a CEO would engage in fraud if he were in a personal financial crisis. Even if the auditor was willing to consider that the CEO might engage in fraud and even if the auditor found that the CEO was engaged in a hidden personal financial crisis, the fraud triangle would still mislead the auditor because it predicts that such CEOs will defraud the company through embezzlement.

None of the fraud triangle's predictions of most importance to an external auditor is correct:

I. Accounting control frauds, not embezzlers, cause the vast bulk of corporate fraud losses. Control frauds are led by elites-not lower social class embezzlers.
ii. CEOs do not need any personal financial crisis to engage in fraud because they (or most of them) are already wealthy before they become the CEO.
iii. Accounting control fraud frequently poses a far lower risk of prosecution for a CEO than does embezzlement while providing greater gains in income and status.

This is why accounting, not embezzlement is a control frauds' "weapon of choice". The officers that lead control frauds have always thought themselves as being "outside the triangle".

Conclusion

What do we make of all these theories? Which theory or theories explain and/ or provide a conceptual framework to predict future corporate executive frauds? From an analysis of extant fraud cases, there was not one cause of the scandals. Each fraud was different; each had its own motivation and methods. Consequently, one cannot assume that there is one fix-all theory that explains corporate executive fraud. Moreover, there was no single accounting rule or practice that made all these companies vulnerable to executive excesses. However, at least six situations were common in all fraud cases, and these relate to either the personality of the fraudsters or the characteristics of the company:

I. A permissive ethical climate or corporate culture as well as an opportunity to act amorally or immorally, contributing to or explaining the dysfunctional executive

behaviour which made it "normal" and "routine" to betray shareholders' trust and deceive the capital markets (Ashforth & Anand, 2003; Brief, Buttram, & Dukerich, 2001; Pinto, Leana & Pil, 2008).

ii. An overemphasis on "meeting the bottom line numbers" by any means possible.

iii. Organisational processes were embedded with fraud-prone practices, such as earnings management. Institutionalisation of deviant practices provides an ethical precedence that routinely encourages its future use without questioning their ethicality or acceptability (Tenbrunsel &Messick, 2004: 228). When social pressure for compliance, obedience, and conformity for the performance of these behaviours is applied from the top; the company can go quickly down "the slippery slope" to fraud (Tenbrunsel & Messick, 2004; Hartmann & Maas, 2010).

iv. The numerous 'control agents' such as internal and external auditors; board of directors; audit committees and others who should have been able to detect and prevent those fraudulent activities may had been "sleeping on the job", compromised or co-opted into assisting managers in orchestrating and concealing misrepresentations (Tillman & Indergaard, 2007; Palmer, 2008).

v. The fraudulent managers justify and/or rationalise their activities. In doing so, they use vocabularies of adjustment (Cressey, 1973) that manufacture rational and extenuating circumstances to remove criminality from their acts. They view fraud as both acceptable and common and, indeed, as an astute business/financial practice to overcome financial difficulties, save the company, employees' jobs and other businesses that rely on their survival(Willott, Griffen, & Torrance, 2001).

vi. Most of fraud managers had large egos, an inflated sense of self and were generally very charismatic, smart, intelligent, and very narcissistic (Bucy et al, 2008; Perri, 2011; Blickle, Schel & Fassbender, 2006). Narcissism is exemplified in Ken Lay and Joseph Nacchio, CEOs of Enron and Qwest respectively. Bucy et al, (2008:410) observes how during his fraud trial Ken Lay and Joseph Nacchio, CEOs of Enron and Qwest respectively. Bucy et al, (2008:410) observes how during his fraud trial, Ken Lay "appeared arrogant, resentful of government's investigation, remained unapologetic and indignant to the end". The following comment by a senior manager on Joseph Nacchio reported by Bucy et al. (2008:414) is indicative of the personality of fraudulent managers:

> People were just afraid of the man.....He created such a culture of fear that Qwest employees thought that it was better to comply with his demands rather than question them or fail to meet them and face his wrath.

Finally, it would be fair to conclude that the theory or theories that explain corporate executive fraud is a matter of empirical investigation.

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Credit Financing and Small and Medium Enterprises in Nigeria

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Abstract

The purpose of this study is to examine the factors that influence Small and Medium Enterprises towards obtaining credit financing from the Banks in Nigeria. The use of the questionnaire instrument to collect data from a sample of Small and Medium Enterprises (SMEs) Owners looking at their perception in relationship to obtaining bank credit was employed. With the use of the software SPSS 17.0 analysis was done by one way ANOVA and independent t-test with variables on the SMEs perception toward obtaining loan from banks. The analyzed results showed that credit financing has a significant relationship with SMEs growth in Nigeria.

Keywords: SMEs, Banks, Credit, Finance, Nigeria.

Introduction

There is a vast need for the growth of SMEs in Nigeria considering the impact they can make on the economy. SMEs make tremendous contributions to the society and economy in form of employment, income generation, entrepreneurial skills, and innovations. SMEs are very important in the renaissance of every country's economy in alleviating poverty and also helpful in other socially related issues. In the future, SMEs will continually be the vehicle for better and more sustainable growth for developing countries, whereas in developed countries it aid stability and replenishment in the structure of their economy. Little wonder that there have been a progressive increase in interest of the policy maker, government parastatals, researchers and also business associations in the growth and development of the SMEs .This is why the major challenge of SMEs is really important to understand and examine (Fayomi and Abereijo, 2005).

The banking sector is widely known as the financial institution of every country and one of its roles in the economy is promoting entrepreneurship which can be relatively defined to be small scale enterprise. Increase in competition in the banking sector due to globalization has made the SMEs to be focused on as a prospect for profitable market as they are privately executed business. The SMEs in any countries' economy contribute greatly to their development and growth. The GDP of the country has a better value to show with the SMEs innovation and contributions included in it. This is because more of the local domestic productions are consistent with the SMEs. Apparently, several studies have identified that SMEs are challenged with inadequate finance which is a vital component for their growth in Nigeria as well as every other nation. The establishment of this fact is why this study seeks to examine the factors that Influences SME toward obtaining credit financing from the Banks in Nigeria.

LITERATURE REVIEW

Definition of Small and Medium Scale Enterprises

This chapter will discuss the definitions of Small and Medium Scale Enterprises (SMEs), how they are characterized and the relevant roles they play in the growth and development of the economy in a nation.

In the definition of SMEs, there are variances from countries to countries with their different economic activity and stages of development (Biggs, 2002). Diverse formula to lay hold of a final and acceptable definition has been put forward to this ends; definition by asset, turnover, and employment are the features to which SMEs can be explained (Gibson & Van der Vaart, 2008). Burgess and Steinghoff (1986, p.10) defines SME's as “A small business which is independently owned, operated, and not dominant in its field”. It is defined by Europe commission with the use of 'Assets',

'Turnover' and 'Employees' as a business of not more than 43 million Euros for an annual balance sheet, a turnover of not more than 50 million Euros annually and employees not fewer than 250 people. Other definitions are approached by the types of sector of production and services which the SMEs are performing. (Azimzadeh, 2013). Some examples by employees and turnover, according to different sectors of the economy are:

Table 1: Definition of SMEs

Sector	Definition
Manufacturing	200 employees or less
Construction	25 employees or less
Mining & Quarrying	25 employees or less
Retailing	Turnover of 50,000 pound or less
Miscellaneous	Turnover of 50,000 pound or less
Services	Turnover of 50.000 pound or less
Motor Trades	Turnover of 100,000 pound or less
Wholesale Trades	Turnover of 200000 pound or less
Road Transport	Five vehicle or less
Catering	All excluding multiples and brewery- managed houses

Source: (the Bolton Committee 1971) Burgess and Steinghoff (1986, p.15)

Some major financial institutions also have different perceptions to the definition of SMEs even though it is still based on the same feature such as definition (International trade center, 2009) by assets, turnover and employees. Some of these institutes are as follows:

Table 2. Definition of SMEs

Institution	Maximum number of Employee	Maximum Revenues or Turnover ($)	Maximum asset ($)
World Bank	300	15000000	15000000
MIF-IADB	100	3000000	-
Africa Development Bank	50	-	-
UNDP	200	-	-

Source: Gibson, T. & Van der Vaart, H. J. (2008, p. 5)

However, the definition differs among scholars, economic sectors and institutions as different stages of countries are put into consideration. The definition of SME in developed countries like Australia, USA, and Canada among others will not be appropriate and acceptable for developing countries such as Nigeria, Kenya, and India because of their purchasing power parity exchange rate (Schmitt and Lane, 2009).

A scheme under the control of Central Bank of Nigeria (CBN) in year 2010 defined SMEs to have asset base of N5million (N: Naira) to N500million (Naira: Nigeria currency) which is equivalent to $31,250 to $3,125,000 (American Dollar) with employees size of eleven (11) to three hundred (300). For the purpose of this research, enterprise of not less than 5 employees will be considered.

Methodology

The research method used was a quantitative study and the respondents are owners of SMEs who were randomly selected. This is done via the use of Likert and dichotomous scaled questionnaires data was obtained from the respondents. This study is focused on the country Nigeria, one of the largest countries in the West African region with thirty six (36) states. However for the purpose of this study four states were selected; Abuja, Lagos, Kano and Onitsha. In this selected regions, the study could find more SMEs population sample size. Primary data for this research study was collected through questionnaires that were self-administered in

August, 2013 from Owners of SMEs in four major commercial cities in Nigeria. In all, the questionnaires were given out to 250 sample population and 181 respondents were able to fill and return the papers correctly (useable) that stand for 72.4% distributed questionnaires.

The dependent variable-SMEs – was used defined in terms of Accessibility perception, Awareness Perception Risk Perception and Political policy.

Table 6: ANOVA number of Employees of the SMEs

	Sum of Squares	D	Mean Square	F	Sig.
Perceived Accessibility (PA)	25.614	1	25.614	56.981	.000
	80.464	17	.450		
	106.078	18			
	3.047	1	3.047	13.256	.000
Perceived Awareness (PAW)	41.149	17	.230		
	44.196	18			
Perceived Risk (PR)	.159	1	.159	.459	.499
	62.056	17	.347		
	62.215	18			
Political policy (PP)	.007	1	.007	.028	.868
	44.849	17	.251		

The Perceived accessibility (PA) significance calculated is 0.000 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to the number of employees of the SMEs and conclude that there is significance in the perception of accessibility by SMEs. The implication of this is that number of employees as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The Perceived awareness (PAW) significance calculated is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PAW according to number of employees of the SMEs and conclude that there is significance in the perception of awareness by SMEs. This implies that number of employees as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Perceived Risk (PR) shows a significant value of 0.499 and it is greater than 0.10, so we fail to reject the Ho which says there is NO significance in PR according to the number of employees of the SMEs. The implication is that the number of employees as a factor of the SMEs has no influence on the perceived risk to obtaining bank credit loans.

Since significance calculated for Political policy (PP) is 0.868 and it is greater than 0.10, we fail to reject the Ho which says there is NO significance in PP according to number of employees of the SMEs, implying that the life span as a factor of the SMEs has no influence on their perceived political policy to obtaining bank credit loans.

As a result of the difference in the significance of all the dependent variables (PA, PAW, PR, and PP), we will not consider the number of employees of SMEs as a factor variable to be a major factor significant influencing the SMEs toward obtaining bank credit loans.

Table 7 below shows the percentage of the annual turnover of the business while table 8 shows the ANOVA annual turnover of the business.

Table 7. Percentage of Annual Turnover of the Business

In Naira (160 naira = 1 dollar)	Frequency	Percent
Below 500,000	19	10.5
500,001-1,000,000	10	5.5
1,000,001-2,000,000	46	25.4
2,000,001-4,000,000	74	40.9
4,000,001-8,000,000	32	17.7
Total	181	100.0

Table 8: ANOVA Annual Turnover of the Business

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	34.949	4	8.737	21.620	.000
	71.129	176	.404		
	106.078	180			
Perceived Awareness (PAW)	6.013	4	1.503	6.929	.000
	38.183	176	.217		
	44.196	180			
Perceived Risk (PR)	18.225	4	4.556	18.229	.000
	43.990	176	.250		
	62.215	180			
Political policy (PP)	13.704	4	3.426	19.357	.000
	31.151	176	.177		
	44.856	180			

The perceived accessibility (PA) shows significance calculated value to be 0.000 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to Annual turnover of the SME and conclude that there is significance in the perception of accessibility by SME owners. This implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated of the perceived awareness is 0.000 and it is less than 0.10, we REJECT the Ho which say that there is NO significance in PAW according to Annual turnover of the SME and conclude that there is significance. And this implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The perceived risk significance calculated value is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PR according to Annual turnover of the SMEs and conclude that there is significance. And this implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

The calculated significance value of Political policy (PP) is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PP according to annual turnover of the SME, and conclude that there is significance in the perception of political policy by SME owners. This implies that the annual turnover of the business as a

factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The annual turnover will be considered as a major factor of influence on the SMEs obtaining loan from bank because it is significant to all the dependent variable (PA, PAW, PR, and PP).

The size of capital of the Enterprise

The table 10 below shows the percentage of respondent's size of capital for the enterprises while, table 11 shows the ANOVA of size of capital of the enterprise.

Table 10. Percentage of respondent size of capital

In Naira(160 naira = 1dollar)	Frequency	Percent
Below 500,000	19	10.5
500,001-1,000,000	29	16.0
1,000,001-2,000,000	18	9.9
2,000,001-4,000,000	34	18.8
4,000,001-8,000,000	71	39.2
	10	5.5
	181	100.0

Table 11. ANOVA of size of capital of the Enterprise

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	29.106	5	5.821	13.235	.000
	76.972	175	.440		
	106.078	180			
Perceived Awareness (PAW)	18.390	5	3.678	24.942	.000
	25.806	175	.147		
	44.196	180			
Perceived Risk (PR)	26.017	5	5.203	25.156	.000
	36.198	175	.207		
	62.215	180			
Political policy (PP)	16.471	5	3.294	20.310	.000
	28.384	175	.162		
	44.856	180			

The above table shows the perceived accessibility (PA) significance calculated value to be 0.000 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to the size of capital of the SMEs and conclude that there is significance in the perception of accessibility by SME owners. This implies that the size of capital of the

business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The significance calculated value of the perceived awareness is 0.000 and it is less than 0.10, so we reject the Ho which says that there is NO significance in PAW according to size of capital of the SME and conclude that there is significance. And this implies that the size of capital of the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The perceived risk significance calculated value is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PR according to size of capital of the SMEs and conclude that there is significance. And this implies that the size of capital of the business as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

The calculated significance value of Political policy (PP) is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PP according to size of capital of the SME, and conclude that there is significance in the perception of political policy by SME owners. This implies that the size of capital of the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The size of capital is a major factor of influence on the SMEs obtaining loan from bank because it is significant to all the dependent variable (PA, PAW, PR, and PP).

The Age of the SMEs owner

The demographic question one; which was about the age of the respondents. 10.5% of the respondent are between 18-25 years, 45.3% are between 26-35 years, and 44.2% are between 36-50 years. The age 51 and above were not respondent to the study.

Table 13: ANOVA for Age of the SMEs Owner

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	2,868	2	1,434	2,473	.087
	103,210	178	,580		
	106,078	180			
Perceived Awareness (PAW)	,783	2	,391	1,605	.204
	43,413	178	,244		
	44,196	180			
Perceived Risk (PR)	4,038	2	2,019	6,177	.003
	58,177	178	,327		
	62,215	180			
Political policy (PP)	1,128	2	,564	2,297	.104
	43,727	178	,246		
	44,856	180			

The perceived accessibility (PA) significance calculated is 0.087 and it is less than 0.10, we therefore reject the Ho which states that there is NO significance in PA according to ages of the SMEs, and conclude that there is significance in the perception of accessibility by SME owners. This implies that age group as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The perceived awareness (PAW) significance calculated is 0.204 and it is gre ater than 0.10, so we fail to reject the Ho which says that there is NO significance in PAW according to ages of the SMEs. And the implication is that age group as a factor of the SMEs has no influence on their perceived awareness to obtaining bank credit loans.

Since the Perceived risk significance calculated is 0.003 and it is less than 0.10, so

we therefore reject the Ho which states that there is NO significance in Perceived Risk according to ages of the SME owners, and conclude that there is significance in the perception of risk by SME owners according to age groups. This implies that age group as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The political policy (PP) significance calculated is 0.104 and it is greater than 0.100, so we fail to reject the Ho which says that there is NO significance in PP according to ages of the SMEs. And the implication is that age group as a factor of the SMEs has no influence on their perceived awareness to obtaining bank credit loans

Age group is not a major factor of influence on SMEs to obtaining bank loan because the dependent variables are not all significant.

The Education Background of the SMEs owner

Demographic question three is on the educational background of the respondent. The result showed that 10.5% were high school graduate, 78.5 % were associate Degree/Bachelor degree and 11.0% were Graduate degree holders.

Table 14: ANOVA for Education background of the SMEs owner

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	12.989	2	6.495	12.419	.000
	93.089	178	.523		
	106.078	180			
Perceived Awareness (PAW)	1.343	2	.671	2.789	.064
	42.853	178	.241		
	44.196	180			
Perceived Risk (PR)	1.191	2	.596	1.737	.179
	61.024	178	.343		
	62.215	180			
Political policy (PP)	8.188	2	4.094	19.874	.000
	36.667	178	.206		
	44.856	180			

From the above table, we can see that the perceived accessibility (PA) significance calculated is 0.000 and it is less than 0.10, we reject the Ho which says there is NO significance in PA according to educational background of the SME owners and conclude that there is significance in the perception of accessibility by SME owners. Implying that the educational background of the owners as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated for Perceived awareness (PAW) is 0.064 and it is less than 0.10, we therefore reject the Ho which says there is NO significance in PAW according to educational background of the owner of the SMEs, and conclude that there is significance. Implying that the educational background of the owners as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Since significance calculated for Perceived risk (PR) is 0.179 and it is greater than 0.10, we fail to reject the Ho which says there is NO significance in PR according to the educational background of the owners of the SMEs, implying that the educational

background as a factor of the SMEs has no influence on their perceived risk to obtaining bank credit loans.

The political policy (PP) significance calculated is 0.000 and less than 0.10, so we reject the Ho which says there is NO significance in PP according to educational background of the owners of the SMEs, concluding that there is significance in the perception of political policy by SME owners. And this implies that the educational background of the owners as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

Nevertheless we cannot consider the educational background of the owners to be a strong factor because not all the dependent variables are significant to it.

The gender of the SMEs owners

The demographic question two is the gender, the female respondent are 33.1% while the Male respondents are 66.9% .The Implication is the in Nigeria we have more male SMEs owners. The figure below shows this:

Table 15. Independent T-Test for Gender of the SMEs owners

	Levene's Test for Equality of Variances	
	F	Sig.
Perceived Accessibility (PA)	17.473	.000
Perceived Awareness (PAW)	13.670	.000
Perceived Risk (PR)	1.837	.177
Political policy (PP)	14.721	.000

The perceived awareness (PA) significance calculated is 0.000 and less than 0.10, so we reject the Ho which says that there is NO significance in PA according to gender of the SME owners, and conclude that there is significance in the perception of accessibility by SME owners according to gender. This implies that gender of the owners of the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated is 0.000 and less than 0.10, we REJECT the Ho which says that there is NO significance in PAW according to gender to the SME owners, and conclude that there is significance in the perception of awareness by SME owners according to gender. Implying that gender of the owners of the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Perceived risk calculated significance is 0.177 which is greater the 0.10, therefore we fail to reject the Ho which says that there is NO significance in PR according to gender of the SME owners. This implies that gender of the owner of the business as a factor of the SMEs has no influence on their perceived risk to obtaining bank credit loans.

Since significance calculated is 0.000 and less than 0.10, we therefore reject the Ho; there is NO significance in PP according to gender of the SME owners, and conclude that there is significance in the perception of political policy by SME owners. This implies that gender of the owners of the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

Gender will not be considered as a major

factor because not all the dependent variables are significant to the factor variable which is gender; therefore it has no influence on the SMEs obtaining bank loans.

The marital status of the SMEs owners

Demographic question four is the marital status of the respondents, 30.4% are single while 69.6 are married. 0% was divorced. The figure below shows this;

Table 16: ANOVA for Marital Status of the SMEs owners

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	5.809	1	5.809	10.370	.002
	100.269	179	.560		
	106.078	180			
Perceived Awareness (PAW)	6.101	1	6.101	28.665	.000
	38.096	179	.213		
	44.196	180			
Perceived Risk (PR)	1.169	1	1.169	3.427	.066
	61.046	179	.341		
	62.215	180			
Political policy (PP)	2.688	1	2.688	11.411	.001
	42.168	179	.236		
	44.856	180			

The above table shows the perceived accessibility (PA) significance calculated value to be 0.002 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to the marital status of the SME owner and conclude that there is significance in the perception of accessibility by SME owners. This implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The significance calculated value of the perceived awareness is 0.000 and it is less than 0.10, so we reject the Ho which says that there is NO significance in PAW according to the marital status of the SME owners and conclude that there is significance. And this implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The perceived risk significance calculated value is 0.066 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PR according to marital status of the owners of the SMEs and conclude that there is significance. And this implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

The calculated significance value of Political policy (PP) is 0.001 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PP according to marital status of the owners of the SME, and conclude that there is significance in the perception of political policy by SME owners. This implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The marital status of the owners is a major factor of influence on the SMEs obtaining loan from bank because it is significant to all the dependent variable (PA, PAW, PR, and PP). 63.5% have applied for business loan within 2009 till 2013 while 36.5 % did not apply. 18.2 % of the owners had their demand for loan granted while 54.7% were rejected. Those that their loans were granted are 16% with the proportion of 10-20% loan to their capital, 1.1% got 30-40% and 40-50% proportion of the capital respectively. 12.7% of

the SMEs owners got all they demanded for in their application while 19.9% didn't get all they wanted. A percentage of 37.6 raised capital to establish their business by self-saving, 24.3 % from family, 27.6% from friend/individual and 10.5% from the bank.

Conclusion and Recommendation

This study has formed an awareness of the factors that likely establishes the difficulties of SME obtaining loan credit from banks in Nigeria. We now understand that there are perceptions of the SMEs influenced by some factors like Age, educational background, turnover, type of business, life span of the business, number of employees, size of capital, membership in business association to how they can obtain and use bank credit.

Perceived accessibility, perceived risk, perceived awareness and political policy as the dependent variable were carefully chosen and were analyzed with the factors above to point out other details to the challenge of credit financing of SME's. Statistical analysis end result brought to light that not every factor that was employed to analyze the perceptions of the SME's was relevant to influence them in obtaining the loan credit.

The end result crystallized that the challenges of SME's credit finance with banks has some underlying Issues to how and why this process seem to be a bottleneck in the economy. The major factor that was an influence to all the perception of the SME's were Marital status, Annual turnover, capital size and the membership of association.

We can deduct from this research that marital status is an eminent factor the bank should be concerned with in ascertaining credit worthiness. And also SMEs owner marital status affects their level of risk and willingness to introduce credit loan into their business for leverage.

Annual turnover shows what the business generates as revenue at the end of the year, and it is significant for how the SMEs relates their business to acquiring loan from the bank. This factor is always a criterion from bank to issue loan to any business so the banks should liaison with the SMEs and not be too strict with this factor so as to promote SMEs obtaining loans.

Although SMEs can startup with little or no capital just as we discuss in the literature review but for expansion and growth they will require increase in capital size which has been proven to be a significant factor in our analysis that influence the SMEs to obtaining loan from the bank. Seeing that this is important for growth and develop of the SMEs, the government should help make easy, transparent policy that will encourage both the bank to loan out the money and also the SMEs to come forward for the loan credit that they require.

SMEs membership in an association is a factor that the bank should use to their advantage to strengthen their relationship with the SMEs, making their service available by collaborating with the association to avoid default in loan payment and encourage SMEs access to finance. Also government should put in place policies that will give to SMEs association a solid structure and foundation to enhance SMEs growth and development.

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Financial Reporting Council of Nigeria, Ifrs Adoption and the Relationship between Corporate Governance and Profitability Measures of Nigerian Firms.

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Abstract

This paper empirically studied the moderating role of the regulatory challenges of the Financial Reporting Council of Nigeria (FRCN) and the adoption of International Financial Reporting Standards (IFRSs) on the relationship between Corporate Governance (CG) and profitability measures of Nigerian firms. Data from financial reports of sampled twenty nine (29) quoted firms (2006-2015) were sourced and analysed by means of the OLS (regression) technique. Profitability measures of concern are returns on asset and equity (ROA and ROE) respectively. The independent variables which were expressly stated in 2011 Securities and Exchange Commission (SEC) Code of Corporate Governance (CGC) are, board size, board gender diversity, board independence, CEO ownership, board chairman ownership, number of non executive director, audit committee size and audit committee independence, while dummy variables for IFRS adoption and regulatory challenges of FRCN were introduced as moderating variables. The modified market capitalism theory of Business – Government – Society relationship is the theoretical foundation of the investigation. Findings from the research reveal that IFRS adoption and the regulatory challenges of FRCN exerted negative effect on the relationship between CG and firms' profitability measures generally. The study therefore recommends among others that the regulatory authorities should review and scale up the enforcement of the Financial Reporting Council mandate in compliance with the international financial reporting standard for further improvement in profitability and financial reporting among firms in Nigeria.

Keywords: IFRS, Financial Reporting Council of Nigeria, Corporate Governance, Firm Performance.

Introduction

The Financial Reporting Council Act No. 6 (2011) which established the Financial Reporting Council of Nigeria (FRCN) requires quoted public companies to comply with the provisions of International Financial Reporting Standards (IFRSs) with effect from January, 2012. Companies were also required to prepare two years transition financial statements (i.e. 2010-2011) for comparison with new standards. Such transition accounts were to be prepared from 1/1/2010 ending 31/12/2010 and 1/1/2011 ending 21/12/2011 respectively. (Essien-Akpan, 2011). But the transition accounts were not readily available to investors for investment decisions and scholars for research undertakings.

According to the Nigerian Stock Exchange (NSE) (2016) though regulatory authorities, including FRCN are empowered by law to deal with corporate infractions among quoted firms, such powers are further regulated by the requirements on the part of FRCN to be authorized by the CBN (specifically for banks) and the National Office for Technology Acquisition and Promotion (NOTAP) and even the Federal Executive Council (FEC) of Nigeria. Despite these measures/requirements some corporate entities at some point had failed to submit returns to SEC and FRCN which experts have linked to problems of solvency gap which may have remained a reoccurring feature among firms in Nigeria. Nnorom & Nwachukwu (2015) attributed the insolvency or near collapse of business organizations in Nigeria to weak corporate governance with respect to undue interference, lack of disclosure, padding of book account and general corruption in the system.

Another noticeable challenge of FRCN is that the Ministry of Industry, Trade and Investment remained a supervisory ministry over FRCN since the later was seen as a parastatal of the government. This is what empowers the Federal Executive Council (FEC) through the Ministry, to sack the Executive Secretary of FRCN even though by its mandate, FRCN is an independent body saddled with the task of setting and promoting compliance with standards for accounting, financial reporting and auditing in Nigeria by boosting market buoyancy/confidence and perking up simplicity in commercial/business activities generally in Nigeria.

Olaiya & Daka (2016) corroborates the challenges of FRCN by disclosing that the sacking of the Executive Secretary and reconstitution of the FRCN by the Presidency shows the near absence of confidence in FRCN. Experts (Nnorom, 2012) insist that the dissolution and reconstitution of FRCN was as a result of insistencies in FRCN's regulation that church leaders/imams/heads of religious groups/general overseers who were above 70 years or have spent 20 years as head/leaders of their ministries are to vacate their positions. Despite pressures from stakeholders and various religious groups (regarding the dissolution/reconstitution), FRCN insist that the implementation of the regulation on resignation of religious leaders could not be suspended because there was no gazette that indicates that it had been suspended.

Notwithstanding, Oteh (2013), in proffering solutions to non-compliance to IFRS-based financials opine that SEC has already spearheaded the entrenchment of IFRS in Nigeria by partnering with the World Bank in providing training for SEC and the establishment of IFRS clinic to companies experiencing teething problems and challenges in the implementation of IFRS. The actualization of the above was directed at enhancing and strengthening corporate governance practices among Nigerian companies which ultimately will improve transparency in financial reporting and the quality of companies' performance and their financial statements. IFRS adoption is seemingly believed to have the capability of promoting global comparability of financial statements across jurisdictions with its rare and adored feature of timeliness in financial reporting.

This study is thus hinged on the premise that while studies have continuously examined empirical link between governance attributes and firm performance, or between IFRS adoption and firm performance, no Nigerian

study has bordered on unveiling the moderating effect which the combination of IFRS adoption and the regulatory challenges of FRCN would have on the presumed relationship between Corporate Governance (CG) and profitability measures of Nigerian firms.

Literature Review

Conceptual Underpinnings

Corporate Governance (CG)

Studies have suggested that interests in CG stemmed from the occurrence of corporate failures attributed to high profile cases of financial crises and scandals (Solomon, 2010), which undoubtedly had negative effect on the confidence which investors and other stakeholders had on reporting entities. The desire of regulatory agencies like the FRCN, SEC and CBN was to ensure that with the development of relevant governance codes (CCG), public entities would again, gain the expected trusts and confidence from investors, the general public and all stakeholders. This invariably informed the ultimate entrenchment of CCG among Nigerian firms.

CG refers to what Magdi & Nadareh (2002) described as processes designed to ensure that businesses and operations of entities are well conducted to guarantee fair return to investors. Similarly, CG refers to the complexity of systems and procedures that governs the direction and control of entities as it deals directly with all relationships (complex or otherwise) between entities and their respective boards, investors/shareholders, management, and stakeholders (Akingunola, Adekunle & Adedipe, 2013; Jeroh & Okoro, 2015 and Jeroh, Ekwueme & Okoro, 2015).

Studies have shown that stronger CG is statistically linked with high performance level among firms (Core, Guay & Rusticus, 2006; Solomon, 2010; and Ammann, Oesch & Schmid, 2011). Also, studies have found improvement in the level of compliance of the relevant CCG by Nigerian firms (Jeroh & Okoro, 2015). Despite these, cases of corporate failure and perceived non compliance with prescribed standards for financial reporting still abound in Nigeria (Ahmed & Hamdan, 2015). In fact, experts (Nnorom, 2012) believe that officials of some regulatory bodies collude with company's management/senior executives with the ultimate aim of compromising the interests of shareholders. There are also cases of disparity in the provisions of the developed CCG by the existing regulatory bodies, thus creating confusion in the implementation of the codes.

Nigeria's Adoption of International Financial Reporting Standards (IFRSs)

Following the establishment of FRCN, a decision which mandated Nigerian firms to switch to implementing the provisions of IFRS in financial statements' preparation was reached. This made public entities to, based on the timeline given, adopt IFRSs in preparing financial statements beginning from 2011 (Jeroh, 2016). IFRSs are global sets of accounting standards applied in reporting the financials of entities. They were developed by the International Accounting Standards Board (IASB) due to the disparity in levels of accountability and comparability of reports of entities across countries which were occasioned by divergent standards and patterns of reporting that prevailed across the globe (Kamal & Bhuiyan, 2003; and Yahaya, Yusuf & Dania, 2015). IFRSs were designed to guarantee harmony and standardized financial reports worldwide. With the adoption of IFRS in Nigeria, it is expected that significant changes in the patterns and manner of presenting financial statements by public entities would have evolved. Also, going by the mandate of FRCN, one would expect that compliance with the directives of FRCN on the adoption of IFRS is not supposed to be a problem among firms in Nigeria.

Financial Reporting Council of Nigeria (FRCN) and the Code of Corporate Governance (CCG) Prescriptions

The FRCN being an agency of the Federal Government (FG) was established by the Financial Reporting Council of Nigeria Act, No. 6, 2011. FRCN is a parastatal of the FG under the supervision of the Federal Ministry of Industry, Trade and Investment. By law, the

agency is responsible for developing/publishing among other things, standards relevant for accounting and financial reporting among public entities in Nigeria. The establishment of the FRCN led to the abolition of the Act establishing the Nigerian Accounting Standards Board (NASB). Impliedly, FRCN took over the assets and liabilities of NASB and came up with new codes that guided the operation, conduct and governance of operating public entities in Nigeria.

Nnorom (2012) states that the Federal Government's decision to reconstitute the Financial Reporting Council (FRC) was because the FRC new code of corporate governance (FRC New CCG) were in conflict with the existing laws governing some other sectors. The FRC New CCG was a super regulator over other regulatory bodies charged with similar mandates. Some of these disparities include FRC new CCG which insists that audit committee chair must be a recognized professional accountant in Nigeria. Stakeholders have argued that such qualification clause was not a necessary requirement since Section 359 (3) and (6) of the Companies and Allied Matters Act (CAMA) establishing the office of audit committee only specified that such person(s) should be able to read and understand financial figures. Undoubtedly, this FRC CCG provision on the position and qualification of audit committee clearly excluded most shareholders from the position of audit committee chairman.

However, the 2011 Securities and Exchange Commission (SEC) code of corporate governance (2011 SEC CCG) is germane with sections 359 (3) and (3) of CAMA. According to Delloite Corporate Services (2013), the 2011 SEC CCG only stated the number and type of Board Committees without specifying the possession of professional accounting qualification as a condition for appointment of board members to such committees. The Board Committees as stipulated by the 2011 SEC CCG are Statutory Audit Committee, Governance/Remuneration Committee and Risk Management Committee.

Additionally, on the constitution of companies' board, FRCN insists that companies must have not less than 5 directors in their board. Interestingly, in appraising the provisions the 2011 SEC CCG, it is observed that the 2011 SEC CCG differs as it has no such prescription. It only provides that majority of Board members should be Non-Executive Directors (NED) with a minimum of one (1) Independent Director (INDEP). The FRC New CCG also differ from the 2011 SEC CCG as it permits Executive Directors (ED) to be appointed board members in other companies that could lead to conflict of interest. Such multiplicity of directorship leads to poor monitoring of management by the board of directors and lack of commitment by such board members.

The 2003 SEC Code of Corporate Governance (2003 SEC CCG) also differs from the FRC CCG prescriptions. SEC CCG prohibits multiple directorship in the same industry to avoid conflict of interest. Other provisions in the FRC CCG, considered unacceptable by shareholders includes the maximum 10 years of no re-appointment of Former Executive Directors (ED) as Chairman of the same company he/she had previously served as a Director (Delloite Corporate Service, 2013).

Other disparities include the prescription of two (2) auditing firms for the same company by the FRC CCG which differs from the 2011 SEC CCG that requires only a single external audit firm appointment by a company for a maximum tenure of 10 years with no re-appointment within 7 years (Delloite Corporate Services, 2013).

Disparity in CCG Prescriptions: Implications, Sanctions, Litigations and Regulatory Challenges.

According to Financial Reporting Council of Nigeria (2015), the FRC CCG prescribes the duty of FRC to include monitoring compliance with IFRS and also ensure reliability of financial reporting cum corporate disclosures based on various prevailing laws and regulations in Nigeria. (Section 8(1) h, 28(1)(9) and 11(d) of the FRC

Act). FRC CCG agrees that entities can make business decisions and judgement but in compliance with all extant laws and regulations applicable in Nigeria and must be properly accounted for and disclosed in their financial statements.

On the strength of the aforementioned, FRCN considers it unacceptable for Stanbic IBTC Holding Plc (SIBTCH) to have acclaimed applying to the National Office for Technology Acquisition and Promotion (NOTAP) on sale of banking application software, and the purchase/assignment of the same software which accordingly, was originally developed/produced by SIBTCH, Nigeria for ZAR.151,586,277 on the 3rd day of July, 2013 even though evidence shows that a South African bank (Standard Bank Ltd) had previously obtained the SOURCE CODE of the same software on 6th day of July, 2012 (without Non-Disclosure Agreement) and not accounting for it at all in its financial records/reports for the relevant years. SIBTCH, although claimed to have entirely complied with the provisions of IFRS, was allegedly to have failed to disclose Research and Development (R&D) costs which related to the aforesaid application software. Also not disclosed were the carrying amount of the intangible asset, the sale proceeds upon the eventual sale of the software and the profit and loss realized for the sale. Accordingly, as a penalty for default, the FRC registration of the named director including the Chairman of Stanbic IBTC were suspended and they are not allowed to vouch the integrity of any financial statements issued in Nigeria for the alleged infraction of the FRC CCG as it was required to withdraw its IFRS based financial statements for the year ended December 31, 2013 and 31, December, 2014 respectively.

However, Nnorom & Nwachukwu (2015) examines the position of the Central Bank of Nigeria (CBN) on the sanctions imposed by FRC against the Board and Management of Stanbic IBTC Holding (SIBTCH). Accordingly, CBN was said to have insisted that FRC acted in breach of the Act establishing it (FRCN Act No.6, 2011) and in arriving at its conclusion/decisions, failed to comply with due process established by the FRCN Act and regulations. The FRC is required in conducting investigation into alleged breaches of FRCN Act to give any reporting entity (in this case, SIBTCH) 60 days from the service of the final notice to state its account agreeable to both the panel and entity on the needs for restatements. But both FRC and SIBTCH failed to agree on the need for restatements of account before FRC announced the prescribed sanctions against Stanbic IBTC Holding. Again, the FRCN Act stipulates that an entity is only punishable under the Act when convictied by a relevant court of jurisdiction.

Noticeably in the suit between the FRCN and SIBTCH, is that there was no evidence that time was allowed to elapse for the appeal process before sanctions were imposed. Again, no evidence was available to prove that legal actions had already been exhausted, yet sanctions had already been imposed by FRCN on SIBTCH.

However, the aforementioned controversies are believed to be inimical and capable of eroding investors' teeming confidence and causing financial instability in the various sectors of the Nigerian economy. Evidence of financial instability includes the dissolution of Skye Bank Board of Directors and removal of its Chairman for IFRS default against acceptable industry performance threshold and there was also a fall of about 18% of SIBTCH shares due to FRCN sanctions (Nnorom & Nwachukwu, 2015).

Theoretical Framework: Modified Market Capitalism Theory of Business – Government – Society Relationship

The Modified Market capitalism theory of Business – Government – Society Relationship is the theoretical framework on which this study is rooted.

Steiner & Steiner (1997) in the original Market Capitalism Theory (MCT) as depicted in Figure 1 below visualizes a business system in which economic activity is undertaken by private enterprise operating in a competitive market which is insulated from direct impact of the social/political forces in the environment and functions on the primacy of market

economic forces. The assumption is the government interference in economic life will be minimal and that individuals have absolute freedom in the pursuit of their own, self-interest together with the right to own properties and risk investments in business corporations. But the original market capitalism theory depicted in Figure 1 appears distorted in the light of the realities and volatility of the business environment.

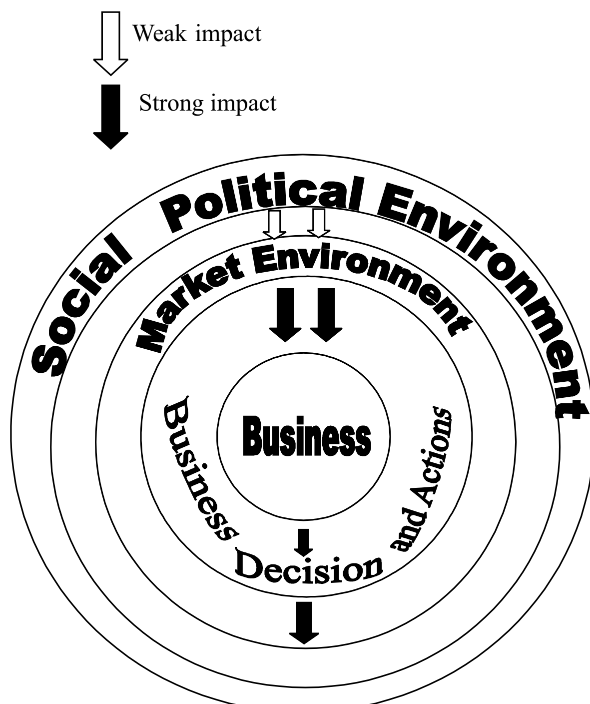

Figure 1: The Original Market Capital Model
Source: Steiner & Steiner (1997)

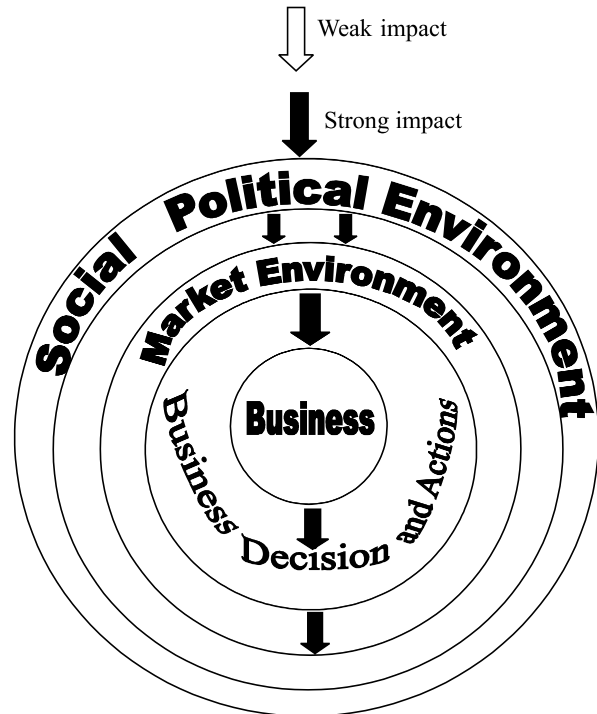

Figure 2: Authors' Modified Market Capitalism Model (2016)

Many assumptions which the original theory is based are contrary to realities of today. Nations are increasingly subjected to massive intrusion of regulatory/government legislations in market places across different jurisdiction as a result of economic challenges bedeviling them. The changing and impactful social/political environment necessitated the modification of the original market capitalism as depicted in Figure 2 which is permissible of enactment of laws for regulatory purposes in the market environment. The FRCN Act No. 6 (2011), 2006 Central Bank Code of Corporate Governance (2006, CBN CCG), 2011 SEC CCG, 2009 National Insurance Commission Corporate Governance Code (2009 NAICOM CCG), 2008 Pension Commission Code of Corporate Governance Code (2008 PENCOM CCG) and 2003 SEC CCG are regulatory provisions over the Nigerian market environment to promote a stable and credible economic order.

Methodology

This study obtained and analyzed data of 29 sampled Nigerian firms. Firms in the financial sector were totally excluded since some banks started the implementation of IFRS before the deadline of 2012. CG variables of concern were selected based on the prescriptions of the 2011 SEC CCG and includes board size (bdsz), board independence (bdindp), board gender diversity (bgendv), CEO ownership (ceosh), number of non-executive director (nexdir), audit committee size, (audcsz), and audit committee independence (audcindp). Profitability measures (dependent variables) of concern are return on asset (retoas) and return on equity (retoeq) while IFRS adoption (ifrs_a) and challenges from FRCN regulation (frcn_c) stood as the moderating/intervening variables. Analysis and models were based on the OLS estimation technique.

In furtherance of the thrust of this study,

the following models have been specified:

retoas = f(bdsz, bdindp, bgendv, ceosh, nexdir, audcsz, audcindp, ifrs_a, frcn_c) eq. 1

retoeq = f(bdsz, bdindp, bgendv, ceosh, nexdir, audcsz, audcindp, ifrs_a, frcn_c) eq. 2

The explicit forms of the above are expressed in *eq.3* and *eq.4*

$$retoas = \alpha_0 + \alpha_1 bdsz_t + \alpha_2 bdindp_t + \alpha_3 bgendv_t + \alpha_4 ceosh_t + \alpha_5 nexdir_t + \alpha_6 audcsz_t + \alpha_7$$

$$audcindp_t + \alpha_8 ifrs_a_t + \alpha_9 frcn_c_t + \varepsilon_t \quad eq.\ 4$$

$$retoeq = \alpha_0 + \alpha_1 bdsz_t + \alpha_2 bdindp_t + \alpha_3 bgendv_t + \alpha_4 ceosh_t + \alpha_5 nexdir_t + \alpha_6 audcsz_t + \alpha_7$$

$$audcindp_t + \alpha_8 ifrs_a_t + \alpha_9 frcn_c_t + \varepsilon_t \quad eq.\ 5$$

Where:

retoas = return on asset (proxy: by profit after tax/total asset)

retoeq = return on equity (proxy: profit after tax/Equity)

bdsiz = board size

bdindp = board independence (proxy: nexdir/total board size)

ceosh = CEO ownership (proxy: total shares of CEO/total directors shares)

nexdir = number of non executive director

audcsz = audit committee size (proxy: number of persons in audit committee)

audcindp = audit committee independence (proxy: nexdir in audit committee/audcsz)

ifrs_a = IFRS adoption (proxy: dummy = 0 for periods before IFRS adoption, otherwise 1)

frcn_c = challenges from FRCN regulation (proxy: dummy = 0 periods before the establishment of FRCN otherwise 1)

ε_t = Error Term

t = Periods

Hypotheses/Postulations

Based on the models above (*eq.4* and *eq.5*), we hypothesized that

H_{O1}: *IFRS adoption and challenges from FRCN regulation has significant negative effect on the relationship between corporate governance and firms' return on asset.*

H_{o2}: *IFRS adoption and challenges from FRCN regulation has significant negative effect on the relationship between corporate governance and firms' return on equity*

Analyses and Results

Results and analysis were presented in array of precedence: descriptive statistics, correlation matrix and regression (OLS) results. The final section of the analysis of data showed a comparative result between the period before and after the FRCN's decision on IFRS adoption.

Descriptive Statistics

The descriptive statistics which involves the mean, standard deviation, among others were presented and analyzed.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
retoeq	290	33.0601	102.3137	1.9	1730.01
retoas	290	10.52603	9.89051	-6.08	83.28
bdsz	290	9.940828	2.636897	4	17
bdindp	290	.6513103	.1736709	0	1
bdgendv	290	.0789655	.0908722	0	.4
ceosh	290	.7237586	4.345274	0	33.05
nexdir	290	6.586207	2.740409	0	14
audcsz	290	5.82069	.5662841	4	7
audcindp	290	.4394828	.0896055	.17	.6
ifrs_a	290	.4	.4907448	0	1
frcn_c	290	.5	.5008643	0	1

Source: *Authors' Computation from Stata Output, 2016*

Results for the descriptive statistics are as presented in Table 4.1. The dependent variables (retoeq and retoas) had minimum and maximum values of 1.9 and 1730.01 and -6.08 and 83.28 respectively. As observed, the mean for retoeq is positive with a relatively high standard deviation, which suggests that sampled firms had return of equities that were highly dispersed from the mean. Minimum values for all variables ranged from -6.08 (retoas) to 1.9 (retoeq) while maximum values ranged from 0.4 (bdgendv) to 1,730.01. (retoeq). The maximum retoeq was actually reported by National Salt Company in 2006 financial year. Apart from ifra_a and frcn_c, the zero (0) minimum value in some variables is suggestive of the fact that some firms may not have reported values for certain period. Apart from retoeq, the mean and relatively low standard deviation which ranged from 0.0896005 to 9.89051 indicates that for most of the indices of the sampled firms may not have deviated significantly from their respective mean. Impliedly, these indices revolved around their mean. The dummy capturing IFRS adoption recorded mean of 0.4 with a corresponding standard deviation of 0.4907448. Similarly, that of challenges from FRCN regulation showed a mean of 0.5 and a standard deviation of 0.5008643. The low mean and standard deviation may be informed by difficulties and multiplicity of challenges associated with transiting to IFRS by these sampled firms.

4.1.2 Analysis of Correlation Matrix

Table 4.2: Correlation Matrix for all the Variables

	retoeq	retoas	bdsz	bdindp	bdgendv	ceosh	nexdir	audcsz	audcindp	ifrs_a	frcn_c
retoeq	1.0000										
retoas	0.0331	1.0000									
bdsz	-0.0612	-0.0381	1.0000								
bdindp	-0.0937	-0.0900	0.2557	1.0000							
bdgendv	-0.0164	0.1235	-0.0865	-0.1743	1.0000						
ceosh	-0.0107	-0.0753	-0.1734	-0.0018	-0.0786	1.0000					
nexdir	-0.0902	-0.0730	0.7695	0.7940	-0.1596	-0.0992	1.0000				
audcsz	0.0275	0.0442	0.2339	0.0566	-0.0097	-0.0979	0.1750	1.0000			
audcindp	-0.1742	-0.1281	0.2280	0.2384	-0.0202	-0.2177	0.2886	-0.1055	1.0000		
ifrs_a	-0.0844	-0.1353	-0.0325	-0.0699	0.2786	0.0639	-0.0746	0.0224	0.0268	1.0000	
frcn_c	-0.0919	-0.1411	-0.0352	-0.0131	0.2220	0.0776	-0.0378	0.0366	0.0181	0.8165	1.0000

Source: Authors' Computation from Stata Output, 2016

The correlation matrix for all variables is as presented in Table 4.2. Results clearly proved that no pair of independent variable had coefficient that was close to 1.0 or within the range of 0.8 – 1.0. This indicates that there is no suspicion of the exhibition of multicollinearity within the variable sets. The highest value for correlation coefficient disclosed was 0.7940 which was between nexdir and bdindp. This affirms that multicollinearity does not exist among our variables.

4.1.3 Regression Diagnostics/Specification Tests

Table 4.3: Diagnostics/Specification Tests

Variable	VIF	1/VIF
nexdir	38.51	0.025970
bdindp	16.89	0.059207
bdsz	15.46	0.064665
ifrs_a	3.13	0.319803
frcn_c	3.03	0.329962
audcindp	1.19	0.842860
bdgendv	1.13	0.883381
ceosh	1.11	0.901046
audcsz	1.10	0.905813
Mean VIF	9.06	

Source: *Authors' Computation from Stata Output, 2016*

Given that the Mean VIF of 9.06 is below the maximum threshold of 10, the conclusion is that the variables are fit for the models since no incidence of multicollinearity was disclosed.

4.1.4 Regression Result Summary

Table 4.4: Summary of OLS Regression Result (Dependent Variable = retoas)

Source	SS	df	MS
Model	2075.2617	9	230.584633
Residual	26195.349	280	93.5548179
Total	28270.6107	289	97.8221824

Statistic	Value
Number of obs	290
F(9, 280)	2.46
Prob > F	0.0102
R-squared	0.0734
Adj R-squared	0.0436
Root MSE	9.6724

retoas	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bdsz	-.5379495	.8485081	-0.63	0.527	-2.208214	1.132315
bdindp	-10.055	13.46393	-0.75	0.456	-36.55838	16.44838
bdgendv	16.69448	6.661611	2.51	0.013	3.581286	29.80768
ceosh	-.1747178	.137941	-1.27	0.206	-.4462508	.0968153
nexdir	.7630058	1.288359	0.59	0.554	-1.773093	3.299105
audcsz	.6541733	1.055676	0.62	0.536	-1.423895	2.732242
audcindp	-13.2121	6.916267	-1.91	0.057	-26.82658	.4023852
ifrs_a	-2.117144	2.050158	-1.03	0.303	-6.152824	1.918535
frcn_c	-1.619834	1.977571	-0.82	0.413	-5.512628	2.27296
_cons	19.861	10.67194	1.86	0.064	-1.14643	40.86842

Source: Authors' Computation from Stata Output, 2016

The results depicted in Table 4.4 reveal that F-Stat {F(9,280)} is 2.46 (prob>F =0.0102). This value is below the critical value, thus fulfilling the criteria for accepting the null hypothesis. This result is significant at 0.05 level. The low values of R^2 and adjusted R^2 further indicated the weak explanatory ability of the independent variables on movements in retoas By evaluating the slope of coefficients, notice that ifrs_a and frcn_c had negative signs (-2.117144 and -1.619834) respectively. Judgmentally, the regulatory challenges of implementing the CCG of FRCN and mandatorily adopting IFRS as prescribed by FRCN has negative effect on the relationship between corporate governance and return on equity of firms. On this note, we reject the alternate hypothesis and the null is accepted. This leads to the conclusion that IFRS adoption and the challenges from FRCN regulation has significant negative effect on the relationship between corporate governance and firms' return on asset.

Table 4.5: *Summary of OLS Regression Result (Dependent Variable = retoeq)*

Source	SS	df	MS		
				Number of obs =	290
				F(9, 280) =	1.48
Model	137618.038	9	15290.8931	Prob > F =	0.1539
Residual	2887660.14	280	10313.0719	R-squared =	0.0455
				Adj R-squared =	0.0148
Total	3025278.18	289	10468.0906	Root MSE =	101.55

retoeq	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bdsz	-6.586007	8.908753	-0.74	0.460	-24.12264	10.95063
bdindp	-120.8474	141.3621	-0.85	0.393	-399.1147	157.42
bdgendv	-17.06502	69.94235	-0.24	0.807	-154.7446	120.6146
ceosh	-1.062481	1.448286	-0.73	0.464	-3.913391	1.78843
nexdir	8.785363	13.52689	0.65	0.517	-17.84194	35.41267
audcsz	3.421575	11.08387	0.31	0.758	-18.39672	25.23987
audcindp	-183.673	72.61606	-2.53	0.012	-326.6157	-40.73025
ifrs_a	-5.20852	21.52525	-0.24	0.809	-47.58039	37.16335
frcn_c	-12.69228	20.76314	-0.61	0.542	-53.56395	28.17939
_cons	190.7286	112.0481	1.70	0.090	-29.83492	411.2922

Again, results depicted in Table 4.5 reveal that F-Stat {F(9,280)} is 1.46 (prob>F =0.1539). This value is below the critical value, thus fulfilling the criteria for accepting the null hypothesis. Although, this result is not significant at 0.05 level, the low values of R^2 and adjusted R^2 indicated weak explanatory ability of the independent variables on movements in retoeq. By evaluating the slope of coefficients, notice that ifrs_a and frcn_c had negative signs (-5.20852 and -12.69228) respectively. Impliedly, the regulatory challenges of implementing the CCG of FRCN and mandatorily adopting IFRS as prescribed by FRCN has negative effect on the relationship between corporate governance and return on equity of firms. On this note, we reject the alternate hypothesis and the null is accepted. This leads to the conclusion that IFRS adoption and the challenges from FRCN regulation has significant negative effect on the relationship between corporate governance and firms' return on equity.

Conclusion

This paper empirically studied the moderating role of the regulatory challenges of the Financial Reporting Council of Nigeria (FRCN) and the adoption of International

Financial Reporting Standards (IFRSs) on the relationship between Corporate Governance (CG) and profitability measures of Nigerian firms. Literatures were reviewed along with the analysis of secondary data specifically obtained from 29 firms. Firms in the financial sub-sector were excluded from this study. The modified market capitalism theory of Business – Government – Society relationship is the theoretical foundation of the investigation. Findings from the results suggest that the regulatory challenges of the Financial Reporting Council of Nigeria (FRCN) and the adoption of International Financial Reporting Standards (IFRSs) has negative effect on the relationship between Corporate Governance (CG) and profitability measures of Nigerian firms.

Recommendations

The study therefore recommends among others that the regulatory authorities should review and scale up the enforcement of the Financial Reporting Council Code in compliance with the international financial reporting standard for improved, performance among firms in Nigeria. The Central Bank of Nigeria (CBN) functions should complement those of Financial Reporting Council of Nigeria (FRCN). The CBN, FRCN and National Office for Technology Acquisition and Promotion (NOTAP) functions should be harmonized and work as a team to promote stability in the Nigerian corporate environment. The disparities in the 2011 SEC code of corporate governance, 2006, CBN Code of Corporate Governance, the FRC Code must be harmonized to prevent controversy and instability in the corporate environment of Nigeria if firms' performance and stability must be attained.

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