Impact of Capital Market Development on the Nigerian Economic Growth

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Abstract

This study examined the impact of capital market development on the Nigerian economic growth for the period 1999-2019. Market Capitalization (TMC), All Share Index (ASI) and Total Value of Stocks (TVS) were used as proxies for the capital market development while Real Gross Domestic Product (RGDP) was use as a proxy for economic growth. Data use for the study were obtained from secondary sources, these data were analyzed using the statistical method of multiple regression. a unit root test was conducted using Augmented Dickey fuller and the result shows stationary of all the research variables. This research findings show that total market capitalization all share index and total value of stock are all joint predictor of economic growth provided by RGDP, though insignificantly. The all share index and total value of stock exert insignificant positive influence on RGDP growth rate while the total market capitalization has insignificant negative effect on economic growth. The implication of the result is that an increase in all share index and total value of stock will insignificantly increase economic growth. Hence, the study concludes that capital market development has not significantly impacted on economic growth in Nigeria. The study therefore recommends that there is a need for a diversified investment instruments in the capital market whereby debt and derivative instruments will attained as much prominence as ownership instruments. The research further recommends that Government should do everything possible to provide a safe and conducive investment climate by nipping in the bud, the prevalent activities of terrorist and kidnappers. This will not only encourage the Nigerian investors, but also attract foreign investors into the Nigerian capital market.

Keywords: Capital market, Economic growth, Financial market, GDP, Stock exchange

INTRODUCTION

The financial market provides a forum where securities are traded both on a long and short term basis. Financial markets play a vital role in facilitating the smooth operation of capitalist economies by allocating resources and creating liquidity for businesses and entrepreneurs. The markets make it easy for buyers and sellers to trade their financial holdings. Financial markets create securities products that provide a return for those who have excess funds (Investors/lenders) and make these funds available to those who need additional money (borrowers). The Nigerian capital market deals in long-term securities (Uzoaga, 1981) and is subdivided into primary market and secondary market. The primary market consists of institutions such as merchant banks and stockbrokers, which provide the means for directing savings into new investment outlets. To be eligible to operate in the market, the institutions must be registered members of the Stock Exchange (Odife, 1985). Odife further opined that, secondary market is the medium for liquidating long-term financial claims (i.e. stocks and shares) by the withdrawal of one of the parties. Investors can exchange ownership of stocks and shares to enable firms remain in operation perpetually. The market consists of Stock Exchange which provides trading facilities, and the stockbrokers who buy and sell securities on behalf of the public. There is an interaction between the primary and the secondary markets (Berman, 1979). The Stock Exchange acts as facilitator in both markets, while stockbrokers participate directly in both markets. The growth and development of the capital market in Nigeria can be traced to 1946 with the floating of N600, 000 (more than 300,000 pounds sterling) worth of government stocks. However, an organized market for the secondary trading of issued stocks was lacking. In 1959, following the establishment of the Central Bank of Nigeria (CBN) a year earlier, a N4million (2 million pounds sterling). Federal Government of Nigeria development loan stock was issued in line with its role of fostering economic and financial development. In 1986, Nigeria embraced the International Monetary Fund (IMF) Structural Adjustment Programme (SAP) which influenced the economic policies of the Nigerian government and led to reforms in the late 1980s and early 1990s.

Ariyo and Adelegan (2005) contend that the liberalization of capital market led to the growth of the Nigerian capital market, yet its impact at the macro-economic level was negligible. Again the capital market was instrumental to the initial twenty five Banks that were able to meet the minimum capital requirement of N25 billion during the banking sector consolidation in 2005. The performance of the Nigerian capital market has been motivated by so many reasons. Majority of the Nigerian banks are investing in the Nigerian capital market so that they can move the money and earn some good profit from the market. The reform introduced by Central Bank of Nigeria (CBN) of minimum capital requirements for the banks have encouraged them to choose the capital markets. The Nigerian capital market is still gaining depth and so that it was a bit risky for the banks to take the decision but they took the risk and the results are very positive. It not only encouraged the individual investors but at the same time provided some good support to the growth of the Nigerian capital market. It is true that the Nigerian capital market is performing well and the country experienced several public offers by the banks like the Access Bank, Zenith Bank, United Bank for Africa, etc. But at the same time, the market requires improved performance, because the Nigerian Stock Exchanges market capitalization is still much lower than the GDP. Economic growth is the increase in production of goods and services. The most widely use measurement of economic growth is the GDP. The GDP is the total monetary or market value of all finished goods and services produce within a country boarder in a specific time period. The hypothesis underlying this study is thus stated as:

Ho$_1$: Capital market development does not have a significant impact on the Nigerian economic growth

LITERATURE REVIEW

The Financial market

A financial market provides a platform where companies and governments raise funds to finance working capital challenges as well as for expansion. A financial market is a market in which people trade in financial securities and derivatives and debt instruments.

Concept of Money Market

Money market can be defined as the place of mechanism whereby funds are obtained. For short periods of time (from one to one year) and financial assets representing short term claim are exchanged. As a section of the financial market, it is made up of financial organization and dealers. They as a group quicken the borrowing and lending of short-term money (bank credit and non-bank credit) by bringing less than one umbrella those institutions with surplus funds, which wish to lend on a short-term basis and those wishing to borrow.

Concept of Capital Market

Institute of Chartered Accountants of Nigeria (ICAN, 2009) defines capital markets as markets where long-term finance are raised by companies and Federal, States and Local Governments. ICAN further posits that the capital markets comprise of the primary market – market for new funds and the secondary market – market for existing (second-hand) securities. Lambe (2021) view the capital market as a financial market in which long-term debt or equity-backed securities are bought and sold. According to him, the capital market is a market in which money is provided for periods longer than one year. From the foregoing, it is be summarized that the Capital market is a market where buyers and sellers meet to exchange a unique intrinsic commodity - shares, stocks, bonds- for the purpose of raising long-term capital for the modernization and expansion of projects by companies, governments, and allied parastatals. Stock market is different form stock exchange, which is an entity (a corporation or mutual organization) in the business of bringing buyers and sellers of stock together. Capital market is a financial market for buying and selling equity and debt instruments. It channels savings and investment between suppliers of capital such as retail investors and institutional investors, users of capital like businesses, government and individuals. Capital markets are vital to the functioning of an economy, since capital is critical component for generating economic output. In particular, stock markets can encourage economic growth by providing an avenue for growing companies to raise capital at lower cost. In addition, companies in countries with developed stock markets are less dependent on bank financing, which can reduce the risk of a credit crunch.

Development in the Nigerian Capital Market

The Nigerian Stock Exchange (NSE) came into existence in 1977 from the Lagos Stock Exchange (LSE) established in 1960. In 1961, the NSE/LSE commenced operations with 19 securities listed for trading. As at January, 2020 there were more than 328 listed securities on the Exchange with a total market capitalization of ₦28.26 trillion The NSE has a head office (Lagos, 1961) and branches established in some of the major commercial cities in Nigeria: Kaduna (1978), Port Harcourt (1980), Kano (1989), Onitsha (1990), Ibadan (1990), Abuja (1999), NES Ilorin (2007) Yola (2002) and Ogun state (2007). Each branch has a trading floor. The development of the Nigeria Capital Market dates back to the late 1950s when the Federal Government through its ministry of industries set up the Barback committee to advise it on ways and mean of setting up a stock market. Prior to independence, financial operators in Nigeria comprised mainly of foreign owned commercial banks that provided short-term commercial trade credits for the overseas companies with offices in Nigeria (Nwankwo, 1991). And their capital balances invested abroad in the London stock Exchange.To accelerate economic growth of the Nigerian economy, the government embarked on the development of the capital market. The aim was to provide opportunities for borrowing and lending of long-term capital by the public and private sectors for general business expansion, as well as an opportunity for foreign-based companies to offer their shares to investors and provide avenues for the expatriate companies to invest surplus funds. In ensuring development of the Nigerian capital market, the Central Securities Clearing System (CSCS) was introduced to provide an integrated central depository, clearing transfer of shares from seller to buyer and settlement of payments for bought securities for all stock market transactions. That was to avoid the manual transactions on shares, establish electronic transfer of shares to ensure faster stock market transactions. In 1997, the Nigerian Stock Exchange (NSE) established the Central Securities Clearing System (CSCS) and it is fully automated to capture all verified share certificates forwarded to it by company registrars. However continuous development of the capital market is important for mobilization of savings from numerous economic units, providing adequate liquidity to investors, providing alternative source of funds for government, to encourage more efficient allocation of new investments through the price mechanism, encourage more efficient allocation of a given amount of tangible wealth through changes in the composition and ownership of wealth and promote rapid capital formation for economic growth and development.

Concept of Economic Growth

Balcerowicz (2012), defined economic growth as a process of quantitative, qualitative and structural changes, with a positive impact on the economy and on the population‘s standard of life, whose tendency follows a continuously ascendant trajectory. Fasanya, Onakoya, and Agboluaje (2013), also have seen economic growth as the process of increasing the sizes of national economies, the macroeconomic indicators, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector. Friedman defines economic growth as innovation process leading to the structural transformation of the social system. From the foregoing, it is clear that, economic growth is an increase in the real value of goods and services produced in the country over a period of time. The most widely use measure of economic growth is a percentage increase in real gross domestic product, or real GDP. Growth is usually calculated in real terms, that is, inflation adjusted terms, in order to net out the effect of inflation on the price of the goods and service produced (Okonkwo, Egbunike & Udeh, 2015).

Empirical review

Ubogbo and Aisien (2019), examined the impact of capital market development on economic growth using time series data from Nigeria for the period 1981-2016. The co-integration and error correction model was employed for the empirical analysis and selected variables were found to be co-integrated. The empirical result revealed that capital market development has significant and positive impact on economic growth in Nigeria both in the short run and in the long run. Other significant variables in the empirical result were interest rate, money supply and investment level. The paper, thus, recommended that the government should inject much fund into the capital market and implement appropriate reform policies aimed at ensuring reliable, efficient and stable stock market in Nigeria. Rowland (2016), investigated the capital market-economic growth nexus in Nigeria, Africa’s largest economy, during the 1985-2015 periods. Analysis was anchored on relevant multiple regression models whose coefficients were estimated via the ordinary least squares (OLS) techniques. The paper sourced data from relevant publications of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN). Economic growth variable was gross domestic product (GDP), while capital market indices were market capitalization (MCAP), Value of transactions (VTS) and All-Shares Index (ASI). Results showed that in specifics, market indices had heterogeneous effects on growth of the economy but on aggregate, capital market development significantly induced growth of the economy during the study period. Thus, the paper concluded that capital market development significantly induce economic growth. Emmanuel and King (2014), studied the effect of capital market development on the economic growth of Ghana. The study employed a multiple linear regression based on quarterly time series data spanning from 1991:1 to 2011:4. Explanatory data analysis was used to ensure that the basic assumptions of regression analysis were verified and resolved. Structural Equation Modeling (SEM) through path analysis (i.e. Layered Regression Technique) was used to identify the possible causal relationship between GDP growth and capital market development, as well as other causal effects in the model. The study shows that the GDP growth is linearly related to the independent variable in the model. There is also a positive bi-directional relationship between economic growth and capital market development. However, the stronger effect is from capital market to economic growth. The study recommends that developing countries should place greater emphasis on financial sector development with specific focus on capital market development to promote economic growth.

Paul (2017), investigates the relationship between capital market activities and economic growth index in emerging market economies using Nigeria as reference point. The analysis covered the period of economic and financial liberalization 1985-2014. Data for the study were obtained from secondary sources and analysed using econometric methods such as correlation, multiple regression, unit root test, co-integration test and Error correction mechanism (ECM). The result revealed positive and statistically significant relationship between capital market activities and economic growth. The results also indicated that there is a long-run relationship between stock market activities and growth index. Based on the findings, it is recommended that the number of listed companies should increase; government should fund its activities through the capital market. There should be transparency; fair trading transactions and dealings in the Nigeria stock exchange. There should be trade policies that will enhance liberalization of the Nigerian capital market. Nosakhare and Samson (2015), analyzed the dynamic responses, causality and interrelationships between capital market development and economic growth in Nigeria. The Vector Error Correction (VEC) granger causality and the Vector Error Correction Mechanism (VECM) were analyzed between the periods of 1981 to 2013. The VEC causality test indicated bidirectional causality between economic growth and capital market development in Nigeria. The Forecast Error Variance Decomposition further indicated that the predominant variations in the innovations of the variables are the shocks of themselves relative to shocks in all other variables in the VEC Model. The VEC estimation revealed that the speed of adjustment of the market relative to the economy is slow and unimpressive, considering the speed of turnover ratio and market liquidity and that the ability of the market to respond to the unexpected changes are weak. The implications of the study were explicitly stated, and we hence recommended an improved macroeconomic environment as well as instituting reform policies that will expand the size, scope and network externalities of the Nigerian capital market both within and outside the country.

Ewah et al (2009), appraise the impact of the capital market efficiency on economic growth of Nigeria using time series data from 1963 to 2004. They found that the capital market in Nigeria has potential of growth-inducing, but it has not contributed meaningfully because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. Okafor and Arowoshegbe (2011), explicitly examined the impact of the Nigeria capital market performance on economic development. They adopted two separate models to perform their analysis and their findings showed that market capitalization, All – Share index and number of listed companies were positively related to and capable of influencing Gross Domestic Product while the second model revealed that volume of transactions and market capitalization were positively related to Gross Fixed Capital Formation. More surprisingly, they pointed out that 'gross fixed capital formation is not financed significantly by the capital market'. They concluded by supporting the contributory role of the capital market in ensuring socio –economic development in Nigeria. Kolapo and Adaramola (2012), examined the impact of the Nigerian capital market on economic growth from 1990-2010 adopting the Johnson Co integration and Granger Causality test. They found the existence of bi-directional causality between the country's economic growth and value of stock traded, as well as a unidirectional causation from market capitalization to economic growth and most surprisingly, an independent causation was

revealed between gross domestic product and total new issues as well as GDP and total listed equities and government stock. Considering these finding, they recommended that the impediments to the Nigerian capital market should be reviewed and the regulatory bodies of the capital market should be more active in its surveillance role.
Osinubi and Amaghionyeodiwe (2003), examine the relationship between Nigeria stock market and economic growth during the period 1980 to 2000, using Ordinary least square regression. The results show that there is a positive relationship between the stock market development and economic growth. They therefore suggested that government should pursue policies that are geared toward rapid development of the stock market. Abu (2009), examines whether stock market development raises economic growth in Nigeria, by employing the Error Correction Approach. The econometric results indicate that stock market development raises economic growth. He however encouraged SEC to facilitate the growth of the market, restore the confidence of stock market participants and safeguard the interest of shareholders by checking sharp practices of market operators.

Theoretical Review

Efficient Market Hypothesis (EMH)

EMH is popularly known as the random walk theory developed by Fama (1965) as an academic concept which provides a framework for examining the efficiency of the capital market; it is one of the theoretical exploits of capital market-economic growth relationship. An efficient market is the term used to describe a market where investors cannot outperform their rivals by generating abnormal risk-adjusted returns in a consistent manner. With the intention to maximize their wealth, investors utilize information that is accessible to them as tools in trading available assets in the capital market. The EMH predicts that market prices should incorporate all available information at any point in time, and explains that that current stock prices fully reflect available information about the value of the firm, and there is no way to earn excess profits (more than the market overall), by using this information which has very important implications for investors as well as for financial managers. The relevant test of efficiency is whether prices incorporate all information that is available at the time.

Neoclassical Growth Model

This is another relevant theory developed by Solow (1956). The model posits that diminishing returns would finally cause economic growth to die down. The basic proposition of growth theory is that, in order to sustain a positive growth rate of output per capita in the long run, there must be constant advances in technological knowledge in the form of new goods, new markets, or new processes. In the growth theory, three factors are put forward, namely: labour growth, capital accumulation, and technical progress. The neo-classical growth theory expressed the sources of growth as consisting of the growth of labour force g(L), growth of capital stock g(K), and growth of productivity or technical progress (v). Constant returns are assumed for the growth, since the growth of capital stock also depends on national income.

METHODOLOGY

The research design employed for the purpose of this research is longitudinal research design. The data used for this study are basically time series data covering 1999 to 2019. The choice of the period 1999-2019 was deliberate in order to know how capital market development has impacted on Nigeria’s economic growth since the return to democratic rule in 1999. The data were sourced from the central bank of Nigeria statistical bulletin, and annual reports and accounts of the Nigerian stock exchange. In measuring the impact of the capital market development on economic growth, the study adopted the convectional method of using their proxies. Thus, capital market was proxied by the Total Market Capitalization (TMC), All Share Index (ASI) and Total Value of Stock (TVS), while economic growth was proxied by Real Gross Domestic Product (RGDP). In this study, the researcher adopted the statistical method of multiple regression approach in line with that applied by Olawoye (2011) and Ewah et al (2009). Their studies infer that economic growth is significantly influenced by capital market indices.

The study has, however, made some adaptations to suit the study and the functional relation of the model is given as:
RGDP= f(TMC, ASI, TVS)…………………………………………………..(i)
The model is specified as follows:

$RGDP=\beta_0+ \beta_1TMC+ \beta_2ASI+ \beta_3TVS+\mu$……………………………………….. (ii)

Where:

RGDP= Real Gross Domestic product
TMC=Total Market Capitalization
ASI=All Share Index
TVS=Total value of stock
β_0, β_1, β_2 and β_3= constant parameters and μ = the error term

The procedure in the analysis was multiple regression econometric procedure. The study commenced its analysis with Dickey-Fuller test, to verify the stationary of variables so as to avoid spuriousness of empirical result. The Ordinary least Square (OLS) Regression was employed with the help of E-view 10 package to ascertain the significance of each of the constant parameters, while the diagnostic test based on the coefficient of determination (R^2) were used to check for the goodness of fit of the model.

RESULT AND DISCUSSION

Table 1: Descriptive Statistics Result

Sample: 1999-2019

	RGDP	TMC	ASI	TVS
Mean	2373.858	12217.01	368176.3	1321430.
Median	2636.145	9732.500	297085.5	442994.9
Maximum	4756.160	37217.62	845279.7	9485863.
Minimum	-1092.690	472.3000	63170.30	14072.00
Std. Dev.	1426.694	11122.30	229433.9	2454490.
Skewness	-0.693440	0.862419	0.710394	2.544654
Kurtosis	3.106225	2.671039	2.542805	8.248200
Jarque-Bera	1.612267	2.569402	1.856391	44.53721
Probability	0.446581	0.276733	0.395266	0.000000
Sum	47477.15	244340.2	7363526.	26428608
Sum Sq. Dev.	38673646	2.35E+09	1.00E+12	1.14E+14
Observations	20	20	20	20

***Source**: Computed by researcher (2021) using Eviews-10*

From Table 1, it is observable that the mean of each respective distribution is not exactly situated at the middle (median) of the distribution. Except for total value of share (TVS), the mean of every other data set is not far away from their respective medians values. This indicates that majority of the individual firms have observations for each respective variable, close to the average observation. This is true as regards to every variable other than total value of share (TVS), whose mean is far above its respective median, suggesting that the majority of the firms have total value of share figures lower than average total value of share (TVS). This presupposes that only few industries carry the large proportion of the total value of share (TVS) in the capital market. It suggests high concentration or dominance of few on the many, thereby making competition difficult for the smaller firms or firms that might have newly enter the industry.

Looking at the standard deviation on the basis of the assertion that 60% of a normally distributed data set falls within the range of ±1, it is evident that the entire variable have standard deviation values out of this range. On the basis of standard deviation therefore, it can be concluded that RGDP, TMC, ASI and TVS are not normally distributed.
The skewness indices for all the other data sets seem to be positive, indicating more observations to the left of the normal curve, except for RGDP that seem to be negative. As it is, data outlier is normally associated with negative skewness. With regards to kurtosis, all the variables have extreme peaks that are above normal peak, as their kurtosis figures are above the normal kurtosis of 0 or near 0. On the basis of kurtosis, none of the data sets can be qualified as

normally distributed. In addition to the above, a theory-driven test for normality was also explained using Jarque-Bera. The outcome of the Jarque-Bera test reported probability is the probability that a Jarque-Bera statistic exceeds (in absolute value) the observed value under the null hypothesis - a small probability value leads to the rejection of the null hypothesis of a normal distribution. Thus, if the P- value is significant, the null should be rejected and the data be regarded as not normally distributed. From table, it can be evident that Total Value of Share (TVS) is not normally distributed. The statistic is significant at 5% (i.e. $p<0.05$). Looking at the remaining variables, RGDP, TMS and ASI which are not significant; all the data sets are hereby statistically qualified as normally distributed except for Total Value of Share (TVS).

Diagnostic Test

A test to determine whether the variable under investigation the Augmented Dickey Fuller Test and the results are shown in Table 1 below;

Table 2. Summary of ADF unit Root Test for the series of RGDP, TMC, ASI and TVS

VARIABLES	Deterministic Term	Lags	t-statistic	5% critical value	Remarks
RGDP	C	0	-3.103646	-2.975224	Stationary
	C,t	0	-3.307104	-3.602202	Not stationary
TMC	C	0	-8.351772	-2.87225	Stationary
	C,t	0	-8.208022	-3.505501	Stationary
ASI	C	0	-0.382663	-2.886225	Not stationary
	C,t	1	-4.160643	-3.544853	Stationary
TVS	C	0	-2.451165	-2.875224	Not stationary
	C,t	1	-4.227342	-3.512188	stationary

Source: Researchers Computation (2021) using (E-views 10)

The Table 1 above shows that the first difference of the natural logarithm of the total market cap00italization (TMC) is stationary when deterministic term contains both constant and constant and trend. The first difference of natural logarithm of Real Gross Domestic Product (RGDP) is stationary when deterministic term contains a constant. Also, the natural logarithm of the all share index (ASI) and total value of stock (TVS) are stationary when deterministic term contains constant and trends.

Model Analysis

Table 3: Result of the OLS Regression

Dependent Variable: RGDP
Method: Least Squares
Date: 03/24/21 Time: 11:58
Sample (adjusted): 1999 2018
Included observations: 20 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2810.691	645.0370	4.357410	0.0005
TMC	-0.070787	0.060824	-1.163803	0.2616
ASI	0.000754	0.003091	0.243984	0.8103
TVS	0.000114	0.000147	0.772045	0.4513

R-squared	0.612446	Mean dependent var	2373.858
Adjusted R-squared	0.583905	S.D. dependent var	1426.694
S.E. of regression	1402.299	Akaike info criterion	17.50647
Sum squared resid	31463097	Schwarz criterion	17.70562
Log likelihood	-171.0647	Hannan-Quinn criter.	17.54535
F-statistic	0.022266	Durbin-Watson stat	1.975920
Prob(F-statistic)	0.033927		

Researcher's computation (2021) Source: E-views 10

The result in Table 2 above shows that all share index and total value of stock have positive effect on GDP growth rate, while total market capitalization has negative effect on RGDP growth rate, but none of these effects is significant (P-values > 0.05). The coefficient of determination R^2 shows how well the model fits the sample data, and about 61% has been accounted by the model. This value implies that 61% of the variation in economic development is explained by the independent variables. It shows a good fit for the model since greater variation of the dependent variable is accounted for by the variables in the model. The F-test which tests the significance of R^2 and the joint significance of parameters is statistically significant at 5%. This fact confirms the goodness of fit implied by the R^2; and shows that all the independent variables put together contribute in influencing economic growth. The Durbin-Watson statistic of 1.97 is within the acceptable range of 1.5 to 2 for a sample of at least 50 observations.

Discussion of Findings

The researcher's findings show that total market capitalization all share index and total value of stock are all joint predictor of economic growth provide by RGDP, though insignificantly. The all share index and total value of stock exert insignificant positive influence on RGDP growth rate while the total market capitalization has insignificant negative effect on economic growth. The implication of the result is that an increase in all share index and total value of stock will insignificantly increase GDP, and this is supported by Nosakhare and Samson (2015), Osinubi and Amaghionyeodiwe (2003), Abu (2009), and Ewah et al (2009), who in their different studies, found that capital market has positive impact on economics growth in Nigeria even though insignificant. Ewah etal (2009) made it abundantly clear that although capital market exerts positive influence on economic growth, it has not contributed meaningfully (significantly) to the growth of the Nigerian economy.

This position, conversely, slightly disagrees with Kolapo and Adaramola (2012) and Ubogbo and Aisien (2019) amongst others who argue that the positive impact of capital market on economic growth is significant. However, the positive coefficients (0.000754 and 0.000114) shows that all share index and total value of stock respectively if increased, have the capacity to trigger economic growth. Another implication of our result is that the total value of stock exerts an insignificant negative influence on GDP growth rate. Furthermore, the coefficient of determination (R^2) of 61% shows that about 61% variation in GDP growth rate are explained by change in capital market variables, while about 39% are accounted for by variables outside our model. Therefore, the model is good fit for the relationship and for economic policy formulation.

The result of the hypothesis shows that the effect of capital market on economic growth, whether negative or positives, is not significant (p-values: 0.2616, 0.8103 and 0.4513>α) hence we accept the null hypothesis and therefore conclude that capital market has no significant impact on economic growth in Nigeria.

CONCLUSION AND RECOMMENDATIONS

This study examined the impact of capital market development on the growth of the Nigerian economy. Capital market was proxied by total market capitalization, all share index, and total value of stock, while economic growth was proxied by the real gross domestic product.

The ADF unit root was adopted to test the level of integration of the variables, and all the variables attained stationarity. The method of ordinary least square regression was employed in the analysis, and the results showed the following: all share index and total value of stock have positive effects on RGDP growth rate; and total market capitalization has negative effect on the RGDP growth rate, but none is significant. Hence, the study concludes that capital market development has not significantly impacted on economic growth in Nigeria. Given the foregoing, the following recommendations are being put forward:

i. Government should restore confidence in the capital market by showing true commitment and sincerity of purpose in the capital market probe. The findings recommendation of the investigation panel should be fully implemented to restore sanity and confidence in the market.
ii. There is need for a diversified investment instruments in the capital market whereby debt and derivative instruments will assume as much prominence as ownership instruments.
iii. Government should do everything possible to provide a safe and conducive investment climate by nipping in the bud, the prevalent activities of terrorist and kidnappers. This will not only encourage the Nigerian investors, but also attract foreign investors into the Nigerian capital market.

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Impact of GIFMIS as an Information Communication Technology Tool on Public Financial Management in Nigeria

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Abstract

This study examines the impact of GIFMIS on the performance of financial management in some selected Federal Polytechnics. The need to promote public accountability, transparency, cost effective public service delivery, judicious allocation of government scarce financial resources gave impetuous for the development of Government Integrated Financial and Management Information System (GIFMIS). This ICT tool is an information system that tracks financial events and summarizes financial information. The researcher employs OLS for analyzing the data by E-views, version 10.The R-square value is 0.98; this implies that 98% changes in the institutions' Reserves on Overheads after the adoption of GIFMIS are explained by the institutions' Actual Overheads after the adoption of GIFMIS. The value of 97% of the Adjusted R-squared indicates that there is strong relationship between the dependent and the independent variables. This implies that the adoption of GIFMIS has reduced about 97% of financial leakages and fraudulent activities in overheads. Besides, the P-value of 0.0377 indicates that the adoption of GIFMIS in the payment of overheads has a significant impact on the improvement of budget planning and execution; also, 0.0095 indicates that the adoption of GIFMIS in the payment of overheads has a significant impact on curbing financial leakages in Federal Polytechnics. Finally, at the level of significance of 0.05, the F-statistic is 58.90056 while the p-value of the F-Statistic is 0.016694 which is less than 0.05 adopted. Therefore, the study rejected the null hypothesis and accepted the alternate.

Keywords: Financial Leakage, Reform, Government, GIFMIS ICT Tools

INTRODUCTION

GIFMIS is little more than accounting system developed to operate according to specifications of the environment in which it is installed. Generally, GIFMIS refers to the use of information and communications technology in financial operations to support management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the government realm, GIFMIS refers more specifically to the computerization of public financial management processes, from budget preparation and execution to accounting and reporting, with the help of an integrated system for financial management of ministries, spending agencies and other public sector operations. The implementation of GIFMIS had become a reality. The aim was to reform the public financial management in the MDA. There is a need to carry out an empirical study as to whether electronic transaction processing plays a role in enhancing financial performance in the public institutions capable of curbing financial leakages given that Government financial management performance is concerned with financial management of public institutions. According to Eme (2015), there is broad agreement that a fully functioning GIFMIS can improve governance by providing real time financial information that financial managers and Administrators can use to administer programs effectively, formulate budgets, and manage resources. Latana (2011) remarks that sound GIFMIS, fixed with the adoption of centralized treasury operations, can not only help governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to fraud. Naiyeju (2015) expresses concerns at the high level at which resource-rich African countries lose huge funds through corruption, leakages, illegal transfers of money laundering abroad, the African Union, (AU), has asked President Buhari and other African leaders to openly declare their assets and subject their wealth to public scrutiny.

Basman (2013) expressed that Nigeria topped the list of many African countries with highest incidence of illicit financial transfers between 1970 and 2008, recording about $217.7billion (about N36.57trillion), or 30.5% of the total in the continent. The issue of accountability and probity by top government officials has always been a source of serious concern in Nigeria. The focus of this research is to examine whether such ICT Tool explained will have positive impact on public sector financial leakage and corruption in a broader sense. Financial leakage has remained one of the major constraints to economic development in any economy. In Nigeria, cases of financial leakage are prevalent leading to N6.87 trillion lost and its occurrence is with impunity (Eme 2015). This may be because financial leakage has been democratized or probably because the sanction for corrupt practices is menial (Ogunro, 2012). Financial leakage has been a major factor that has been alleged to slow down the actualization of government policies and has also been said to lead to sluggish infrastructural development. Mohammed (2013) posits that measures are in place in line with the public service reform which includes monetization to reduce waste and reduction of over-bloated personnel reform of public procurement; establishment of anti-financial leakage otherwise known as anti-corruption enforcement agencies such as the Economic and Financial Crime Commission (EFCC), Independent Corrupt and other Practices Commission (ICPC). Today, the use of Information Communication Technology (ICT) is active in the financial management reforms which include the introduction of Government Integrated Financial Management Information System (GIFMIS) and others such as IPPIS, TSA were established to further reduce the ability for corrupt officers to accumulate public fund. The use of ICTtools for auditing to curb corruption and control civil workers seems to be in the right direction. Mikail (2013) exclaimed that government saved 160 billion naira by weeding out 60.000 ghost workers from the payroll. This number excludes the 46,821 ghost workers identified in 215 ministries, department and agencies in 2013. The staff audit exercise conducted in federal capital territory in 2013 revealed that out of 26,017 on the payroll, 6.000 were fictitious. Adegoroye, (2005)opined that Public sector reform is a systematic intervention directed at the structure, operations and procedures of the public service with the purpose of inducing its transformation as multi-facetted agent of change as well as an instrument of national cohesion and socio-economic development.

LITERATURE REVIEW

Conceptual Framework

Government Integrated Financial Management Information System (GIFMIS)

This is an IT based system for budget management and accounting that is being implemented by the Federal Government of Nigeria to improve Public Expenditure Management processes, enhance greater accountability and transparency across Ministries and Agencies. The GIFMIS Consultant's Report (2014) state that GIFMIS is designed to make use of modern information and communication technologies to help the Government of Nigeria to plan and use its financial resources more efficiently and effectively. A Financial Management Information System (FMIS) according to Cuenco (2013) can be broadly defined as a set of automation solutions that enable governments to plan, execute and monitor the budget of MDAs. Omolehinwa (2015) described GIFMIS as an Information Technology (IT) based system for budget management and accounting that is being implemented by the Federal Government of Nigeria to improve public expenditure management. The system does not only stores all the financial information relating to current and past years‟spending, but also stores the approved budgets for the years, details on inflows and outflows of funds, as well as complete inventories of financial assets (for example equipment, land and buildings) and liabilities.

Revenue Leakage

Financial Leakage occurs when government *s*avings or taxes are taken out of an economy unauthorized. Ahmed (2018) posits leakage refers to unanticipated dissemination of information. Leakage matters because it represents revenue lost. It can have many forms; interest rates are just one way for money to leak out of an economy. In any case, the exit of money from an economy means the businesses in those economies must look for other forms of revenue. The shortage of capital can spur governments to stimulate the economy as a result. Waziri (2010) explained that the word "revenue leakage" just like corruption, comes from the Greek word "corruptus" meaning an aberration or misnomer. It has been defined by different scholars while others describe it using different terminologies. Dada (2014) claimed that financial leakage is another form of corruption and is a notion that is difficult to define because of its multi-dimensional and multi-disciplinary nature. One definition is therefore not sufficient to appropriately describe the concept. For instance Anwar (2005) broadly describes it in form of corruption, financial leakage as: (1) dishonest or illegal behaviour, especially of people in authority; (2) the act or effect of making somebody change from moral to immoral standards of behavior. This definition linked financial leakage with two important variables: authority and morality.

McShane and Nilsson (2010) see financial leakage as a situation when a holder of public office motivated by private gain gives preferential treatment that is not officially approved. Closely related to Dong (2011) who explained that "public sector corruption means misuse of public office for private benefits. In all of these, the most prevalent and commonly used definition of financial leakage is that provided by World Bank and Transparency International as cited in Waziri (2010) &Langseth (1999). Transparency International defined the term as "the abuse of entrusted power for private gain", while World Bank described it as "the misuse of public office for private gain." Therefore, the researcher can simplistically define financial leakage as the use of public office or official position to obtain private or personal gains. Financial leakage is a world-wide phenomenon that is multifaceted. Financial leakage is probably as old as government itself as Shabbir and Anwar (2007) stated that “it is not a new phenomenon; it is as old as the history of mankind itself. Financial leakage affects almost all parts of society. Ahmed (2018), identified financial leakage as the single greatest obstacle to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends. Financial leakage is not peculiar to developing nations alone or Nigeria. It’s a plague that affects both developed and developing economy, although the occurrence in developing societies like Nigeria seems to be pervasive.

Budget Planning

This is essentially a statement with the estimates of the expenditure to be incurred and the revenue to be generated during a certain period of time.Budgetary planning is the process of constructing a budget and then utilizing it to control the operations of a business. The purpose of budgetary planning is to mitigate the risk that an organization's financial results will be worse than expected. The first step in budgetary planning is to construct a budget. Omolehinwa (2015) described The purpose of GIFMIS is to assist the government in improving the management, performance by addressing the critical public financial management weaknesses such as lack of effective cash management; failure to enact the budget before the start of the financial year; preparation of budget that is not based on realistic forecasts of cash availability; lack of integration between different financial management functions and processes and other weaknesses within the public sector financial management. GIFMIS stores, organizes and makes access to financial information easy.

Public Financial Management (PFM) Conceptualized

Amos (2012) sees Public Sector finance as a field of economics concerned with paying for collective or governmental activities, and with the administration and design of those activities. The field is often divided into questions of what the government or collective organizations should do or are doing, and questions of how to pay for those activities. Management in business and human activity, in simple terms means the act of getting people together to accomplish desired goals. Mcshane (2010) posit that Management comprises planning, organizing, resourcing, leading or directing, and controlling an organization for the purpose of accomplishing a goal. Morgner (2014) positsthat Public financial management (PFM) is a central element of a functioning administration, underlying all government activities. It encompasses the mechanisms through which public resources are collected, allocated, spent and accounted for. As such, PFM processes comprise the whole budget cycle, public procurement, audit practices and revenue collection. Sound, transparent and accountable public financial management is a key pillar of governance reform and of vitalimportance to provide public Sector services of good quality to citizens, as well as to create and maintain fair and sustainable economic and social conditions in a country.

Naiyeju (2015) Said Public sector Financial Management (PFM) involves highly complex, technical tasks and processes, including macroeconomic forecasting, budget allocation, accounting and auditing. The complexity of such processes limits public scrutiny and provides many opportunities for financial leakages. The risk of corruption varies between and within the different stages of the budget process. Waziri (2010) commend that although corruption primarily manifests itself in forms that involve illegal money leakages at the budget execution level, other steps of the budget process may create opportunities for corruption at other stages of the Public Financial Management (PFM) process such as accounting preparation and reporting system together with disbursing or collecting money.Disbursement agencies record and account for their expenditures or income received,financial reports are subject to internal audits to ensure that the rules and regulations at the department or ministerial level are followed and, in terms of procurement processes, contract management and other basic requirements are been enforced.

Empirical Review

Iheduru and Amafule(2014) in their study on Government financial management integrations, it examined the use of ICT Tools including electronic accounting system as a tool for checkmating financial management in the Nigeria public sector. The study used both primary and secondary sources for its data collection. The secondary data was used to create a theoretical background for the study while the primary data on the other hand were sourced via a well-structured questionnaire (survey research tool) administered on fourteen (14) selected government-owned ministries (eight federally owned and six state ministries). Participants in the survey consist of five senior staff randomly selected from each of the fourteen ministries, bringing the total sampled respondents to seventy (70). The study reveals that the installation of a well-designed GIFMIS in the structure of the nation's public sector operation will amount to a veritable tool in checkmating corruption in the system and thus serves as a catalyst in engendering economic development in the country. Another study was conducted on the impact of Government Integrated Financial Management Information System GIFMIS by Moochi (2012), and Anwar, M. (2007). The study focused on the performance of financial management of commercial state corporations in Kenya. They found out that the last decade has seen a revolutionary shift towards Integrated Public Financial Management due to the dynamic nature of local and global macroeconomic forces. A descriptive survey was used. The target population of the study was fifty three (53) state corporations in Kenya. The study found out that state corporations have adopted various GIFMIS practices to enhance their financial performance. The regression analysis conducted revealed that the GIFMIS practices adopted by commercial state corporations have had a significant impact on their financial performance as indicated by the high Coefficient of Multiple Determination of (R^2 Square)0.843 and P-Value of 0.001.This implies that, 84.3% of the financial performance of commercial state corporations can be attributed to the Integrated Financial Management practices they have adopted. The study recommends that; owing to the fact that 31.6% commercial state corporations are yet to adopt GIFMIS, the National government through line ministries should put an effort to bring the remnant state corporations to the fold given the fact that public expenditure through state corporations accounts for over 45% of the GDP of the country. The study reiterates the need for the relevant government organs to address the various challenges outlined in the study in order to make the goals of the GIFMIS. The research advocates the need for more investments into research in critical success factors for successful adoption and implementation of Integrated Financial Management among state corporations in Kenya.

Odoyo, Adero and Chumba (2014) carried out an investigation into the effect of GFMIS on cash management in Kenya. Questionnaire and interview schedules were used to collect primary data. Data was analyzed using descriptive statistics, regression and correlation. The Study findings showed that reliability of IFMIS, flexibility of GIFMIS positively affect cash management. The findings also revealed that a reliable system is basically one that is accurate, timely, complete and consistent in collection of information and that the infrastructure which supports the IFMIS is supposed to be secured from destruction, unauthorized access and breach of confidentiality so that there is efficient cash management arena in Kenya. Codemint (2020) GIFMIS becomes imperative in the country's effort towards adopting unified and higher quality accounting standards due to the practice of international public sector accounting standard (IPSAS).Using descriptive (survey method) research design, the study sourced data with a Single Structured Questionnaire from twelve states in three (3) out of six geo-political zones. It was identified that; Infrastructural Cost, Stakeholders' Commitment and Management backing are forces (factors) responsible for the successful implementation of GIFMIS though, management backing has negative impact on the process. Multivariate regression was employed and fortified with ANOVA to measure the effect of these factors on the implementation of GIFMIS in Nigeria. The study finally concludes that, GIFMIS is one of the core requirements for IPSAS adoption. However, implementation of GIFMIS itself heavily relies on the three main factors identified.It is therefore recommended that, Government should put more effort and resources to provide Infrastructures required for it implementation and seriously engage in training and sustaining qualified accountants on GIFMIS/IPSAS issues while senior stakeholders should be sensitized to support the exercise. Moreover, Financial Reporting Council of Nigeria (FRC) as the sole body responsible for the regulation of financial reporting in Nigeria should review and update it monitoring and supervision mandate to accommodate systems integration and harmonization of International Standards as well to emphasize much about their simplicity. Olurankinse and Oloruntoba (2018) conducted a research onPedagogy and Impact of GIFMIS adoption as a Tool for public finance management state that one major problem affecting economic growth of Nigeria is the poor management of the Nation's Financial Resources. This arose from corruption, mismanagement and ill-allocation of government financial resources. The need to promote public accountability, transparency, cost effective public service delivery, judicious allocation of government scarce financial resources and economic growth gave impetuous for the introduction of government integrated financial and management information system (GIFMIS). The study examined the effect of GIFMIS on government financial transactions in relation to public funds management and how it has significantly influence government policy. The study adopts a survey design and primary data which were obtained with the use of well structured administered questionnaires. The data obtained were analyzed using an Analysis of variance (ANOVA). The findings reveal that with the use of GIFMIS, there has been an appreciable reduction in corruption, financial irregularities and leakages with the attendant improvement in transparency and accountability in the management of government funds. Also, the use of GIFMIS has led to effective implementation of government policy. The study recommends the adoption of GIFMIS at all levels of government to form part of financial management reforms practices to enhance transparency, accountability and judicious use of government financial resources.

Akinmutimi in 2015 chaired the staff audit exercise conducted in federal capital territory in 2013 revealed that out of 26,017 on the payroll, 6.000 were fictitious. The audit exercise exposed the extent of monumental corruption, theft and financial irregularities that could be eliminated if the electronic payroll system is fully implemented in the public service. Hence, the consistent staff screening in government ministries, departments, and agencies will in no doubt improve the payroll report both at the federal, states and local governments. The integrated personnel payroll and information system have in no doubt enhance accountability and transparency in the management of government resources. This is a government official exercise and not empirical studies, but due to the contemporary nature of the topic, it fit the need for the introduction of GIFMIS. Ijeoma and Oghoghomeh (2014) conducted a study to examine the benefits and challenges of adoption of GIFMIS in Nigeria public sector. The study was aimed at determining the impact of adoption of IPSAS on the level of accountability and transparency in the public sector in Nigeria. However, it is noted that a high level of accountability and transparency in public sector budget implementation and control, financial management will invariably reduce financial leakage. The study employed primary source of data to generate the data of interest and focused on all accounting departments of various ministries in Awka, the capital of Anambra State, Nigeria. The population of the study was 45 while the sample size of 40 was drawn using Yaro Yamane. The statistical tool employed is the Chi-square test, Kruskal Wallis test and descriptive analysis. The study found that adoption of GIFMIS is expected to increase the level of accountability and transparency in public sector of Nigeria which in the long run metamorphosis into corruption reduction.

Theoretical Frame work

Institutional Theory

Meyer, John W. propound 'Institutionalized organizations in 1977 , the theory indicates that, in order to survive, organisations must conform to the rules and belief systems prevailing in the environment (DiMaggio & Powell, 1983; Scott 1995) supported institutional isomorphism, both structural and procedural, will earn the organisation legitimacy and made emphasis on rules of guidance are established and enforced for smooth conduct of hierarchical duties of an organization in respect of deeper and more resilient aspects of social structure.Efiangbe (2017) considers the processes by which structures, including schemes; rules, norms, and cultures, become established as authoritative guidelines for social and organizational behaviour.Recent developments in Nigeria's public sector financial management framework are the new normal behaviours, rules, norms that need to be adhered to.

Resource Curse Theory

The theory propound by Joseph Addison and Richard Steele in England, lasting from 1711 to 1712. Beginning on 1 March 1711 .The resource curse, also known as the paradox of plenty, refers to the paradox that countries with an abundance of natural resources (such as fossil fuels and certain minerals), tend to have less economic growth, less democracy, and worse development outcomes than countries with fewer natural resources.. Most experts believe the resource curse is not universal or inevitable, but affects certain types of countries or regions under certain conditions. Anthony (2016) and Ross (2015) made the idea that resources might be more of an economic curse than a blessing began to emerge in debates in the 1950s and 1960s about the economic problems of low and middle-income countries.The clamour for public sector financial management reforms are encouraged by the argument presented under the "resource curse theory". Studies and life experiences had shown that resource producing countries like Nigeria are faced with challenges of resource and revenue management of which the populace are daily struggling and clamouring for government to do more. People realized that the effectiveness and efficiency of government financial control is not felt on the life of people and their economy.

Public Expenditure Management Theory

Erik Lindahl a Swedish Economist "Propounded this theory in 1919". According to his theory, determination of public expenditure and taxation will happen on the basis of public preferences which they will reveal themselves.The tax that they will pay will be revealed by them according to their capacities and budget planning and execution. Walle (2007) Development Budget and planning, which is now practised in one form or another in more than a hundred countries, has been viewed primarily as a feature of the developing countries. Planning in a general sense is, of course, common to all governments, although the specific emphasis and the techniques of planning depend on the prevalent political philosophy. In developing countries, planning is primarily concerned with the delineation of the role of the government sector in national economic development.It stresses the need to understand the rules of the game that govern the budget formulation and execution and the way institutions influence choices and achievement of government objectives Schick (1998).

METHODOLOGY

The population for this study consists of all the twenty one accredited Federal Polytechnics in Nigeriafrom 2011 to 2019. As shown in Table 1below.

Table 1. Federal Polytechnic in Nigeria Education Sector and their Location

1	**State**	**Name**	**Type**	**Location**	**Status**
2	Zamfara State	Federal Polytechnic, Namoda	Polytechnic	K-Namoda	Federal
3	Yobe State	Federal Polytechnic, Damaturu	Polytechnic	Damaturu	Federal
4	Osun State	Federal Polytechnic, Ede	Polytechnic	Ede	Federal
5	Ogun State	Federal Polytechnic, Ilaro	Polytechnic	Ilaro	Federal
6	Niger State	Federal Polytechnic, Bida	Polytechnic	Bida	Federal
7	Nasa. State	Federal Polytechnic, Nassarawa	Polytechnic	Nasarawa	Federal
8	Kwara State	Federal Polytechnic, Offa	Polytechnic	Offa	Federal
9	Kogi State	Federal Polytechnic, Idah	Polytechnic	Idah	Federal
10	Kebbi State	Federal Polytechnic, Birnin-Kebbi	Polytechnic	BirninKebbi	Federal
11	Kaduna State	Kaduna Polytechnic	Polytechnic	Kaduna	Federal
12	Jigawa State	HussainiAdamu Fed. Polytechnic	Polytechnic	Kazaure	Federal
13	Imo State	Federal Polytechnic, Nekede	Polytechnic	Nekede	Federal
14	Ekiti State	Federal Polytechnic, Ado-Ekiti	Polytechnic	Ado Ekiti	Federal
15	Edo State	Auchi Polytechnic	Polytechnic	Auchi	Federal
16	Ebonyi State	AkanuIbiam Federal Polytechnic	Polytechnic	Unwana	Federal
17	Bayelsa State	Fed. Poly EkoweBayelsa State	Polytechnic	Ekowe	Federal
18	Bauchi State	Federal Polytechnic, Bauchi	Polytechnic	Bauchi	Federal
19	Anambra State	Federal Polytechnic, Oko	Polytechnic	Oko	Federal
20	Adamawa State	Federal Polytechnic, Mubi	Polytechnic	Mubi	Federal
21	Lagos State	Yaba College Of Technology	College	Lagos	Federal

The judgmental sampling technique is utilized in this study to determine the sample size. The sample size for this study is six (6) Accredited Federal Polytechnics in Nigeria.Table 2 below.

Table2: Samples Federal Polytechnics in Nigeria

S/N	Sample Fed. Polytechnics NAME
1	Fed. Polytechnic Auchi
2	Yaba College Of Technology
3	Federal Polytechnic Ilaro
4	Federal Polytechnic Nekede
5	Fed. Polytechnic Kaduna
6	Fed. Polytechnic Nassarawa

Procedure for Data Analysis and Model Specification

Time series data was used in this study. The method of data analysis used in this study was the Least Squares Regression Method. This is because of the following reasons;the computational procedure of Least Squares Regression Method is fairly simple as compared with other econometric techniques; besides, the technique had been used in a wide range of economic relationship with satisfactory coefficients; and it is an essential component of most other econometric techniques. Also, in the presentation and analysis of this study, Eviews version 10 was utilized.A mathematical model analysis for the objectives is developed based on the proxies specified for the dependent variable: Improve budget planning and execution (using overheads reserves pre -post adoption of GIFMIS for dependent variable). The independent variables are two (2): budgeted overheads and, actual overhead for pre-post adoption of GIFMIS.

Model: The use of GIFMIS does not curb leakages and improve budget planning and execution using pre and post analysis.

RO= $\beta_0 + \beta_1 BO + \beta_2 AO + e$ ---------------

Where:

RO = Reserves on Overheads

β_0 = Intercept (constant term)

$\beta_1 BO$ = Budgeted Overheads

$\beta_2 AO$ = Actual Overheads

e = Error term.

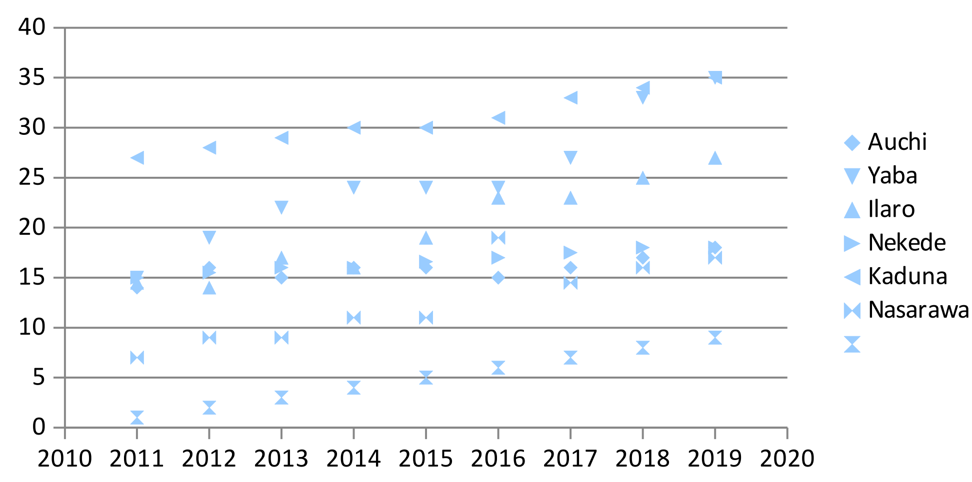
Reserves on Overheads pre and post adoption of GIFMIS serves as proxy for curbing of financial leakages and budget planning and execution (dependent variable); and budgeted overheads and actual overheads pre and post adoption of IPPIS serves as proxy for the application of GIFMIS.

Apriori Expectation: It is expected *that* $\beta_1 > 0$

RESULT AND DISCUSSION

Data Presentation

The data sources are mainly from the studied Nigeria Educational Financial Inclusion and are placed as Appendices 1, 2, 3, 4 and 5.



Graphical Representation

Time Series Plot of Overhead Budgeted by Nigerian Federal Polytechnics

Figure 1: Time Series Plot of Overhead Budgeted by Nigerian Federal Polytechnics before and after the introduction of GIFMIS. The above graph shows that in 2011 before the introduction of GIFMIS, Yaba College of Technology generated the highest Overhead of ₦6.13b while Federal Polytechnic, Nekede generated the lowest Overhead of ₦0.18b. Besides, at the inception of the introduction of GIFMIS in 2015, Yaba College of Technology also generated the highest of ₦8.93b while Nasarawa Polytechnic generated the lowest of ₦2.57b.Similarly, in 2019, Yaba College of Technology also generated the highest of ₦14.33b while Nasarawa Polytechnic generated the lowest of ₦4.12b. This implies that among the Nigerian Federal Polytechnics, Yaba College of Technology, Lagos effectively and efficiently generated overhead internally before and after the introduction of GIFMIS.

Inferential Statistics.

Decision Rule: The hypothesis is tested using Least Square of the Regression model. The significance of the variables tested in the model is assessed by comparing the p-value against the level of significance (0.05). The H_O is rejected if the p-value is less than the level of significant and the researcherthus concludes that the variable under consideration is significant. Otherwise accept the null hypothesis and conclude that the independent variable under consideration does not have significant impact on the dependent variable.

Hypothesis (Pre Adoption):

Ho: The application of GIFMIS does not improve budget planning and execution in the Nigerian Federal Polytechnics

Table 3 Dependent Variable: RESERVES_ON_OVERHESDS
Method: Least Squares
Date: 06/20/20 Time: 15:15
Sample: 2011 2014
Included observations: 4

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.022251	0.087531	-0.254211	0.8415
BUDGETED_OVERHEADS	0.759361	0.423748	1.792012	0.3240
ACTUAL OVERHEADS	-0.571283	0.467040	-1.223199	0.4363

R-squared	0.273568	Mean dependent var	0.192118
Adjusted R-squared	0.278403	S.D. dependent var	0.042309
S.E. of regression	0.019722	Akaike info criterion	-4.900426
Sum squared resid	0.000389	Schwarz criterion	-5.360705
Log likelihood	12.80085	Hannan-Quinn criter.	-5.910475
F-statistic	6.402993	Durbin-Watson stat	3.196215
Prob(F-statistic)	0.269133		

Source: Compilation of the author, based on the analysis results using Eviews

The R-square value is 0.27; it means that the model has mot successfully predicted the variables. This implies that only 27% changes of the institutions'' Reserves on Overheads are explained by the changes in Actual Overheads of institutions before the adoption of GIFMIS. The value of 28% of the Adjusted R-squared value indicates a weak relationship between the dependent and the independent variables. This implies that there was 72% increased of Financial Leakages and fraudulent activities of overheads in the Nigerian Federal Polytechnics between 2011 and 2019. Besides, the P-value of 0.4363 indicates that the system adopted by the institutions in the payment of overheads before the adoption of GIFMISdoes not have any significant impact on the improvement of budget planning and execution; also, 0.3240 indicates that the system adopted by the institutions in the payment of overheads before the adoption of GIFMISdoes not have any significant impact on the measures put in place to curb financial leakages in the institutions. Finally, at the level of significance of 0.05, the F-statistic is 6.402993 while the p-value of the F-Statistic is 0.269133 which is greater than 0.05 adopted. Therefore, the study accepted the null hypothesis and rejected the alternate which means that the system adopted in the payment of overheads before the adoption of GIFMIS does not curb financial leakages and improve budget planning and execution in the Nigerian Federal Polytechnics.

Hypothesis (Post Adoption):

Ho: The application of GIFMIS does not improve budget planning and execution in the Nigerian Federal Polytechnics.

Table4: Dependent Variable: RESERVES_OF_OVERHEADS
Method: Least Squares
Date: 06/20/20 Time: 15:34
Sample: 2015 2019
Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.514950	0.113292	-4.545321	0.0452
BUDGETED_OVERHEADS	0.296828	0.059332	5.002838	0.0377
ACTUAL OVERHEADS	0.345425	0.033920	10.18360	0.0095

R-squared	0.983306	Mean dependent var	0.474640
Adjusted R-squared	0.966611	S.D. dependent var	0.157532
S.E. of regression	0.028785	Akaike info criterion	-3.974206
Sum squared resid	0.001657	Schwarz criterion	-4.208543
Log likelihood	12.93552	Hannan-Quinn criter.	-4.603144
F-statistic	58.90056	Durbin-Watson stat	1.541073
Prob(F-statistic)	0.016694		

Source: Compilation of the author, based on the analysis results using Eviews

The R-square value is 0.98; it means that the model has successfully predicted the variables. This implies that 98% changes in the institutions' Reserves on Overheads after the adoption of GIFMIS are explained by the institutions' Actual Overheads after the adoption of GIFMIS. The value of 97% of the Adjusted R-squared indicates that there is strong relationship between the dependent and the independent variables. This implies that the introduction of GIFMIS in the Nigerian Federal Polytechnics has eradicated about 97% of financial leakages and fraudulent activities. Besides, the P-value of 0.0377 indicates that the adoption of GIFMIS in the payment of overheads has a significant impact on the improvement of budget planning and execution; also, 0.0095 indicates that the adoption of GIFMIS in the payment of overheads has a significant impact on the curbing financial leakages in the Nigerian Federal Polytechnics. Finally, at the level of significance of 0.05, the F-statistic is 58.90056 while the p-value of the F-Statistic is 0.016694 which is less than 0.05 adopted. Therefore, the study rejected the null hypothesis and accepted the alternate which means that the use of GIFMIS curbs financial leakages and improve budget planning and execution in the Nigerian Federal Polytechnics.

Discussion of Findings

GIFMIS implementation set to serve as platform for budgeting projection and planning, acts as database for national statistics and enable reduction in governance cost. Consolidate Government Revenue Accounts and manage personnel of these MDAs. Prior to the reform, budget is not based on realistic forecasts of cash availability.These benefits are, however, threatened by skills transfer problem, poor supporting infrastructure, technological barriers for inter MDAs transfer, resistance from stakeholders and lack of will for accelerated implementation. Thus, accelerated and unbiased implementation that will enables smooth improvement and upgrade as well as transfer of the technology knowledge and skills from consultants to government personnel for effective management, future integration and synchronizing of GIFMIS with other identity management system are keys to harnessing the benefits of the project. The researcher is of the view that the future looks bright with these ICT Tool

GIFMIS implementation set to serve as platform for budgeting projection and planning, acts as database for national statistics and enable reduction in governance cost. Consolidate Government Revenue Accounts of these MDAs. Prior to the reform, budget is not based on realistic forecasts of cash availability. Ineffectivecash management.As such, the researcher is of the view that if a national budget is to serve as an effective instrument for promoting growth and development of a country, there should be proper linkage and management of all the stages of budgeting. A budget has to be well-designed, effectively and efficiently implemented, adequately monitored and its performance well evaluated.

CONCLUSION AND RECOMMENDATION

Based on the findings of the study, the researcher concludes that the institutionalization of Information Communication Technology Tools (ICTT) thusGovernment Integrated Financial Management Information System (GIFMIS) has significantly affected the improved performance of federal government Ministries, Departments and Agencies (MDAs). Researcher unearths findings on GIFMIS that is meant to promotebudget controls, transparency and accountability in the public financial management system. Today through GIFMIS, MDAs, educational institution's overhead expenditures are access and administered as well as budget planning and implementation efficiently with the view to restraining financial leakage. In view of the findings of the study, it is recommended that: Federal Government is expected to sponsor a bill on GIFMIS to the National Assembly. This, if done will open up the financial activities of the Government in the budgetary process and its implementation. And Government should' not be selective in punishing any of those charged with the governance of MDAs that violates the dictate of the ICT tools.Nigerian government should promote efficient management of both international and domestic borrowing at minimal cost; Allow optimal investment of idle cash since loopholes in budget expenditure, revenue management; establish an efficient disbursement of the collected Government funds.

It must be noted that for effective applicability, functioning and maintenance, GIFMIS demands personnel with the required knowledge and expertise.Capacity building deficiency is seen as one of the primary reasons for the setback in GIFMIS implementation process. On the other hand, the special attention to capacity building via training will be one of the major factors contributing to the success of GIFMIS in Nigeria. Murphy (2002) notes that weak human resource management and management capacity has been responsible for the derailment of GIFMIS implementation in Kenya. Therefore, It should not be so in Nigeria.Systems improvements (that is, performance budgeting, cash management, GIFMIS, payroll/personnel systems) are typically undermined by failure to address complimentary human resource (manpower planning, recruitment, incentives, training), organizational restructuring and improved management capacity (delegation, middle management empowerment, team building).

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Impact of Treasury Single Account on Government Revenue and Economic Growth in Nigeria

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Abstract

The Treasury Single Account (TSA) is one of the reforms of financial management that has been introduced in the public services to bring financial discipline into the system. The TSA has been in implementation since 2015 by the present administration led by President Muhammadu Buhari. The intention is to control financial mismanagement which will as a result improve government revenue and economic growth, stakeholders, researchers and the general public are interested to know the extent to which these objectives have been achieved. This study has examined the extent to which TSA has improved Federally Collected Revenue (FCR) and Gross Domestic Product (GDP) of the economy. Secondary data sources from Central Bank of Nigeria statistical bulletin and economic reports were used for the study. The observations were recorded from 2010 to 2019. The data is divided into pre-TSA and post-TSA. Analysis shows that the implementation of TSA has a negative and significant impact on FCR . However, findings revealed that GDP of the country significantly increased after the implementation of TSA. It is recommended that periodic checking of each revenue generating sector such that leakages can be reduced to lowest and also identify those agencies of the Government that are not performing optimally, or doing better than they ought to have done.

Keywords: Treasury Single Account, Revenue Generation, Economic Growth, Pre-TSA and Post TSA Analysis.

INTRODUCTION

Public financial management and accounting of government institutions have become imperative hence the implementation of Treasury Single Account (TSA). This matter has received global attention and substantial innovation and fiscal reform had been introduced (Hennie and Bekker, 2009). Ordinarily, management of the resources of any economy should lead to poverty reduction, improvement in the standard of living of its citizens, mitigation of inequalities in income distribution and kick-start economic emancipation. However, in spite of the visible attempts by the various government in Nigeria to manage their vast financial and other resources, there exists what is referred to as – paradox of plenty. With its large reserve of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly, and provide health, education and infrastructure services its population needs.However, available evidence indicates that these resources have not been judiciously managed (Aigbokhan, et al, 2007}. Ekpo (2015) posited that the Nigeria economy is uncommon for an economy with such as abundanthuman (skilled and unskilled). Treasury single account (TSA) is a financially policy used in several countries all over the world. It was introduced by the federal government of Nigeria in 2015 to consolidate all inflows from all agencies of the government revenue, also stifles the corruption in Nigeria. TSA is a relatively new public accounting system, it used single account or a set of linked accounts by the government. The primary purpose is to control the government revenue and make sure that all payments have been made through a consolidation revenue account (CRA).

The introduction of treasury single account is as a result of numerous corrupt practices that exist in Nigeria, such as lack of transparency and accountability (Kano, 2016). The policy wasintroduced to reduce the proliferation of bank accounts operated byministries, Departments and Agencies (MDAs) and also to promote transparency and accountability among all organs of thegovernments to ascertain the amount that is accruing to its accounts on a daily basis. It is afinancial tool that unifies all government accounts in a single pool for effective cash management(Odewole, 2016). TSA is believed to be an efficient and effective means of managing governmentrevenue generation and system that provide and enforce sufficient self-control mechanism onrevenue generation and budget implementation using a daily return from account balances ofvarious MDAs into a central account (Adebisi&Okike, 2016). However, since the implementation of Treasury Single Account, it is still unclear on how the new system has affected federal government revenue specifically, and the country's economicgrowth at large. It is against this background that we are motivated to examine the impacttreasury single account has on revenue generation and economic growth in Nigeria.

LITERATURE REVIEW

Conceptual Clarifications

Treasury Single Account

The TSA is the federal Government's autonomous revenue collection platform. It can be defined as a public accounting system under which all governmentrevenue, receipts and income are collected into one single account, usually maintained by thecountry's Central Bank and all payments done through this account as well. Chukwu (2015)posits that Treasury Single Account (TSA) is a network of subsidiary accounts that are linked toa main account such that, transactions are affected in the subsidiary accounts but closingbalances on these subsidiary accounts are transferred to the main account, at the end of eachbusiness day. According to Akande (2016), it is an account that links all government revenues allover the federation into the federal government consolidated revenue fund account which iscurrently domiciled at the CBN via Remita e-collection payment system. Yusuf (2015) opinedthat Treasury Single Account is a unified structure of government bank accounts enablingconsolidation and optimal utilization of government cash resources. The Treasury Single Accountcame into existence as a result of the quest of the government to nip corruption in the bud. TSAwas introduced with the view to reduce the multiplication of bank accounts operated by theMDAs and to ensure transparency and accountability in handling of government finances. However, the implementation of the TSA comes with some retail activities which could be well performed by the commercial banks. According to Akande (2016), this includes; the collection of revenues such as taxes, tenement rates, loyalties, custom duties etc and the disbursement of such monies meant to pay government and individuals in the country. Bashir (2016) the TSA through Remita payroll Module can be used to pay salaries of workers. Kanu (2016) and Emme and Chukwurah (2015), note that the central objectives behind the introductionof TSA were to engender accountability of government funds, and to avoid unduemisappropriation of funds. With this new arrangement, unspent budgetary provision as allocated to MDAs would now be automatically brought over to a new year instead of being shared by the corrupt workers of such MDAs. According to researchers such as Akande (2016), Bashir (2016), and Isa (2016), the pilot programme that led to what is today known as TSA came into being in 2012 where about 217 MDAS were used as a case study. In this exercise, over 500 billion was savedfromfrivolousgovernment spending units.

Economic Growth

According to International Monetary Fund (2002), economic growth is theincrease in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real grossdomestic product, or real GDP. Therefore, for the purpose of this study, real GDP shall be usedas the proxy for economic growth. The OECD (2017) defines GDP as "an aggregate measure ofproduction equal to the sum of the gross values added of all resident and institutional unitsengaged in production (plus any taxes, and minus any subsidies, on products not included in thevalue of their outputs). Gross domestic product (GDP) is a monetary measure of the marketvalue of all final goods and services produced in a period. The country's GDP since 2013 hasbeen steadily increasing. For instance, in 2013 the country's GDP was N80,092.56 million, itincreased to N89,043.62 million in 2014 and N94,144.96 in 2015, currently the figure stood atN101,489.49. The thrust of this study is to examine the extent to which Treasury single accountimplemented in 2015 has affected the country's economic growth.

Empirical Review

Oguntodu et al. (2016), in their study "Treasury Single Account and Nigeria's Economy Between 1999 and 2015: An Assessment" employed a longitudinal research design to examinethe relationship between Treasury Single Account and economic performance in Nigeria. Theirstudy made used of secondary data from CBN statistical bulletin from 1999 to 2015. The study used GDP which represents Nigeria economic performance as the dependent variable while TSAwhich was represented by Money Supply (MS), Credit with CBN (CR) and Deposit to CBN (DP) asthe independent variables. OLS regression technique was employed to show the extent or degreeof relationship between the independent and the dependent variables. The result shows that the Treasury Single Account has a positive significant impact on the country's economic growth. Ndubuaku et al. (2017) examined how the introduction of Treasury Single Account has affected banks Credit to private sector, Deposit Mobilization, and Loans and advances in theirstudy "Impact of Treasury Single Account on the Performance of the Banking Sector in Nigeria". The study employed descriptive and ex post facto research design. The population of the studywas made up of the 24 commercial banksin Nigeria. The Time Series data used for the study were obtained from Central Bank of Nigeria Statistical Bulletin for the period 2010 to 2015. OLS Regression and correlation analysis were used to analyse the data. The study concludes that theintroduction of Treasury Single Account significantly reduced Credit to private sector, DepositMobilization, and Loans and advances. The study recommends that the banks should avoid over-reliance of government funds and source for funds from other sectors of the economy. -roKanu (2016), in his study "impact of Treasure Single Account on the liquidity of the banks"used a selected sample of 10 banks in Nigeria to investigate the effect of Treasury Single Accounton banks liquidity. The study employed a cross-sectional research design and utilized a primarydata sourced through questionnaire. The work employs both descriptive and inferential statisticsfor data analysis. The results obtained confirmed that the implementation of Treasury Single Account in the public accounting system impacted negatively on the liquidity base and the performance of banking sector in Nigeria

Bashir (2016) examine the extent to which Treasury Single Account can block financialleakages, promotes transparency and accountability in the public financial management in hisstudy "Effects of Treasury Single Account on Public Finance Management in Nigeria". The studyp opulation covers Ministries, Department and Agencies within Bauchi metropolis using a sampleof 72 respondents through judgment sampling. A Pearson correlation technique was employedas the data analysis method. The study result shows that Treasury Single Account (TSA) is capableof plugging financial loopholes, promoting transparency and accountability in the public FinancialSystem. Thus, the researchers recommend that for the success of this policy government shouldpromulgate more legislation to make it mandatory for all the three tiers of government in Nigeria. Udo and Esara (2016) jointly carried out an empirical study to evaluate the benefit of the adoption and full implementation of TSA by the state governments of Nigeria. Descriptive cross-sectional survey design was adopted for the study. The population for the study consisted of 200Professional Accountants in Akwa-lbom State. Taro Yamane's statistical formula was used toselect sample size of 133. Purposive sampling technique was used to select the 133respondents/samples. The data obtained from questionnaire administration were analysed usingdescriptive statistics and t-test statistics. The finding reveals that, TSA adoption and fullimplementation by the state governments will be of greatest benefit.

Theoretical Framework

Stakeholder Theory

This theory is conceptualized on the assumption that the adoption of Treasury Single Account (TSA) by the FGN was as a result of the pressure mounted on the government by the stakeholder for the eradication of corruption. Stakeholder theary is a theoryof organizational management and business ethics proposed by Freeman, R.E. in 1984. Freeman (1984) asserts that managers must satisfy a variety of constituents (eg. investors andshareholders, employees, customers, suppliers, government and local community organizations).Based on this theory, the researcher argued that the emergence of TSA was as a result ofgovernment response to the yearnings, demands and aspirations of critical stakeholders by wayof developing strategic options towards eliminating corruption. The stakeholder's theorytherefore explains the motivating factors that made the government to adopt and implementthe TSA. Public Finance Management Theory: This theory assumes that the government should endeavour to prudently manage her expenditure to the benefit of the citizenry. The theory alsostress that the government's revenue should be well mobilized to disallow the looting of suchinto private pockets (Udo and Esara, 2016). These consist of resources prioritization, prioritization of programmes the budgetary process, efficient management of resources etc (Bashir, 2016), therefore, the essence of TSA is to avoid misapplication of public fund.

Modern Monetary Theory (MMT)

This theory 'deals with how sovereign government should act, operate, especially in terms of the management of finance and the impact of her action onthe economy. Udo and Esara (2016) are of the view that the government should aggregate allgovernment revenue into one single account. This theory advocates for the concurrent existenceof the Treasury Single Account (TSA) and the Central Bank of Nigeria such that the Central Bankof Nigeria, being the apex bank is allowed to be in charges and in control of the TSA. Accordingto Eric and Wray (2013) Modern Monetary Theory labels any transactions between thegovernment sector and the non-government sector as a vertical transaction. The governmentsector is considered to include the treasury and the central bank, whereas the non-governmentsector includes private individuals and firms (including the private banking system) and theexternal sector- that is, foreign buyers and sellers.

METHODOLOGY

The data used for this work is time series in nature. The variables investigated were FederallyCollected Revenue (FCR) and Gross Domestic Product (GDP). The data were collected fromCentral Bank of Nigeria (CBN) on yearly basis from 2010 to 2019resulting into a total of 10 observations. The datawere divided into two periods: a. Pre he implementation of TSA (2010 to 2014) and Post implementation of TSA (2015 to 2019).

RESULT AND DISCUSSION

Table 1: Government total revenue and nominal gross domestic product

PERIOD	FCR	GDP
2010	5,396.09	255.6
2011	1,907.58	13.048.89
2012	6,809.23	1.030.94
2013	6,793.82	13,793.45
2014	14,274.94	14,750.52

Observation post implementation of TSA

2015	1,911.71	24512.07
2016	1,547.96	26359.39
2017	1,276.38	22554.79
2018	1,118.56	24223.75
2019	1,848.52	2713.62

Implementation has a mean value of N1519.7 billion resulting into a decrease of N794.04 billion. This result is contrary to the expectation of the Federal government towards TSA'S implementation. In respect to the impact of TSA on economic growth, it could be seen from the result that country's Gross Domestic Product improved after the implementation of TSA from a quarterly average of N22315.75 billion to N25677.81 billion. Further findings revealed that this improvement was statistically significant. This result correlates with the findings of Oguntodu, et al. (2016), who confirmed that Treasury Single Account has a positive and significant impact on the country's economic growth.

CONCLUSION AND RECOMMENDATION

Based on the result of the result of the pre and post analysis carried out, on the effect of TSA on the country's revenue and economic growth, the study concludes that the implementation of Treasury Single Account has not improved revenue generation in Nigeria, however the economy's growth measured using Gross Domestic Product was positively and significantly affected by the new accounting system. The decrease in revenue can also attributed to fall in price of crude oil at the international market as oil accounted for over 75% of Nigeria revenue. Given the foregoing, the following recommendations are put forward;

i. Appraisal of each revenue generating sector should be made periodically so that some sectors that are not performing as they ought to will not feel covered by those that are doing better.
ii. The federal government should initiate policies and various means to sure that proper accounting of the funds into the treasury single account follows due process and any subsequent foul play by any agencies, or even the CBN is duly prosecuted.

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Impact of Tax Policies on the Performance of Micro Small Medium Enterprises (MSMEs) in Nigeria

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Abstract

Government has always used tax as a tool to develop its economy and handle its businesses which is one of the reasons why tax is an important stream of revenue. However, the non-compliance of tax in Nigeria is high. In this research effort, some MSMEs in Kubwa, F.C.T Abuja were used to evaluate and rank the factors that encourage non-compliance with tax obligation by MSMEs. It was gathered that high tax rates and complex filing procedures are the most crucial factors causing non-compliance of MSMEs. Some other factors like multiple taxation and lack of proper enlightenment affect tax compliance among the MSMEs respondents of this project work only to a minimallevel. Therefore, it is recommended that MSMEs should be allowed to pay lower percentage of taxes to allow enough funds for business growth and better chances of survival in a competitive market. The government should also consider increasing tax incentives such as exemptions and tax holidays as these will not only encourage voluntary compliance but also attract investors who are potential viable taxpayers in the future.

Keywords: Tax Policies, Performance, MSMEs

INTRODUCTION

It is a global phenomenon that Micro Scale Medium Enterprises(MSME) form a large proportion of the world's economy today. Micro Scale and Medium Enterprise which is widely known as Small Medium Enterprises (SME), are businesses which are associated with capacity to maintain revenues, certain assets and employees below a certain threshold. The size criteria which are used to determine this threshold differ in different countries as they are accounted for occasionally under the industries in which they operate. Most countries have different features of what constitutes a MSME as it is used as a tool to address certain roles in economy, job employment and shape several innovations for many developmental projects. These are the reasons why certain governments offer incentives, with some reasonable tax policies that can favour MSME and easily accessible loan schemes that can help sustain MSME. In Nigeria, recent report shows that the role of MSME has created about 84% of jobs (Kowo, Adenuga and Sabitu, 2019).The unique nature of this small enterprises does not take away their huge impact in the economy because when all the individual effects which make up the economy are aggregated, they surpass that of the larger companies. MSME play crucial roles in the development of any country's economy as they are regarded as the building blocks of many economies globally and also the basis of industrialization in many developed countries. Just as stated that MSME has created highly more than average number of jobs in Nigeria according to (Kowo, Adenuga and Sabitu, 2019), this has also led to the improvement in standard of living of many people in Nigeria.Based on generally consensus, MSME in many developing countries such as Nigeria,is regarded as the lasting solution to rapid growth and diversification of an economy.Therefore, this has led to a conscious role of MSME in the development of Nigerian economy.

Unfortunately, 80% of the MSME in Nigeria usually before 5 years of business as the mortality rate these small businesses is high, according to the Small and Medium Enterprises Development Agency in Nigeria(SMEDAN) which was established in 2003. In Nigeria, many factors could be responsible for the slow growth or high mortality of MSME. According to (Onugu, 2005), the cost of operating MSMEs could be frustrating and tedious because of inefficient, inadequate and non-functional infrastructural facilities such as roads, electricity, water, communication and transportation, which are sometimes provided by entrepreneurs instead of the government.Also, inadequate government incentives, slow bureaucratic processes and lack of access to credits/grants are factors that tend to discourage MSMEs owners from making reasonable progress as the requirements, high interest rate and collateral needed to secure funds could be high while the bulky documentation needed to gets these incentives and funds mostly lead to inefficient bureaucratic process (Onugu, 2005).Inadequate access to modern technology, poor innovation development facilities, dependency on imported raw goods, the weak demand for local products due to low consumer purchasing power caused by poor patronage of locally manufactured products are also regarded as factors that hinder the growth of MSMEs in Nigeria(Onugu, 2005).In Nigeria, the skills needed to run MSMEs are inadequate, managerial and entrepreneur skills which involves strategic, business and succession planning, including organizational and operational setups are some of the factors that are lacking at the initial stages of MSMEs and these factors can easily lead to the mortality of MSMEs(Onugu, 2005).One of the major factors affecting the mortality of MSMEs in Nigeria is taxes and the multiplicity of regulatory agencies which as led to high cost of operating business and discouragement to entrepreneurs(Onugu, 2005). Issues related to taxation have become the most difficult factor affecting MSMEs in Nigeria as it continues to range from multiple taxations to enormous tax burdens. Taxation is a voluntary payment imposed on personal income earners, companies irrespective of their sizes, investors E.T.C by government of a country. In Nigeria, it can be described as one of the major sources of revenue in the country which makes it a vital instrument in sustaining the country's economy. In most countries, business ventures have always been related with tax policies, when an economy supports businesses within its region with favourable tax policies, there will be a good tendency for businesses to grow strong in many aspects, especially in finance.As a result of this, there will be more tax revenues for government due to more business expansion. This can be implied that the relationship between tax policies and business ventures could be inter-dependable.

Tax system in Nigeria is usually reviewed at different intervals in order to create significant changes that can improve the country's economy and tax laws are currently enforced by the 3 executives of government: Federal, State and Local government bodies under the Nigerian law(Micah, Ebere and Umobong, 2012).MSMEs has contributed to 36.1% of the country's Gross Domestic Product(GDP) in Nigeria and employed 68.2% of the country's labour force in the private sector. In retail, construction and agriculture sectors alone, MSMEs in Nigeria has contributed to 80% of employment in the country. Suggestions from various research works has shown that good tax policies by government and good administration model adjustment is one of the effective approaches to developing MSMEs in Nigeria.Since it is obvious that taxation and cost regulation can cause constraints in the expansion of MSMEs in Nigeria, the cost of compliance to tax policies will always be a significant portion of the total regulatory cost of the economy.Further research suggested that 90% of business owners have admitted that taxation has become a major constraint to the development of businesses in Nigeria. This paper is focused on the impact of tax policies on the performance of MSMEs in Nigeria, with more concentration on the implications of tax policies on the growth of MSMEs. Challenges facing tax policies and the influence of tax policies in Nigeria will also be discussed in this project work. This research effort, therefore is aimed at evaluating the factors that encourage non-compliance with tax obligation by MSMEs and consequently determine if high tax rates top the list.

LITERATURE REVIEW

Nigeria has always been known as a country with a monopoly type of economy that is majorly dependent on oil for its foreign exchange and income. 80% of government revenue in Nigeria is obtained from crude oil trade and this accounts for 95% of foreign exchange income.Despite all these, Nigeria remains as one of the poorest oil producers in the world with a massive population of over 180 million people according to the general population census held in 2013 even though it regarded as Africa's third largest economy. It is no news globally that many countries around the world are diversifying their source of energy into other forms which are clean in order to reduce the effect of global warming on environment and safe cost of energy. This has been shown from continuous decline in capital income in many economies and various social indicators which is prompting the demand for oil to fall gradually. It will only be reasonable for Nigeria to start giving serious and urgent attention to other sectors of the economy before the demand for crude oil products diminishes completely. Some examples of other sectors which are non-oil oriented that could be considered are tourism, forestry, manufacturing, commerce and agriculture. Most of these sectors are primarily composed of MSMEs which makes MSMEs play a vital role in the economy of the country but the government however focus more on large corporate organisations and companies because they attract more revenue with clear cut opportunities than MSMEs. This is why it has been noticed that government tend to give more consideration to large companies and organisations when making policies such as tax policies(Holban, 2007). According to (Aryeetey and Ahene, 2005), MSMEs are the widely regarded as the foundation for indigenous businesses which gives small business ideas and innovations the chance to be executed. Even most large companies have their subsidiaries in MSMEs and started as such before expansion. This calls for the need to encourage MSMEs in order to improve their growth.This prompted the suggestion by (Chu, Kara and Benzing, 2008), that the government of Nigeria needs to develop the private sector through creation of environment that supports the growth of MSMEs as these improvements can lead to many business success. Also, according to (Smatrakalev, 2006), for MSMEs to function as they are fully expected, there is an urgent need to provide a convenient environment that allows the development of MSMEs and these functions includesmobilization of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution of poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification. In a country like Nigeria, these functions by MSMEs can be achievable if government start paying attention on MSMEs.Although, these are good reasons why tax policies that can favour economic growth must implemented but most times, this is not the case, as taxes are used as a tool to regulate business behaviour, thereby causing constraints on initiatives by MSMEs.

Conceptual Clarifications

MSME in Nigeria

MSMEs in Nigeria are enterprises with annual turnover not more than 500,000 Naira according to the Monetary Policy Circular No. 22 of 1988 of the Central Bank of Nigeria.In the 1990 budget, the Federal Government of Nigeria defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not exceeding500,000 Naira and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million Nairaor a maximum of5 million Naira. According to (Ekpenyong and Nyong, 1992)The National Economic Reconstruction Fund(NERFUND) put the ceiling for small-scale industries at 10 million Naira. Section 37b(2) of the Companies and Allied Matters Decree of 1990 describes MSME as one with an annual turnover of not more than2 million Naira and net asset value of not more than 1 million Naira. In 1992, the National Council on Industry regarded the definitions of MSMEs in Nigeria as a term which must be reviewed every four years. This definition divided the small and medium enterprise sector into micro, small and medium enterprises. These sub-categories were defined by the National Council on Industry at their 13th Council meeting.

Features of MSMEs

The concept of MSME is characterized by uncertainty, innovation and evolution which is what makes it relative and dynamic(Olorunshola, 2003). In Nigeria, a typical MSME is usually characterize with a small size, mostly managed by one person or family with a venture of basic goods and services and most times, it tend to lack structural management except for few in urban environment compare to the ones in rural environment(Aderemi, 2003). According to (Udechukwu, 2003), MSMEs are usually owned by sole proprietorships or partnerships, even though they may be registered as limited liability, (Olorunshola, 2003) also suggested that this method of ownership by MSMEs has created a basic management system. This particular feature of MSME could be because the number of employees is few. Furthermore, most times, there is no legality in this type of business and the owner which would imply that the lifespan of the business is dependent on the lifespan of the owner. Also, MSMEs are known to have production processes with intensive labour and are mostly suppliers for larger companies, especially those that rely on raw materials that are locally obtained (Pope and Abdul-Jabbar, 2008). Decision making when it comes to MSMEs is likely to be subjective most times because they are managed by an individual. Furthermore, another feature of MSMEs is the predominantly informal type of relationship between employee and employer. These usually exist because the number of employees is few. MSMEs are known for varying in sizes all from retail outlets to big production enterprises. According to (Akinsulire, 2008), “MSMEs require a lower startup capital than larger companies”.

Problems Faced by MSMEs

Several challenges are responsible for the poor growth of MSMEs globally depending on the country of business. According to (Uzor, 2004), the type of challenges encountered by MSMEs in developing countries such as Nigeria are not only related to poor policy deign such as taxation but by market failures in the country. Also, (Aryeetey and Ahene, 2005) suggested that inadequate access to land, some social amenities, and import procedures are seriously challenges for the growth of MSMEs. It was stated by (Oboh, 2002), that several other problems faced by MSMEs could be due to inadequate transparency, corruption, high cost of operation and lack of political will to support MSMEs. The economy of the country is poor, there is a serious issue of insecurity and unstable electricity which all constraints to the growth of MSMEs(Chu, Kara and Benzing, 2008).

Economic Advantages of MSMEs

In Nigeria, the role of MSMEs can not be underplayed especially in the employment sector. The future of the Nigerian economy basically depends on MSMEs especially with the gradual deviation from crude oil. According to (Udechukwu, 2003), MSMEs in Nigeria will be the stepping stone for the private sector and provide necessary foundations for industrialization and economic growth. Recognition has also been shown on MSMEs as an avenue to enhance the efficiency of local markets and making good use of local resources in order to establish long-term growth in developing countries(Aryeetey and Ahene, 2005). According to (Yaobin, 2007), MSMEs contributes a lot in the employment sector with high amount of employment in casual, part-time and low skilled labour. With such a capacity, MSMEs are more likely boost employment rate than big companies when they are expanded. From research, (Chu, Kara and Benzing, 2008) suggested that most Nigerians even prefer to be entrepreneurs and have job security and improve their livelihood. As a result of this, MSMEs is regarded as an important factor for poverty alleviation(Beck, Demirguc-Kunt and Levine, 2005). Also, MSMEs provide the bridge between many large companies and consumers which makes them relevant to these large companies. They also help to develop rural areas as they reduce urban immigration and congestion problems in big cities because they operate within areas with less competition and are near to the raw materials needed for their operations(Akinsulire, 2008).

Concept of Taxation

Since the early period of civilization, there has always been issues with taxation involving tax payers and government(Eftekhari, 2009). According to (B.K.G, Remotin and E.A.M. (n.d)., 2007), taxation is a process which the sovereign, through its lawmakers make revenues that can be used to address the expenses of government, mostly for the care-taking of life and properties of its citizens under law.Taxation was defined by (Iwuji, 2009) as “a statutory compulsory contribution imposed by government exacted from a person’s or entity’s income, property or transaction for the purpose of funding governance”.There are 3 basic structures of taxation. Tax can be proportional, regressive or progressive. The proportional form of tax occurs when a taxpayer is levied an amount that is an indirect proportion of his income. It is regressive when a person receiving lower income is charged at high rate. Progressive form of tax charges high rate to higher income earners. In Nigeria, the State Board of Internal Revenue (SBIR) and the Federal Inland Revenue Service (FIRS) and the tax administration control the system of taxation basically imposed through Acts of the National Assembly.

Tax Policy and the Growth of MSMEs

There is perception that taxes and complex tax system put serious burden on small business. Studies show that the resources used by small businesses to settle tax compliance are resources that should likely be used to reinvest and support future growth(Tomlin, 2008). Under regular system of taxation, small taxpayers are usually discriminated because the requirements for compliance, cost of compliance and tax rate are the same for both small and big businesses. When tax rate and cost of compliance are reduced, the profit margin of small businesses increases. This increases tax revenue because small businesses are encouraged to keep up with tax payment, more non-complying taxpayers are also encouraged to pay tax(Vasak, 2008).Most times, MSMEs deal with serious burden from regulatory environment caused by regulatory agencies, multiple taxation and port charges. As a result of the different structures of taxation, many MSMEs go through the stress of tax agencies at great cost with differing obligations which tend to affect the cost of compliance.

Tax administrations tend to create difficulties for businesses when they impose report and recording keeping requirements with heavy procedures on businesses, excessive inspection and audit exercises, failure to tackle corruption and provide transparency within the administration's activities. This way of tax administration can tend to endanger businesses and the economy as a whole which is why the business community usually react by making actions that adversely affect taxation. Some of these dangers includes under-reporting profits and turnover, under-reporting employee wages and by creating ghost-workers. Many businesses in Nigeria also fail to register or file tax declarations. This only increases the burden on those taxpayers who try to comply with the tax lawand discourages their future compliance. The way to go in order to boost MSMEs development through taxation is to create good reforms of tax system. According to (Baurer, 2005)"An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they tended to morph into forms that offer a lower tax burden, producing a tax system that imposes high expenses on the society".A bad tax system can lead to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources(Farzbod, 2000).

METHODOLOGY

In this project work, the data used was obtained from primary sources by survey method using questionnaires as the objectives of this project work were considered. The questionnaire consisted of open and close ended questions in order make to obtain precise answers from the respondents. Opinions from third parties were also obtained to validate the content and the structure of the questionnaire in the course of this project work. In order to obtain representation of the population used for this project work, the selection of MSMEs was done by random sampling.The questionnaires were given to a limited number of small businesses with either sole proprietorship or partnership owners as a result low number of MSMEs in the environment of this work. The total number of questionnaires shared to MSMEs owners was 30. The number of questionnaires retrieved is 20 making 66.7% of the total number of questionnaires given out which can be considered reliable enough for this project work. Of the questionnaires retrieved, 70% were from sole proprietorships, 22% were from partnership businesses and the remaining 8% were from limited liability companies.38% of the MSMEs were new businesses less than 2 years, 28% had an age range of 2 -3 years and 34% of them wereestablished businesses more than 4 years. This research effort work was carried out in Kubwa, F.C.T Abuja. Normally, one sample Z-test could have been used to test for a hypothesis whether there is a strong relationship between impact of tax policies and the performance of MSMEs but this requires the sample size of more than 30 to executed. Since the sample size used in this project is not more than 30, the one sample z-test for hypothesis testing was not used but basic analysis was carried out with Microsoft Excel(2007 Version).

RESULT AND DISCUSSIONS

Table 1: Percentage of Profits Paid as Tax (PPPT)

Percentage Range(%)	Frequency	Value of Percentage(%)	Cumulative Frequency(%)
0	0	0	0
1 – 10	0	0	0
11 -20	2	10	10
21 – 30	8	40	50
31 – 40	7	35	85
41 – 50	2	10	95
51 – 60	1	5	100
	Total = 20	Total = 100	

Above is Table 1 which shows the distribution of respondents according to how much tax they pay and in this display, all the MSMEs involved in this project work pay tax. There is no tax payment range by any MSMEs below 11%. 2 pay tax of between 11-20% of their profit, 8 pay between 21-30% of their profit as tax, 7 pay between 31-40% of their profit as tax, 2 pay a tax of between 41-50% of profit as tax. Finally, 1 MSMEs pay tax which falls within a range of 51-60% of its profit.From Table 1, it can be observed that a significant proportion of MSMEs used in this project work pay taxes which is an encouragement for the location of Kubwa, F.C.T Abuja.

Analysis of causes non-compliance by MSMEs

Table 2: Illustration of causes of non-compliance to taxation by MSMEs

Taxation Variables	Frequency	Value of Percentage(%)	Cumulative Frequency(%)
Tax rates are too high.	13	65	65
The procedures for tax filing are too complicated.	7	35	100
Never been requested to pay taxes by the government.	0	0	
Total	20	100	

From Table 2, 3 questions were directed to MSMEs to analyse some reasons why MSMEs tend not to comply with tax payments. These questions are as followed;Tax rates are too high, the procedures for tax filing are too complicated and MSMEs have never been requested to pay taxes by the government. 65% of the MSMEs involved in this project work agree that tax rates are too high, 35% say that the procedures for tax filing are too complicated. None of the respondents said that the government never requested them to pay tax. From the Table 2 above, with majority suggestion that the tax rates are too high, the cost of taxation is the biggest problem for tax non-compliance.

Analysis of tax-related government assistance

Table 3 – Illustration of some tax related issues and government assistance

Tax related issues	Frequency	Value of Percentage(%)	Cumulative Frequency(%)
Reducing tax rates	8	40	40
Granting tax holidays	2	10	50
Granting tax exemptions	3	15	65
Strengthening the services of tax authorities towards MSMEs	7	35	100
Total	20	100	

From the Table 3 above, MSMEs were asked to give suggestions on how government could assist them in making their business grow and the 4 questions were asked. These questions were, by reducing tax rates, granting tax holidays, by granting tax exemptions, by strengthening the services of tax authorities towards

MSMEs. The highest suggestion is that government should reduce tax rates from 40% of the MSMEs, followed by 35% of MSMEs suggesting that Strengthening the services of tax authorities towards MSMEs is a good way to go. 15% and 10% suggested that granting tax exemptions and granting tax holidays are good ways of assisting MSMEs by government, respectively. This makes the reduction of tax by government considered as the most important. From this data, it can be said that most MSMEs do not mind paying taxes provided the tax rates are lower and they can file their taxes in a simple manner.

CONCLUSION AND RECOMMENDATION

With the information obtained from the tables and analysis above, it can be concluded that in taxing MSMEs, , high tax rates are the primary problem of MSMEs. Even though they face other tax related issues, the problem of high tax rate is mostly the cause of non-compliance and makes MSMEs to remain in the informal sector. Hence, MSMEs are deprived of the benefits that arise if the government had enough tax revenue to embark on some development projects provision of amenities such as electricity and good roads which are tools that create an enabling environment for MSMEs to develop and grow. From the foregoing, the following recommendations are put forward:

i. Tax rates should be reduced for MSMEs so that they will have enough funds for other activities that will lead to business growth. This will help MSMEs get better equipped to survive in a competitive market.
ii. Government should promulgate a policy that will help to avoid illegal taxes, such as community levy, boys or youth levy and as well as association or union levy.
iii. Any policy that will push for enough funds and other activities that will lead to growth of MSMEs is good for promulgation.
iv. There should be consistency in tax policy that will cushion the effects of factors that militate against the expansion of MSMEs in relation to their ability to pay taxes by government.
v. The tax policy should be designed in a manner that it will encourage those who are potential taxpayers, voluntary compliant and ultimately leads to expansion of existing business interests of the MSMEs in Nigeria.

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Impact of Corporate Governance on the Financial Performance of Listed Manufacturing Firms in Nigeria

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Abstract

The main objective of this study is to determine the impact of corporate governance on the financial performance of listed manufacturing firms in Nigeria over a period of five (5) years (2015 – 2019) for the ten (10) selected companies. This work employed three (3) corporate governance mechanism ratios for the independent variables such as: Board Size (BS), Board Independence (BI) and Board Diversity(BD) in determining their impact on performance of the firms proxied by Return on Asset (ROA) as dependent variable. The ex-post facto research design was used for this study. The secondary data were obtained from the financial statements (Comprehensive income statement and Statement of financial position) of the selected consumers goods firms quoted on the Nigerian Stock Exchange (NSE). Descriptive statistics, Pearson correlation and regressions were employed and used for this study. The results of the analysis showed that Board size has no significant impact on the financial performance of listed consumer's goods firms in Nigeria, Board independence has negative significant effect on the financial performance of listed consumer's goods firms in Nigeria and Board diversity (women directors) has positive significant effect on the financial performance of listed consumer's goods firms in Nigeria. Based on the above findings, the researchers recommended In order to have a significant increase in the financial performance of the consumer's goods firms in Nigeria, the size of the board should be increased. This will give room for more skills, expertise and experience necessary to improve firm performance, consumers goods firms should increase the number of independence director in their various organization because of their significant role in improving the performance of the organization and the firms need to set up a team which will facilitate research to keep firms up to date on role of gender diversity characteristics. This will improve the impact experienced from the estimated findings.

Keywords: Corporate governance, Financial performance, Manufacturing firms

INTRODUCTION

The stability of an organization financial position is affected by many factors such as the opportunistic decisions that are taken by managers to inflate their personal interest (Zona, 2018). These decisions emerged in the financial markets as a result of the establishment of corporations, where there is a real separation in tasks and responsibilities among a firm's agents and principals (Fama, 1980; Schroeder, 2009). This non-traditional management position created a breach in shareholders expectations, since managers show exploitative behaviors to maximize their personal benefits instead of taking beneficial decisions that make shareholders pleased (Man & Wong, 2013). In such a situation, managers may affect a firm'sperformance, earnings figures or any other element of financial statements to guarantee a regular seat in a firm board. Shareholders therefore are in force to pay several costs known as "*agency costs*" tominimize the negative consequences of the bad decisions (at least form the principals point of view) that have been made by managers (Mallin, 2004). One good example of these costs is adopting Corporate Governance (CG) mechanisms that may enhance board of directors' ability to solve this conflict of interests. Indeed, board of directors is seen as trustworthy representatives who secure a firm's resources from being used as an exploitative bridge to increase managers' bonuses or unseen rewards (Ciftci., 2019; Khalil &Ozkan, 2016). Therefore, a good emergence of CG structure linked with a real intention to facilitate the overall monitoring process is directly responsible to enhance firms' performance in a way that ensures market stability and shareholders satisfaction. For example, polarizing independent directors to serve in a firm's board motivates other directors to override any misleading or opportunistic decisions that may have unfavourable impact on financial performance (Chen & Zhang, 2014).

The interests of independent members correspond with an agent's expectations since they do not have any direct benefits of engaging in opportunistic decisions that may affect that performance. Of equal importance, hiring members with a previous political connections may support a firm's financial position to interlock with the local environment in a way that facilitate firm's ability to obtain loans, for example, or to hinder greedy managers form exploiting resources to maximize their personal wealth (Gul & Zhang, 2016; Khwaja&Mian, 2005; Osazuwa et al., 2016). Effective corporate governance practices are essential ingredients in achieving sound financial performance and they are critical to proper functioning as they determine the financial performance of the manufacturing company of the economy in any country of the world. Poor corporate governance may lead to ineffective boards, which eventually may contribute to firms failures. Also, poor boards could in turn lead to a run on the firm's unemployment, fraudulent activities, questionable dealings that may result to negative impact on the economy (Ogbechie&Koufopoulos, 2010). The scenario concerning board leadership as a corporate governance mechanism has generated debatable issues and continued to receive considerable attention in recent times from academics, market participants, professionals, and regulators. This is because theories regarding financial performance providing a conflict views as what constitute performance measurement, while at the same time the empirical evidence is inconclusive. This study assumed that a company's financial performance is mainly determined by corporate governance characteristics. Based on the above the study this study examined the impact of corporate governance on the financial performance of listed manufacturing firms in Nigeria.

In the context of Nigeria, corporate governance in relation to firm performance has been a subject of researches (Chukwunedo&Ogochukwu, 2014) but yet to gain ascendancy in the empirical fronts. Even the few studies that have conducted study on corporate governance focused on financial sectors with little or no attention devoted on manufacturing sectors. After many corporate collapses of organizations in the world such as Enron, WorldCom, HIH Insurance and Oceanic bank in Nigeria etc because of poor governance and due to threatening of financial crisis is growing faster today; corporate governance structure has been put into focus and gets more concerns. Besides, the financial crisis of 1997 in East Asia countries has brought the need for CG's progress as an emergent demand. According to Lefort and Urzua (2008), boards of directors are central institution in the internal governance of a company. In addition to strategic direction, they provide a key monitoring function in dealing with agency problems in the firm (Lefort&Urzua, 2008). Due to the importance of board of directors, many studies have concentrated on finding good structure and composition of the board and check if it affects firm financial performance. In addition, boards of companies with high ownership concentration will tend to be mostly comprised of directors who represent the owner manager's interests, thus being unable to deal with the specific agency problem adequately (Lefort&Urzua, 2008). In Nigeria, in spite of a gradually changing today on the framework of regulation in corporation governance, the compliance of corporation governance is not totally applied. Recently CG Principles have been cared and applied, thus not many researches on this kind of topic are conducted. There are just few studies on investigating the effect of CG structures to financial performance. Besides, from the fact that effect of corporate governance mechanism such as board size, board independence and board diversity to financial performances has been studied in many countries such as Western countries, Japan, China, Thailand and so on, yet still to the researcher knowledge little study has been done in Nigeria using the above corporate governance mechanism on financial performance of manufacturing firm. From the foregoing, the main objective of this study is to examine impact of corporate governance on the financial performance of listed manufacturing firms in Nigeria and to achieve this, the following Null Hypotheses will be tested in order to achieve the stated objectives of this study:

Ho_1: Board size has no significant impact on the financial performance (proxies by Return on Asset) of listed manufacturing firms in Nigeria.
Ho_2: Board independence has no significant effect on the financial performance (proxies by Return on Asset) of listed manufacturing firms in Nigeria.
Ho_3: Board diversity (women directors) has no significant effect on the financial performance (proxies by Return on Asset) of listed manufacturing firms in Nigeria.

LITERATURE REVIEW

Concept of Corporate Governance

La Porta (2000) viewed corporate governance as a set of mechanisms through which outside investors protects themselves against expropriation by insiders, i.e. the managers and controlling shareholders. They then give specific examples of the different forms of expropriation. The insiders may simply steal the profits; sell the output, the assets or securities in the firm they control to another firm they own at below market prices; divert corporate opportunities from firms; put unqualified family members in managerial positions; or overpay managers. The Code of Corporate Governance issued by Central Bank of Nigeria (2016) defines the subject as the rules, processes, or laws by which institutions are operated, regulated and governed. It is developed with the primary purpose of promoting a transparent and efficient system that will engender the rule of law and encourage division of responsibilities in a professional and objective manner. In Thailand, the National Corporate Governance Committee (NCGC) defined the term as a system having corporate control structure combining strong leadership and operations monitoring. Its purpose is to establish a transparent working environment and enhance the company's competitiveness.

Corporate governance, according to Jegede, Akinlabi, and Soyebo (2013), encapsulates what defines the framework of operation of an organization, detailing the processes, regulatorycode and ethics that ensure that an organization maintains free flow of operational interaction with the society towards achieving predetermined organizational goals. According to El-Kharouf (2014), corporate governance entails the engagement of the management in putting in place, the right strategies that would foster operational optimality that can guarantee the transparency and accountability of dealings in an organization. Various scholars have measured corporate governance using different proxies such as institutional ownership, managerial ownership, board size, audit committee size, director's remuneration, board meeting, board independence, ownership structure, as well as board gender diversity (Irine& Indah, 2016; Jegede, Akinlabi, &Soyebo, 2013; Akpan&Riman, 2012; Karam& Sonia, 2015; Gadi, Emesuanwu, &Shammah, 2015; Alexander, David, Musibau, &Adunola, 2015; Joseph & Ahmed, 2017).Prowse (1998) posits that corporate governance refers to the rules, standards and organizations in an economy that govern the behavior of business owners, directors, and managers and define their duties and accountability to outside investors. Solomon & Solomon (2004) view it as the mechanism of checks and balances, both internal and external to companies, which ensures that organizations discharge their accountability to stakeholders and act in a socially responsible manner. Monks and Minow (1996) opine that corporate governance is the relationship among various participants in understanding the direction and performance of business organizations. This concept can be perceived as structure and processes to direct and control corporations and to account for their operations (Neuberger & Lank, 1998). Another opinion put across by Sanda et al. (2005) sees corporate governance as the ways in which all parties interested in the wellbeing of the corporation try to ensure that managers and other parties take necessary approach to safeguard the interest of all investors. Iskander&Chamlou (2000) stated that corporate governance is important not only to attract long-term foreign capital, but more especially to broaden and deepen local capital markets by attracting local investors both individual and institutional. Nielsen (2000) reported that corporate governance is the system of rights, structures and control mechanisms recognized internally and externally for the management of a listed public limited liability company, with the aim of protecting the interests of stakeholders. Conclusively, what is evident from the various definitions reviewed is that corporate governance is the set of structures, processes, cultures and systems through which objectives are determined and companies are directed and controlled. A challenge was discovered to be the ideal measure of corporate governance, as there is no universally accepted measure of corporate governance (Calabrese, Costa, Menichini, Rosati, &Sanfelice, 2013). Yakasai (2001) argued that board structure could be an ideal measure of corporate governance. However, (Chiorazzo*et al.*,2008) has used corporate ownership and control as the measure of corporate governance for big and non-financial corporations. According to Ramano*et al*. (2012), corporate governance should use any variable, which has a direct impact on corporation performance.

Corporate Governance Characteristics

There are various mechanisms or characteristics the make good corporate governance practice which includes, board size, board independence and board diversity etc and they are futther discussed below. Board size has been defined in various ways by researchers. One of the definitions of board size is the number of executive and non-executive directors on the board (O"Connell& Cramer, 2010 and Nigerian Securities and Exchange Commission Code of Corporate Governance, 2003 & 2011). Due to its importance, the literature has attempted to examine theoretically the impact of board size on corporate performance and has reported inconsistent findings. From agency theory perspective, having a large board of directors is not a desirableaspect of corporate governance. This because a large board needs more financialresources such as remunerations and bonuses, thus it is costly to have a largeboard of directors. Further, a large board of directors can easily be dominated bythe CEO since coordination is difficult among a large number of directors(Jensen, 1993). In particular, it has been suggested that the optimal board of directors' size should be not more than nine directors (Lipton &Lorsch, 1992).

With respect to board diversity, Boyle and Jane (2011) maintain that high female representation on boards provides some additional skills and perspectives that may not be likely with all-male boards. Further they added that board diversity promotes more effective monitoring and problem-solving as well female board members bring diverse viewpoints to the boardroom and will provoke lively boardroom discussions. Gender diversity in the boards is supported by different theoretical perspectives. According to Erhardt et al. (2003), diversity of the board of directors and the subsequent conflict that is considered to commonly occur with diverse group dynamics is likely to have a positive impact on the controlling function and could be one of several tools used to minimize potential agency issues. Consequently, looking at board independence**,** John and Senbet (1998) argue that a board is more independent if it has more non-executive directors. As to how this relates to performance, empirical results have been inconclusive. Inone breath, it is asserted that executive directors are more familiar with the firm’s activities, therefore are in a better position to monitor top management. On the other hand, it is contended that non-executive directors may act as “professional referees” to ensure that competition among insiders stimulates actions consistent with shareholder value maximization. According to Fama& Jensen (1983), independent directors are incentives to scrutinize diligently, because they seek to protect their reputation as effective monitors of managerial discretion. Since they are in a better position to discipline management, independent directors are arguably more effective in prohibiting opportunistic behavior, thereby reducing potential agency conflicts (Bhagat & Black, 2002).

Concept of Financial Performance

Company performance describes how individuals in the company try to achieve a goal. Company performance illustrates the magnitude of the results in a process that has been achieved compared with the company’s goal. Financial performance is a determinant of an organization’s income, profits, increase in value as evidenced by the appreciation in the entity’s worthiness (Asimakopoulos, Samitas&Papadogonas, 2009). Measures of financial performance fall into investor returnsand accounting returns. The basic idea of investor returns is that, the return should be measured from the perspective of shareholders e.g. share price and dividend yield. Accounting returns focus on how firm earnings respond to different managerial policies, which can be measured using different accounting ratios (Alan, 2008). Financial performance provides a subjective measure of how well a company can use assets from its primary mode of business and generate revenues. Financial performance is measured by revenues from operations, operating income or cash flow from operations or total unit sales. The analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt (Leah, 2008).

Empirical Literature

Jerry (2019), examined the impact of corporate governance on financial performance of complements in Nigeria was conducted to examine the effects of corporate governance attributing board size, board composition on financial performance (proxied by Return on Assets (ROA), Return on Equity (ROE)). The study uses the ex-post factor research design with a population and sample sizeof 6 quoted conglomerate companies listed on the in Nigerian Stock Exchange covering the period between 2008 and 2017. Data for this study was generated from the published annual accounts and reports of the sampled firms. For the purpose of data analysis, Random Effect regression was utilized for the two models (ROA and ROE). The study found that board size has a significant positive effect on financial performance, while board composition and board ownership have a significant negative effect on financial performance.

Biruk and Gurdip (2019),examined the impact of corporate governance practices on share companies' financial performance by using panel regression approach. Data sources from 24 share companies for five years. The findings of robust FGLS estimation of panel regression using ROA and ROE as measures of financial performance revealed board of directors' gender diversity (BDGD sig. at 5%) and size of share companies (SIZE sig. at 1%) have a positive association with return on assets and board of directors meeting attendance rate (BDMAR) in person has a positive association but not significant. The board of directors' size (BS sig. at 5%), board of directors meeting frequency (BMF sig. at 5%) and board of directors' leadership practice (BDLPR sig. at 1%) have a negative impact on returnon assets. The paper also empirical findings ROE has a significant and positive association with board meeting frequency ($p<0.05$); board of directors' gender diversity ($p<0.05$) and size of share company ($p<0.01$). And board of directors meeting attendance rate in person has a significant and negative relationship with ROE ($p<0.01$). However, no significant but negative association was found between ROE with board size and board of directors' leadership practice. State ownership has also a positive association with ROA as well as ROE. The model is good fit with R-square value of 84 and 93% for model one (ROA) and two (ROE) respectively.

Akinleye and Olarewaju (2019), focused on corporate governance and performance of selected Nigerian multinational firms from 2012 to 2016. Specifically, the study focused on the effect of board size, activism and committee activism on return on asset and firm growth rate. Secondary data collected from four multinational firms were analyzed via static panel estimation techniques. While board size and board activism exerted significant negative impact on return on asset, committee activism exerted insignificant impact. The results of the study further showed that board size and board activism exert insignificant negative impact on firm's growth rate, while committee activism insignificantly spurs firm's growth rate. Decisively, discoveries from this study reflect that corporategovernance has significant negative impact on return on asset, but has insignificantinfluence on the growth rate of Nigerian multinational firms. Tabash (2019), examined the impact of corporate governance mechanisms on financial performance of Indian hotel companies. The analysis was based on balanced panel data over a period ranging from 2013/2014 to 2015/2016 for 30 Indian hotel companies listed on the Bombay Stock Exchange (BSE). The studyinvestigated three aspects of corporate governance mechanisms namely: the board of directors (size, composition, and diligence), audit committee (size, composition, and diligence) and institutional ownership, whereas financial performance was measured according to three common measures, return on assets (ROA), net interest margin (NIM), and earnings per share (EPS). The results confirm that board size, board diligence, audit committee size, and institutional ownership have a significant impact on ROA, while board composition, audit committee composition, audit committee diligence and company age have an insignificant effect on ROA. With respect to NIM model, the results indicate that board composition, board diligence, audit committee composition, institutional ownership and size of the company have a significant impact on NIM, while board size, audit committee size, and audit committee diligence have an insignificanteffect on NIM. In terms of the EPS model, the results suggest that board size, board composition, board diligence, audit committee composition, and company age thus have a significant impact on EPS, while audit committee size, audit committee diligence, and institutional ownership have somewhat of an insignificant influence with EPS.

Arilyn and Kharismar (2019),determined what factors in corporate governance affect the financial performance of a firm.Financial performance, as the dependent variable, is measured by Return on Asset (ROA), while the independent variables (corporate governance) are measured using Board Independence, Board Size, Dividend, Firm Size, and Financial Leverage. The sampling method used in this research is purposive sampling. The requirements for the sample of this research are the non – financial firms included in LQ-45 from 2012 to 2017 that publish annual reports that are available to the public. The research method used in this paper is a quantitative method. Panel data analysis technique and E-views tools were also used.The results indicate that firm size and percentage of board independence has no effect on financial performance, while board size, dividends, and financial leverage all effect financial performance. Yimka, Babatunde and Okezie (2019),examined corporate governance practices eight years after (2010), given the instability in the political and economic environment under which they operated. The study also examined the relationship between corporate governance practices and firms' financial performance in the selected manufacturing companies in

Lagos State, Nigeria. The study employed acomparative analysis to gauge the changes to corporate governance practice between the years 2003 to 2010 by manufacturing companies. The companies were selected based on availability of data from the stock exchange in terms of activities of trading and existence of reports on corporate governance in the companies' annual reports. The study used both descriptive statistics and econometrics method of analysis, using E-views 7 statistical software. The Panel data of the ten companies for the 8 years was used, employing ordinary least square (OLS) method of analysis. Consequently, the results of the descriptive statistics show that majority of the companies implemented the code of conduct that emphasizes appropriate composition of the board of directors and forecast of operations. Further analysis shows that there was positive relationship between the return of equity and legal compliance, though the relationship is weak given the value of R as 0.197. Also, there were weak relationships between return on equity (ROE) and board compliance as R = -0.4430 and proactive indicators R as - 0.2345. These imply that while the companies obey the regulations in term of board composition, legal compliance and production projections, which are the major concerns of this study. Meanwhile, some other variables impacted more on ROE.

Olayiwola (2018),investigated the influence of corporate governance (CG) on the performance of companies. The objectives of this study were to respectively analyze and determine, individually and jointly, the influence of board size, board composition and audit committee size on corporate performance (CP).The study employed exploratory research design. Ten (10) listed firms were chosen through a purposive sampling technique and data extracted from the annualreports of these firms from year 2010 to 2016. A panel data regression was used to analyse the data. CG was proxied with board size (BS), board composition (BC) and audit committee size (ACS) while performance was proxied with net profit margin (NPM). Findings revealed that board size had a significant negative correlation with NPM, board composition had a significant positive correlation with NPM, audit committee size had an insignificant correlation with NPM and board size, board composition and audit committee size had a significant joint effect on NPM. Adesanmi, Sanyaolu, Ogunleye and Ngene (2018),examined the effect of corporate governance on the financial performance of manufacturing companies and banks in Nigeria from 2005 to 2014. The study used proxies such as; the size of the board, audit committee and board independence as proxy for corporate governance. The data for the study were analyzed using the pooled least square method of regression and paired t-test. The pooled ordinary least square regression results showed an R2 of 0.71 (71%) for the manufacturing firms while the R-squared of 0.85 (85%) was obtained for the sampled banks. The study found that there was a positive and significant relationship between Board Size, Board Independence and ROA of the studied companies in the manufacturing and banking sectors. Furthermore, the result of the paired t-test shows that there is nosignificant difference in the corporate governance structures of Nigerian banks and manufacturing companies.

Urhoghide and Omolaye (2017),examined the effect of corporate governance on financial performance of quoted oil and gas companies in Nigeria. The specific objectives of the study were to determine whether corporate governancemechanisms- board size, board diversity, board diligence, board political affiliation, and corporate governance disclosures have any effect on firm financial performance using profit after tax (PAT) to measure firm performance. The study used the published annual reports spanning the period 2008 to 2015. A sample of twelve (12) out of the fourteen (14) quoted companies in the oil and gas sector were used for this study. The Generalized Least Square (GLS) regression was employed to examine the relationship existing between the variables. Thestudy found that Board size, board gender diversity and corporate governance practices have significant positive impact on financial performance. Board diligence and corporate governance reforms are positive but not significant while board political affiliation has significant negative relationship with financial performance of quoted oil and gas companies in Nigeria. Osundina, Olayinka and Chukwuma (2016),investigate the relationship between corporate governance (measured by Board Structure index, Ownership Structure index and Audit Committee index) and firm's performance (measured by Return on Asset) of selected Nigerian manufacturing companies. The study adopted ex-post facto research design. Random sampling was used to select 30 companies out of a total population of 45 manufacturing companies listed on the Nigerian Stock Exchange, for a time period of 2010 to 2014. Secondary data (financial and non-financial) were collected from the annual reports and accounts of the selected listed manufacturing companies. Multiple regression analysis and descriptive statistics were used in analyzing the data. F-stat and t-stat were used to test the hypothesis. The results of the study show that Board structure index had a significant positive relationship with performance (ROA) of the sampled manufacturing companies. Also, it was found that Audit committee index had a positive but insignificant relationship with the performance (ROA) of the sampled manufacturing companies, while Ownership structure index had an insignificant negative relationship with performance (ROA) of the sampled manufacturing companies.

Theoretical Framework

Agency Theory

The theoretical framework for this study is the agency theory the reasons because Agency theory as a useful economic theory of accountability helps to explain the development of the audit. Agency theory posits that agents have more information than principals and that this information asymmetry adversely affects theprincipalsability to monitor whether or not their interests are being properly served by the agents (Casterella, Jensen, &Knechel, 2007). It is built on the premises that there is an agency relationship wherein the principal delegates work to the agent. As a result, there evolves risk sharing and conflict of interest between the two parties. It is the belief that the agent will be driven by self-interest rather than the desire to maximize the profits for the principal. The theory describes the conflicts that arise as a result of the separation of ownership and control. The economic principal-agent theory considers institutions as nexus for contracts and according to Jensen and Meckling (1976) and Furubotn and Richter (2005), the principal agent relationship is a contract relationship where the principal establish appropriate incentives for the agent. However, since principal and agent have different incentives and because of information asymmetry and external disturbances, the principal is not able to adequately monitor the agent actions which intend effect the financial performance.

METHODOLOGY

This study used ex-post facto research design which is undertaken after the events have taken place and the data are already in existence.The population of this study comprises 22 (twenty two) manufacturing Firms that were listed on the Nigerian Stock Exchange as at 31st December, 2020.this study will adopted judgmental or purposive as the sampling technique. The criteria for the sampled firms are: it must be quoted under NSE for more than ten years, recognized and have a large customer base and customer base are determine base on growth of customers per year and availability of data. The sample firms are Guinness Nigeria Plc, Dangote Flour Mills, Nascon allied Nigeria Plc, Dangote Sugar Plc, Cadbury Nigeria Plc, Northern Nigeria Flour Mills Plc, Nigerian Breweries Plc, Flour Mills Nigeria Plc, Nestle Nigeria Plc and Seven Up Bottling Company Plc. In this study, the secondary sources of data collection were used. The secondary source of data for this study includes the annual report of selected consumer's goods firms for all the relevant years (2015-2019). The study employed Ordinary least square multiple regression analysis is the main technique used for data analysis. Statistical package for social science (SPSS) version 25 will be used data analysis.

Models Specification

This study seeks to adopt the model used by Odudu, Okpeh and Okpe (2016), with little modification: $ROA_{it} = \beta 0_{it} + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BD_{it} + \mu_{it}$

Where:

ROA = Return on Asset
BS = Board Size
BI = Board Independence
BD = Board Diversity
β= Coefficient
ε=Error term

Variable Measurement and Sources

Variable	Measurement Index	Source(s)
Dependent		
ROA	Net profit after tax divided by the total assets	Annual reports and accounts.
Independent		
BS	Log of total number of members serving in a firm board.	Annual reports and accounts.
BI	dividing the number of independent members over the board size	Annual reports and accounts.
BD	dividing the number of women director over the board size	Annual reports and accounts.

Source: Author's Compilation

RESULTS AND DISCUSSION

This section discusses the regression results in relation to corporate governance on the financial performance of listed manufacturing firms in Nigeria for the period under review. The results are presented below:

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.574[a]	.329	.286	.07808	1.166

a. Predictors: (Constant), BD, BI, BS

b. Dependent Variable: ROA

Source: SPSS Output 25

Table 1, shows that the co-efficient of the regression which is R^2 is relatively low at 32.9%. This means that 32.9% of ROA is explained by the explanatory variables while 67.1% is unexplained. The Durbin Watson (DW) statistics of 1.166 suggests the presence of serial correlation. This indicates that there is a positive auto relationship among the error term of each of the variables used in this study; however, the closer this is to 2, the fairer the model which means that the model is well fitted.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.138	3	.046	7.531	.000[b]
	Residual	.280	46	.006		

Total	.418	49			

a. Dependent Variable: ROA

b. Predictors: (Constant), BD, BI, BS

Table 2 reveals the overall fitness of the model formulated. The F-statistics as presented in the table is 7.531 which is significant at 1% because the p-value is less than 1% level of significance i.e 0.00<0.1. This shows that the model is well fitted as seen from the ANOVA table. This indicates that corporate governance has significant impact on the financial performance of listed manufacturing firms in Nigeria proxy by ROA.

Table 3: Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.050	.099		.507	.615
	BS	.008	.091	.012	.090	.929
	BI	-.170	.045	-.480	-3.749	.000
	BD	.445	.124	.482	3.598	.001

a. Dependent Variable: ROA

Source: SPSS Output 25

Table 4.6 shows the regression results on the relationship between ROA, BS, BI and BD. The estimated regression relationship for the model is:

ROA = 0.050+ 0.008 (BS) - 0.170 (BI) + 0.445 (BD).

Ho_1: Board size has no significant impact on the financial performance of listed manufacturing firms in Nigeria.

The regression model explains that Board size (BS) has a positive effect on the financial performance of manufacturing firms listed in Nigeria. Meaning that a unit increase in loans to deposit Board sizeby manufacturing firms in Nigeria would lead to a proportionate increase of 0.008 of financial performance of manufacturing firms listed in Nigeria and vice versa. The correlation coefficient of 12 percent indicates a positive relationship between Board size **(**BS) and financial performance of manufacturing firms listed in Nigeria. The P value was 0.929 which is greater than 0.05 means that the P value is statistically insignificant at 5% level. Therefore we reject the alternate hypothesis and uphold the null hypothesis. That is, Board size has no significant impact on the financial performance of listed manufacturing firms in Nigeria.

Ho_2: Board independence has no significant effect on the financial performance of listed manufacturing firms in Nigeria.

The regression model explains that Board independence(BI) has a negative effect on the financial performance of manufacturing firms listed in Nigeria. Meaning that a unit decrease in Board independenceby manufacturing firms in Nigeria would lead to a proportionate decrease of -0.170 of financial performance of consumer's goods firms listed in Nigeria and vice versa. The P value was 0.000 which is less than 0.01 means that the P value is statistically significant at 1% level. Therefore we reject the null hypothesis and uphold the alternate hypothesis. That is, Board independence has significant effect on the financial performance of listed manufacturing firms in Nigeria.

H_{o3}: Board diversity (women directors) has no significant effect on the financial performance of listed manufacturing firms in Nigeria.

The regression model explains that Board diversity (women directors) (BD) has a positive effect on the financial performance of manufacturing firmslisted in Nigeria. Meaning that a unit increase in Board diversity (women directors)byconsumer's goods firmsin Nigeria would lead to a proportionate increase of 0.445 of financial performance of manufacturing firms listed in Nigeria and vice versa. The P value was 0.001 which is less than 0.01 means that the P value is statistically significant at 1% level. Therefore we reject the null hypothesis and uphold the alternate hypothesis. That is, Board diversity (women directors) has significant effect on the financial performance of listed manufacturing firms in Nigeria.

Discussion of Findings

The study it was discovered that:
i. Board size has no significant impact on the financial performance of listed manufacturing firms in Nigeria.
ii**.** Board independence has negative significant effect on the financial performance of listed manufacturing firms in Nigeria.
iii**.** Board diversity (women directors) has positive significant effect on the financial performance of listed manufacturing firms in Nigeria.

In the recent content of Nigeria, the quest for good application of corporate governance principles is further strengthened by the desire to attract investments and support rapid economic growth, which constitutes a good reward to both local and international investors. Most business failures in recent times is attributed to failure in the application of corporate governance principles; the initial collapse of banks in Nigeria in the early 1990's and onwards was because of inadequate application of corporate governance principles resulting to insider-related practices such as credit-related abuses, poor risks management techniques and failure of internal control system. The success or collapse of firms is thus associated with the role acted by the management and firm governance as a process. Consider a broad variety of matters in corporate management, some process such as exposes, rights of voting, rules among others. Board of directors is a collective of people who are nominated by the shareholders of a company and are responsible for making decisions as would be done by them. This became necessary as it would be impossible for shareholders to meet often to make vital decisions regarding the company more especially if the company large number of shareholders spread across the globe.Aspects of board characteristics has gained major consideration globally, especially after waves of company outrages and the disappointments of some major companies globally. The collapse of these enterprises has highlighted the limited role acted by the respective boards through a let-down of corporate governance processes (Ghabayen, 2012). Each wave of corporate scandals over the years has reignited the recent debate on corporate governance.

For example, in 1990, the financial crisis in Asia exposed weak checks and balances andgovernance practices. This led to focus on insider trading (Radelet& Sachs, 1998).Beyond corporate failures, there have been other developments that have contributed to the renewed focus on corporate boards. Heightened dissatisfactions by shareholders due to poor financial performance, falling share value have led to questions being raised on the notch of competency of the management (Sherman &Chaganti 2018). The phenomenal growth exhibited by corporate investors including healthcare firms, mutual and pension funds has also increased focus on corporate boards. These established investors have the expertise to perform fiduciary responsibility of monitoring board so as to ensure good returns (Bolton &Roell, 2015). Another factor that has led to increased focus on board characteristics is the increase recognition whereby a considerate executive team is a basis of asset in different forms including; promoting venture, improve share development as well as provision of healthier long-run stakeholder return (Lee, 2001; Carlsoon 2001). According to Healy (2003), it is now recognized that good corporate practices are a source of economic growth. At the midst of each of these corporate scandals, there is an attribute of the ineffectiveness of boards of directors.

CONCLUSION AND RECOMMENDATION

Based on the findings from the previous section of this study, the following conclusions are drawn: Board size has no significant impact on the financial performance of listed consumer's goods firms in Nigeria.,Board independence has negative significant effect on the financial performance of listed consumer's goods firms in Nigeria and Board diversity (women directors) has positive significant effect on the financial performance of listed consumer's goods firms in Nigeria.In line with the findings from this study, the following recommendations are proffered: In order to have a significant increase in the financial performance of the consumer's goods firms in Nigeria, the size of the board should be increased. This will give room for more skills, expertise and experience necessary to improve firm performance and the firms need to set up a team which will facilitate research to keep firms up to date on role of gender diversity characteristics. This will improve the impact experienced from the estimated findings. Actually, a more varied board of directors enhances good understanding of markets that are differentiated in terms of growing creativity and innovativeness, improved decision-making provided evaluation of more other alternatives.

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Effects of Audit Committee on the Financial Performance of Quoted Manufacturing Firms in Nigeria

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Abstract

The obvious limitations in corporate governance of companies and the cases of accounting and audit failures have increased the concern of investors about corporate reports. For that reason, the need for the establishment of Audit Committees to ensure the credibility of financial statements cannot be over emphasized. This study seeks to evaluate the impact of Audit Committees (AC) on the performance of Quoted Manufacturing firms in Nigeria. The specific objectives of the study are to evaluate the impact of components of Audit Committees (independence and meetings) on return on assets. The study employs secondary data which was obtained from the examination of the annual report for five years of five Quoted Manufacturing companies in Nigeria. The analysis of the empirical data was done using ratio analysis, regression analysis, correlation, and other statistical instrument to determine the rate at which the independenceand frequency of meetings of audit committees have affected the performances of these companies. The study reveals that there is a negative and significant impact of the composition of the audit committee on financial performance. It also reveals that there is a positive and significant impact of audit committee tenure on financial performance thus, the chances of fraud because of this are also reduced as well as the cost of debt. The study concludes that there is a weak negative relationship between the meeting frequency of the audit committee and financial performance of Quoted manufacturing firms. The study, therefore, recommends that there should be strategy towards creating enabling environment for improve the sustainability of Audit Committee for enthronement of good corporate governance practices.

Keywords: Audit Committees, Quoted Manufacturing firms, Corporate governance, Audit failures.

INTRODUCTION

The financial performance of an organization is critical. It goes a long way and as a matter ofimportance its growth and the value it can give to the shareholders of the company. The efficiency and effectiveness of management is apparent in the financial performance thus, the Company and Allied Matters Act (2004, as amended) requires the preparation of some basic financial statements to help users make informed decisions. Also, the International Accounting Standards Board states the basic financial statements that should be presented by companies. Indeed, company's performance is very essential to management and other stakeholders such as shareholders, debt holders and the government (Iswatia and Anshoria, 2007). According to Wakaba (2014), the major goal behind forming the audit committee is to intensify auditing quality and questioning of the board of directors thus increasing performance. The concept of firm performance denotes measuring the results of firms' policies and operations in monetary terms. The results are reflected in the performance ratios such as, return on assets, return on equity, and return on capital employed. Consequently, this research will tryto establish the link between audit committee characteristics in developing economies such as Nigeria and how it influences firm's financial performance with industry as a case study. This study further attempts to investigate how audit committee operates in developing economies, the challenges faced by them and their effect on financial performance of Quoted Manufacturing firms listed in the Nigeria Stock Exchange. Thus, the hypotheses underlying this study includes:

HO1: Audit committee independence has no impact on firm performance of Nigerian Quoted Manufacturing Company.

HO2: There is no positive relationship between the audit committee frequency of meeting and the financial performance of Quoted Manufacturing Company.

LITERATURE REVIEW

Conceptual Framework

According to CAMA (2020, as amended), the audit committee is a committee of shareholders and non-executive directors charged with the responsibility of liaising between external auditors and the Board of Directors on one hand, and between management and external auditors on the other hand. Audit committees are empowered to provide over-sight over the integrity of financial reporting. The presence of this committee in the corporate governance mechanism raises the expectations of shareholders and the public for enhanced corporate governance and by extension, increased performance of companies. Literatures addressing the role of audit committees, the attributes of members of the audit committee and the functions that they perform highlight the need to provide audit committee that are recognized by legislation and charter. Ayinde (2002) view that the audit committee is a standing committee set up to enhance corporate accountability by working together with the internal auditors and management to improve and strengthen financial reporting practices of an entity and ensure proper behavior of corporate affairs in accordance with generally accepted ethical and legal standards. Knapp (1987) observed that an audit committee is more likely to support the auditor rather than the management in audit disputes and the level of support is consistent across members of the committee.

Empirical Clarification

Abbott and Parker (2000) show that firms with audit committees which are composed of independent directors and which meet at least twice per year are less likely to be sanctioned for fraudulent or misleading reporting. Audit committee independence affects companies' profit, management,and investors' perceptions. Empirical evidence shows that companies with greater audit committee size refer to suspicious auditor switches which has been claimed by Archambeault and Dezoort (2001). Klein (2002) specifies that reductions in audit committee independence are accompanied by large increases in abnormal accruals.

Theoretical Framework

Agency Theory

Agency theory is the theoretical framework of audit committees generally applied in an AngloSaxon setting, since audit committees are primarily an institution to align the interests of owners and management. The establishment of audit committees within the Unitary Board System is regarded as a reaction to information asymmetries between owners of a company and its management. Consequently, the analysis of audit committee formation on the level of the firm should focus on variables, for which we can assume a correlation with firm-specific agency costs. Companies with relatively high agency costs are especially inclined to create audit committees and/or enhance audit committee effectiveness. Audit committees (or high audit committee effectiveness) should be expected mainly in listed companies audited by large audit firms with high agency costs of equity and debt as well as high monitoring economies of scale. However, the audit committee formation focuses on monitoring efficiency, the agency perspective does not go far enough. The efficiency of decision making within an institution, given a certain aim, is at least partly due to its organizational setting.

METHODOLOGY

This study evaluates audit committee and its impact on the financial performance of Nigerian Quoted Manufacturing firms. The study will cover some Quoted Manufacturing firms in Nigeria. Data will be extracted from their annual report and sustainability/corporate governance report of the firms regarding the effect of audit committee on their financial performance. This design would allow the assessment of more than one independent variables (audit committee independence, and frequency of meeting) on a given dependent variable (financial performance using return on asset and profit after interest and tax) of listed firms over a period of five years (2011 – 2015). The study comprises of 5 leading Quoted Manufacturing companies in Nigeria over the period of five (5) years (2012-2016).

Purposive sampling was employed in selecting the companies out of the population. The sample size is based on the following criteria: The products of the companies are widely consumed in Nigeria due to their large capital base ii.The availability of existence of consistent financial reports and account. The sample elements are Guinness Nigeria Plc., National Salt Company of Nigeria (NASCON) Plc., Dangote Sugar Refinery Plc., Dangote Cement Plc., and Coca cola Plc.

Secondary Data was used for this study which will be obtained from the examination of the annual report of each company. The analysis of the empirical data will be done using ratio analysis, regression analysis and correlation to determine the rate at which the independence and frequency of meetings of audit committees have affected the performances of these companies. The model is now specified in accordance with the research objectives:

Objective One: Determine the impact of audit committee independence on financial performance of Quoted Manufacturing firms in Nigeria. This objective is achieved by using multiple regression analysis model.
Multiple Regression Analysis Model

$$\boldsymbol{FP}ɤ = \boldsymbol{\alpha} + \boldsymbol{\beta}_1\boldsymbol{ACT}ɤ + \boldsymbol{\beta}_2\boldsymbol{CAC}ɤ + \boldsymbol{\beta FS} + \mu$$

Where =

FPr = Financial Performance in Time r (Response Variable)

ACTɤ = Audit Committee Tenure in *Time ɤ (Explanatory Variable)*

CACɤ = Composition of Audit Committee in *Time ɤ (Explanatory Variable)* FSɤ = Firm Size in Time ɤ *(Control Variable)*
μ = Error Term

β **=** Coefficient/slope of the explanatory variable
α = Intercept

The model was analyzed using Ordinary Least Square method of regression

Objective Two: Ascertain the relationship between audit committee frequency of meeting and financial performance of Quoted Manufacturing firms in Nigeria. The objectivewill be attained by looking into the relationship that exist between the dependent and independent variable. As such, a correlation analysis will be applied here to analyze the relationship of the variables.

Correlation Analysis Model

$$\frac{n\,\Sigma\,(FOMɤ \times FPɤ) - (\Sigma FOMɤ)(\Sigma FPɤ)}{\sqrt{[\{n\Sigma(FOMɤ)^2 - (\Sigma FOMɤ)^2\}\,\{n\Sigma(FPɤ)^2 - (\Sigma FPɤ)^2\}]}}$$

Where=

FOMɤ = Frequency of Meeting in Time ɤ

FPϒ = Financial Performance in Time ϒ

N = Number of meetings

RESULTS AND DISCUSSION

This result and discussion deals with presentation, analysis and interpretation of the data collected and analyzed for the purpose of achieving the specific objective of the study. It presents the result of the empirical study of Effect of Audit committee on financial performance of Quoted manufacturing firms in Nigeria (2011 – 2015). Results obtained from the estimation output of E-view 9.0 for the empirical model was presented below in accordance with the objectives of the study

Objective One: Impact of audit committee independence on financial performance of manufacturing firms in Nigeria

The Quoted Manufacturing companies' performance being the response variable was captured by ROA while the explanatory variables - composition of audit committee (CAC), Audit committee tenure (ACT) and Firm size (FRS) - are the regressors used in achieving the objective. The Table 4.1 reports the impact of audit committee independence on financial performance of 5 Quoted Manufacturing firms in Nigeria for the period of 2011 – 2015. Ordinary least square methods of three models namely fixed effect, random effect and ordinary were estimated. Post estimation diagnostic test of Hausman test and Redundant fixed effect test were adopted in selecting the most appropriate model to capture the effect of Audit committee independence on the performance of Quoted Manufacturing companies in Nigeria. The test indicated that random effect is not an appropriate model and non-normality of the variables will not encourage the use of ordinary least square. Therefore, in estimating the parsimonious model of the variable, fixed effectassumption will be appropriate, 62.85 % of the performance of Quoted Manufacturing companies was accounted for by the explanatory variables, while after adjusting the coefficient of determination due to degree of freedom, the percentage of the performance felt to 57.54%. This implies that about 57.54% of the Quoted Manufacturing companies' performance was accounted for by the explanatory variables. The F-statistics of 12.52685, with the p-value < 0.05 so that the explanatory variables are jointly different from zero and Durbin-Watson statistics of 1.995047 reported the likelihood of no autocorrelation.

Based on the result on Table 4. Two of the three explanatory variables composition of audit committee (CAC) (β = -9.49006, t= -10.7984 and p-value = 0.0000) and audit committee tenure (ACT) (β = 3.065707, t= 3.669561 and p-value = 0.0014) were significant at 95% level of confidence. From the results, composition of audit committee (CAC) was negatively and significantly related to Quoted Manufacturing companies' performance at 5% level, while audit committee tenure was positively and significantly related to performance at 5% level. The following statistics were estimated of CAC, and ACT using Fixed Effect Method, (β = -9.49006, t= -10.7984 and p-value = 0.0000) and (β = 3.065707, t= 3.669561 and p-value = 0.0014) respectively. This signified that performance would decrease by 9.49% given a 100% increase in CAC of Quoted Manufacturing companies and performance will also increase by 3.06% given a 100% increase in ACT of Quoted Manufacturing firms. Based on this results, it is advisable for firms to structure their audit committee composition in such a way that it will include at least 3 non-executive directors as member of audit committee, so that the decision and operation of the firms can be justified without biasness. Also, Quoted Manufacturing companies should lengthen the audit committee tenure as member who has served on the committee are more experienced than new members, the more time member serve on the audit committee, the more he/she is more expose to new ways of serving. This result is in conformity with the submission of Adesola (2016)and it contracted the work of Oyedare (2016)

Table 4.1: Multiple Regression Analysis Model

		Pooled Effect	Fixed Effect	Random Effect
CAC	Coff t-stat p-value	-9.627496 -5.886048 0.0000	-9.49006 -10.7984 0.0000	-9.94267 -9.832411 0.0000
ACT	Coff t-stat p-value	3.055228 1.987701 0.0426	3.065707 3.669561 0.0014	2.818464 2.328985 0.0299
FRS	Coff t-stat p-value	0.842666 0.784958 0.4412	0.795679 1.365656 0.1865	1.143726 1.362695 0.1874
C	Coff t-stat p-value	46.13669 3.133345 0.005	46.17081 5.773195 0.0000	43.37371 3.744998 0.0012
R-Squared		0.641519	0.628542	0.752762
Adj.R-sq		0.590308	0.575476	0.717442
F-Stat		12.52685	11.84464	21.31279
Prob (F-stat)		0.000065	0.000094	0.000001
Durbin-Watson Stat		2.007148	1.995047	1.854916
Redundant Fixed Effect Test			0.0160	
Hausman Test			0.0000	

Source: Author's computation (2020)

Objective Two: Ascertain the relationship between audit committee frequency of meeting and financial performance of Quoted Manufacturing firms in Nigeria.

Objective two of the research work focused on the relationship between audit committee frequency of meeting and financial performance. Table 4.2 presented the relationship that exist between the two variables. The table showed that there was a weak negative relationship of 0.15685 i.e 15.68% between audit committee frequency of meetings and financial performance.

The implication of this negative relationship was that both variable move in opposite direction. The result from this objective three implied that audit committee frequency of meeting and performance could explain little but in negative form.

Table 4.2: Relationship between Audit committee frequency of meeting and financial performance

VARIABLE	ROA	FOM
ROA	1.0000 (0.0000)	
FOM	-0.15685 (0.454)	1.0000 (0.0000)

Source: Author's computation (2020)

Discussion of findings

The manufacturing companies' performance being the response variable was captured by ROA while the explanatory variables - audit committee financial expertise (ACA) and Number of Years in the Committee(YIC) - are the regressors used in achieving the objective. The Table 4.2 reports the effect or impact of audit committee financial expertise of 5 manufacturing firms in Nigeria for the period of 2011 – 2015. Ordinary least square methods of three models namely fixed effect, random effect and ordinary were estimated. Post estimation diagnostic test of Hausman test and redundant fixed effect test were adopted in selecting the most appropriate model to capture the effect of Audit committee financial expertise of manufacturing companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

The result of the study concludes that there is a negative and significant impact of the composition of the audit committee on financial performance. It also concludes that there is a positive and significant impact of audit committee tenure on financial performance thus, the chances of fraud are also reduced as well as the cost of debt. The study concludes that there is a weak negative relationship between the meeting frequency of the audit committee and financial performance of Quoted Manufacturing firms. Based on the findings, the following recommendations are made:

i. Audit committee should be tolerated to serve more tenure in the committee as it strengthens financial performance of the firms.
ii. Audit committee should include at least three (3) non-executive directors in other to erase biasness in decision making.
iii. Audit committee members should have sufficient financial knowledge in other to give sound directions when decisions are to be taking.

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Impact of Dividend Policy on Shareholders Wealth Maximization in Dangote Sugar Company of Nigeria

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Abstract

This paper assessed the impact of dividend policy on shareholders wealth maximization in Dangote Sugar Company. The data were collected from the annual reports of the Nigeria stock exchange. The study employs descriptive statistic and multiple regression to analyze the data to test the effect of dividend policy on shareholders wealth maximization. The result indicates that there is positive relationship between the dividend payout and shareholders wealth maximization. Based on this finding, study recommends that financial managers of enterprise should ensure that shareholders receive dividend in return of their investment to encourage more investments.

Keywords: Dividend, Per-share, Earnings per share Return on entity

INTRODUCTION

Dividends can be defined as the distribution of earnings (past or present) in real assets among the shareholders of a firm in proportion to their ownership (Kapoor, 2009). According to Baker (2009), dividend refers to the sum of money paid on a regular basis by a company to its shareholders out of its profits or reserves. Dividend policy refers to the practice of management making payment decision or cash or cash distribution from the portion of profits to shareholders. Dividend policy is interrelated with other three (3) decisions namely: Investment Decision, Financial Decision and Liquidity Decision. These three elements of decision making are essential to the growth of the company. The management of companies will decide the proportion of earnings to be distributed as dividend and the proportion of earning to be retained with the aim of wealth maximization of shareholders. The main responsibilities' of the financial manager is to maximize the shareholder wealth and it's important for the financial manger to have good understanding of dividend and dividend policy because any wrong decision on dividend will necessary affect the wealth of shareholders. In the world of corporate finance the question that whether the earnings of the firm should be distributed to shareholders or it must be reinvested in future profitable projects has great importance. To answer this question finance mangers must consider which dividend policy will increase the shareholders wealth. Shareholders like the cash dividends but on the other hand they also want the growth of the company by reinvesting the funds. Finance manager's prime objective is to maximize the shareholder's wealth as they are principle agents of them. Shareholders wealth is represented in the market price of the share which is the result of company's financing, investment and dividend policy decisions. The optimal dividend policy is that which increases the share prices of the company which in return increase the shareholder's wealth. The best dividend policy is the one that maximizes the company's stock price which leads to maximization of shareholders' wealth and also ensures more quick economic growth.

Dividends are often unpredictable in the residual policy than in the managed policy where dividend grows in even increments in years to come.If the manager believes dividend policy is important to their investors and it has positive effect on share price value, they will adopt managed dividend policy. The best dividend policy is one that increases the company's stock price which leads to maximization of shareholders wealth. Firms generally take up dividend policies that suit the stage of life cycle they are in. High- growth firms with big cash flows and fewer projects have a propensity to pay more of their earnings out as dividends. The dividend policies of firms may pursue several interesting patterns adding further to the complexity of such decisions. Dividends are dependent on earnings that are increases in earnings increases the dividend and decreases in earnings sometimes by dividend cuts. Firms are usually hesitant to change dividends especially firms avoid cutting dividends even when earnings drop. Dividend decision is one of the important financial decision tools that contribute in shareholders wealth creation. According to Azhagaiah and Sabaripriya (2008)shareholders think the wealth is created by increase in firm's market price of shares. Many researchers have proved the same. Many researchers have proved that dividend policy affect shareholders wealth (Enhardt, 2013, Ogole, 2012) as against the studies of Arunprakash&Nandhini, 2013 which hold view that dividend policy has no effect on shareholder's wealth. Price and cost of capital, resultantly the dividend policy of a firm becomes trivial for shareholders wealth. This controversy has necessitated this paper. The paper is aimed at evaluating how the dividend pay-out has impact on shareholders' wealth maximization in Dangote Sugar company and to study that market value of common stock has strong relationship with cash dividend paid or with the growth in earning per share. And to study how much importance the shareholders give to the lagged market price of a stock when taking decision to buy a stock.

The dividend policy of the firm has remained one of the most contentions, but interesting issues in corporate finance. The relative merits of dividend policy on the performance of firms are important both from the firm and stakeholders' perspective. In examining this issue, the question is whether the dividend policy of a firm actually impacts on its economic value and performance, particularly in developing nations. The theoretical literature in this area particularly in developing nations is sparse in its predictions thereby lacking a unified view on the real consequence of dividend policy on the performance of firms. Opinion from scholars ranges from the position that dividend policy has no real impact on the value and performance of that firm (Benjamin, 2015). This study therefore assumes that dividend policy of an organization would have an impact on its performance and in turn, the wealth of shareholders. Dividend policy is especially critical in imposing discipline and providing fresh leadership when the company is performing sub-optimally and thus unable to guarantee the basic objective of maximizing shareholders' wealth (Al-malkawi, 2007). Several scholars have attempted to examine dividend policy from different perspectives, especially since Lintner (1956) examined the interrelations among incomes, dividends, retained earnings and taxes. Dividend policy has continued to engage the attention of researchers and corporate executives. Twenty years after, Black (1976), observed that, "the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that don't fit together". Over the years, research interest in dividend policy has not waned; instead, it has re-inclined a source of concern for researchers, investors, and business leaders, especially in the face of recent global turbulence.But is there any significant relationship between dividend policy and corporate performance in the form of profitability and earnings? This study therefore aims at proffering solutions to these questions.In view of this, this study was carried out to investigate the impact assessed the impact of dividend policy on shareholders wealth maximization in Dangote Sugar company. The study has been taken up for the financial year 2015-2020 with the following hypothesis:

$H0_1$: There is no significant relationship between dividend policy and shareholders wealth maximization inDangote Sugar manufacturing company.

$H0_2$: There is no significant relationship between dividend policy and earnings of Dangote Sugar manufacturing company.

LITERATURE REVIEW

Concept of Dividend and Dividend Policy

The subject matter of dividend policy remains one of the most controversial issues in corporate finance. The dividend policy adopted by any organisations has a way of maximizing shareholder wealth. It is the responsibility financial manager to take decision to ensure that shareholders receive high dividend in return of their investment. Therefore, dividend policy is defined as the ratio of retained earnings to the distributed earnings. Nwude (2003) defines dividend policy as the guiding principle for determining the portion of a company's net profit after taxes to be paid out to the residual shareholders as dividend during a particular financial year. The purpose of dividend policy being to maximize shareholders' wealth by which is dependent on both current dividend and capital gains.Emekekwue (2005) states that the essence of dividend policy is to determine what portion of firm's earnings that would be paid out as dividend or held back as retained earnings. Retained earnings are one of the important sources of financing of firm's projects. Dividend on the other hand is that portion of a firm's after tax profit that is shared out to shareholders as reward for investment.

Wilkes (2005) opine that dividend policy refers to management's long term decision on how to deploy cash flows from business activities that is, how much to invest in the business and how much to return to shareholders. The determination of the amount of dividends payable is an important decision that companies undertake since the objective of the firm is to maximize the shareholders wealth as measured by the price of the company's common stock. Dividend policy connotes to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time (Davis, 2006). According to Nissim and Ziv (2001), dividend policy is the regulations and guidelines that accompany uses to decide to make dividend payments to shareholders. According to them, dividends are commonly defined as the distribution of earnings (past or present) in real assets among shareholders of the firm in proportion to their ownership. It is basically the benefit of shareholders in return for the risk and investment and is determined by different factors in an organization. Basically, these factors include financing limitations, investment chances, and choices, firm size, pressure from shareholders and regulatory regime.

Determinants of Dividend Policy

Dividend policy is determined by a number of factors. Charles, et al (2014) were of the opinion that dividend policy is determined by the following factors:

i. Dividend payout ratio: This refers to the percentage share of the net earnings distributed to the shareholders as dividends.
ii. Stability of dividends: This means the payment of a certain minimum amount of dividend regularly.
iii. Legal, contractual and internal constraints and restrictions. Legal stipulations do not require a dividend declaration but they specify the conditions under which dividends must be paid. Such conditions pertain to capital impairment, net profit and insolvency. Important contractual restrictions may be accepted by the company regarding payment of dividends when the company obtains external funds.
iv. Owner's considerations: Dividend policy is also likely to be affected by the owner's considerations of the tax status of the shareholders, their opportunities of investment and the dilution of ownership.
v. Capital market considerations: Firms accesses to the capital market also affect dividend policy. A firm follows liberal dividend policy if it has easy access to the capital market. On the other hand, if the firm has a limited access to the capital market, it will adopt a low dividend payout ratio.
vi. Inflation: With rising prices due to inflation, the funds generated from depreciation may not be sufficient to replace obsolete equipment and machinery. So, organizations may have to rely on retained earnings as a source of funds to replace those assets. Thus inflation affects dividend payout ratio in a negative way.
vii. Legal framework: The companies and allied matters act 1990, part 12 (379-382) provides the basis which dividend can be paid.

Soondur, Maunikand Sewak (2016) included the following factors to affect dividend policy; Companies profitability: Since dividends are paid out of profits, it is impossible for an unprofitable company to forever go on paying dividends from past retained profit; Net income: A company's possibility of paying dividends is directly related to the net income of the same company. As such, highly profitable companies are more expected to pay high dividends; Retained earnings: This is considered to be an outstanding indicator of a company's possible dividend policy. Retained earnings determine the future financial performance of a company; and Cash balance: Declaration of cash dividends is subject to enough cash at the disposal of a company. Companies with poor working capital are likely not to adopt liberal dividend policy. However, Alli et al (1993) and Brealey – Myers (2002) are of the opinion that dividend payments are more influenced by cash flows; Company's debt: Debt capital exposes a company to a fixed financial obligation of interest payment. High level of financial leverage increases the company's risk of low dividend payments. Rozeff (1982) support this view by asserting that high gearing affects company's dividend payout ratio; Type of industry in which a company operate companies in industries like public utilities are regarded to have stable earnings and hence a more consistent policy than those having a volatile flow of income; and years of companies existence. Newly formed companies need to consistently invest their earnings for improvement and expansion. Old companies on the other hand, have attained a longer earning experience and can consequently be liberal in its dividend distribution.

Empirical Review

Waseem and Asad (2014) investigate the impact of dividend policy on shareholders wealth in Pakistan. The study used thirty five (35) companies selected randomly from three sectors, Textile, Sugar and Chemical industries. The data was collected from the annual report of the companies during 2006 to 2011. The simple OLS techniques were used to analyze the data. The result of the analysis showed that dividend policy of the firm has significant positive impact on shareholders wealth. Enikwe and Anyanwaokoro (2014) investigate the effect of dividend payment on the market prices of shares of quoted firms in Nigeria. The study randomly select seventeen quoted firms using time series ratio between 2000 and 2011. Model specification used for the data analysis was ordinary least squares techniques. The findings showed a positive effect between market price per share and dividend per share confirming that a rise in dividend per share increases the market price per share of quoted firms. Also Adediran and Alade (2015) carried out a study to investigate the effect of dividend policies and cooperate performance in Nigeria. Data was obtained from annual reports of twenty five (25) quoted companies in Nigeria. Data was analysed using regression analysis. The findings showed a positive relationship between organization dividend policies and profitability. Also, there was a significant positive relationship between a firm's dividend policy and earnings per share. The study further conclude that organizations should ensure that they have good and robust dividend policies in place because these will enhance their profitability and attract investment.

Mamidu and Ojo (2015), conducted a study on the implications of adopted dividend policies on the value of shareholders wealth and the extent to which dividend policy affect the market value of shares in quoted Banks in Nigeria. The study focuses on the situation before and after the economic meltdown the result from correlation analysis showed the payment of dividend by the quoted banks is relevant to their market value and the amount paid as dividend by the quoted banks affects the value of their shares. Ahmad (2015) conducted a study on the impact of dividend policy on shareholders wealth of Shariah and non shariah compliance companies listed in Bursa Malaysia market. A total of 274 Shariah compliance companies and 129 non Shariah compliance companies listed on Bursa Malaysia for a period of 2004 to 2013 were used. The result were obtain through two way fixed-effect Generalised List Squares (GLS) regression for Shariah compliance companies and random-effect GLS regression for non Shariah compliance companies. The result indicates that the measurement for dividend policy (DSP and REPS) are significant determinates of shareholders wealth for both Shariah and non Shariah compliance companies. However, Emeni and Ogbolu (2015) study the relationship between dividend policy and market value of firms in financial sector of Nigeria economy. The study used panel data obtained from annual report of firms listed on Nigerian stock exchange for the period of ten (10) years from 2002 to 2011. The ordinary least square statistical model was used for the data analysis. The result of the model indicated that cash dividend, stock dividend and investment policy have a negative but significant relationship with the market value of firm in financial sector of Nigeria, while the studies also indicates that earnings have a positive and insignificant relationship with market value. The study is in line with dividend irrelevance of Miller ace Modighani that dividend policy has no effect on market value of firms.

Also, Priya (2008) examine the relationship between dividend policy and stockholders wealth in chemical industry of India. Data was collected from 28 companies on BSE and study the significant difference between dividend payers and non-payers. The result showed that dividend yield had a negative relationship with stock returns in Kuala Lumpur stock exchange. The little change in dividend policy will give a large change in stock returns as well as shareholders wealth. However, Ogolo (2012) conducted a study on the impact of dividend policy on share prices with a sample of sixty one (61) companies quoted on Nairobi stock exchange. The study covered a period of ten years, from 2003 - 2012. The study indicates that there is significant positive relationship exist between market price per share. The study concludes that dividend policy has strong influence on share prices. Munyua (2012) investigated the effect of individual policy on stock price for firms listed at Nairobi securities exchange. The study used descriptive research design using secondary data from 61 quoted firms in Nairobi securities exchange from 2004 to 2013. The study used regression model and the result indicates that there is strong positive relationship between dividends per share prices. It was also indicated that share prices are affected by the paid out dividend per share. The study concluded that share prices are strongly affected by dividends.

Theoretical Framework

The study anchored on irrelevant theory and relevance theory. The dividend irrelevance was propounded by Miller and Modighani (1963), the writers believed that divided does not have effect on the share prices of the firms because the value of the firm is dependent on its assets and revenue strength. The dividend irrelevance theory has been based on this assumption: There is an existence of perfect markets; There is no risk of uncertainty; There will be free flow of information and investor must be rational; and Investment policy of firms is not based on its dividend policy.

Dividend Relevant Theory

This theory was propounded by Walter (1963). In his opinion, a share price is a reflection of the present value of a future dividend. The writer believed that investment policy and dividend policy are interrelated because if a proper dividend policy is undertaken, the value of a firm is affected. This was illustrated by the model
P = D+r/k(E-D) /K

Where:

P = market price of equity share,
D = dividend per share
E = earning per share
(E-D) = retained earnings per share
r = internal rate of return on investment
K = cost of capital

Gordon (1962) proposed a constant growth valuation model. He explained that the dividend policy is directly relevant to the stockholders wealth (market price of share) under the condition of uncertainty of future dividends. In uncertainty condition, investors prefer dividends instead of capital gains.

METHODOLOGY

The paper adopts the methodology of documentary analysis of the effect of dividend policy on shareholders wealth maximisation.Data were collected from annual report of Dangote Sugar manufacturing companies quoted in Nigeria stock exchange ranging from 2015 to 2020. For the purpose of this study, dividend policy is used as independent variable, while shareholders wealth maximisation were taken as dependent variable was measured with the earning per share, while shareholders wealth maximisation and firm performance were measured using earnings per share on equity.

RESULT AND DISCUSSION

The study employed descriptive statistics and multiple regression to analyse the data collected from Dangote Sugar manufacturing companyto determine the effect of dividend policy on shareholders wealth maximisation. For the purpose of analysis, dividend policy will be taken as independent variable while shareholder wealth maximisation is taken as dependents variable. In the study dividend policy was measured with dividend per share while shareholders wealth maximisation was measured with earning per share and return on equity. Table below shows the regression coefficient of dividends and market prices latitudinal analysis for Dangote Sugar manufacturing company which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 922.

Latitudinal Analysis for Dangote Sugar

Model Summary

Model(M)	R	R Square	Adjusted R Square	Std. Error the Estimate
1	.922[a]	.851	.801	2.12096

ANOVA"

Model(M)	Sum of Squares	df	Mean Square	F	Sig-
1 Regression Residual TOTAL	76.932 13.495 90.427	1 3 4	76.932 4.498	17.102	32 .026[a]

Coefficients"					
Model(M)	Unstandardized Coefficients		Standardized Coefficients		Sig-
	B	Std. Error	Beta	T	
1 (Constant)	-3.806	3.220		-1.182	.322
DPS	28.917	6.993	.922	4.135	.026

Source: (Compiled by the author)

The regression coefficient(R) of 0.922 indicates that there is a strong positive relationship between dividend policy and shareholders wealthmaximisation in Dangote Sugar manufacturing company. The coefficient of determination (R^2) of 0.851 shows that the Dividend per Share explained 85.1%changes in the Market Prices of Share. Therefore, about 14.9% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 80.1% of changes in the dependent variable are explained by the independent variable.

Discussion of Findings

First the study showed that there was a positive and significant relationship between dividend per share and wealth maximisation (proxied by earnings per share and return on capital employed) in Nigeria. These findings collaborate with Nissim, D and Ziv, A. (2001) which found a positive relationship between dividend policy and selected manufacturing firms' performance in Kenya. This finding could be attributed to the fact that companies in Nigeria rely so much on equity financing such that as the dividend policy becomes favorable through increased dividend per share, the higher the enthusiasm of the shareholders to invest more in the firms thereby increasing the performance of the firms. Secondly, the study showed that there was a positive and insignificant relationship between noncurrent assets and the performance of firms (proxied by earnings per share and return on capital employed) in Nigeria. This finding collaborate Zhang (2017) which argued in favour of a positive relationship between non-current (intangible) assets and the performance of telecommunication sector. Perhaps, this outcome can be attributed to the high investment in noncurrent assets by the selected companies in Nigeria. It is unarguably true that as these companies in Nigeria invest in R & D and goodwill (which are noncurrent assets), their performance is enhanced.

CONCLUSION AND RECOMMENDATION

The study explored the impact of dividend policy on shareholder wealth maximisation in Dangote Sugar manufacturing company Nigeria. To achieve this broad objective, the study specifically investigated the impact of dividend per share and noncurrent assets on the earnings per share and return on capital employed of firms in Nigeria. Thus, dividend per share and noncurrent assets were used as the independent variables while earnings per share and return on capital employed were used as proxies for corporate performance and they served as the dependent variables. The study relied on data collected from Dangote Sugar manufacturing company. Data collected were analyzed using the Ordinary Least Squares (OLS) multiple regression method. Findings of the study showed that dividend per share had positive and significant impact on performance (whether earnings per share or return on capital employed) of corporations in Nigeria. On the other hand, the study revealed that noncurrent assets had positive but insignificant impact on corporations in Nigeria in both models. In conclusion, the study argued that dividend policy of corporations in Nigeria determined to a large extent their corporate performance. Based on the findings of the study, the researcher recommends the following:

i. The study suggested that, dividend payment should be given priority by Nigeria firms because; it plays a momentous role in shaping the value of shareholders wealthmaximization. Nigerian firms should also consider various factors that affect the dividend pay-out such as legal framework, fund requirement of the firm, nature of business, size of firm, business risk, financial risk, and liquidity when formulating one. They should also endeavour to practice a regular dividend policy so that prospective investor could know beforehand whether or not a firm's dividend policy tallies with their own expectation and therefore guide their investment decisions.

ii. The study also suggested that, decision such as investment and leverage should be carefully handled if firms need to increase their shareholders wealth and management must not increase the size of their business with the purpose of increasing their shareholders wealth, because this does not constantly lead to increase in shareholders wealthmaximization.

iii. Retained earnings should be set aside whenever possible as this could positively impact the performance of firms in Nigeria. Firms willing to maximize shareholders wealth and firms value should endeavor to consistently increase their dividend payout ratio as this sends a signal that the firm is financially healthy.

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Effect of Merger and Acquisition on Performance of Deposit Money Banks in Nigeria

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Abstract

The paper examined the effects of merger and acquisition on the performance of selected commercial banks in Nigeria with greater emphasis on profit after tax and deposit profile as financial efficiency parameters. For this paper, some of the money deposit banks were selected using convenience and judgmental sample selection methods. Data were collected from the published annual report and accounts of the selected banks and were subsequently analyzed applying regression analysis through statistical package for social sciences. The results showed that post-merger and acquisition period was more financially improved than the pre-merger and acquisition period. Therefore, the study recommended that banks should be more proactive driving for profit for enhanced financial performance to reap the benefit of mergers and acquisition bid in the Nigeria banking sector

Keywords: Banks, Profit after Tax, Deposit Profile, Merger and Acquisition (M & A)

INTRODUCTION

Business organizations once established are expected to survive up to an unforeseeable future. Apparently, the environments (internal and external) in which these businesses operate are not stable and this makes predictability difficult. These environments includes; for internal environment are; value system, physical resources and technological capabilities, human resources, corporate culture, organizational structure, vision, mission and objectives. The external environment includes; economic, international, technological, socio-cultural and legal environment amongst others, the interaction of this environment components within the business organization usually affect such organization corporate performance especially in the area of corporate image, corporate growth and profitability. Consequently, such business organization adjusts and keeps adjusting at every stage to remain relevant within the society. This scenario has called for almost all organization to develop survival strategies. There are numerous numbers of such strategies. The most popular form of business combinations strategies includes; integration, merger, acquisition and consolidation. Companies have been combining in various configurations since the early days of business (Stahl, Mendenhall and Weber, 2005; Indhumathi, Selvam and Babu, 2011). Ajayi (2005) and Augustine (2007) stated that, other programs in the Nigerian banking sector reforms agenda includes: ensuring exchange rate and price stability, managing interest rate for stability and development, macro-economic coordination, improvements of the payment systemand financial sector diversification to avoid a situation of boom that can result to bank distress. This, Walter and Uche (2005) supported. The current reforms framework anchored on against systemic financial crises in the interest of the depositors and secondly, to fast track the growth and development of the national economy.

Nevertheless, it is in record that between 1990 to date, Nigeria witnessed several mergers and acquisitions arrangement. This trend dramatically changed particularly form 1995. In 1997 alone, about 10 mergers and acquisitions bids was recorded whereas, as at 31st December, 2005, the Nigerian banking sector witnessed 25 mergers and acquisitions activities (Okpanachi, 2007). For this, mergers and acquisitions is not a new scheme geared towards business survival but more importantly assists in repositioning business for more efficiency and reliability which it has done to the Nigerian banking sector through strengthening the industry with its position multiplier effects on the economy. Consequently, it is against this background that the researcher attempts to assess the effects of merger and acquisition on the performance of money deposit banks in Nigeria with greater emphasis on g profit after tax and deposits profile. The recent outbreak of bank mergers and acquisitions in Nigeria is attracting much attention, partly because of heightened interest in what motivates firms to merge and how merger and acquisition affects performance or efficiency. However, this paper investigates effects of merger and acquisition on the performance of banks and explores the sources of any merger-induced changes in performances. It is motivated by the relative dearth of empirical evidence on the impacts of mergers and acquisitions involving Nigerian banks. Thus, the major objective of this study is to assess the effects which Merger and Acquisition Strategies have on the performance of the Deposit Money Banks in Nigeria.

Literature Review

Conceptual Framework

Banking Sector Reform in Nigeria

Banking sector reforms in Nigeria are driven by the need to deepen the financial sector and reposition the Nigeria economy for growth; to become integrated into the global financial structural design and evolve a banking sector that is consistent with regional integration requirements and international best practices. It also aimed at addressing issues such as governance, risk management and operational inefficiencies, the centre of the reforms is around firming up capitalization. (Ajayi, 2005) Capitalization is an important component of reforms in the Nigeria banking industry, owing to the fact that a bank with a strong capital base has the ability to absolve losses arising from non performing liabilities. Attaining capitalization requirements may be achieved through consolidation of existing banks or raising additional funds through the capital market.

In his maiden address as he resumed office in 2004, the current Governor of Central Bank of Nigeria, Soludo, announced a 13-point reform program for the Nigerian Banks. The primary objective of the reforms is to guarantee an efficient and sound financial system. The reforms are designed to enable the banking system develop the required flexibility to support the economic development of the nation by efficiently performing its functions as the pivot of financial intermediation (Lemo, 2005). Thus, the reforms were to ensure a diversified, strong and reliable banking industry where there is safety of depositors' money and position banks to play active developmental roles in the Nigerian economy. The key elements of the 13-point reform program include: Minimum capital base of N25 billion with a deadline of 31st December, 2005; Consolidation of banking institutions through mergers and acquisitions; Phased withdrawal of public sector funds from banks, beginning from July, 2004 Adoption of a risk-focused and rule-based regulatory framework; Zero tolerance for weak corporate governance, misconduct and lack of transparency; Accelerated completion of the Electronic Financial Analysis Surveillance System (e- FASS); The establishment of an Asset Management Company; Promotion of the enforcement of dormant laws; Revision and updating of relevant laws; Closer collaboration with the EFCC and the establishment of the Financial Intelligence Unit. Of all the reform agenda the issue of increasing shareholders' fund to N25 billion generated so much controversy especially among the stakeholders and the need to comply before 31st December, 2005.

Structure and Size of Banking Industry in Nigeria

Nigeria banking industry has remained narrow and fragile. Bank per million people is very low. It was five banks per million in 1970 and rose to its peak of 26.6 in 1993 and stagnated in this figure even until 2003. It shows that Nigeria is still under banked and this could explain why much of money supply is outside the banking systems. The asset base and numbers of the banks is also not impressive. The reasons for Mergers and Acquisitions According to Muyiwa (2006), the key common reasons that influence positively the decision to undertake a merger or acquisition are:

i. **Profit**: The aim of merger or acquisition should be to make profit. Thus, business combination provides a means of entering a market at a lower cost than would be incurred if the company tried to develop its own resources.
ii. **Desire for Growth**: A company with a view to harnessing the facilities of the other company to achieve the desired growth may enter into merger arrangement.
iii. **Strategic Rationale**: The strategic rationale makes use of the merger or acquisi- tion in achieving a set of strategic objectives, for example a merger to secure control of capacity in a chosen sector.

iv. **A requirement for specialist skills and/or resources**: A company sometimes seeks to merge with or acquire another company because the company is keen to acquire a specific skill or resource owned by the other company, amongst others

Types of Mergers

In its simplest form, vertical integration is the process of manufacturers merging with suppliers or retailers. Major production companies obtain supplies of goods and raw materials from a range of different suppliers. Vertical integration is basically an attempt to reduce the risk associated with suppliers. There are two form of vertical merger; Forward merger**;** this form of merger occurs when a firm merges or take over one of its retail customer. Backward merger; this is the form of merger where a company takes over or merges with a supplier. Mergers and acquisitions can also be used in order to achieve horizontal integration. Horizontal integration occurs where two companies engaged in essentially the same product or service merge to improve their combined value. Conglomeration mergers occur where the merging companies continue to operate in different sectors and industries. Conglomeration can be a useful approach in spreading business risk across a range of different areas**.**

Empirical Discusion

Mergers and acquisitions are a global business terms used in achieving business growth and survival. Merger entails the coming together of two or more firms to become one big firm while acquisitions the takeover or pursuing similar motives (Amedu, 2004: Bello, 2004: Katty, 2005). Accordingly, Soludo (2004) opined that mergers and acquisitions are aimed at achieving cost efficiency through economies of scale and to diversify and expand on the range of business activities for improved performance. Numerous studies have empirically examined whether mergers and acquisition are solutions to bank problems. The studies of Cabral et al (2002), Carletti et al (2002) and Szapary (2001) provided the foundation for a research on the linkage between banks mergers and acquisition and profitability.

Evidence as provided by De-Nicolo (2003) and Caprion (1999) suggested that mergers and acquisitions in the financial system could impact positively on the efficiency of most banks. Overall, some of these studies provide mixed evidence and many fail to show a clear relationship between mergers and acquisitions and performance. However, Okpanachi (2006) find some evidence of superior post merger period because of the merged firms' enhanced ability to attract loans. They also show increase employee productivity and net asset growth. Walter and Uche (2005) posited that mergers and acquisitions made Nigerian banks more efficient. In his comment, Soludo (2004) said that low capitalization of the banks has made them less able to finance the economy, and more prone to unethical and unprofessional practices. These include poor loan quality of up to 21 per cent of shareholders' funds compared with 1–2 percent in Europe and America; overtrading, abandoning the true function of banking to focus on quick profit ventures such as trading in forex and tilting their funding support in favor of import-export trade instead of manufacturing; reliance on unstable public sector funds for their deposit base; forcing their female marketing staff in unwholesome conduct to meet unjustifiable targets in deposit mobilization and high cost of funds.

Theoretical Framework

Efficiency Theory

Adeyemi, and Adeyemi, (2016), this theory holds that mergers and acquisitions have good potentials for social benefits. They generally involve improving the performance of incumbent management or achieving a form of synergy. These theories will now be considered separately in order to clearly differentiate them and because each by itself, may explain certain classes of mergers.

Differential Managerial Efficiency Theory

This is the most general theory of mergers and acquisitions that can be formulated. In everyday language, such a theory operates where the management of firm A is more efficient than the management of firm B and if after firm A acquires firm B, the efficiency of firm B is brought up to the level of efficiency in the acquiring firm. Differential efficiency would most likely be a factor in mergers between firms in related industries where the need for improvement could be more easily identified thus; it is more likely to be a basis for horizontal mergers. (Adeyemi and Adeyemi; 2016).

Operating Synergy

This theory assumes that economies of scales exist in the industry and that prior to the merger; the firms are operating at levels of activity that fall short of achieving the potentials of economies of scale. It included the concept of complementary capabilities. Operating Synergy may be achieved in horizontal, vertical and even conglomerate mergers. For example, one firm might be strong in research and development (R&D) but weak in marketing while another has a strong marketing department without the R&D capability. Merging both firms will result in operating synergy (Adeyemi, andAdeyemi, 2016).

Financial Synergy

This theory hypothesizes complementariness between merging firms, not in management capabilities, but in the availability of investment opportunities and internal cash flows. A firm in a declining industry will produce large cash flows since there are few attractive investment opportunities. A growing industry has more investment opportunities than cash with which to finance them. These conditions will provide a basis for merging. The merged firm will have a lower cost of capital due to the lower cost of internal funds as well as possible risk reduction, savings in floatation costs and improvements in capital allocation (Adeyemi, andAdeyemi, 2016).

Agency and Managerial Problem

Agency problems may result from a conflict ofinterest between managers and shareholders or between shareholders and debt holders. A number of organizations and market mechanisms serve to discipline self-serving managers and mergers and acquisitions are viewed as the discipline of last resort. Self-serving managers on the other hand views mergers and acquisitions as a manifestation of the agency problem rather than its solution. It suggests that self-serving managers make ill-conceived combinations solely to increase firm size and their own compensations (Adeyemi andAdeyemi; 2016).

The Free Cash Flow Hypothesis

According to Jensen (1986) in Adeyemi, and Adeyemi, (2016) hypothesis states that mergers and acquisitions arise because of large agency costs associated with conflicts between managers and shareholders over the payout of free cash flow that is in excess of investment needs. According to him, shareholders and managers have serious conflicts of interest that can never be resolved perfectly. When these costs are large, mergers and acquisitions can help to reduce them.

This theory “The Free Cash Flow Hypothesis Theory” was adopted by the researcher because; it best explains the concept of Mergers and Acquisition in an Organization. Companies go into M&A partly because of shareholders satisfaction that allows confidence, trust to reinvest, minimization of cost and to maximize profit. One reason often given for a merger or acquisition is that it will increase a firm's market share. Essentially, there appears to be a high degree of correlation between increased market share and increased profitability. This view is closely aligned to the economies of scale argument; since increasing market share usually entails a higher level of production, economies of scale will be achieved. Increasing market share by mergers and acquisitions might entail investigation by the anti-trust authorities because they are seen to result in undue concentration (Adeyemi & Adeyemi; 2016).

METHODOLOGY

The population was all the fifteen (15) banks currently quoted in the official daily list of the Nigerian Stock Exchange (NSE) weekly equities summary as at 31st August, 2011 making up the Nigerian Banking Sector.

The study examined seven commercial banks. These banks are chosen as sample for the study using simple random, convenient and judgment techniques of sample selection. To be selected as a sample, the banks must meet the following criteria: they must retain their identities prior to and after the mergers and acquisitions activities, members of the groups as a result of mergers and acquisition bid must not exceed three and their Managing Directors must never be sacked by the CBN governor under the current reform process. Data were collected from secondary source through compilation and extracts from published data including published audited financial account of sampled banks from 2001-2010, Nigerian Deposit Insurance Corporation Annual Reports, Nigerian Stock Exchange Market Summary and other relevant materials which were duly referenced.

Descriptive statistics was employed to describe effectiveness of merger and acquisition (consolidation) on the performance of banks by using tables, ratios and percentage to measure deposits, profit and sales growth rates (gross-earnings). While formulated hypotheses was tested using inferential statistical techniques of regression analysis of the form.

$Y = a + b X + u$ Where: Y = dependent variable (deposit, profit,) a = intercept parameter (where the regression surface crosses the y-axis). b = Slope parameter (measures the degree of responsiveness of dependent variables to independent variable). x = independent variable (merger and acquisition (consolidation). u = stochastic error term (unexplained variance). Also, Analysis of Variance (ANOVA) was employed to confirm the significance of the contributions with F-test to determine the equality of the two variables. All these were obtained in the Statistical Package for Social Sciences (SPSS).

RESULT AND DISCUSSION

With respect to hypothesis one, the inferential analysis as obtained in Table 1 indicates a positive relationship of 0.812 between M & A and deposit profile of commercial banks. The test further revealed that M&A accounted for 65.9% variations in banks deposits which mean that M&A had 65.9% contribution to bank deposits. In order to confirm the significance of this contribution, the analysis of variance table value of 63 697 at 0.05% level of significance. Thus, the contribution of M&A to bank deposits was not by chance, hence the null-hypothesis was rejected and alternative hypothesis upheld. The implication of this was that merger and acquisition has significant effect on deposit profile of commercial bank. Furthermore, the regression analysis also indicates that M&A accounted for 4.468 of every change in bank deposits.
Model one expresses the average change in bank deposit given the effect of the M&A in the banking sector. This means that given a unit positive effect of M&A, the bank deposit will increase by 4.468.

Table 1 **Model Summary**

Model	**R**	**RSquare**	**AdjustedRSquare**
1	0.812	0.659	0.648

Predictor: (Constant) Merger and Acquisition (M&A)
DependentVariable: Deposit

Table 2 **Coefficient**

Model	**Under standardized coefficient**		**Standardizedcoefficient**		
	Beta	Std error	Beta	T	Sig
1. Constant merger and acquisition deposit	163228.885	55662.819		2.932	0.006
	4.468	0.560	0.812	7.981	0.0000

DependentVariable: Bank Deposit

Table 3 **Anova**

Model	**Sumofsquare**	**Df**	**Meansquare**	**F**	**Sig**
1.Regression Residual	3603517828228.026	1	3603517828228.026	63.697	0.0000
	1866905820302.661	33	56572903645.535		
Total	547042364850.680	34			

Predictors: (Constant) Merger and Acquisition **DependentVariable**: Deposit **Source**: Data Analysis, 2012

The findings also has presented in table 4 indicates a relationship of 0.678 between M&A and profits declared by commercial banks. It was further revealed that M&A contributed to profit level by just 45% which implies a low contribution was observed. The R2 further confirmed the test with an F value of 28.006 which was not statistically significant at 5% level. Thus, the performance in respect of profits declared by banks could be said to be by chance when attributed to the M&A. The regression results also revealed that M&A accounted for 2.151 for every change in profit level. The implication of this was that merger and acquisition has significant effect on profitability level of commercial banks. Model two expresses an increase in profit after tax by 2.151units as a result of a unit increase in M&A.

Table 4 **ModelSummary**

Model	R	R **Squared**	**Adjusted R Square**
2	0.678	0.459	0.443

Predictor: (Constant) Merger and Acquisition **DependentVariable**: Profit After Tax

Table 5 Coefficient

Model	**Under Standardized Coefficient**		**Standardized Coefficient**		
	Beta	Std Error	Beta	T	Sig
2.(constant) M&A profit after tax	6307.048	1637.028		3.853	0.001
	2.151	0.406	0.678	5.292	0.000

DependentVariable: Profit after Tax

Table 6 Anova

Model	**SumofSquare**	**Df**	**MeanSquare**	**F**	**Sig**
3. Regression Residual	1690765424.969	1	1690765424.969	28.006	0.000
	198224294.202	33	60370997.612		
Total	3683003846.171	34			

Predictor: (Constant) Merger and Acquisition **DependentVariable**: Profit after Tax Source: Data Analysis, 2012

The result, as shown in table 7, indicates a positive relationship of 0.669 between M&A and the sales of a bank. The result further acknowledges that M&A contributed to the sales volume of commercial banks by 44%. The contribution was further confirmed with an F value of 26.744 which was statistically significantly to the sales level attained by commercial banks. This shows that merger and acquisition has significant effect on the gross earnings of commercial banks. It was observed that for every change in banks M&A sales changes by 2.970. The model expresses the contribution of M&A on gross earnings of the banks. The regression indicates that given a unit change in the M&A, the gross earnings will increase by 2.970.

CONCLUSION AND RECOMMENDATION

The paper attempted to examine the effects of merger and acquisition on the performance of selected banks in Nigeria. The result showed an enhanced financial performance leading to improved financial efficiency. This was indent with the F-test statistic results of the sewn selected banks as contained in the SPSS output depicted an increase in their combined means for profit and deposit. The result of these findings was buttressed by De-Nicolo et al (2003) which is of opinion that merger and acquisitions in the financial system could impact positively on both the financial and operational efficiency of most banks also Sobowale (2004) found that banks significantly improved their profit efficiency after mergers.

The study concluded that there is an improved performance on the part of selected commercial banks. This in terms of gross earnings, deposit and profit as the calculated F-values are greater than the critical value at 5% level of significant. Also, the study found that the point consolidation periods has a higher performance in gross earnings; deposit has a better performance while profit after tax is comparatively has low but improved performance than the pre-consolidation period. The finding in this paper is quote in agreement with the work of Nicole et al (2003) and Sanni 2009. Therefore, the paper recommends that banks should be more aggressive in financial products marketing to increase financial efficiency for an improved financial position in term of gross earnings, profit after tax and deposit profile in order to reap the benefit of post mergers and acquisition bid in the Nigerian banking sector. Hence, every bank official need to be made a potential marketer, with an understanding that customer enthusiasm and loyalty are founded on a perfect fusion of service delivery and service recovery strategies. Man power training and re-training is a must for all banks. Investment in information technology acquisition, deployment and training to reflect a commitment to leverage new technologies for the benefit of every sophisticated client that are getting wiser on daily basis in Nigeria need not be over-emphasized.

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Impact of International Financial Reporting Standard adoption on the Financial Performance of Nigerian Manufacturing Firms

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Abstract

The adoption of International Financial Reporting Standards (IFRS) has been achieved based on the prior expectation that IFRS improves the quality of reporting and ensures uniformity of reporting across the globe (Ball, 2016). The purpose of the study is to examine the Impact of International Financial Reporting Standards (IFRS) on the financial performance of the manufacturing sector. This research work covers a period of 14 years Pre IFRS (2006 -2012) and post IFRS (2013-2019). The sample size for this study is ten (10) Manufacturing Companies listed on the Nigerian Stock Exchange. The study adopted Ordinary Least Squares (Gauss-Newton/Marquardt steps) Model and Wald Test Coefficient Restrictions Model as the main analytical tools to test the formulated hypotheses. The study revealed that a weak and insignificant relationship exist between the Nigerian Manufacturing Firms' Revenue, Profit, Total Assets, and Total Liabilities, and the Nigerian Manufacturing Firms' Earnings per Share, Return on Assets, and Return on Equity before the adoption of IFRS. Based on the findings, this study recommends that investors should consider the values of earnings, book values of equity, and cash flow from operations in the annual reports of firms prepared in accordance with IFRS before making any investment decision. Finally, the study recommends that management, external auditors and regulators should work together to ensure total compliance by Nigerian Manufacturing Firms in order to achieve IFRS objectives, since enforcement is a necessary tool for ensuring compliance.

Keywords: IFRS, Quality of Financial Reporting, Revenue, Profit, Total Assets, Total Liabilities

INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) has been achieved based on the prior expectation that IFRS improves the quality of reporting and ensures uniformity of reporting across the globe (Ball, 2016). On that premise, international bodies such as IMF and the World Bank have persistently recommended that developing countries adopt IFRS, yet the majority of African counties have neither followed the adoption route nor the convergence pathway. For the few that have adopted IFRS, there have been doubts about their effective implementation. IFRS is now acceptable in many countries and there is a huge increase in the number of companies across the globe moving to IFRS reporting, to make sure that their financials are comparable for investors and capital markets. IFRS has an objective to develop in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. This standards has high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions. In this context, 'international accounting standards' means standards (International Accounting Standards and International Financial Reporting Standards) issued by the IASB and interpretations issued by the IFRS Interpretations Committee (and its predecessor, the Standing Interpretations Committee) that have been endorsed by the EU. Different researchers have written on IFRS adoption different sector but more have written on the banking sector few on manufacturing sector at large and most of the works focuses on the earnings management, value relevance, timely loss, price earnings ratios, and dividend yield focusing on different countries like Ghana, South Africa etc. This research focuses on the impact of International Financial Reporting Standard (IFRS) adoption on the financial performance of Nigerian manufacturing firms using Revenue, Profit , Total asset and total liabilities as independent variables and dependent on Earnings per share, Return on assets and Return on equity. Given the foregoing, this study therefore seeks to examine the impact of IFRS adoption of the financial performance of Nigerian manufacturing firms and the hypothesis underlying the research are stated thus:

H_{01}: IFRS adoption has no significant effect on Earnings per share of the Nigerian manufacturing Firm.

H_{02}: IFRS adoption has no significant effect on Return on Asset of the Nigerian manufacturing Firms.

LITERATURE REVIEW

Conceptual Clarifications

International Financial Reporting Standard in Developing Countries

International Financial Reporting Standards (IFRS) set common rules so that financial statements can be consistent, transparent, and comparable around the world. IFRS are issued by the International Accounting Standards Board (IASB). They specify how companies must maintain and report their accounts, defining types of transactions, and other events with financial impact. IFRS were established to create a common accounting language so that businesses and their financial statements can be consistent and reliable from company to company and country to country. Others key takeaway of IFRS include: International Financial Reporting Standards (IFRS) were established to bring consistency to accounting standards and practices, regardless of the company or the country. Also, they are issued by the Accounting Standards Board (IASB) and address record keeping, account reporting and other aspects of financial reporting; and IFRS benefit companies and individuals alike in fostering greater corporate transparency.

Concept of Revenue

Revenue, in simple words, is the amount that a firm receives from the sale of the output. According to Prof. Dooley," The Revenue of a firm is its sales receipts or income''. Revenue refers to the amount received by a firm from the sale of a given quantity of a commodity in the market. Revenue is a very important concept in economic analysis. It is directly influenced by sales level, i.e., as sales increases, revenue also increases. In a firm, revenue is of three types: Total Revenue, Average Revenue and Marginal Revenue.

Total Revenue

This is simple. The Total Revenue of a firm is the amount received from the sale of the output. Therefore, the total revenue depends on the price per unit of output and the number of units sold.

Average Revenue

Average Revenue, as the name suggests, is the revenue that a firm earns per unit of output sold. Therefore, you can get the average revenue when you divide the total revenue with the total units sold.

Marginal Revenue

Marginal Revenue is the amount of money that a firm receives from the sale of an additional unit. In other words, it is the additional revenue that a firm receives when an additional unit is sold.

Concept of Profit

The concept of profit entails several different meanings. Profit may mean the compensation received by a firm for its managerial function. It is called normal profit which is a minimum sum essential to induce the firm to remain in business. Profit may be looked upon as a reward for true entrepreneurial function. It is the reward earned by the entrepreneur for bearing the risk. It is termed as supernormal profit analysis.

Total Assets

Total Assets, most commonly used in the context of a corporation, is defined as the assets owned by the entity that has an economic value whose benefits can be derived in the future. Assets are recorded in the balance sheet of the firm.
Assets are further classified into liquid assets and illiquid assets, depending on their liquidity. A liquid asset is that asset that can be easily converted into cash or readily sold for cash; otherwise, it is called an illiquid asset.

Total Liabilities

Total liabilities are the combined debts and obligations that an individual or company owes to outside parties. All assets of a company are either owned by the entity and classified as equity or are subject to future obligations and recorded as a liability. A company's total liabilities are generally split up into three categories: short-term, long-term, and other liabilities. Total liabilities are calculated by summing all short-term and long-term liabilities, along with any off-balance sheet liabilities that corporations may incur.

Short-term liabilities

Short-term, or current liabilities, are liabilities that are due within one year or less. They can include payroll expenses, rent, and accounts payable (AP), money owed by a company to its customers.
Because payment is due within a year, investors and analysts are keen to ascertain that a company has enough cash on its books to cover its short-term liabilities.

Long-term liabilities

Long-term liabilities, or noncurrent liabilities, are debts and other non-debt financial obligations with a maturity beyond one year. They can include debentures, loans, deferred tax liabilities, and pension obligations. Less liquidity is required to pay for long-term liabilities as these obligations are due over a longer timeframe. Investors and analysts generally expect them to be settled with assets derived from future earnings or financing transactions. One year is generally enough time to turn inventory into cash. When something in financial statements is referred to as “other” it typically means that it is unusual, does not fit into major categories and is considered to be relatively minor. In the case of liabilities, the “other” tag can refer to things like intercompany borrowings and sales taxes.
Investors can discover what a company’s other liabilities are by checking out the footnotes in its financial statements.

Empirical Review

Odoemelam, Okafor and Ofoegbu (2019) examine the effect of IFRS adoption on the earnings value relevance of quoted Nigerian firms. Using a sample of 101 firms (1212 firms’ year observation) that are quoted on or before 2006, and have adopted IFRS from 2006 to 2017, we can investigate earnings value relevance. As the principal objective of the inquiry, we introduce a cross-product term, equal to the product of earnings per share (EPS) and IFRS dummy variable, into the basic Ohlson model. The paper uses the Fixed Effect Model as the appropriate estimator for analysis of the data. The estimated coefficient on the cross-product term is statistically significant and positive. The results suggest that the adoption of IFRS in Nigeria leads to higher earnings value relevance. IFRS, as a principle-based, allows managers to use their discretion in the specific treatment of financial items. In doing so, they may bias earnings. Elosiuba and Okoye (2018) examined the effect of the IFRS adoption on the reported performance of Nigerian banks listed on the Nigerian Stock Exchange. Eight (8) out of the fourteen (14) quoted banks were selected for the study. The four indices of performance employed in the study are profitability using the return on equity, liquidity using total deposit to total loan, loan grants and then market value measured by price earnings ratio for the period (2011 and 2012). 2011 represented GAAP era while 2012 stands for IFRS adoption. A comparability index for the banks was computed using the Excel Spreadsheet for each of the banks on each variable. Then the One Sample Test was employed for the analyses. The mean was used to answer the research question while the t-statistics tested the hypotheses. The results showed that mean values for profitability, liquidity and market value are greater in the GAAP era (2011) than in the IFRS period (2012), while loan grant was higher for the IFRS period (2012). The t-tested indicated the fact that none of the variables had significant effect. Thus, the study concluded that IFRS adopted does not have significant effect on bank performance reported in 2011 and 2012.

Okafor, Ogbuehi and Anene (2017) examined the impact of IFRS Adoption and the Value Relevance of Accounting Information in Nigeria: An Empirical Study The objective of this article is to determine the effect of International Financial Reporting Standards (IFRS) adoption on value relevance of accounting information in Nigeria. The study therefore empirically analyzed the effect of IFRS adoption on value relevance of book value, earnings per share, and cash flow from operations in Nigerian firms - evidence from consumer firm’ssector. The ex-post facto research design was used. The population is made up of 25 consumer firms listed in Nigerian Stock Exchange. A sample size of 12 firms selected on the basis of availability of data among other considerations was used. The study covers a period of eight years (2008-2015). Secondary data collected from annual reports of firms and database of Capital Assets (http://www.capitalassets.com.ng/) were used. Multiple regression analysis was used in analyzing the data with the aid of Statistical Package for Social Sciences (SPSS) Version 22. The findings revealed that IFRS adoption has an incremental effect on the value relevance of book value, earnings per share, and cash flow from operations, with earnings per share showing the highest increment. Based on the findings, the researchers recommended that investors should consider the values of earnings, book values of equity, and cash flow from operations in the annual reports of firms prepared in accordance with IFRS before making any investment decision. However, more emphasis should be laid on earnings. Agir (2017) investigates the effect of IFRS adoption on value relevance of accounting information of listed Deposit Money Banks in Nigeria. The study adopts the ex-post facto research design. Data used for the study was sourced from the annual published accounts of selected Deposit Money Banks under investigation from 2008– 2015. Descriptive statistics and regression analysis were used in analyzing the data. Findings from the analysis revealed that there is no significant impact of post IFRS earnings per share and book value per share on the share price of deposit money banks in Nigeria while post IFRS volume of shares issued significantly affect the share price of Deposit Money Banks in Nigeria. It was also found that value relevance of financial information of Pre and post IFRS adoption in Nigerian DMBs differs significantly. The study recommended that management, external auditors and regulators should work together to ensure total compliance by Nigerian DMBs in order to achieve IFRS objectives, since enforcement is a necessary tool for ensuring compliance.

Adewale and Ibukun (2017), examined the impact of IFRSs on the quality of financial statements of banks in Nigeria with emphasis on the comparability, relevancy and clarity of objectives of Nigerian banks. A case study approach was used to arrive at conclusion drawn from the study. This involves a survey of both internal and external stakeholders using a questionnaire. Data obtained were analysed using the Chi- Square technique. Results show that there is a significant relationship between IFRS adoption and the comparability objectives of Nigerian banks as X2 -calculated of 14.96 is greater than the X2 -critical/ table value of 5.99 at 0.05 LOS. It was further discovered that IFRS adoption has a substantial influenced on the relevancy quality as X2-calculated of 14.0 is greater than the X2-critical/ table value of 5.99 at 0.05 LOS. It was also found that IFRS adoption has significantly influence the clarity objectives of Nigerian banks as X2-calculated of 25.4 is greater than the X2-critical/ table value of 5.99 at 0.05 LOS. It was concluded that IFRS adoption has significant impact on quality of financial statements of banks in Nigeria. It is recommended that the adoption of IFRS in preparation and disclosure of financial statement should be enforced. Auditors should declare if the accounts comply with the requirements of the standards. Shehu (2015) researched on adoption of international financial reporting standards and earnings quality in listed deposit money banks in Nigeria. He investigates firm's attributes from the perspective of structure, monitoring, performance elements and the quality of earnings of listed deposit money banks in Nigeria. The study adopted correlational research design with balanced panel data of 14 banks as sample of the study, using multiple regression as a tool of analysis. The result reveals that firm's attributes (leverage, profitability, liquidity,bank size and bank growth)have a significant influence on earnings quality of listed deposit money banks in Nigeria after the adoption of IFRS, while the pre-period shows that the selected firm's attributes have no significant impact on earnings quality. It is therefore concluded that the adoption of IFRS is right and timely. The study therefore recommended that regulatory body should embarked upon enlightenment campaigns on the potential impacts of adopting IFRS in Nigeria. It also point out that government should support the Nigeria's adoption of IFRS especially in the area of enforcement to compliance as a matter of urgency to enable full attainment of the country's economic potential.

Matthew (2015) examined the impact of International Financial Reporting Standards (IFRS) adoption on financial reporting practice in the Nigerian banking sector.At the centre of the plethora of corporate scandals that have plagued corporate entities are fraudulent financial reporting practices. Against this backdrop, proponents of the International Financial Reporting Standards (IFRS) have more strongly argued for the internationalization of the adoption of the standards, as a panacea for curbing or mitigating these financial reporting infractions. Ranging from increased comparability to better decision making, the importance of IFRS cannot be over emphasised. It is to this end that this study evaluates the impact of IFRS on Financial Reporting Practices with focus on the Nigerian Banking Sector. The specific objective of this paper is to determine whether the quantitative differences in the financial reports prepared by Nigerian listed banks under NGAAP and IAS/IFRS are statistically significant or not. Secondary data were employed in this study. These data were gleaned from the annual reports of fourteen Nigerian listed banks. One hypothesis was developed and tested at five (5) per cent level of significance. Findings revealed that the quantitative differences in the financial reports prepared under NGAAP and IAS/IFRS are statistically significant. The study therefore concludes that IFRS have impacted on financial reporting in the Nigerian Banking sector. The study recommended that the Financial Reporting Council in conjunction with various professional bodies should place more premium on continuing professional education and training. As much as possible, the professional accountancy bodies should align their continuing professional education requirements with IFAC guidelines.

Theoretical Framework

Agency Theory

This view is based on the idea that in a modern corporation, there is separation of ownership (principal) and management (agent), and this leads to costs associated with resolving conflict between the owners and the agents (Berle & Means, 1932; Jensen & Meckling, 1976; Eisenhardt, 1989). The fundamental premise of agency theory is that the managers act out of self-interest and are self-centered, thereby giving less attention to shareholder interests. For example, the managers may be more interested in consuming perquisites like luxurious offices, company cars and other benefits, since the cost is borne by the owners. The Agency theory is the theory underpinning this research work as it explains how to best organize relationship in which one party determines the work while another party does the work. In this relationship, the principal hires an agent to do the work or to perform a task the principal is unable to do.

Social Responsibility Theory

Social responsibility theory implies that decision makers recognize some obligation to protect and improve welfare of society as a whole along with their own interest. The effect is to enhance quality of life in the broadest possible way, however such quality should be defined by society. Taking cognizance of social responsibility theory it is not disputable that governance is business, moreover now that democracy is globally accepted as the best system of governance. It is seen as the government of the people by the people and for the people run by elected representatives. Anywhere democracy is in practices there is always a quest for development of the congregating communities and those in charge of governance must ensure transparency and accountability in the discharge of the duties, by presenting financial reports that comply with international best practice.

Stakeholder Theory

Stakeholder theory is an extension of the agency view, which expects board of directors to take care of the interests of shareholders. However, this narrow focus on shareholders has undergone a change and boards are now expected to take into account the interests of many different stakeholder groups, including interest groups linked to social, environmental and ethical considerations (Freeman, 1984; Donaldson & Preston, 1995; Freeman, Wicks & Parmar 2004). This shift in the role of the boards has led to the development of stakeholder theory.

METHODOLOGY

The study adopted a time series expo facto research design. Time series expo factor research design is a method of research that can truly test hypotheses concerning cause-and-effect relationships, as well as combines the theoretical consideration with empirical observation. Consequently, this is "an after-the event" research. It involves carrying out research on something that has occurred. It is a systematic empirical study in which the researcher does not have direct control over independent variable because they have already occurred or they cannot be manipulated. Besides, multiple-method strategy was adopted for this study so as to reduce the possibility of personal bias by not depending on only one method or response from only one firm or sector. Adopting this approach enhances the authenticity of the study. The study is designed to cover only secondary information from annual financial reports of some manufacturing firms listed on the Nigerian Stock Exchange. This research work studied the Financial Performance of Nigerian Manufacturing Firms before and after the adoption of International Financial Reporting Standard Adoption in 2013. That is, attention was focused on seven years pre- IFRS adoption and seven years post- IFRS adoption. The population of this study consists of all manufacturing companies listed in the Nigeria stock from 2006 to 2019. The study population is 134 Manufacturing Companies listed on the Nigerian Stock Exchange. These periods are considered long enough for the variables to form a pattern in combination with economic activities of the industries. The periods of the study also envelops economic activities before, during, and after the Nigerian economic recession.

The Convenience Sampling Technique was utilized in this study to determine the sample size. The sample size for this study is ten (10) Manufacturing Companies listed on the Nigerian Stock Exchange. The companies are selected based on the following reasons; i. The companies are among the twenty top manufacturing firms in Nigeria; ii. The availability of the firms' financial reports iii. and because of the firms' full compliance of IFRS. They include; Nigerian Breweries Plc, Nestle Nigeria Plc, Dangote Group Plc, PZ Cussons Nigeria Plc, UAC Nigeria Plc, Unilever Nigeria Plc, DUFIL Prima Plc, Guinness Nigeria Plc, Flourmills Nigeria Plc; and Lafarge Cement Ltd. This study employed secondary source of data collection. This research study adopted a quarterly data from 2006 to 2019, and data were obtained from the annual reports and accounts of the sample companies and Nigerian Stock Exchange Fact Book in order to achieve the objectives of the study. This is due to the fact that corporate annual reports of listed companies were available and easy to access. Data collection involves gathering of relevant and important data used for conducting a particular research work. It is the basis for acquiring data.The data collected were gathered, sorted, and analyzed with the use of Eviews, version 10.

Procedure for Data Analysis and Model Specification

In order to investigate the relationship that exists between the target variable and explanatory variables; this study adopted the following procedures.
Before conducting the co-integration test, variables must be found stationary individually or if both variables are non-stationary, they must be co-integrated. Therefore, individual variables both dependents and independents variables must be subjected to the unit root test. The Augmented Dickey-Fuller (ADF) test was used to identify the presence or otherwise of a unit root in the series. A mathematical model was developed based on the proxies specified for the dependent variable and independent variables. Dependent variable (Financial Performance) was proxied by Earnings per Share (EPS), Return on Assets (ROA)and the independent variable (IFRS Adoption) was proxied by Revenue, Profit, Total Assets, and Total Liabilities. Besides, the study adopted Uwalomwa and Olamide model that used in their study in 2017. However, the models for this study are stated below;

Model 1: IFRS Adoption (Revenue, Profit, Total Assets, and Total Liabilities) and Earnings per Share (EPS)

$EPS = \beta_{01} + \beta_2 Rev + \beta_3 Prof + \beta_4 TA + \beta_5 TL + \varepsilon_1$ ---------------------(1)

Where:
Eps = Earnings per Share
Rev = is the Revenue Generated by the Manufacturing Firms
Pro = is the Profit declared by the Manufacturing Firms
TA = is the Total Assets of the Manufacturing Firms
TL = is the Total Liabilities of the Manufacturing Firms

β_{01} is the intercept of the regression model of Earnings per Share and IFRS Adoption variables.

β_1, β_2, $\beta_{3,}$ β_4, β_{54} are rates of change of the IFRS Adoption variables with respect to EPS

ε_1 =is the error term associated with the model of the IFRS Adoption variables with respect to EPS

Model 2: IFRS Adoption (Revenue, Profit, Total Assets, and Total Liabilities) and Return on Asset (ROA)

$ROA = \beta_{02} + \beta_1 Rev + \beta_2 Prof + \beta_3 TA + \beta_4 TL + \varepsilon_2$ ---------------------(2)

Where:
ROA = Return on asset
Rev = is the Revenue Generated by the Manufacturing Firms
Pro = is the Profit declared by the Manufacturing Firms
TA = is the Total Assets of the Manufacturing Firms
TL = is the Total Liabilities of the Manufacturing Firms

β_{02} is the intercept of the regression model of Return on Asset and IFRS Adoption variables.

β_1, β_2, $\beta_{3,}$ *and* β_{44} are rates of change of the IFRS Adoption variables with respect to ROA

$\square_2$ =is the error term associated with the model of the IFRS Adoption variables with respect to ROA

RESULT AND DISCUSSION

Table 3: Descriptive Statistics

	EPS	ROA	REVENUE	PROFIT	TA	TL
Mean	5.245545	43.74367	284.7148	25.80993	323.9312	196.5463
Median	5.724805	43.17525	248.1016	24.15835	287.7730	171.3532
Maximum	7.554240	56.37675	558.7179	42.53378	650.3554	354.7344
Minimum	2.497750	25.45776	124.3582	11.37118	141.7311	99.43252
Std. Dev.	1.154991	7.918636	149.9709	9.405326	161.9341	86.46639
Skewness	-0.745861	-0.619939	0.610016	0.464832	0.605089	0.604309
Kurtosis	2.717029	2.905884	1.918238	1.887392	2.026312	1.942084
Jarque-Bera	5.379054	3.607700	6.203604	4.905070	5.629397	6.019871
Probability	0.067913	0.164664	0.044968	0.086075	0.059923	0.049295
Sum	293.7505	2449.645	15944.03	1445.356	18140.15	11006.59
Sum Sq. Dev.	73.37024	3448.764	1237020.	4865.308	1442247.	411204.0
Observations	56	56	56	56	56	56

Source: Author's compilation using E-views 10

Table 3 above shows the descriptive statistics of the data collected for the study. The descriptive statistics show the trend and comprehensive evidence about the variables. The Mean tells us about the average values of the set of variables. The Nigerian Manufacturing Firms' Total Assets (TA) has the highest average value of ₦323.93 billion, while the Nigerian Manufacturing Firms' Earnings per share (EPS) has the lowest value of ₦5.25 billion. The Median tells us about the middle values for each of the variables. The Nigerian Manufacturing Firms' Total Asset (TA) also has the highest Median value of ₦287.77 billion, while the Nigerian Manufacturing Firms' Earnings per share (EPS) also has the lowest Median value of ₦5.72 billion. The Maximum and the Minimum tell us about the highest and the lowest figures for each of the variables. Nigerian Manufacturing Firms' EPS has the values ranges from 2.50 to 7.55; Nigerian Manufacturing Firms' ROA has the values ranges from 25.46 to 56.38; Nigerian Manufacturing Firms' Revenue has the values ranges from 124.36 to 558.72; Nigerian Manufacturing Firms' Profit has the values ranges from 11.37 to 42.53; Nigerian Manufacturing Firms' Total Assets (TA) has the values ranges from 141.73 to 650.36, and Nigerian Manufacturing Firms' Total Liabilities (TL) has the values ranges from 99.43 to 354.73.5

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The aim of this research was to examine the impact of IFRS Adoption on the financial performance of manufacturing firms in Nigeria. There has been a considerable debate as to whether IFRS is better than NGAAP. Better understanding of IFRS is essential to resolving the debate. Public discussion and academic research have not settled the matter. As a result, this study was initiated to further a better understanding of IFRS and its impact on corporate financial reporting components in relation to Nigeria's generally accepted accounting principles (NGAAP). Findings of this study support the view that differences between IFRS and NGAAP are not significant, thus, supporting proponents of adoption of IFRS in Nigeria. The research examined whether key indicators of financial performance post-IFRS are significantly different from pre-IFRS period. The first factor examined was earnings per share followed by return on asset, and finally return on equity.Based on the above, the following recommendations were proffered:

i. Based on the findings, this study recommends that investors should consider the values of earnings, book values of equity, and cash flow from operations in the annual reports of firms prepared in accordance with IFRS before making any investment decision.

ii. Finally, the study recommends that management, external auditors and regulators should work together to ensure total compliance by Nigerian Manufacturing Firms in order to achieve IFRS objectives, since enforcement is a necessary tool for ensuring compliance.

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