Impact of Forensic Accounting Investigation on Public Sector Financial Crimes in Nigeria

BANA, Joseph O.

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: bana_joe@yahoo.com, Phone No: +234 8059311652

Abstract

Forensic Accounting is an investigative style of accounting used to determine whether an individual or an organization has engaged in any illegal financial activities. Forensic Accounting is a rapidly growing field of discipline which describes the engagement that results from actual or anticipated dispute or litigations. The purpose of this study therefore, is to examine the Impact of Forensic Accounting Investigation on Public Sector Financial Crimes in Nigeria. The study focused on investigation activities of the Independent Corrupt Practices and Other Related Offences Commission (ICPC). The sources of data for the study were both primary and secondary and the study used Five (5) years Investigation Reports of the ICPC (from 2015-2019) to ascertain the Impact of Forensic Accounting Investigation in relation to traditional investigation on Public Sector Financial Crimes in Nigeria. The statistical tool used to test hypotheses was X^2-square. Out of the cases investigated and prosecuted for the years under review, the Commission secured more convictions on Public Sector Financial Crimes investigated by forensic accountants than hitherto the traditional investigators. On a likert scale of strongly-agreed, agreed, strongly-disagreed and disagreed, 61.7% and 16.7% of the respondents strongly-agreed and agreed respectively that the Forensic Accountants are more result oriented on investigation and prosecution of public financial crimes than the Traditional Investigators. This aligned with actual results of investigated and prosecuted cases of the Commission for the period, where 15% and 6.7% strongly disagreed and disagreed respectively on the impact of forensic accounting investigation on public sector financial crimes. Among the findings was that the Application of Forensic Accounting skills do have a significant impact of forensic accounting investigation on public sector financial crimes in Nigeria and that there is significant difference between Forensic Accountants as Investigators and Traditional Investigators of financial crimes. This therefore means that the use of Forensic Accounting in investigation of financial crimes can be more result oriented than other forms of investigations of financial crimes on public sector in Nigeria. The study therefore recommends that Forensic Accountants be replaced with the Traditional Investigators of financial crimes in Nigeria Public sector; proper training and retraining on forensic accounting should be provided to staff of public sector and proper adherence to forensic accounting standards.

Keywords: Forensic Accounting, Public Sector, Anti-Graft Agencies, Traditional Investigators, ICPC

1. INTRODUCTION

Government Expenditure world over has always been big business. It has become so massive today that the public through its legislators, civil society groups and the citizenry are demanding to know how the huge outlays of money are being spent and the impact on the economy. Officials and employees who manage Public Sector activities are by virtue of that duty, required to be transparent and accountable to the public, when their activities are not transparent and satisfactory, the public demands further accountability, hence the call for investigation. The incidence of financial crime continues to increase across Private and Public Sector Organizations and across nations. Financial Crime is a universal problem as no nation is immune, although developing Countries and their various States suffer the most pain. Forensic Accounting is a rapidly growing field of discipline which describes the engagement that results from actual or anticipated dispute or litigations. “Forensic” means “suitable for use in a court of law”, and it is to that standard Forensic Accountants generally work. Forensic Accounting is an investigative style of accounting used to determine whether an individual or an organization has engaged in any illegal financial activities. Professional Forensic Accountant may work for government or public accounting firm. Although, forensic accounting has been in existence for several decades, it has evolved over time to include several types of financial information scrutiny. Forensic is the application of investigative and research skills, and an understanding of the legal process for the purpose of identifying, interpreting financial or other data or issues in connection with litigation services. Forensics also provides assistance for actual, pending or potential legal or regulatory proceedings before a trial of fact in connection with the resolution of disputes between parties, or non-litigation services: performing analyses or investigations that may require the same skills used, but may not involve the litigation process. Forensic Accounting non-litigation services are the professional assistance accountants provide that is not related to the litigation Process. These services may involve accounting, financial, auditing, tax, quantitative analysis, and investigative and research skill as well as an understanding of the legal process to provide assistance in connection with matter or issues not involving the litigation process.

Forensic accounting is the action of identifying, recording, settling, extracting, sorting, reporting, and verifying past financial data or other accounting activities for settling current or prospective legal disputes or using such past financial data for projecting future financial data to settle legal disputes and when the death of a company occurs under mysterious circumstances, forensic accountants are essential. Other accountants look at the charts but forensic accountants actually dig into the body. Financial irregularity is a severe problem of concern globally. It is the major concern to developing nations. It is so endemic that fraud and corruption is gradually becoming a normal way of life. Financial irregularities are so common that almost every individual cannot wash his or her hands. This exists in the Public and Private sectors; in the Presidential Villa of the nation, the political office-holders, in the academics, amongst Managing Directors of Companies, through middle management cadre and to as low as Messengers. Individuals commit financial crimes and corrupt practices according to the capacity of their office. Although financial irregularities affect Private and Public Sectors, the magnitude of Public Office financial crimes, together with the extent to which citizens are affected, calls for alarm. No money is entirely free, every Naira and Kobo has its legal use, and consequently, if any amount is misused, it impacts negatively on the citizenry and the economy. Hence, if not checked, directly or indirectly, it may further affect the nation's facilities and infrastructural development which would have been beneficial to all concerned. In the course of this study, financial crime will be used interchangeably with fraud and fraudulent activities.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Forensic Accounting

Forensic Accounting is the integration of accounting, auditing and investigative skills (Zysman, (2004). Dhar and Sarkar (2010) defined forensic accounting as the application of accounting concepts and techniques to legal problems. It demands reporting, where accountability of the fraud is established and the report is considered as evidence in the court of law or in administrative proceedings. Degboro and Olofinsola (2007) noted that forensic investigation is about the determination and establishment of fact in support of legal case. That is, to use forensic techniques to detect and investigate a crime is to expose all its attending features and identify the culprits. In the view of Howard and Sheetz (2006), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor and Obaretin; 2010).

Forensic accounting is a discipline that has its own models and methodologies of investigative procedures that search for assurance, attestation and advisory perspective to produce legal evidence. Wikipedia dictionary describes Fraud as crimes against property, involving the unlawful conversion of property belonging to another to one's own. Williams (2005) incorporates corruptions to his description of financial crimes. Other components of fraud cited in Williams (2005) description include bribes cronyism, nepotism, political donation, kickbacks, artificial pricing and frauds of all kinds. The array of components of financial crimes, some of which are highlighted above, is not exhaustive. The Economic and Financial Crimes Commission (EFCC) Act (2004) attempts to capture the variety of economic and financial crimes found either within or outside the organization. The salient issues in EFCC Act (2004) definition include "violent, criminal and illicit activities committed with the objective of earning wealth illegally… in a manner that violates existing legislation… and these include any form of fraud, narcotic drug, trafficking, money laundering, embezzlement, bribery, looting and any form of corrupt malpractices and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractice including counterfeiting currency, theft of intellectual property and piracy, open market abuse, dumping of toxic waste and prohibited goods, etc. This definition is all-embracing and conceivably includes financial crimes in corporate organization and those discussed by William, 2005 and Khan, 2005.It is concerned with the evidentiary nature of accounting data, and as a practical field concerned with accounting fraud and forensic auditing; compliance, due diligence and risk assessment; detection of financial misrepresentation and financial statement fraud (Skousen & Wright, 2008); tax evasion; bankruptcy and valuation studies; violation of accounting regulation (Dhar & Sarkar, 2010).

Curtis (2008) argues that fraud can be subjected to forensic accounting, since fraud encompasses the acquisition of property or economic advantage by means of deception, through either a misrepresentation or concealment. Bhasin (2007) notes that the objectives of forensic accounting include: assessment of damages caused by an auditor's negligence, fact finding to see whether an embezzlement has taken place, in what amount, and whether criminal proceedings are to be initiated; collection of evidence in a criminal proceedings; and computation of asset values in a divorce proceedings. He argues that the primary orientation of forensic accounting is explanatory analysis (cause and effect) of phenomenon- including discovery of deception (if any). According to Bhasin (2007), Forensic Accountants are trained to look beyond the numbers and deal with the business realities of situations. Analysis, interpretation, summarization and the presentation of complex financial business related issues are prominent features of the profession. He further averred that the activities of forensic accountants involve: investigating and analyzing financial evidence; developing computerized applications to assists in the analysis and presentation of financial evidence; communicating their findings in the form of reports, exhibits and collections of documents; and assisting in legal proceedings, including testifying in courts as an expert witness and preparing visual aids to support trial evidence.

2.2 Empirical Literature

Enyi (2009) undertook a study to offer suggestions using real case problem on how to apply forensic accounting in investigating variances and suspected fraudulent activities in manufacturing processes and thus suggests that the application of forensic accounting applies to all scenes where fraud is a possibility. Okoye and Akenbor (2009) commenting on the application of forensic accounting in developing economies like Nigeria, notes that forensic accounting is faced with so many bottlenecks. Crumbly (2001), Grippo and Ibex (2003) reveal that the challenges confronting the application of forensic accounting include the task of gathering information that is admissible in a court of law; the admissibility of evidence in compliance with the laws of evidence is crucial to successful prosecutions of criminal and civil claims; globalization of the economy and the fact that a fraudster can be based anywhere in the world has led to the problem of inter-jurisdiction. Degboro and Olofinsola (2007) note that an important challenge to the application of forensic accounting in the investigation of financial crimes in Nigeria is that the law is not always up to date with the latest advancements in technology. Also, forensic accounting is seen as an expensive service that only blue chip companies can afford. Even the public sector can hardly afford the cost implications of forensic accounting investigators. Thus, most companies and government bodies prefer to settle the issue outside the court to avoid the expensive cost and the risk of bad publicity on their corporate image. In addition, forensic accounting is still being seen as a new trend particularly in developing economies. Hence, accountants with adequate technical know-how on forensic issues are hardly available. With an upsurge in financial crimes in Nigeria Public sector, Financial Accounting Fraud Detection (FAFD) has become an emerging topic of great importance for academic, research and industries. The failure of internal auditing system of the public sector to identify these crimes or frauds has led to the use of specialized procedures to detect, investigate and prosecute these crimes, known as Forensic Accounting. Financial fraud in Nigeria has witnessed highly publicized cases especially in the banking system.

2.3 Theoretical Framework

2.3.1 White Collar Crime Theory

The basic theory that has been established in this research work is "white collar crime theory by Sutherland (1949) as cited in Michael (2004). The term white-collar crime dates back to 1939. Sutherland (1949) was the first to coin the term. He attributed different characteristics and motives than typical street criminals. Sutherland originally presented his theory in an address to the American Sociological Society in attempt to study two fields, crime and high society which had no previous empirical correlation. He defined his idea as "crime committed by a person respectability and high social status in the course of his occupation. Sutherland noted that in his time, less than two (2) percent of the persons committed to prison in a year belong to the upper class." His goal was to prove a relation between money, social status, and likelihood of going to jail for a white-collar crime, compared to more visible, typical crimes, although, the percentage is a bit higher today. Much of Sutherlands work was to separate and define the difference in blue collar street crimes, such as arson, burglary, theft, assault, rape and vandalism which are often blamed on psychological, associational and structural factors. Instead, white-collar criminals are opportunists, who over time learn they can take advantage of their circumstances to accumulated financial gain. They are educated, intelligent, affluent, individuals who are qualified enough to get a job which allows them the unmonitored access to often large sum of money. However, the federal Bureau of Investigation (FBI) has adopted a narrow approach defining white-collar crime as those illegal acts which are characterized by deceit, concealment, or violation of trust and which are not dependent upon the application or threat of physical force or violence. Fredrichs (2007) stated that the only way one crime differs from another is in the backgrounds and characteristics of its perpetrators. Most, if not all white-collar offenders are distinguished by lives of privilege, much of it with origins in class inequality. It is estimated that a great deal of white-collar crimes is undetected or if detected, it is not reported. Because of the high status of the perpetrators of these crimes, a highly trained and experienced examiner or investigator like the Professional Forensic Accountant is needed to forestall the occurrence of such high profile fraud.

3. METHODOLOGY

This study focuses on the Independent Corrupt Practices and Other Related Offences Commission (ICPC) as sources of information to ascertain and establish the impact of forensic accounting investigation on public sector financial crimes in Nigeria. In carrying out this study, both primary and secondary data was employed. The secondary data is derived from library documents, publications and Internet, and other relevant materials. The primary data are obtained through questionnaires and interviews for the five (5) year periods (2015-2019). The study incorporates both sources of data to enhance a balance between the research observations and available literature on the matter under consideration. As a Survey research, questionnaire and personal interview were used as instruments to retrieve information from respondents. The population of this study comprises staff of ICPC, working in Investigation Arms of the Commission. The simple random sample was used in the study where sixty (60) out of seventy (70) Investigators was selected for the survey. Questionnaire used as a major tool for the collection of data was divided into two sections (section '**A**' Bio-data of the respondents and '**B**' information used in the analysis and test of hypothesis formulated for the study).Interview was adopted in order to increase the depth of the study as well as obtain sensitive and salient information about the issue under consideration which could not be obtained via the questionnaire. In short, the interview provided an opportunity for meeting with some of the respondents and discussions helped supply other pertinent information which greatly assisted in the findings herein.

3.1 Model Specification

The sample size (60) was taken from the 70 Investigative Staff of ICPC, Abuja. The sample size was calculated using 95% confidence interval.

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

Where:

N=Population
n=Sample size
e = $(0.05)^2$

$$n = \frac{70}{1 + [70\ (0.0025)]}$$

Sample size = 60

The data collected in this study was analyzed statistically by the use of frequency tables and percentage and Chi Square method.

$$X^2 = \frac{\sum (o - e)^2}{e}$$

Where X^2 = Chi - Square
Fo = Frequency Observed
Fe = Frequency Expected.

The hypothesis formulated is tested by means of the X^2 – Chi - Square. As a decision rule, if the computed value of X^2 – Chi - Square is greater than the critical value of X^2 – Chi - Square at 5% level of significance, the null hypothesis (**H_o**) is rejected, while the alternative hypothesis (**H_1**) is accepted. The reverse is however the case if the computed value of X^2 – Chi - Square is greater than the critical value at the chosen level of significance.

4. RESULTS AND DISCUSSION

On the impact of forensic accounting investigation on public sector financial crimes being more result oriented than traditional investigators, the study revels as follows:

TABLE 1

Likert scale	Frequency	Percentage	Valid Percent	Cumulative Percent
STRONGLY AGREE	37	61.7	61.7	61.7
AGREE	10	16.7	16.7	78.3
DISAGREE	9	15.0	15.0	93.3
STRONGLY DISAGREE	4	6.7	6.7	100.0
TOTAL		100.0	100.0	

The Table shows that thirty seven (37) respondents representing 61.7% strongly-agreed that the involvement of Forensic Accountants in investigation of public sector Financial Crimes are more result oriented in prosecution than that of Traditional Investigators. Ten (10) respondents representing 16.7% also agreed, while nine (9) and four (4) respondents representing 15% and 6.7% strongly-disagreed and disagreed respectively. This means that the services of Forensic Accountants in investigation of public sector financial crimes are more result oriented in prosecution than of Traditional Investigators.

The study further sought and obtained responses on some comparative basis, using both Null and Alternative Hypotheses:

Test of Hypothesis II

H0: The Application of Forensic Accounting skills do not have a significant impact on investigation of public sector financial crimes.

Table II

RESPONSES	STRONGY AGREED	AGREED	STRONGLY DISAGREED	DISAGREED	TOTAL
QI	22	17	10	11	60
QII	38	11	8	3	60
TOTAL	60	28	18	14	120

$$X^2 = \frac{\sum (o - e)^2}{e}$$

To ascertain the expected values (e),

1st Roll total X1st Column Total X Overall Total. This is applicable to all the rows
Overall Total Overall Total

First Row/Column = 60 X 60 X120 = 30
120 120 1

Table III

0	E	0-E	(O-E)2	(O-E)2/E
22	30	-8	16	0.533
17	14	3	9	0.6429
10	9	1	1	0.111
11	7	4	16	2.286
38	30	8	64	2.133
11	14	-3	9	0.6429
8	9	-1	1	0.111
3	7	-4	16	2.286

X2 = 8.7458

The hypothesis formulated is tested by means of the Chi-square. The chi-square is 8.7458, which shows that the chi square calculated is greater than the chi-square tabulated (3.84). As a decision rule, if the computed value of Chi-square is greater than the critical value of X^2 at 5% level of significance, the null hypothesis (H_o) is rejected, while the alternative hypothesis (H_i) is accepted. The reverse is however the case if the computed value of X^2 is greater than the critical value at the chosen level of significance. Conclusion: since the computed value of chi - square (8.7458) is greater than the critical value (3.84), therefore we reject Null hypothesis (Ho) and accept the alternative hypothesis that "The Application of Forensic Accounting skills has a significant impact on investigation of public sector financial crimes.

Test of Hypothesis II

HO: There is nosignificant difference between Forensic Accountants as Investigators and Traditional Investigators on the investigation of public sector financial crimes.

H1: There is significant difference between Forensic accountants and Traditionalon the investigation of public sector financial crimes.

Table IV

RESPONSES	STRONGY AGREED	AGREED	STRONGLY DISAGREED	DISAGREED	TOTAL
Q III	23	18	8	11	60
Q IV	37	10	9	4	60
TOTAL	60	28	17	15	120

$$X^2 = \frac{\sum (o-e)^2}{e}$$

Table V

O	E	O-E	(O-E)2	(O-E)2/E
23	30.0	-7	49	1.63
18	14.0	4	16	1.14
8	8.5	0.5	1	0.11
11	7.5	4.5	20.25	2.70
37	30.0	7	49	1.63
10	14.0	-4	16	1.14
9	8.5	1	1	0.12
4	7.5	-3.5	12.25	1.63

$$X^2 = \underline{10.1}$$

The hypothesis formulated is tested by means of the Chi-square. The chi-square is 10.10, which shows that the chi-square calculated is greater than the chi-square tabulated (3.84). As a decision rule, if the computed value of Chi-square is greater than the critical value of X^2 at 5% level of significance, the null hypothesis (H_o) is rejected, while the alternative hypothesis (H_i) is accepted. The reverse is however the case if the computed value of X^2 is greater than the critical value at the chosen level of significance. Since the computed value of chi - square (10.10) is greater than the critical value (3.84), therefore we reject Null hypothesis (Ho) and accept alternative hypothesis that "There is significant difference between Forensic accountants and Traditional on the investigation of public sector financial crimes.

5. CONCLUSION AND RECOMMENDATIONS

This study sought to know the impact of forensic accounting investigation on public sector financial crimes in Nigeria. It was revealed that financial crimes/fraud and corrupt practices are common in developing countries and have negative impact on the economy. That financial crime in third world Countries is alarming and is not only crumbling their economy but also affecting innocent nationals' standard of living and their image. Empirically people are of the opinion that since financial crimes have taken deeper and sophisticated platforms in public sector, the services of forensic accountants are urgently required to tackle the high-dreaded monster of financial crimes in Nigeria. Based on the result of the library study and empirical investigation we conclude as follows. Forensic accounting investigation is a vital tool for fraud detection and fraud prevention in public sector and the services, of the experts (forensic accounting application) are more required in developing economy, and more especially in the public sector, than developed economies. In line with the above conclusions this study recommends that:

i. The Anti-Graft Agencies is encouraged to formalize and specialize in the field of Forensic Accounting application in the investigation of Public sector Financial Crimes.
ii. The government should develop interest in Forensic Accounting for monitoring, investigation and prosecution of suspected and confirmed corruption cases.
iii. Also, practicing accountants should work towards specialization and possibly establish firms for forensic accounting practice.
iv. The Nigerian Legal System is structured to encourage the entertainment of Forensic Accounting Reports/ Expert opinion in the public sector financial crimes.
v. The academia should emphasis skill development in the field of forensic Accounting application.

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Effect of Corporate Disclosure on Earnings Management of Listed Conglomerates Firms Nigeria

PAM, Bunmi

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: bumipam27@gmail.com, Phone No: +234 8065063329

Abstract

The aim of this study is to examine the influence of corporate disclosure on earnings management of listed Conglomerates in Nigeria. The secondary sources of data were employed while the panel data collected was analysed using multiple regression model. The findings revealed that the explanatory variables have significant impact on earnings management of listed Conglomerates in Nigeria. The study recommends that the Conglomerates may increase their leverage levels, which apart from enjoying the benefits of debt financing such as tax shield, provides an incentive to corporate disclosure quality, among others.

Keywords: Corporate Disclosure, Earnings Management, Conglomerate Firms, Tax Shield

1. INTRODUCTION

The quest for producing quality financial report has become a global phenomenon. The global financial crises of the 1930s, 2008, and the recent one in 2015 to 2016 necessitated the demand form unbiased financial reporting, with the accounting figures not just free of error, but also a true reflection of an organization's activities for the period being reported. Shehu and Farouk (2014) observe that due to the financial crises, accounting earnings reported by corporations may be far from being relevant, reliable and effective. Regulators and other stakeholders place a very high premium on the veracity of financial report. The truthfulness of the report depends on the reliability of reported earnings. This desired need could make management to become subjective in the way it recognizes, measure and allocate values to certain items of expenditure and revenues in the financial report.
Pattaraporn (2016) observed that investors give more attention to earnings in the financial reports more than other accounting information; therefore, management becomes prone to influencing accounting earnings in order to meet investors' expectations. According to Shehu (2013)due to income smoothening activities, management can manipulate certain items in thefinancials to achieve a desired result. Manipulation of earnings impairs on the quality offinancial reports and diminishes investors' confidence (Shehu & Abubakar, 2012). Therefore, the motivation to examine the factors that could minimize or eliminate earnings management through disclosure quality,

Earnings management is a fundamental aspect of financial reporting quality. How earnings are recognized and measured is essential to the quality of financial reporting. Corporations, through their managers are duty bound to report business activities for the benefit of shareholders, potential investors, regulators/policy makers, suppliers of finance and other stakeholders. This is usually done through the production of annual reports covering their economic, financial, environmental and social activities. These reports are expected to be high quality information, portraying a true and fair view of transactions (Kibiya, Ahmad, & Amran, 2016). However, the practice of earnings management flaws this process of producing quality financial reports and questions the credibility of the quality of reported earnings (Shehu & Abubakar, 2012). Several studies have been conducted on the quality of reported earnings in relation to specific firm characteristics of corporations in Nigeria. The outcomes of these studies have documented varying and conflicting results, thereby pointing to the inconclusiveness of the subject matter. Besides, though some studies have been carried out in the non-financial sector of the Nigerian economy, to the best of the researchers' knowledge, little or no study have been done in the Conglomerates sector in regards to this study. The choice of studying the Conglomerates sector is hinged on the fact that little or nothing has been said about the disclosure quality of the sector so as to determine the degree to which the managers of these Conglomerates have being able to give account of their stewardship by minimizing or eliminating cooked records from their financial report.On this basis, it is therefore important and equally necessary to identify the factors of disclosure quality that could impact on earnings management. Thus, the broad objective of this study is to examine the influence of corporate disclosure quality earnings management of listed conglomerates in Nigeria. Also, the study will attempt to test the validity or otherwise of the following hypotheses all stated in null form.

H_{O1}: Age of a firm has no significant effect on earnings management of listed Conglomerates in Nigeria.

H_{O2}: Leverage of a firm has no significant impact on earnings management of listed Conglomerates in Nigeria.

H_{O3}: Liquidity of a firm has no significant influence on earnings management of listed Conglomerates in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Disclosure Quality

Smith (2014) defined disclosure and transparency in corporate governance as availing the truth to every stakeholder. Smith adds that by definition if a company is only to let the truth be known that presupposes a passive position on matter disclosure. He opines that the current corporate governance mechanism calls for active disclosure transparency of company's information bringing in a whole new meaning to a firm, as transparent actions put new responsibilities to a firm. According to Organisation for Economic Co-operation and Development (OECD) (2012), an appropriate governance framework should ensure timely and accurate disclosure of all material matters, including financial situation, performance, ownership and governance of a company at least once a year, or twice a year, or quarterly, and if possible every month. The quest for material development according to OECD is that users are bound to take up information that is omission or misstatement which could negatively influence economic decisions. The OECD also stipulates that firms should simultaneously disclose information to all shareholders without creating unreasonable administration or cost burdens. Further, according to Solomon and Solomon (2004) transparency in corporate governance is an important element of a well-functioning system. Disclosure therefore involves information emanating from the firm and ranges from financial statements; the profit and loss account, cash flow statement and balance sheet to other mandatory reports like AGM and management forecast (Healy & Palepu, 2001).

Indeed, studies on disclosure and corporate performance of firms have yielded various results. Bhagat and Bolton (2008), for instance, studied the importance of disclosure in preventing financial fraud in the money market, and established that when self-interest behaviour veers into criminality, true transparency may cast light on financial malpractice activities that could lead to a change in behaviour. The study further observed that increased transparency is important to the future success of corporate governance. The study underscored that transparent disclosure is the only practice that is likely to deter fraud, embezzlement and financial scandals – the necessary conduct that can enhance the fostering of efficiency in allocation of investments across companies and regions. The study concluded that rules, regulations, laws, concepts, structures, processes, best practices and most progressive use of technology cannot ensure transparency and accountability, which can only come about when individuals of integrity do the right thing. A study by Patel, Balic, and Bwakira (2002) found that when a firm embraces higher transparency and disclosure, the information asymmetry is considerably reduced. The findings suggested that firms with higher levels of disclosure and transparency are more valued than firms with lower disclosure and transparency; meaning that improved disclosure and transparency implies strong corporate governance practices leading to better firm performance. Chiang and Chia (2005) established that transparency and disclosure has a significant positive relationship with corporate performance and termed it as the most important indicator for measuring firm performance. On the same line, Fan and Wong (2005) argue that disclosure of material information like related-party transactions, external audit results and insider transaction are a priority in corporate governance. Lewis and Mallat (2009) observe that disclosure and transparency in stock markets play crucial roles in corporate governance, allowing organizations to publish data on key management practices, such as financial and non-financial statements, corporate social responsibility (CSR) activities and audit reports. They add that, such an approach enable shareholders become aware of issues affecting their investments. This constitutes an important aspect of shareholder theory, that the directors of the company should manage it on behalf of the shareholders.

According to Epstein and Buhovoc (2006), shareholders need all information about the capital they have invested in a company that is managed by corporate directors in order to ascertain that their interests are being taken care of.

Shareholders need also be familiar with procedures and strategies that have been put in place to reduce costs in the event of failure of management to perform its duties. Often times, disclosures have revealed faults within companies and conflicts of interests between management and shareholders. Finally, information disclosure is a key factor in the determination of the value of a company, the trading of its shares in the stock market, and the appointment and exemption of directors (Epstein & Buhovoc, 2006).

2.1.2 Concept of Earnings Management

One of the most influential factors that can use to measure financial reporting quality is earnings management transparency (Patel, Balic, & Bwakira, 2002). Managers use earnings management base on financial reporting viewpoint to avoid reporting losses from the companies' financial transactions or to meet analysts' forecasts, thereby hoping to avoid damage reputation and strong negative share price reaction that will lead to a failure to meet company investors' expectations. When managers' are more concerned about share price effects and requiring greater reporting transparency, they should reduce value of earnings management to improve transparency (Hunton, Libby, & Mazza, 2006). Theories suggest that detection of earnings management is easier resulting from improved transparency which should reduce the expected value of earnings management.

Earnings management occurs as a result when managers' use personal judgement in financial statement and in structuring transactions to alter financial reports to either deceive some stakeholders about the fundamental economic performance of the company or to influence contractual outcomes that depend on the reported accounting figures. Earnings management involves potential wrongdoing, mischief, conflict, and a sense of mystery. Managers are less likely to manage earnings if they have professional designations and subscribe to codes of ethical conduct. Earnings management can be classified into two different categories: The real earnings management that is affecting cash flows and accruals management through accounting policies and changes in estimates. The real earnings are costly to the company and mangers are keen to engage, hence such actions are harder to detect (Lo, 2008). This is consistent with the study on accrual-based and real earnings management activities around equity offerings adopted by Cohen and Zarowin (2010). They study suggested that managers prefer real earnings management compared to accrual-based because managers are less likely to be scrutinized by auditors, regulators, and thus have likely to greater probability of not been detected. However, when managers engage in real earnings management, three possible manipulation methods occurred; acceleration of the timing of sales through increased price discounts, reporting of lower cost of goods sold through increased production, and decreases in discretionary expenses including advertising and R&D expenses.

Marai and Pavlovic (2013) reported that earnings management practices through accounting accruals usually result financial fraud which involve using estimates or judgments allowed by managers, such as expected lives and rescuing values of long-term assets, obligations for pension benefits and other post-employment benefits. The study by Tandeloo and Vanstrelen (2011) viewed earnings management as a way of assessing the quality of reported earnings by examining to what extent earnings are managed, with the intention to either mislead some stakeholders about the underlying economic performance of the company. The study reported that managers were significantly encouraged to engage in earnings smoothing after the adoption of IFRS especially if company does not have a Big 4 auditor. Managing earnings is "a purposeful intervention in the external financial reporting process, with the intent to obtaining some private gain as opposed to say, simply facilitating the neutral operation of the process (Schipper, 1989; cited in Beneish, 2001). Therefore, if managers allowed too much earnings management in the company's financial transaction will lead investors to make poor investment decisions, hence financial reports is of no quality.

2.2 Empirical Framework

In the study conducted by Huang, Ena, and Lee (2012) and Chalaki, Didar, and Riahnezhad (2012) found that age is not statistically significant with financial reporting quality. Hossain (2008)also reported insignificant relationship. The result of the study of non-financials firms inNigeria by Kibiya, et al. (2016) found a significant association between age and financial reporting quality. Akhtaruddin, Hossain, Hossain, and Yao (2009), Agyei-Mensah (2012), Fathi, (2013), Uwuigbe, Uwuigbe, and Okorie (2015), Olowokure, Tanko, and Nyor (2016), did not find anystatistical relationship between leverage and disclosure quality. On the contrary, the regression result of the work of Shehu (2013), Shehu and Farouk (2014), Karami and Akhgar (2014), Kim and Yang (2014), and Amr (2016), found positive significant relationship between firm leverage and financial reportingquality. Marginally positive impact of the IFRS adoption on disclosure has been found by Bokpin (2013) in his study on the capital market of Ghana. According to this study, firm size, financial leverage, age of the company, its profitability and the audit quality have been found to be significant firm level characteristics determining corporate disclosure.Shehu and Ahmad (2013), Shehata, Dahawy, and Ismail (2014) however reported a negative significant relationship. Aljifri, Alzarouni, Ng, and Tahir (2014) found aninsignificant relationship in their study.

Mendes-Da-Silva and Onusic (2014) analyse the link between certain firm characteristics and the web-based disclosure which is taking prevalence over other methods of disclosing data and changing the entire disclosure ambiance. Although the size of the company and the acceptance of best corporate governance practices have proven their expected positive impact on transparency, somewhat surprising outcome has been the negative impact of the length of the period of company listing on the stock exchange. In a more recent study, Ahmed (2015) explores the determinants of the quality of disclosed earnings in ten European transition economies. He finds significant cross-country differences of the relevant factors, where the ownership structure plays important role in determining the quality of disclosure in most transparent countries, while financial factors are a more significant determinant in the countries with poorer disclosure practices.The findings of Amr (2016), Shehu andFarouk (2014) revealed a positive significant relationship between liquidity and financial reporting quality. Aksu and Espahbodi (2016) investigate the behaviour of the companies listed on the Istanbul Stock Exchange to determine if mandatory or voluntary regulation provides better results in terms of disclosure quality. They find out that the mandatory implementation of International Financial Reporting Standards (IFRS) have had positive impact on the transparency disclosure practices of the Turkish firms.

2.3 Theoretical Framework

2.3.1 Agency Theory

Agency theory serves as the foundation for this study. The agency theory defines the principal-agent relationship. The principal here are shareholders while agents refer to the managers. These parties have divergent interests, thus giving rise to agency costs, Shehata (2014).Disclosures by way of financial reporting and regulation help to mitigate the agency problem as it requires that management of corporations report both mandatory and voluntary information for the benefit of shareholders and other interest parties. By and large, since managers have first-hand information about operations of a business, they are duty bound by the agency theory to report as appropriate to the owners of the businesses. Disclosure of financial information lessens agency costs and also makes it easy for creditors to evaluate the volatility of a company, and likely ask more information to safeguard their resources (Botosan & Plumlee, 2002; Fathi, 2013; Echobu, Okika, & Mailafia, 2017).

3. METHODOLOGY

In selecting the choice of research method to be used by a researcher for the purpose of acquisition, analysis and interpretation of data, it is very paramount to put in mind the nature of the study, the problem at hand and the desired objective. In line with this, Ex-post facto design was adopted for the study. The population of this study is made up of the six (6) Conglomerates listed on the Nigerian Stock Exchange (NSE) in Nigeria as at 18th December, 2019 (Nigerian Stock Exchange, 2019). The listed Conglomerates are A.G. Leventis Nigeria Plc.; Chellarams Plc.; John Holt Plc.; SCOA Nigeria Plc.; Transnational Corporation of Nigeria; and UACN Plc. However, from the study population, the sample size of the study is made up of five (5) Conglomerates, which are A.G. Leventis Nigeria Plc.; Chellarams Plc.; John Holt Plc.; SCOA Nigeria Plc.; and Transnational Corporation of Nigeria; using a filtering system to eliminate UACN Plc. This filtering system is that a conglomerate should have data available within the period of the study. Secondary sources of data were employed. This secondary data were sourced from annual reports and accounts of the selected listed Conglomerates.
The multiple regression analysis using Ordinary Least square (OLS) was employed to test the influence of corporate disclosure quality on listed Conglomerates in Nigeria. The model specified below follow the model

specification of Echobu, Okika & Mailafia (2016) and modified to examine the influence of corporate disclosure quality on listed Conglomerates in Nigeria.

$E\_M = \beta_0 + \beta_1 Age + \beta_2 Lev + \beta_3 Liq + Er$

Where E_M= Earnings management; Age= Age of the firm; and Lev = Leverage of the firm; while β_0, β_1, β_2, β_3 are the coefficient of the variables.

The measurement of variables as shown in the model specification are shown table 3.1

Table 3.1: Variable Definition

Variables	**Acronym**	**Measurement**	**Validity**
Dependent			
Earnings Management	E_M	Total accrual / Total assets, where total accrual equals earnings before extraordinary items less cash flow from operating activities	Modified Jones model (1991); Dechow, Sloan, and Sweeneyl (1995) as in Bala and Kumai (2015)
Independent			
Age	Age	Date of incorporation	Olowkure, Tanko, and Nyor (2016)
Leverage	Lev	Total debt / Total equity	Botosan and Plumlee (2002); Fathi (2013)
Liquidity	Liq	Current assets / Current liabilities	Shehu and Ahmad (2013); Shahata, et. al. (2014); Aur (2016)

Multiple regression analysis was used because it tries to forecast a normal or scale dependent variable from a combination of several scale and/or dichotomous independent/predictor variables. Statistical Package for the Social Sciences (SPSS) was used to analyze the data. The researcher used the Ordinary Least Square (OLS) method. Ajani (2012), states that the Ordinary Least Square (OLS) is a multiple regression analysis method where it is assumed that all of the predictor variables are important. Multiple regressions using Ordinary Least Square (OLS) allows the researcher to consider all the variables at the same time.

4. RESULT AND DISCUSSION

The data employed for the analysis of the regression results are shown as follows. This section analyses and interprets the outcomes gotten from the tests conducted on the data collected for the study. This is followed by drawing relevant inferences from the analysis as well as the test of hypotheses formulated for the study.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.730[a]	.534	.467	.11257

a. Predictors: (Constant), LIQ, LNAge, LEV

Sources: SPSS Version 20 (2020)

Table 4.3 indicates that the R which represents the correlation coefficient shows a strong explanation of 0.730, while the more crucial variable R squared shows an output of 0.534, which signifies that changes associated with the response variable (earnings management) is captured by the changes in the explanatory variable (corporate disclosure quality).

Table 4.4: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	.304	3	.101	8.009	.001[b]
	Residual	.266	21	.013		
	Total	.571	24			

a. Dependent Variable: E_M
b. Predictors: (Constant), LIQ, LNAge, LEV
Sources: SPSS Version 20 (2020)

Table 4.4 also showsthat the Analysis of Variance table (ANOVA) showing asignificant regression at the 1% level of significance with F statistics of 8.009 showing the fitness of the model.

Table 4.5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.103	.155		-.665	.513		
	LNAge	-.154	.084	-.308	-1.831	.081	.783	1.277
	LEV	.035	.012	.507	2.872	.009	.714	1.401
	LIQ	.226	.054	.695	4.158	.000	.794	1.259

a. Dependent Variable: E_M
Sources: SPSS Version 20 (2020)

Table 4.5 indicates that the Tolerance value statistics are consistently greater than the common benchmark of .10 and also the Variance Inflation Factor in relation to all the variables considered are consistently less than 10. These confirm the absence of multicollinearity in between the explanatory variables.

4.1 Discussion of Findings

From table 4.3, 53.4% R squared indicates that earnings management are affected by the explanatory variables captured in the study. This could mean that about 46.6% of variables not captured in this study but serves as determinants of corporate disclosure quality could impact on earnings management, which could be in the interest of the shareholders. In addition, table 4.5 shows the regression results on the influence of corporate disclosure quality on earnings management. The estimated regression equation for the model is
E_M = -0.103 – 0.154 (LNAge) + 0.035 (LEV) + 0.226 (LIQ)

The model indicates how the results show the coefficient of determination for the model, which is fitted at 1%. This coefficient measures the proportion of the total variation in the earnings management as explained by the corporate disclosure quality, which is 53.4%. In addition, the study provides evidence that the age of the firm is significant at 10% and negatively associated with earnings management, this provides grounds to reject the null hypothesis, which states that the age of the firm has no significant effect on earnings management. The age of a firm is considered as one of the essential determinants of financial reporting quality. Thisaffirms that internal control system of a firm gets stronger with age, and a strong and well-structured internal control system guarantees corporate disclosure quality. As firms advance in age, they also improve in their governancemechanisms, and as a result, become more closely monitored by government regulatoryagencies. This is expected to produce a corresponding improved disclosure quality. This result is consistent with prior findings of Kibiya, et al. (2016). However, this result is contrary to the findings of Hossain (2008), Huang, Ena, and Lee (2012), and Chalaki, et al. (2012) as they reported insignificant relationship.

More so, a positive and significant relationship at 1% between leverage and earnings management is found in this study. This could mean that disclosure of financial information lessens agencycosts and also makes it easy for creditors to evaluate the volatility of a company, and likelyask more information to safeguard their resources. This position is consistent with the findings of Botosan and Plumlee, (2002) and Fath i(2013), Amr (2016), among others. However, this is contrary to the findings of Fathi, (2013), Uwuigbe, Uwuigbeand Okorie (2015), Olowokure, et al. (2016). Thus, serving as an evidence to reject the stated null hypothesis, this indicated otherwise.

Finally, the study provides a positive and significant association between liquidity and earnings management. This could mean that a firm with good financialperformance indices such as liquidity has more inducement to provide earningsinformation of higher quality,while firms withvery impressive liquidity are more likely to disclose information on their performance toinvestors and other stakeholders. On the other hand, firms with low liquidity may alsoreveal more information to show that management is aware of the company's positionand to avoid claims my shareholders.Thus, the null hypothesis is also rejected. This result is in tandem with the findings of Shehu and Farouk (2014), Amr (2016), and Aksu and Espahbodi (2016) among others.

5. CONCLUSION AND RECMMENDATIONS

The study concludes that the age of Conglomerates, their leverage, and liquidity have significant influence in minimizing or eliminating earnings management through quality disclosure. Following the findings of this study, the studytherefore recommends that the Conglomerates may increase their leverage levels, which apart fromenjoying the benefits of debt financing such as tax shield, provides an incentive to corporate disclosure quality. Similarly, a good liquidity position should be maintained as it has been foundnot only to preserve the going concern of the Conglomerates but also a strong feature for enhancing the quality disclosure. Finally, the NSE should review its monitoring rules to ensure definite rules for theprevention of window dressing behaviour of management in financial reporting. This willfurther boost investors' confidence in listed Conglomerates in the NSE.

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Effect of Revenue Loss on Government Administration in Nigeria

MUSA, Umar Farouk

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: meetdagolden@gmail.com, Phone No: +234 8064226601

Abstract

The objective of this study is to examine the effect of revenue loss on government administration in Nigeria. The study made used of secondary data that were gotten on company income tax and revenue generated in Nigeria from 1981-2016. The data were sourced from CBN statistical bulletin, world development indicator and various journals. And details from budget office Content analysis was employed to analysis the data and the result showed fluctuation in terms of rise and fall in the contribution of company income tax to the total revenue at some periods and rise thereafter. The study concluded that there is positive relationship revenue loss and government administration in Nigeria. And suggested that government should review Nigeria tax policy in a way that company income tax will be boosted; proper punishment should be given to the firms found defaulting in paying tax; training should be given to tax officials on modern technology know-how on effective tax collection and the general public should be sensitized at regular interval on the importance of paying tax.

Keywords: Revenue, Company Income Tax (CIT), Tax, Value Added Tax (VAT)

1. INTRODUCTION

Most of the revenue generated by Nigeria government is through taxation and contextual observation has shown that Nigeria still lack basic social amenities such as good and motor able road, electric power supply etc. Of recent, it was aired on the news that the federal Inland Revenue service experience increase in revenue generation since the inception of the present administration. Yet, there is still deficiency in the infrastructures in the country. It is not yet known if the company income tax paid by the firms contributes to increment in Nigeria government revenue. Also, most of the past studies examine company income tax and economic growth with considering the revenue generation as aspect of the economy. Thus, this study wants to look at the company effect of revenue loss on government administration in Nigeria. With focus on company income tax (CIT).
Even before recent startling disclosures about alleged missing $48.9 billion oilrevenue was made by the former Central Bank Governor, MallamSanusiLamidoSanusi, oneissue that has never been lost in public discourse thrusts on good governance and judicious utilization of the country's resources is the need for tax payers to get value for fulfilling their own part of the governance social contract. As a country reputed for unbridled profligacy inmanaging its resources, the last few years of international oil market uncertainties, threats ofmacroeconomic instability in many developed economies, deepening poverty, growing youthunemployment level, insecurity as well as paucity of infrastructure that ordinarily shoulddrive growth in the economy, the need for Nigeria to raise tax revenue and ensure itsJudiciousutilization for accelerated development cannot be over-emphasized.Unfortunately, several years of ceaseless advocacy for fairness and transparency in the utilization of earned incomes from taxation by fiscal policy experts, civil society organizations (CSOs) and other stakeholders have not translated to concrete gains as theneeded commitment of political leaders and their public servant collaborators at all level ofgovernance to plug leakages in tax revenue generation, remittance and utilization is missingstill.

According to Chude and Chude (2015), the level of development of any nation depends on the amount of revenue generated for the provision of infrastructure. Revenue, receipts of a government or a business. Governments raise revenue mainly through taxation, in order to pay for government expenditure on capital and recurrent expenditures. Jamala, Asongo, and Tarfena(2013)opined that revenue generation provide the largest single source of government revenues in most developed and developing countries, including Nigeria. The revenues generated pay for a substantial part of government operations and services to the public. In Nigeria, the Federal, States, and the Local governments generate internal revenues. State and Local governments generate larger shares of their revenues from property taxes and sales taxes than from income taxes. Income taxes, and especially individual income taxes, are smaller sources of revenue in most developing countries, such as many nations of Africa, Asia, and Latin America.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Conceptualizing Revenue Loss

It is axiomatic to post that there has been increased awareness and advocacy towards transparency in the management of revenue from natural resources, especially from oil rich nation is like Nigeria which is an oil and gas producing nation is immersed in 'resource curse' phenomenon. This is because despite the huge revenue from oil and gas activities its citizens do not get much benefits accruing from such enormous resources, Aderinokun(2010) also concluded that; 'Efficient, transparent governments, closely watched by citizens with access to accurate, timely information on the country spending can help restore trust in public institutions and strengthen democracy". Transparency ensures that information available can be used to measure the authorities' performance and guard against any possible miss-use of power. In this, transparency seeks to achieve accountability. Without transparency trust will be lacking therefore, adequate transparency is critical to ensuring that resources and wealth is managed for the benefit of the whole population (Nicolas 2009). In some nations, the lack of accountability and transparency in these revenue can exacerbate poor governance, leading to corruption and conflict and increasing inequality. Hence the argument that an abundance of natural resource more often becomes a 'curse" than a "blessing" for developing nations (Katsouris: 2009). Strengthen transparency and accountability in the oil and gas sector in Nigeria is an opportunity to reduce revenue loss and stem corruption. Firming the governance of the sector and thereby reducing the many incentives for the abuse of power and capture of revenues which distort policy and politics in Nigeria and undermine the potential for oil revenues to be used to accelerate economic and social development.(Muller,:2010).

The world over, it is generally accepted that greater transparency is needed in natural resource rich countries to entrench accountability, curb corruption and strengthen good governance.(NEITI, 2009). The principle of transparency which goes with openness requires government to provide the citizen with a right to know what is going on in governance. With regards to fiscal transparency this includes clarity of roles and responsibilities; public availability of information; open budget preparation execution and report and independent assurances on integrity. Davis (2009) said: Transparency in revenue is a forceful arrow in the quiver to combating corruption and fraud, improve productivity and output and also increase accountability in the government administration process. According to El-Rifai (2003) Revenue transparency will act to increase accountability in both the executive and legislative branches of government at all levels (federal, State, and local Government.), reducing opportunities for corruption and the potential for waste of public funds. Revenue from Extractive industries, Tax, Oil and Gas developed with the participation affected communities, theses revenues should serve as a basis for poverty reduction and economic growth. Too often, though theses revenues are squandered, fueling corruption, conflict and social divisiveness. Furthermore according to Ezekwesili (2010) transparency in revenue leads to proper management and financial accounting, without which processes and cost cannot be mapped, reported, reviewed and benchmarked. In addition transparency in revenue generation reduces waste of resources by its insistence on the utilization of minimum input, cost reduction and process improvement.

2.1.2 Challenges of Tax Administration

The problems of tax administration in Nigeria include the following:

i. **Poor enforcement**: Government agency in charge of collection of taxes lack the will to enforce punishment on tax defaulters which in this study are the registered companies.in other words, no effective sanctions-civil or criminal appear to be effectively imposed against the tax defaulters.

ii. **Corruption among tax officials:** Corruption and other sharp practices are found to be rampant among some tax officials. The printing of forged revenue receipts and incidence of forged tax clearance certificate are common in the country. There are cases of tax officials concluding with taxpayers and companies to bid down the amount of tax to be paid. This has been found to jeopardize the amount of revenue accruing to the governments at all levels

iii. **Mismanagement of tax revenue**: The way the tax revenue is managed by the authority has a lot of effect on the rate of compliance among tax payers. Where tax revenue is not properly and judiciously utilized, the urge to pay tax has decline. Incidentally, the level of corruption among government officials has been on the increase over the years. This no doubt would have affected the voluntary compliance adversely as people have no basis for paying tax.

iv. **High tax rates:** High tax rate may tempt a payer to evade tax at the margin. Government tax policy to raise tax with a view to increasing tax revenue could backfire especially as tax defaulters find it more rewarding to remain outside the tax net. The higher the tax rates, the more profitable it is to avoid and or evade tax. It also imposes a relatively greater burden on the honest tax payers.

v. **Neglect of tax administration:** As pointed by Taylor (1970), characteristically however, government show no general tendency to establish a priority for tax administration, even when they are confronted with the fact that employment of an additional tax inspector will result in an increase in tax collection of as much as 29 times his salary. The staffing position in the tax department of many states and even at the federal level is worse and they are under-staffed.

2.1.3 Measures required to meeting these Challenges

If tax administration is to meet the challenges, if it is to ensure dynamic economy that is healthy, vibrant and buoyant, the under-listed measures need to be considered.

i. The need for opening and accountability, special levies collected over the years must be publicly declared and any disbursement published on the basis of full disclosure.

ii. The need for professionalism within the tax system: According to Okele (1999), drafting errors both in the original decree and some of the amendment to date form most of the short coming of tax administration with the effect that such errors represent a recipe for confusion and ambiguities.

iii. **Enlightment campaign**: Creating tax awareness among potential tax payers and bring to their knowledge the nature and types of taxes under the Nigeria tax laws. This enables understanding and therefore promotes compliance.

iv. **Staff quality**: To talk of efficient tax administration in the 21st century, without good quality personnel, is to talk of an helmet without the prince. "To this end, staff training programmes should be embarked upon and attainment of high education levels in tax related field should be encouraged.

v. Staff inducement is necessary to encourage them to be more dedicated to their assignment.

vi. An internal audit section should be set up in each tax board to carry out period assessment and monitoring of the performance of the board.

vii. To ensure efficient and effective administration each tax revenue board should have a planning and research unit to interpret tax data and information, locating weakness in the tax system and proposing policy, measures for better tax administration.

Oyebanji (2014), stated the possible solutions to tax evasion in Nigeria among are; Taxpayers should be educated about their civil responsibility; Strengthen taxpayer recruitment; Bureaucratic documentation should be reduced to avoid forgery; the activities of tax officials should be monitored to minimize the incidence of fund embezzlement; Establishment of Revenue Court; Tax policies and tax laws in Nigeria should be made consistent as well as stiff penalty for contravening any section of the law. Also, the following strategies employed by tax revenue authority officials in reducing tax evasion problem in Oyo states include: Enforcement of penalties; Door to door visit in all areas, Priority on tax education, Introduction of taxpayer identification number, Computerization of tax administration; Prosecution and penalty and enhance taxpayer registration and de-registration.

2.2 Empirical Literature

Revenue mobilization as a source for financing development activities in Nigeria has been a difficult issue primarily because of various forms of resistance, such as evasion, avoidance and other form of corrupt practices

(Abata, 2014). Revenue could be defined as the annual or periodically yield of taxes, exercise as the other sources of income that a nation state or public sector collects or receives into their treasury for public use. Dixon (2000) sees revenue as the total amount obtained from the sale of a merchandise services to customers. According to Procter (2005) revenue is an income. Fayemi (2001) sees all tolls, taxes, impress, rates, fees, duties, fine, penalties, fortunes and all other receipt of government from whatever source arising over a period either one year or six months. Flesher and Flesher (2007) defined revenues as an increase in owners' equity resulting from the performance of a service or sale of something. Walgenbach and Glison (2006) defined revenues as the increase in owners' equity a firm earns by providing goods or services for its customers.

According to Okezie (2003), the primary purpose of revenue generation is to raise income for government expenditure. It is the best and quickest mode of raising revenue open to government for economic activities in order to increase the quality of life of its citizens. Jamala, Asongo, Mahai and Tarfena, (2013) postulated some problems of revenue collection which are stated below: Loopholes and Shelters: Tax loopholes develop when tax laws create ways for taxpayers to legally avoid paying taxes on some earnings. Tax shelters shield certain kinds of income from some or all taxation. People can move income from a place that is subject to standard taxation, such as a personal savings account, into a sheltered place, such as a low-tax or tax-free investment. A very simple type of shelter involves transferring capital income (dividends and interest) from someone who has a high marginal tax rate to someone who has a low marginal tax rate, (Rosen et al., 2009). Akpan (1993), identified embezzlement and diversion of funds as a problem of tax collection, that result in the loss of huge sum of revenue to fraudulent staff charged with the responsibility of tax collection. it was stated that nonperformance of employee due to poor motivation and lack of training as a major threat to effective tax collection. Hence tax collectors should be adequately motivated in order enhance effective tax collection. Tabanshi, (1997) pointed out that another problem of tax collection is the failure by tax payers to submit their correct information for assessment. Zorto (1996) cited in Jamala et al (2013) enumerated inadequate legal policies, poor system of accountability of the tax officials and lack of adequate awareness/campaign on the importance of tax, as some of the constraints of tax collection and filing.

2.3 Theoretical Framework

2.3.1 Laffer curve

According to the theorist (Prof. Arthur Laffer), the Laffer curve shows the relationship between government revenue raised by taxation and all possible rate of taxation. It considers the amount of tax revenue raised at the extreme tax rates of 0% and 100%. This theory is of the opinion that a 100% tax rate raises no revenue in the same way that 90% tax rate raises no revenue. This is because at 100% rate, there is no longer incentive for a rational tax payer to earn any income, thus the revenue raised will be 100% of nothing. It therefore follows that there must exist at least one rate in between where tax revenue would be a maximum. This theory is one the opinion that increasing tax rate beyond a certain point will become counterproductive for raising further tax revenue because of diminishing returns (Afuberoh, 2014). This theory is adopted in line with the objectives of this study. This talks about the relationship between revenue and tax rate which suit what the study wants to achieve

3. METHODOLOGY

This study would rely on secondary data. Data will be gotten from CBN statistical bulletin, Budget office and from various journals. The data that would be gotten will be on company income tax and revenue generated in Nigeria from 1980 to 2016. And 2010-2019 dada on Budgeted/Actual revenue generationsIn order, to achieve objective of this study, content analysis would be used to analysis the data.

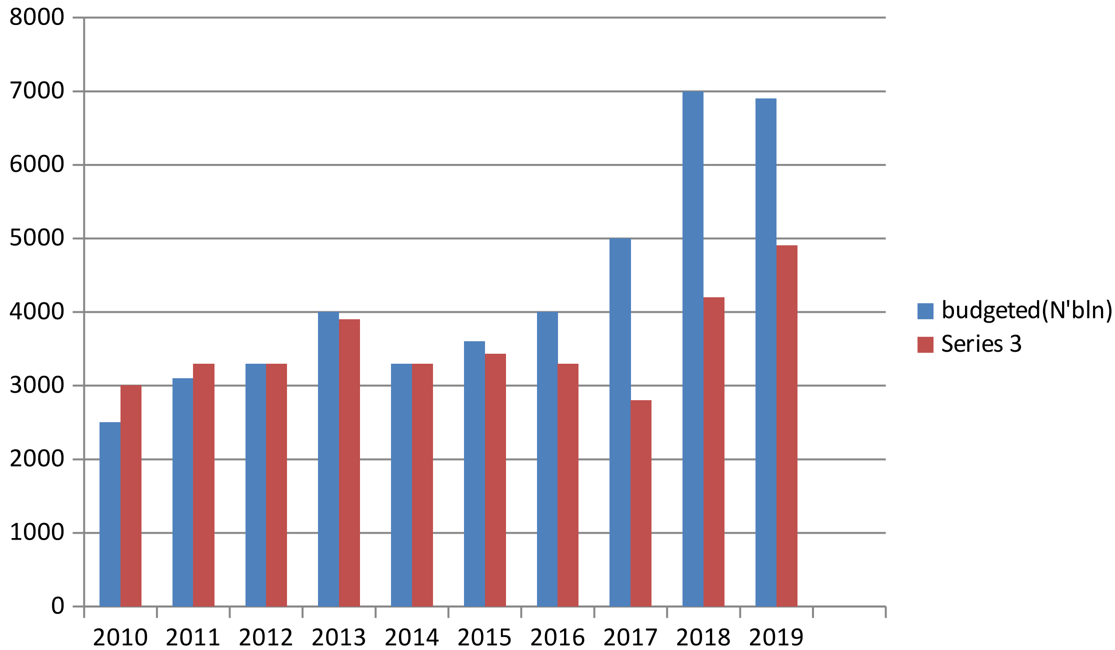
4. RESULT AND DISCUSSIONS

This section centered on the data generated from various and the analysis

Company Income Tax and Revenue GenerationAnd Loss

Year	CIT (Million)	Total Revenue (Million)	% Contribution of CIT to Total Revenue
1981	430	13290	
1982	550	11433	
1983	517	10508	
1984	783	11440	
1985	1004	13297	5.5%
1986	1103	14222	
1987	1235	12516	
1988	1551	13850	
1989	1914	13990	
1990	2997	14775	12.69%
1991	3829	100991	
1992	5417	190453	
1993	9554	192769	
1994	12275	201910	
1995	21878	459987	4.62%
1996	22000	523597	
1997	26300	582811	
1998	33300	463668	
1999	46200	949187	
2000	51100	989187	5.1%
2001	68700	231600	
2002	89100	173184	
2003	114800	257510	
2004	113000	392050	
2005	140300	554750	3.3%
2006	244900	596510	
2007	275300	572750	
2008	290666	7866590	
2009	295717	48445925	
2010	202870	73036671	11%
2011	297516	11116900	
2012	298460	10657724	
2013	299900	16602015	
2014	299010	10,068.85	
2015	256456	6,912.50	
2016	2998025	5,679.03	11.3%

Source: World Development IndicatorCBN statistical Bulletins
Researcher's Computation



Source: Based on Data obtained from Budget Office

The above table showed the company income tax (CIT) and revenue generated by the Nigerian government from 1981-2016. The data showed that there is fluctuation in the contribution of CIT to the total revenue for the periods. From 1981 to 1985, the contribution of CIT to the total revenue was 5.5%. From 1986 to 1990, the contribution of CIT to the total revenue was 12.69%. From 1991 to 1995, the contribution of CIT to the total revenue was 4.62%. 1996 to 2000 showed that CIT contributed to total revenue by 5.1%. 2001-2005 contribution of CIT to the total revenue was 3.3%. 2006 to 2010; 2011-2016 data showed that CIT contributed to the total revenue by 11% and 11.3% respectively. Also from the column chart we could see that the period where Budgeted revenue was at per with Actual was 2012,2014 for others there where slight difference and for 2018, 2019 there was a noticeable difference between Budgeted and Actual revenue generation.

4.1 Discussion of the Findings

The study is to examine revenue loss and its effect on government administration in Nigeria. From the above result, there is mixed reaction in contribution of CIT generated to the total revenue. There was sharp and high contribution of CIT to the total revenue generated from 1986 to 1990 but decline was experienced from 1991 to 1995 period. This could be as result of introduction of VAT in that period. Since VAT was introduced, logically, revenue is should increase as well. CIT started contributing positively to the total revenue from 2006 to date. The result showed high level contribution of CIT to the total revenue. This could be the change of government in Nigeria political system that had resulted to good and effective tax policies and its implementations. Also we could say reason for not reaching the budgeted goals mostly is due to Loss in revenue through corruption, Tax Evasion.

5. CONCLUSION AND RECOMMENDATIONS

This study concluded that company income tax contributed positively to total revenue generated in Nigeria. Thus, this study suggested that the government should review Nigerian tax policy in a way that company income tax will be boosted; proper punishment should be given to the firms found default in paying tax; training should be given to tax officials on modern technology know-how on effective tax collection and the public should be sensitized at regular interval on the importance of paying tax.The implications of these results may cause inevitable distraction to the potential performance of government in the public sector; therefore, threatening its competence to finance public expenditure and undermining legitimacy of government due to noncompliance to pay tax become significant to substantial budget deficit. Therefore, until those underlying causes and mechanism to curb tax evasion were addressed, tax evasion may continue to be widespread.

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Impact of Foreign Direct Investment on Development of Capital Market

IDEDEKUMOH, Oyonvwenadjebre Daniel

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: oyonvwen@gmail.com, Phone No: +234 8063837102

Abstract

This research work examines the relationship between foreign direct investment and capital market development with specific reference to Nigeria; given the role of FDI in promoting economic growth in emerging economies of the world. The paper adopted the ADF unit root test and Johansen test co-integration test in assessing the secondary data obtained from the Central Bank of Nigeria statistical bulletin covering 1970 to 2019. The non existence of co-integration between FDI and market capitalization led to the OLS regression analysis which proved a significant relationship between FDI and market capitalization. Against this backdrop, it is an empirical precedent that FDI has a significant impact on capital market development. It is therefore suggested that deliberate and purposeful actions through government economic policies be taken to drive inflow of foreign direct investment into Nigeria. Nevertheless, over reliance on foreign direct investment as a way of stimulating economic growth, should be played down as it is not a viable option in the long run. This is revealed by the low beta weight and lack of co-integration of FDI. The study concludes that while inflow of FDI should be encouraged, through government policies, emphasis should be on the local investment in the long run.

Keywords: Market capitalization, Investment, Foreign Direct Investment, Foreign Portfolio Investment

1. INTRODUCTION

Investment is a function of capital availability. This could come from savings, borrowing and foreign contribution. The amount of savings and borrowing in developing nations is at the very ebb given the peasant nature of many citizens due to low per capita income and high interest rate in Nigeria. This is a huge problem that nations in Africa have battled with over the years. There is therefore a clarion call to attract an alternative means of capital either in the form of private or public agencies from foreigners to boast economic activities in order to stimulate economic growth. The capital market plays a great role as it serves as a platform for pulling resources for investment purposes. Hence the development of the capital market is an apparatus for mobilizing foreign direct investment as auxiliary to indigenous effort. The Nigeria capital market came on board operation 1st march 1959 as Lagos Stock Exchange and was incorporated 15th December 1960. It began operation 5th June 1961. It however evolved into the Nigerian Stock Exchange by 1977 to drive capital market activities. Since its inception it has been a platform for the attraction and operation foreign market development for investment purposes for economic growth in Nigeria. A major problem confronting business growth and expansion in sub-Saharan Africa is finance. Hence through the capital market with correct enabling environment, there is a growing foreign capital inflow to drive economic growth. The question then is to what extent does foreign direct investment act as a vehicle for driving economic development and enhance the capital market development? There has been much discussion on the need to attract foreign direct investment into Nigeria to boast economic growth. Time without number, Presidents have had travelled abroad in search of foreign direct investment. Hence it became necessary that a study of the impact of foreign direct investment on the development of capital market be carried out if for nothing else; to create awareness on policy makers, contribute to academic discussion on the subject matter.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Foreign Direct Investment

The International Monetary Fund (IMF) defined foreign direct investment as the investment that involves a long term relationship reflecting a lasting interest of a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor. According to the World Bank, FDI refers to the net inflow of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating other than that of the investor and can be further developed as the sum equity capital, reinvestment of earnings, other long term capital, and short term capital as shown in the balance of payments in that economy. Thus, it is composite function of capital stock and technology, and augments existing stock of knowledge in the host economy through labour training, skill acquisition and diffusion and the introduction new managerial practices and organizational arrangements (De-Mello, 1999).

Capital market is a miniature of the financial market concerned with mobilizing and distributing long term funds by acting as a synergy between the surplus sector of the economy and the deficit sector for investment for purposes. It can be framed as a conglomerate of institutions that organize long term financial instruments such as debentures, shares, stocks, bonds and government securities (Author's perception). Osita, (1990) emphasized the element of control in his conceptualization of foreign private investment as investment in a foreign country where the investing party (corporations, firms and so on) retain control over the investment. Thus "the heart of any foreign private investment is control". The International Monetary Fund (IMF) sees Foreign Private Investment as "investment that is made to acquire a lasting business in an enterprise's operation on economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprises". Succinctly, the prime objective of capital market entails but not limited to marketing liquidity and safety of financial assets in order to promote savings and investment; encouraging more refund allocation of resources by stabilizing the demand and supply of loanable funds; enabling the transfer of funds from one sector or country to another for economic or commercial growth and enhancing successful implementation of monetary and indigenization policy (Adeusi, 2000). Sustainable economic growth and development can be realized through lot local and foreign investment efforts which made it possible with the presence of a well organized and functioning capital market (Ekundayo, 2002).

2.1.2 Concept of Capital Market

A capital market is a financial market in which long-term debt or equity-backed securities are bought and sold. Capital markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments. The savers represent the surplus sector of the economy otherwise known as household and those who use the wealth represent the deficit sector of the economy. The capital market is therefore a link between the surplus and the deficit sector of the economy. Thus, it acts as a pool of wealth for the financial need of business entities. The capital market could be primary or secondary. The primary market is the market where the securities of new companies are bought and sold. The secondary market on the other hand, deals with the securities of existing companies. Market capitalization on the other hand, commonly called market cap, is the market value of a publicly traded company's outstanding shares. Market capitalization is equal to the share price multiplied by the number of shares outstanding (Wikipedia, 2020).

2.1.3 Concept of Investment

In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit (Investopodia, 2020). Multinational Enterprise is a transnational corporation with facilities and other assets in at least one country, than its home country. It generally, has offices and/or factories in different countries and a centralized head office where they coordinate global management (Investopodia). They are engines for transmitting foreign direct investment.

2.1.4 Foreign Portfolio Investment

UNCTAD (1999) conceived foreign portfolio investment as the as the transfer of financial assets by way of investment by resident individuals, enterprises and institutions in one country in securities of another country, either directly in the assets of the companies or indirectly through financial markets. The capital market is the engine room that drives this process.

2.2 Empirical Literature

Ezeoha (2009) conducted a study on the nexus between stock market development and level of domestic or foreign private investment flows in Nigeria. This research revealed a positive correlation between capital market development and foreign private investment while a negative correlation exists between capital market and foreign private investment in Nigeria. Afeesze and Kazeem (2010) opined that there exist a unidirectional union between market capitalization and economic growth, and the deficiency of unconventional union between economic growth and total value traded two way cuasality between economic growth and and turn over ratio. Conclusively, the result of the granger test demonstrated that capital induces economic development. Olawoye (2011) undertook an investigation on the impact of capital market on economic growth in Nigeria. Gross Domestic Product (GDP) was used as a proxy for economic growth and market capitalization, new issues, value of transaction traded and total listing were hosted as capital market variables. The multiple regression technique was employed for the analysis and the result showed a positive network between capital market and economic development. Okwu and Obiakor (2011) engaged the Ordinary Square to examine the impact of market development on the Nigerian Economy Growth from 1981 to 2008. They concluded that market capitalization gross capital formations of foreign private investment are major determinants of the Nigerian economic growth while the volume of share traded related positively but insignificantly. Baghebo and Edoumiekumo (2012) carried out an exploration and adopted the group unit root and Johansen co-integration test to investigate the connection between Foreign Private Capital Accumulation (FPCA) and Economic Development in Nigeria from 1070 to 2010. The study found out that current and lagged FPI have a positive correlation which suggests a positive impact on economic development. However, while the latter is statistically compelling and symbolic, the formal is recessive in magnitude. Hence building policies that drive such investment would be a worthy course with a premium on the economy. Uremadu (2010) demonstrated the impact of Foreign Private Investment on Capital Formation in Nigeria with the aid of ordinary Least Square technique. His exercise portrayed a negative correlation of foreign exchange rate, gross national savings, inflation rate, debt service ratio, lending rate, exchange rate, and all dissuaded gross capital formation in Nigeria. Nevertheless, aggregate foreign private investment, index of energy consumption and banking system and credit to domestic economy pointed a positive association.

Chigbu, Ubah and Chegbu (2015) surveyed the impact of capital inflows on economic growth of developing economies with focus on Nigeria, Ghana and India from 1986 to 2012. The Augmented Dickey Fuller unit root test was adopted to examine the stationarity of the data and the Johansen co-integration was employed to evaluate the long run equilibrium relationship among the variables observed. The causal connection was tested using the Granger Causality while the Ordinary Least Square technique was used to appraise the model. The researchers concluded that capital inflows have a pronounced magnitude on the economic growth of these three countries alike. They assert that in Nigeria, Ghana and India, foreign direct investment as well as foreign borrowings have convincing and significant impact on the economic growth of developing nations taking the three countries as reference points. Okpoto (2015) scrutinized the impact of foreign direct investment on the Nigeria's economy growth from 1980 – 2103. He relied on the Augmented Dickey Fuller (ADF) and ECM, to measure the long run union between GDP and other variable in the model. In a bid to demonstrate this, the network between real GDP and foreign private investment, inflation, exchange rate and interest rate were given priority. The findings showed that activities of FPI have impacted favourably in enhancing economic activities in Nigeria within the period reviewed. Also in McRollins and Orji (2014), the impact of foreign portfolio investment in Nigerian capital market was place in perspective using Error of Correction mechanism and Mackinnon model. The conclusion was that foreign portfolio investment and FDI confirmed that FDI contributes significantly to Nigeria capital market development.

Irfan (2014) evaluated the impact of Foreign Direct Investment on the Volatility of Pakistan Stock market using regression analysis. Market Capitalization was used as the dependent variable while the explanatory variables were FDI, GDP, and inflation. The outcome showed that foreign direct investment has positive impact on the development of stock market in Pakistan. Ali, Nasir, Zeshan, Mohammad, and Tanvir (2012) in their research on the role of FDI on Stock Market Development, they adopted the Ordinary Least Square (OLS) method of regression to analyze the secondary data of annual series for the period of 1988-2009. The results of the study demonstrated a positive impact of foreign direct investment along with other explanatory variables domestic savings, FDI, exchange rate and inflation rate in developing Stock market in Pakistan. Ugochukwu, Ukore and Onoh (2013), surveying the impact of foreign direct investment on the Nigerian economy that from 1081 to 2009 made use of the ordinary Square procedure to infer the union between the two variables. It was discovered that a positive but symbolic and compelling association between foreign direct investment and economic growth in Nigeria exist for the period under review and the same applied to interest rate while domestic investment is positive and significant. Thus there is a long run network or connection between gross domestic product (GDP) and number of transactions while market capitalization causes economic growth. Obviously from the forgoing, capital market plays a very pronounced role in the economic development of developing and less developed countries of the world. Nonetheless, Kolapo and Adaramola (2012) argued that continuous inflow of foreign direct investment to developing countries of the world has not been able to address the ailing problems plaguing these economies. Osinubi (2010) relying on secondary data from 1970 to 2005 to mirror the effect of foreign private investment on Nigeria economy growth, postulated from empirical analysis that foreign direct investment, domestic investment growth and net export growth have a forceful impact on Nigeria economic growth.

Haruna Danja (2012) conducted a research on Foreign Direct Investment and the Nigerian Economy relying on Ordinary least Square approach of data analysis, came to the believe that there exist a positive correlation between FDI and those variables but FDI has not according to him contributed much to the growth and development of the Nigerian economy. Eniekezimene (2013) probed the impact of foreign direct portfolio investment on capital market growth evidence from Nigeria. The Ordinary Least Square system was adopted in analyzing the secondary data collected. The result of the analysis showed clearly, that foreign portfolio investment has a positive impact on capital market growth. Edame and Okoro (2013), presented a careful study of the "Impact of Capital market on Economic Growth in Nigeria". They finally arrived at the conclusion using the enquiry approach of the Ordinary Least Square regression technique, that capital market has a positive and symbolic impact on economic growth in Nigeria. Contrarily, Idowu and Babatunde (2012) interrogated the effect of financial reform on capital market development in Nigeria between 1986 and 2010. Again, resting on the Ordinary Least Square regression analysis method opined that the variables that stood for the development of the banking sector associated negatively with market capitalization which suggested that the activities of these institutions prevented the development of the capital market. The debate in the academic discussion on the economic prospects Foreign Direct Investment has on capital market development in Nigeria is the narrative of this research work.

2.3 Theoretical Framework

2.3.1 Industrial organization Theory

Hymer's (1976) version of The Industrial Organization identifies two major factors causing foreign direct investment. The first he attributed to the desire of oligopolistic firm to overcome competition or to eliminate conflicts, which arises, due to the simultaneous operations of a few firms of different countries in the same industries having barriers to entry. As the conflict erodes the profit of the individual firms, the resulting effect is for the firms to operate in a unified ownership. This process drives the occurrence of Foreign Direct investment when an existing enterprise in country takeovers or contrive with an independent enterprise of another country, both operating in similar industry. Secondly, the possession of monopolistic advantages by the prospective foreign investor that overcomes the disadvantages of doing business abroad. Hymer (1976) articulated that a firm attempting to operate across national boundaries faces disadvantages in terms of additional costs arising from the lack of knowledge about alien economy, language, law and politics; discrimination by the foreign governments, consumers and suppliers; and exchange rate risk (Kindleberger 1969). Much more lately, Zaheer (1995) identified these additional costs as the liability of foreignness, being faced by a prospective foreign investor, as a fundamental assumption driving theory of FDI. These costs range from direct cost connected to the geographical distance-higher coordination, transportation and communication costs; lack of embeddedness and unfamiliarity with the business networks of the prospective host country; differential treatment of domestic firms in comparison to the foreign firms in prospective host country; restrictions imposed by the home country to share

the resources (high technology or strategic resources) with its subsidiaries to be located in certain countries(Zaheer 1995).
The monopolistic advantages that could compensate for the liability of foreignness includes: the capability to obtain factors of production at lower prices than rival firms; possession of superior production technology; command over better distribution channels; superior organizational and marketing skills and economies of scale in production and distribution; product differentiation [Hymer (1976) Kindleberger (1969) Caves (1971, 1974)]. Thus the possession of monopolistic advantages enables a firm to exploit them through international business including exports these advantages by way of FDI.

2.3.2 Transaction Cost or Internalization Theory of FDI

Internalization is a process by which an arm's length transaction based contractual relationship in external market is replaced by internal transaction between a parent firm and its affiliates as well as among affiliates of the parent firm through managerial coordination and administrative fiat (Buckley and Casson (1976). Backed by the concept of internalization of market for goods and intangible assets including technology across national boundaries by a multi-locational firm, Buckley and Casson (1976) attempted for the first time a systematic attempt to develop a transaction cost or internalization TCI theory of FDI. It asserts that FDI occurs in the process of internalization of imperfect external market across national boundaries. Rugman (1981) accepted two kinds of market imperfection, which promotes a firm to establish an internal market across international boundaries. The first is the artificial market imperfection that created mainly by the governments' restrictions on free trade of goods across national boundaries. A common example is custom duties imposed by a country seeking to protect its domestic market industries from imports. To have access to such domestic market therefore, a foreign firm attempts to entrench its Foreign Cash Flows.

The second type of imperfection is natural market imperfection that exists on account of public goods characteristic and intangible nature of the Foreign Subsidiary Agreement. Since it is difficulty determine the market price of firms' specific intangible assets such as proprietary technology, organizational, managerial and marketing expertise, a firm under takes FDI based in different countries. Thus TCI theory favors the Multinational Enterprises on grounds that MNEs are efficient instrument of overcoming imperfections in market, whether the imperfection are created naturally or artificially. The TCI theory also amplified the gain accruing to the host countries through the transfer of technology by the MNEs. The proponents of the TCI theory argued that the host countries basically benefit from the transfer of technology by MNEs as that would not otherwise take place owing to imperfection in the market for technology. They also stressed the fact that since market imperfections are more persuasive in the developing countries than in the developed countries the developing countries stand to gain more through the MNEs' activities.

2.3.3 Eclectic Theory of International production

Merging the idea of industrial Organization (IO), Internalization and Location Advantage theories, Dunning (1977, 1980) postulate an eclectic theory or model of FDI. In his opinion many new evolving facts including those on theoretical front, increasing globalization of economies, integration of economic and financial activities, maturation of knowledge-based economies and liberalization of cross-border trade and FDI Dunning (2000), symbolically necessitate the Eclectic theory. Based on this theory, Dunning (2000) argued that the extent, geography and industrial number of FDI undertaken by MNEs depends on the layout of the three sets of advantages; the net competitive advantages, which firms of one nationality possess in relationship to firms of other nationalities for serving that particular market, internalization advantage and locational advantage. Relying on the evolution of FDI and related literature in the field of finance since the 1060s, Dunning (2000) categorized the net competitive advantage into three strata. The first is associated with the possession and exploitation of monopolistic advantages which are built up from barriers to entry to final product markets for firms not having them. The second one grew out of the ownership of bundle of scarce, distinctive and enduring resources and capabilities as recognized by the resource Based Viewed theory (RBV). The third emanates from the Organization theory of MNEs and includes "the competencies of the firm to identify, evaluate and harness resources and capabilities from throughout the world and coordinate these with the existing resources and capabilities under their jurisdiction in a way which best advances the long term interest of firms" (Dunning 2000, p.169). The long term interest of the firms relate to minimizing transaction costs and maximizing the benefits of innovation, learning and accumulated knowledge (Dunning 2000). FDI literature suggest that the quantity of FDI flows is influenced by the outward oriented macro-economic policy frame work and friendly business environment created by the host country; a liberal FDI policy including national treatment to FDI and the absence of trade restriction imports (TRIMs); the consistency, fairness and transparency of legal system; protection of private property rights including intellectual property rights; overall state of the development of the economy in terms of physical and social infrastructure, etc of the host country (Kobrin 2005). Furthermore, Narula and Dunning (2006) advocated that FDI assisted development strategy presents the most efficient option to the developing countries in the present context. This is based on four basic reasons which are: First, given the shortage of fund and the less ability to evaluate and bargain, it is not a viable option for many developing countries to obtain Foreign Subsidiary Affiliates from the market. Secondly, following the import substitution strategy or developing new industries under government protection are impost impossible in the post World Trade Organization era. Thirdly, the Multinational Enterprises are increasingly maintaining their competitive advantage by retaining control over their monopolistic advantages in more liberal and competitive market place of today due to the influence of globalization. Therefore, the like to operate more through majority owned foreign affiliates and unlikely to sell their valuable technologies in the external market. In view of the above, it is suggested that the developing countries should not only direct their efforts towards attraction of more Foreign Direct Investment but also develop their capabilities to attract the right kind of Foreign Direct Investment (Lall and Narula 2004).

3. METHODOLOGY

The research effort uses the Central Bank of Nigeria publication, Economic and Financial Bulletin and Nigeria Investment Promotion Commission as sources of information in order to track the impact of Foreign Direct Investment of Capital Market Development in Nigeria. The statistics used was in the form of secondary data and in specifics, the following data was used: foreign direct investment and foreign portfolio investment and market share index. The model of data analysis employed is the ordinary least square regression technique to establish the union between foreign direct investment and capital market development. The dependent variable which is the capital market development is proxied by all market share index, while the explanatory or independent variable includes foreign direct investment and foreign portfolio investment. The period covered is year 1980-2019. The data was analyzed and presented using various statistical tools such table and percentage.

3.1 Model Specification

A regression model in line with the focus of this research paper is derived from the theory of foreign investment with slight modification on the work of Adaramola and Obisesan (2015). The model is specified as follows:

MCAP = ***f*** (FDI, FPI) --- (1)

Presenting equation 1 in its explicit form we obtain:

$MCAP = \alpha_0 + \alpha_1 FDI + \alpha_2 FPI + \lambda$ -- (2)

Where:

MCAP = Market Capitalization of Nigeria Stock market

FDI = Foreign Direct Investment

FPI = Foreign Portfolio Investment

λ = Stochastic error term

$a_0 - a_1$ = Coefficient of independent variables.

The model can then be translated into time series form from equation (2) as:

$MCAPt = \alpha_0 + \alpha_1 FDIt + \alpha_2 FPI + \lambda$ -- (3)

Where: t = time series

Since the research is empirical, the data analyzed are quantitative in nature. Hence the hypothesis is tested using the Ordinary Regression Least Square (OLS). However, the reliability of predictors will be measured using the standard error test. Outside the Ordinary Least Square (OLS), this research work also borrowed from the tool of Augmented Dickey –Fuller Tests so as to guide against the spurious regression.

3.2 Augmented Dickey Fuller Test.

Augmented Dickey Fuller (ADF) unit root test shall be consulted to examine the stationarity of variables. To measure the magnitude of the time series characteristics and pattern of integration of the variables, ADF unit root test as propounded by Dickey and Fuller (1979) is referenced. The model is hereby presented thus:

$\Delta \lambda t = \beta_0 + \lambda R_{t-1} + \alpha_i \Delta \lambda_{t-1} + \varepsilon_{t1}$ (*for intercept*) -- (4)

$\Delta \lambda_t = \beta_0 + \lambda R_{t-1} + \alpha_i \Delta \lambda_{t-1} + \varepsilon_{t2}$ (*for trend*) -- (5)

Where:

λ_t = variables tested for unit root, Δ = first difference operator, t = time trend

ε_t = stationary distance error term.

3.3 Johansen Co-integration Test

This tool shall be employed to the extent that it will be used to test the long run relationship of the variables under consideration for informed decision. In order to make an informed decision, it is worthy to determine whether the variables in equation (3) co-integrate. The trace test statistic proposed by johansen is: LR_{trace} (r) = -T In (1-λ) the trace statistics and for decision to be taken, the computed values are place side by side with the critical values to determine the precise magnitude of integrating equations. Should the test statistics is greater than the critical values from Johasen's table, reject the null hypothesis that there is r co-integrating vectors in favour of the alternative hypothesis that there are r + 1 co-integrating vectors (for trace).

3.4 Error Correction Mechanism

The study also applies the Error Correction Model (ECM) for the determination of short run dynamics and direction of errors between dependent and explanatory variables. That is to investigate the short run dynamics in the relationship between market capitalization, foreign direct investment and foreign portfolio investment. The relevance of Error Correction Model lies on its ability to correct spurious regression results that may occur on time series data. Therefore, from equation (4) the Error Correction Model (ECM) is presented as follows:

$\Delta MCAP = \alpha_0 - \alpha_1 FDI_{t-1} + \alpha 0 + \alpha_1 FPI_{t-1} + \alpha_0 + ECM_{t-1} + \alpha_0 + \Sigma_t$ ----------------------- (6)

Where:

ECM_{t-1} = Error Correction Term

$t\text{-}_1$ = represents the variables were lagged by one period

Σt = white noise residual

α_1 and α_2 are expected to be greater than zero (α_1 and $\alpha_2 > 0$). On a priori, it is expected that the relationship between MCAP, FDI as well as FPI are positive. The signs of estimated coefficients are thus expected to be greater in value than zero respectively since rise in foreign direct investment will lead to rise in market capitalization.

4. RESULTS AND DISCUSSION

Regression Result

Table 1: Ordinary Least Square Regression Result

MCAP	*CONSTANT*	*FDI*	*FPI*
B	*-9.881205*	*1.317301*	*0.078169*
Standard Error	*0.795937*	*0.082581*	*0.047981*
t-Statistics	*-12.41456*	*15.95167*	*1.629155*
prob.	*0.0000*	*0.0000*	*0.1197*
f-statistics = 275.7486 (0.0000), DW = 2.44, Adj. R^2 = 0.9632			

Source: Author's Computation 2020 using Eview 7 Statistical Package

The result in the above table is substituted into regression equation as follows:

MCAP = -9.881205 + 1.317301FDI + 22.90676FPI

This equation demonstrates clearly, that FDI and FPI are positively correlated with MCAP. It is therefore safe to infer that MCAP increases or varies directly with FDI and FPI. Moreover, keeping all else except for FDI and FPI constant, a percentage change in FDI and FPI is accompanied with a 1.32% and 0.08% change in MCAP respectively. Nevertheless, C is inversely related to MCAP. Laying aside both FDI and FPI a change in exogenous variables brings about a 9.88% reduction in MCAP. The probability magnitude of the C and FDI are less than 5% while FPI is greater than 5%. Conclusively from this result, FPI is not numerically of convincing proportion for determining MCAP. The examination of autocorrelation is inclusive as pointed out by the Durbin Watson coefficient of 2.44. Relying on the probability of f-statistics value, it is less than 5%. Succinctly, the model is of good fit. Adjusted R^2 of 96.32% announced that significant proportion of changes in MCAP can be explained by FDI and FPI.

Tests of Stationarity

Table 2: Result of Unit root tests @ 5% level

Variables	***ADF Test Statistics***	***Mackinnon Critical Value 5%***	***Remark***
MCAP	1.004311	2.976263	Non-stationary
FDI	2.222009	2.976263	Non-stationary
FPI	1.509667	3.052169	Non-stationary

Source: Author' Computation 2020 using Eview 7 Statistical Package

Table 3: Results of the Unit root Test @ 1^{st} difference

Variables	ADF Test Statistics	Mackinnon Critical Value @5%	Order of Stationarity	Remark
MCAP	4.214843	2.981038	1 (1)	Stationary
FDI	8.802530	2.981038	1 (1)	Stationary
FPI	5.125424	3.052169	1 (1)	Stationary

Source: Author's Computation 2020 using Eview 7 statistics package

As long as the entire variables are non stationary at 5% level except for ECM as revealed in table 2, it is logical to advance to unit root test at 1^{st} difference where all the variables become stationary. The ADF test results are greater than the Mackinnon Critical Values at 5% as can be observed from table 3.

Johansen Co-integration Test

Hypothesized No. of CE(s)	***Eigen Value***	***Trace Statistics***	***5% Critical Value***	***Prob. *****
None*	0.631131	37.98626	29.79707	0.0046
At most 1	0.534413	18.04000	15.49471	0.0202
At most 2	0.128503	2.750857	3.841466	0.0972
MCAP = -1.423216 FDI – 0.042129 FPI (0.04611) (0.03256)				

Source: Author's Computation 2020 using Eview 7 statistical Package

In a bid to assert whether the variables co-integrate in the long run, Johansen co-integration test is sourced for validation. The result of the test is in table 4 as shown above. The test results revealed that there is a long run co-integration among MCAP, FDI and FPI. This is due to the trace statistic is greater than 5% critical value at none* hypothesized. The result outcome shows two co-integrating equation out of which one is selected premised on highest log-likelihood of 43.39385 in absolute term. Co-integration equation in table 4 demonstrates that there exist negative connections or correlations between MCAP and FDI on one hand and between MCAP and FPI on the other hand. It therefore reasonable to say that a percentage variation in FDI and FPI shall by all standards will result in a 1.423216% and 0.042% decrease in MCAP respectively. Of course, the standard errors are presented in parentheses. It demonstrates that only FDI accounted for a significant explanation for changes in MCAP owing to its average coefficient is greater than standard error.

Error Correction Model

Table 6: Over –parameterized ECM results

Variable	*Coefficient*	*Standard Error*	*t-statistic*	*Prob.*
D(MCAP)(1)2)	-0.082670	0.185588	-0.445449	0.6639
C	-0.031793	0.079590	-0.399459	0.6966
D(FDI), 2)	0.787143	0.242135	3.250848	0.0069
D(FDI(1),2)	0.145674	0.164185	0.887256	0.3924
D(FPI,2)	0.040763	0.030030	1.357401	0.1996
D(FPI(-1),2	0.007996	0.028579	0.279776	0.7844
ECM(-1)	-1.599453	0.359547	-4.448521	0.0008
R^2 = 0.662963, Adj. R^2 = 0.494444, f-statistic = 3.934066(0.020825, DW = 1.56				

Source: Author's Computation using 2020 Eview statistical package

Table 7: Parsimonious ECM Results

Variable	Coefficient	Standard Error	t-statistic	Prob.
D(MCAP(-1),2)	-.0072005	0.170957	-0.421189	0.6796
C	-0.037633	0.071564	-0.525865	0.6067
D(FDI,2)	0.650977	0.168744	3.857780	0.0015
D(FPI,2)	0.038661	0.025198	1.534277	0.1458
ECM(-1)	-1.542099	0.325753	-4.733949	0.0003
R2 = 0.640985, Adj. R2 = 0.545248, f-statistic 6.695248(0.002675), DW = 1.462342				

Source: Author's Computation 2020 using Eview 7 statistical package

The error correction table presents the over parameterized and parsimonious error correction models. The over parameterized ECM is designed to estimate the lag tie long enough as to ensure that dynamics of the model has not been restricted by too short lag length. In the over parameterized model, variables whose coefficients are significant or move near to being significant are extracted for the estimation of parsimonious ECM. On the other hand, the parsimonious ECM revealed that there is a clear long run stable relationship among the variables. This is demonstrated by the coefficient of one period lag of ECM which is numerically convincing and rightly signed (ECM – 1.542099) with a probability value of 0.0003. This result shows that about 154% of the short run inconsistencies are being corrected and incorporated into the long-run symmetric network annually. The unique impacts of each of the FDI and FPI have positive impact on MCAP, holding all other exogenous variable constant. An increase in the two variables will produce increase of 65% and 3.8% increase respectively in MCAP. The outcome further demonstrates that FDI has a strong influence in determining MCAP. F-statistic test shows that is of a good fit while the Durbin Watson statistic demonstrates that the model is free from autocorrelation and that the degree of determination shows that about 55% of changes in MCAP are attributable to FDI and FPI respectively after adjustment.

4.1 Discussion of Findings

The prime focus research work is to assess the impact of foreign direct investment on the development of Nigerian Capital Market using time series between 1990 and 2019. The study employed the Johansen Co-integration model to measure the long run relationship between foreign direct investment and portfolio investment on stock market development proxied by the market capitalization. The outcome of the study pointed out that there exist a convincing long- run connections or network among the variables. The error correction model results suggest that the variables short run union which can be truly be felt in the long run. The short run inconsistencies have been corrected because ECM coefficient is significant with correct negative sign.

5. CONCLUSION AND RECOMMENDATION

Following the empirical results of this survey, the study submits that foreign direct investment has a positive but magnifying impact on the capital market. However, foreign portfolio has useful or practical but infinitesimal impact. This is anchored on the fact that foreigners are motivated by huge investment in the developing countries because foreign direct investment calls for physical presence or a strong proportion of ownership so as to exercise control over such investment. This is not unconnected to the fact that they want security for their investment. Conversely, foreign portfolio investment does not grant the investors the opportunity to participate in the management of the business. Therefore, the negligible magnitude of foreign portfolio investment is predicated on lack of trust in locally controlled business. Inconsonance with the findings of the research, the flowing recommendations are proposed.

i. The recommends that given the positive impact of foreign direct investment on the Nigerian Capital Market Development, concerted effort should be made to promote inflows of foreign direct investment into the country through policy formulation that will Nigeria the destination of foreign direct investment.
ii. A second recommendation is that regulatory frame work of the Nigeria Stock Market should be enhanced to promote transparency and equitable dealings.
iii. Since foreign direct investment are a major source capital inflow investment in the developing countries, the study further suggest that the country should develop its capabilities so as to attract the right foreign direct investment in the right quantity.
iv. It is the opinion of the researcher that developing countries should promote free trade and remove all trade barriers that inhibits inflows of foreign direct investment into the country so as to maximize the benefits of foreign direct investment.

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Nexus between the Central Bank of Nigeria's Regulatory Framework and Global Economic Crisis

OKWOR, Ferdinard Odey

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: ferd.okwor@gmail.com, Phone No: +234 802435997

Abstract

This study seeks to consider the relationship between the Central Bank of Nigeria's regulatory framework and global economic crisis, *particularly, the extent to which the Central bank of Nigeria's policies, guidelines, procedures and directives reduced the impact of the 2007/2008 global financial crisis on the Nigerian economy was the main stay on this work. Central Bank of Nigeria's circulars and guidelines as well as the fundamental laws establishing and empowering the Central Bank of Nigeria was the main sources of information for the study. The literature review examines the twin peaks and "combined" regulatory approaches; parallels were drawn between the two. The study concludes that a regulatory framework for the financial system and the economy, as a whole, is necessitated by the plethora of factors buffeting the economy. The study recommends the full autonomy of the Central Bank of Nigeria, the formulation of a strong regulatory framework for Fintech and Cryptocurrency operations as well as the harmonization of regulatory efforts by co-regulators of the financial system in Nigeria.*

Keywords: Economic Crisis, Regulatory Framework, Financial System, Central Bank of Nigeria

1. INTRODUCTION

Apart from its principal objectives as encapsulated in Section 2(a-e) of the Central Bank of Nigeria Act, 2007, the Central bank of Nigeria (CBN) plays a leading role in the management of the Nigeria's economy. This is aptly encapsulated in Section 1(3) of the CBN Act. To further underscore the CBN's role in the management of the Country's economy, the Explanatory Memorandum of the CBN Act of 2007 clearly stipulates that "THIS ACT repeals the Central Bank of Nigeria Act, 1991, re-enacts a new Central Bank of Nigeria Act, 2007 and established the Central Bank of Nigeria for the promotion of sound financial system in Nigeria and to act as banks and provide economic and financial advice to the Federal Government." (Federal Republic of Nigeria Official Gazette (2007).By offering advisory services to the Federal Government of Nigeria, the Central Bank of Nigeria, is therefore one of the 'managers' of the Nigerian economy. Established by the Act of Parliament of 1958 (Central Bank of Nigeria, 2020) and subsequent amendments to the Act in 1991, 1993,1997,1998,1999 and 2007, the Central Bank of Nigeria carries out her core mandates (which includes providing financial and economic advice to the Federal Government) through various regulations, circulars, and guidelines. From its inception to date, it is safe to state that the bank contributed to guiding the Country's economy through, at least, four global economic crises (in 1975, 1982, 1991 and 2009). This paper therefore examineshow the central bank's regulatory framework slows down or minimizes the impact of global economic crises on the Nigerian economy.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Regulatory Framework

Regulatory framework generally refers to laws, regulations, decisions, directives, policies, guidelines, recommendations and procedures formulated (including any revisions or amendments made to them) and approved by an agency or a regulating body. The regulatory framework in the financial system of the economy in Nigeria is anchored on various legal instruments as well as subsidiary legislations.These laws which have metamorphosed over time include (but not limited to) the Central Bank of Nigeria (CBN) Act, 2007, the Banks and Other Financial Institutions Act (BOFIA) 1999 (as amended), the Nigeria Deposit Insurance Corporation Act, 2006, the Securities and Investment Act, 2007, the Financial Reporting Council Act 2011, the Insurance

Commission Act 2003, the National Insurance Commission Act 1997, the Pension Reform Act 2014 and the Companies and Allied Matters Act 1990. These laws confer some degree of regulatory authority on the Central Bank of Nigeria (CBN), the Nigeria Deposit Insurance Commission (NDIC), the Securities and Exchange Commission (SEC), the Financial Reporting Council (FRC), the National Insurance Commission (NAICOM), the National Pension Commission (Pencom) and the Corporate Affairs Commission (CAC). Recognizing the challenge posed by the multiplicity of regulators in the Nigerian financial system of the economy, Section 43 of the CBN Act 2007 established the Financial Services Regulation Coordination Committee (FSRCC) "*To proactively promote a sound financial system in Nigeria through effective inter-agency collaboration*" (FRSCC). Members of the Committee include the CBN, NDIC, SEC, NAICOM, Pencom, CAC and the Federal Ministry of Finance with the Abuja Stock and Commodity Exchange and the Nigerian Stock Exchange being members in observing capacity (FRSCC).

Although each of the aforementioned agencies of government performs some form of regulatory and supervisory functions with respect to the financial system in particular and the economy as a whole, the Central Bank of Nigeria (CBN) is saddled with the primary function of regulating the financial system through the CBN Act 2007 and BOFIA 2007 (NDIC, 2007 and CBN, 2007). The CBN which was established by the 1958 Act of Parliament is charged "with the overall control and administration of the monetary and financial sector policies of the Federal Government" through the CBN Act 2007 and with "the responsibility of administering banks and other financial Institutions with the sole aim of ensuring high standards of banking practice and financial stability through surveillance activities, as well as promotion of an efficient payment system (CBN, 2007). To be able to dutifully and thoroughly discharge her statutory responsibilities (under the CBN Act), which include inter alia ensuring monetary and price stability; issuing legal tender currency in Nigeria; maintaining external reserves to safeguard the international value of the legal tender currency; promoting a sound financial system in Nigeria and acting as banker and provide economic and financial advice to the Federal Government as well as those in the Banks and Other Financial Institutions Acts, 2007 as amended, the CBN, from time to time develops various regulatory frameworks.

2.1.2 Concept of Economic Crisis

Economic crisis refers to a sharp decline in the economic state of a country or countries, manifested in a significant decrease in production; disruption of existing production relations; bankruptcy of enterprises; and rising unemployment. The result of economic crisis is a decline in the living standards of the population and a decrease in the real gross national product (Erokhin & Gao, 2019). It is a phase characterized by marked deficiency in production, marketing and consumption of goods and services and because the sudden downturn in the economic fortunes at such a period is brought on by a financial crisis, economic crisis is variously referred to as economic recession or even financial crisis. Essentially, economic crisis manifests in wild fluctuations, beyond the tolerable curbs of change, in the prices or supplies in any markets of commodity or services, or factors of production.

2.1.3 Concept of Financial System

Financial system comprises all financial agents that function in the financial sector in an economy. The system is hinged on the principle that economic actors are classified into surplus and deficit spending units. The surplus spending units are persons or organizations with surplus funds above their current requirements. On the other hand, the deficit spending units are those that have shortage of funds and so need to borrow to fund their activities. The financial system provides an enabling ecosystem for economic growth and development, productive activity, financial intermediation, capital formation and management of the payments system. With intermediation, savers lend to intermediaries, who in turn lend firms and other fund using units. 'The saver holds claim against the intermediaries, in form of deposits rather than against the firm. These institutions provide a useful service by reducing the cost to individuals, of negotiating transactions, providing information, achieving diversification and attaining liquidity' (Central Bank of Nigeria, 2017). The Central bank of Nigeria (2017) opines that the Nigerian financial system consists of the formal sector (bank and non-bank financial institutions) and the informal sector (savings and loan association, local money lenders, etc.).

2.2 Empirical Clarifications

Economic crises are not new to man. Writing in the Business Insider in 2016, Bryan Taylor dug up factors leading to the financial panic and eventual economic crisis in the first century under the reign of Emperor Tiberius in the Roman Empire in AD 33. Skrabec (2016) listed piles of economic crises ranging from the crisis of the 3rd century (AD 235–284), the 14th century banking crisis in 1345, the general crises of 1640 up to the 2007/2009 financial crisis. In terms of their global impacts, Bondarenko (2015) highlighted the five economic crises that rocked the globe. First among these five is the Credit Crisis of 1772 which originated in London and quickly spread to the rest of Europe. The British Empire had accumulated an enormous amount of wealth through its colonial possessions and trade thus creating an aura of over-optimism and a period of rapid credit expansion by many British banks. The ensuing hype ending in bank run and eventual credit crises that spiraled across the globe, at the time. It is claimed that the economic consequences of this crisis were one of the major contributing factors to the Boston Tea Party protests and the American Revolution (Bondarenko, 2015).Next was the Great Depression of 1929–39 which is reputed to be the worst financial and economic catastrophe of the 20th century. This is understood to have been sparked by the Wall Street crash of 1929 and worsened by the poor policy decisions of the U.S. government. The crisis lasted almost ten years and resulted in massive loss of income, output and jobs in the industrialized world. At the peak of the crisis in 1933, the unemployment rate in the United States was at a record 25 per cent. Also, in retaliation to the United States supplies of arms and ammunition to Israel during the Fourth Arab–Israeli War, member countries of the Organisation of Petroleum Exporting Countries (OPEC) boycotted oil supplies to the United States and her allies leading to acute energy and inflation crises in 1973.There was also the Asian Crisis of 1997 which started in Thailand and snowballed into a toxic menace among the Asian tigers. The last of the five economic crises is the 2007/2008 which started in the United States of America.

2.3 Theoretical Framework

2.3.1 Regulatory Framework Theory

There are basically three main objectives of central bank's regulatory framework namely; to maintain confidence in the financial system; to contribute to the protection and enhancement of stability of the financial system and; to secure the appropriate degree of protection for consumers (Llewellyn, 2006). Although a number of regulators are involved in the financial space in Nigeria, the Central Bank of Nigeria is the principal regulator of the system working to ensure both the stability of the financial system and the protection and promotion of consumers' interest and confidence in the system, respectively. What obtains in the United Kingdom and other climes is however different. The regulatory model in the UK is the 'Twin Peaks' model where the role of prudential regulation is handled by one regulator and that of conduct of business is handled by another (Financial Times, 2013). The twin peak model which was pioneered in Australia in 1998 is also practiced in the Netherlands and in our neighboring South Africa. While the prudential regulation is located outside the Central Bank in Australia, it is located in the Central Bank in the Netherland. This is similar to the Bank of England's (BoE) approach. To enhance the absorbency capacity of the financial system in the event of any shock, the United Kingdomabandoned the tripartite model of regulation which involved the Bank of England, the Treasury and the Financial Services Authority in 2013 (BoE, 2016) and instead, adopted the twin peak model. Essentially, the model segregates the prudential regulation responsibility from the conduct of business responsibility and placed the former under the BoE's Prudential Authority and the later under the Financial Conduct Authority.

The Nigerian approach basically houses both the prudential regulation and conduct of business in the CBN.This approach ensures consistency in regulation as there is no confusion between the old regulation regime and the new. Secondly, it is less costly because there is no duplication of operating and administrative costs. Another advantage with the Nigerian approach is that there is no confusion as to who does what, when and how? Since the CBN is saddled with both the prudential and conduct of business regulation and supervision. A major disadvantage of this approach is that the CBN could be over-worked thereby causing ineffectiveness and efficiency. In conclusion, there is no single approach that fits all situations and so each country must identify that which suits her circumstance and environment. Dr. Michael Taylor, one of the earliest proponents of the twin peaks approach for the United Kingdom (UK) captures this more succinctly when he said that the approach suits the UK because the UK's financial sector is not dominated by banks alone and that in the UK, there is "highly developed consumer protection framework" (Michael, 2014). Essentially, the primary regulatory framework on which the fulcrum of the CBN revolves are the CBN Act, 2007 (as amended) as well as the Banks and other Financial Institutions Acts, 1999 (as amended). Both legal instruments empower the CBN to roll-out subsidiary legislations (as it deems suitable) for the regulation of the financial system (CBN Act, Section 33). The CBN therefore latches on these statutory provisions to issue guidelines, regulations, decisions, directives, policies, recommendations and procedures for the smooth operation of the financial and economic systems. These subsidiary legislations and the laws (CBN Act and BOFIA) are considered to be the crux of the CBN's regulatory framework in this study. The primary targets of the CBN regulatory framework are the Deposit Money Banks, Development Banks (Bank of Industry, Nexim Bank, Bank of Agriculture, Microfinance banks, Development Bank of Nigeria), Designated Non-Financial Institutions (lenders such as cooperatives, etcetera) and Bureau De Change.

3. METHODOLOGY

This study adopted the exploratory assessment approach by examining previous works done on the subject-matter. The method attempted to x-ray the role of the CBN as enshrined in its establishment Act, Impact of global economic crises on the Nigerian economy, CBN's response to the 2007/2008 global financial crises, and how the CBN's regulatory framework shields the Nigerian economy from the pans of global economic crises.

4. RESULT AND DISCUSSION

While comparing the 2007/08 global financial crises with previous ones, Stephanou (2009) described it as "… deeper and wider, reflecting the growth in financial penetration and globalization in recent decades". This underscores the urgency with which the Central bank of Nigeria responded to the crisis. According to Sulodo (2009), commodity prices collapse, revenue contraction, diminishing capital inflows into the Nigerian economy, pressure on the exchange rate because of de-accumulation of foreign reserves and capital market downturn were the impact by the financial crises. Adeniran & Sidiq (2018) listed the following as the effects of the global economic crisis on the Nigerian economy

i. High interest rates: This reduces the liquidity or theamount of money available to invest.
ii. Increased inflation: The crisis also led to persistent rise in prices of goods andservices in the country leading to decrease in the worth of goods and servicesthat could be purchased with same amount of money.
iii. Reduced consumer confidence: Believing that the economy is bad, the consuming public held back and mimimized spending thus complicated the economic situation (Adeniran & Sidiq; 2018).

Globalization and modern information and communication technology mean that no country is self-sufficient on its own. The import of this is that when one country sneezes, another, if not many others, catch cold. In the height of the 2007/2008 crisis, the Federal Government set up the Presidential Committee on Global Economic Crisis in January 2009 and the Presidential Advisory Team on Capital Market Set-up in August 2008 to advise on the way out of the crisis. Also, the Securities and Exchange Commission released various guidelines bordering on the capital market operations and the Nigeria Stock Exchange de-listed 19 moribund companies (Soludo, 2009 and Kama, 2010). The CBN's immediate reaction was to reduce the Monetary Policy Ratio (MPR) by 5%, reduced Cash Reserve Requirement (CRR) by 2%, reduced liquidity ratio by 10%, directed all banks to restructure margin loans (optional directive), expanded lending facilities to banks up to 360 days, introduced expanded discount window facility and stopped liquidity mopping-up (Soludo, 2009 and Kama, 2010).

To further determine the extent of the shock on the economy (financial system, specifically), the CBN and the National Deposit Insurance Corporation undertook a joint examination of 24 commercial banks in May 2009. The joint exercise revealed that 10 of the banks exhibited the following signs: substantial non-performing loans, capital inadequacy, illiquidity and weak corporate governance (Kama, 2010). The CBN thus took the following drastic steps to restore public trust and strengthen the financial system:

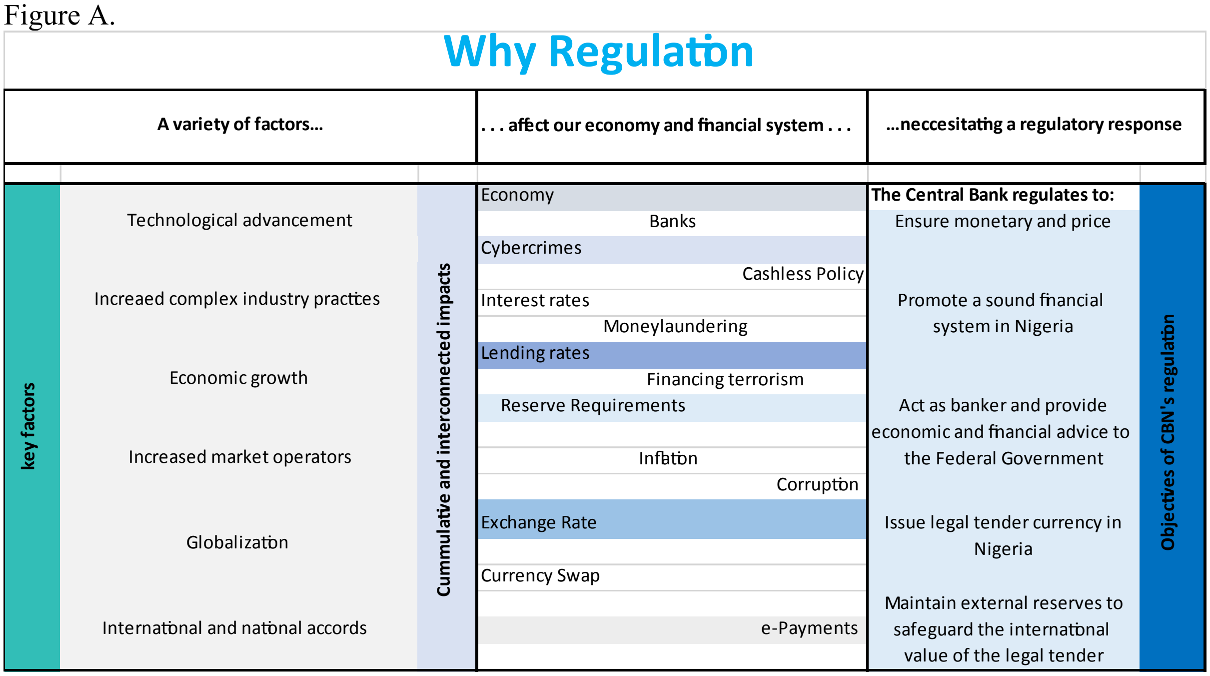
- The CEO and Executive Directors of the 10 banks were immediately replaced
- Injection of 620 billion naira into the banking system to avoid systemic crisis
- Creation of Assets Management Corporation of Nigeria (AMCON) to soak up toxic assets of the 10 banks
- Provision of 200 billion naira for SME financing
- Strengthening the Financial Services Regulation Coordination Committee (FSRCC) and
- Established the Consumer and Financial Protection division to address consumers' complaints (Kama, 2010).

On the whole, the CBN's response to the 2007/2008 global financial crises was applauded as laudable and far-reaching as it averted the impact of the contagion that drove many developed economies under (Soludo, 2009). As dutiful as the CBN appears to be, there are noticeable lacunas in her regulatory framework with dire impacts on the Nigerian economy. Firstly, although Section 1(3) of the establishing Act underlines its independence, the bank still operates under the firm grip of the President as well as that of the Minister of Finance. Specifically, Section 11(f) of the CBN Act empowers the President to sack the CBN Governor without cause. This is a clear invitation for undue political interference. Secondly, the bank (CBN) does not seem to be capable of reacting well on time to the ever-evolving economic and financial landscape in which it operates. For instance, the bank has not been able to bring out a tangible regulatory framework for the fintech companies. FinancialTechnology simply refers to as Fintech denotes new innovation that disrupts traditional ways of conducting financial transactions. According to PWC (2017), at least 62% of bank customers will take advantage of fintech platforms within the next five years. Although the bank developed guidelines for mobile payments and payment services banks (PSB), a tangible and streamlining regulatory framework is required in order not to allow 62% of the financial system drudge on aimlessly.

4.1. Discussion of Findings

From the deluge of literature synthesized in the course of this study, regulatory framework of the CBN is essential because of the multiplicity of factors inundating the economy and the financial system. Figure A developed in the course of this study attempts to rationalize the essence of CBN's regulatory framework.

Figure A.



5. CONCLUSION AND RECOMMENDATION

The study focused on the interrelationship between the Central Bank of Nigeria's regulatory framework and the global economic crises. The study concludes that a regulatory framework for the financial system and the economy as a whole is necessitated by the plethora of factors buffeting the economy. As A Result, the following recommendations are proffered:

i. Considering the size and impacts of Fintech operators on the economy, it is recommended that a strong, coordinated and deliberate regulatory framework should be formulated to streamline and guide its operation.

ii. The study also recommends, very strongly, the amendment of Section 11(f) of the CBN Act of 2007 to ensure consummate autonomy of the bank. It is expected that this will attenuate political interference and promote the culture of objectivity, merit and excellence in the management of the nation's economy.

iii. This study further recommends that, to eliminate entropy in the regulation of the financial system, the Financial Services Regulation Coordination Committee (FRSCC) be strengthened to harmonize duplicated and conflicting regulatory frameworks in the system.

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Effect of Value Added Tax on Revenue Generation in Nigeria

INNOCENT, Agada Samuel

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: agadainnocent@yahoo.com, Phone No: +234 7085226677

Abstract

The study examined value added tax on revenue generationin Nigeria. Secondary data was sourced from the Federal Inland Revenue Service (FIRS) rangingfrom 2000 to 2018. In carrying out the study, Simple regression through Eview and analysis Granger causality test was employed for the analysis.The researcher conductedcointergration test and the trace test indicates 1 cointegrating equation at the 0.05 level.It was equallyrevealed that there is no causality among value-added tax and revenuegeneration. The study concluded that value-added tax has no significant effecton revenue generation and there is no long-run relationship among value-added tax and revenue generation in Nigeria during the study period. Thus, it is recommended thatthe fiscal policy should discourage tax avoidance by emulating measures for compliance of value-added tax, incorporate the informal sector into the tax net, and review value added tax exempted services in Nigeria

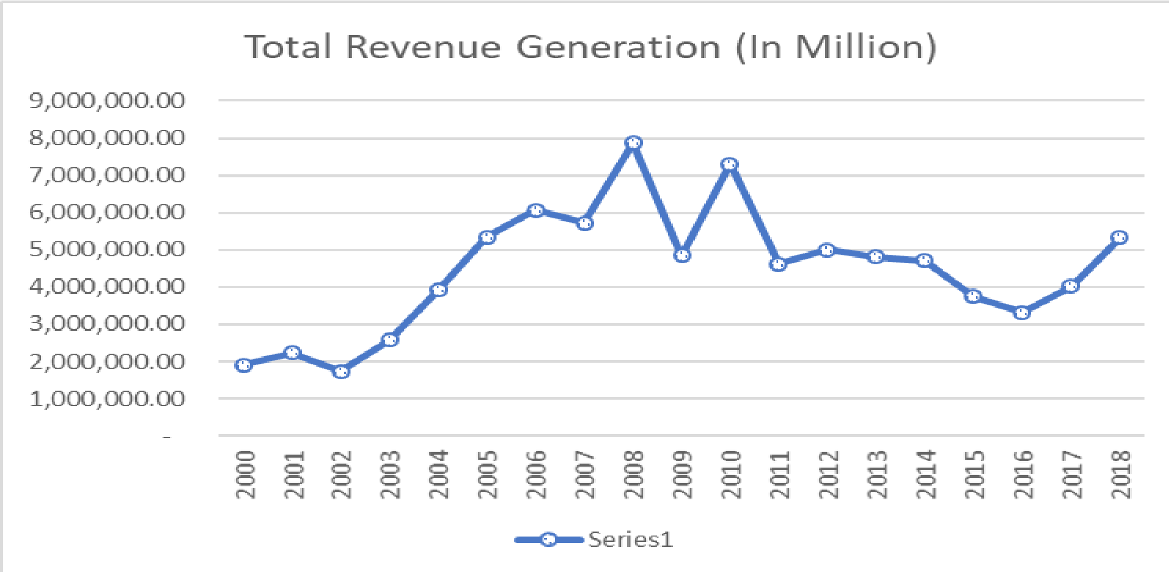
Keywords: Value Added Tax, Revenue Generation, Simple regression

1. INTRODUCTION

Value-Added Tax (VAT) is a type of consumption tax that is placed on a product whenever a value is added at a stage of production and final sale. The amount of value-added tax that the user pays is the cost of the product, less any of the costs of materials used in the product that has already been taxed. Many VAT systems can be described as having a basic rate, special rates for some goods and services, and exemption status for certain economic activities or specific goods and services. Gendron (2005) defined Value added tax as a consumption tax, levied at each stage of the consumption chain andborne by the final consumer of the product or service. Value-added tax has become averitable source of revenue in many developing countries in Sub-Saharan Africa; it has beenintroduced in several countries. Nigeria can be traced to the report of the committee set up bythe Federal government in 1991 to review the entire tax system to expand thefinancial base for revenue generation to enhance the economic growth of Nigeria. Theintroduction of VAT in Nigeria through decree 102 of 1993 marks the phasing out for thesales tax Decree No. 7 of 1986. The Decree took effect from 1st December 1993, but byadministrative arrangement, invoicing for the purpose did not commence until 1st January1994

Value Added Tax (VAT) is one of the most popular taxes around the world. In sub-Saharan Africa for example, VAT has been introduced in Benin republic, Cote d" Ivoire, Guinea, Kenya, Madagascar, Mauritius, Niger republic, Senegal, Togo and Nigeria. Evidence has shown in these countries that VAT has been an important contributor to total government revenue (Ajakaiye, 2000). According to the Organisation for Economic Co-operation and Development (OECD)'s Revenue Statistics in Africa 2019 report, Nigeria tax-to-Gross Domestic Product (GDP) in 2017 was 5.7%. this was a moderate increase from the figure reported in 2016 (5.3%). However, when compared with the same index across other African countries over the same period, it was apparent that Nigerian tax revenue generation was significantly low for the level of economic activities in the country.Even though the rationale behind the introduction of VAT in the country is laudable but its contribution to the overall revenue generated in Nigeria remains inadequate. The recent Finance Act introduces a change inthe VAT rate from 5% to 7.5%, an increment of 50%. This increment is expected to increase revenue significantly. The analysis below also adds credence to the issue in question.

Figure 1: Total Revenue Generation



Source: Author's computation (2020)

Figure 1 reveals the total revenue generated in Nigeria from oil revenue and non-oil revenuefrom 2000 to 2018. Thus, oil revenue has been the major source of revenue generation sinceits discovery in 1956. From the graph, it can be observed that the revenue generated has beenfluctuating from 2000 to 2018. However, the year 2008 – 2009 and 2011 – 2016 experiencea significant fall in total revenue generated in Nigeria due to many factors where oil sources ofrevenue have accounted for the major issue. This then urges the government to diversify itsrevenue base to other sectors of the economy.

Figure 2: Total Value Added Tax

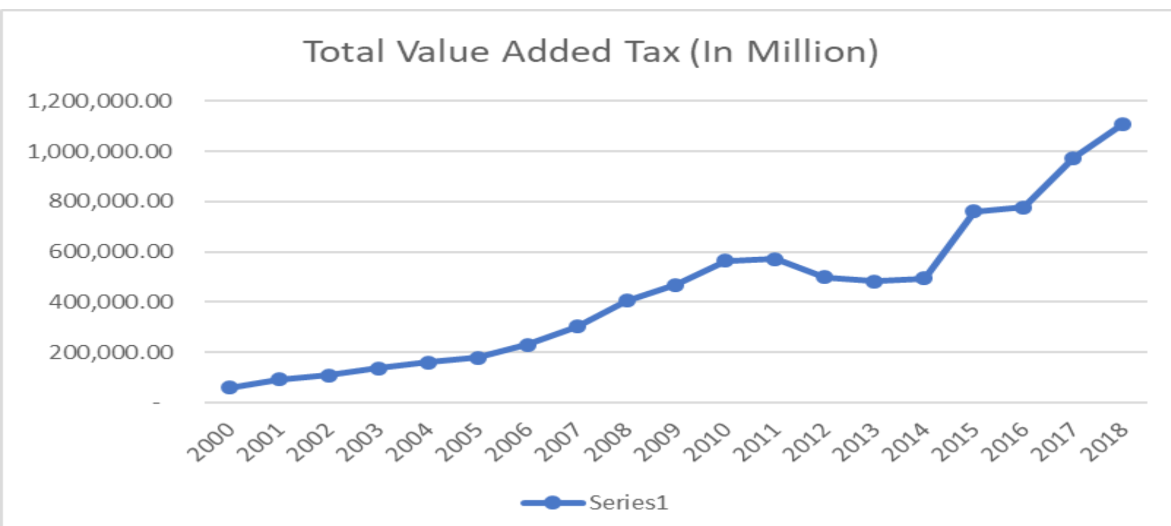


Figure 2 shows the value-added tax and in Nigeria. From the graph, it was observedthat value-added tax has been experiencing a significant increase from 2000 to 2011 whichlater decline in 2012. 2014 to 2018 recorded significant growth in VAT generation. It could be as a result of different policies put in place by the governmentin curbing hike in prices of goods and services. The upwardmovement of indirect taxes such as value-added tax and customs duty in the recent year wasdue to the fall in oil prices which has led the government to diversify its revenue base in Nigeria.

It is on the premise of the above that the study sets out to determine if VAT contributes to revenue generation in Nigeriaand to examine the effect of Value-Add Tax on revenue generation in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Value Added Tax

Revenue generation refers to all the money raised to the government of a country within a given period thereafter used to improve the economic and social well-being of its citizenry. Ahmed (2010) defined revenue generation as all amounts of money received by a governmentfrom all sources. Soyode and Kajola (2006) also opined that revenue generations are optionsavailable to the government for raising funds for building resources away from the other sectorsof the economy. Revenue bases are not mainly limited to oil and non-oil bases but other meansavailableto the government in raising fund financing their activities. Revenue generationcomprises taxes, gifts, fines, fees, grants, mining, license and internal revenue, interest andrepayment, rent on government property, armed forces, and miscellaneous(Okwori&Sule,2016). The tax revenue consists of direct and indirect taxes. The direct taxes include personalincome tax, corporate tax, capital gain tax, petroleum profit tax while indirect taxes include;custom and excise duties, value-added tax (Chaudhry& Munir, 2010).

According to Akhor and Ekundayo, (2016), Value added tax is a form of indirect tax applied at each stage of production to the value-added. VAT is a consumption tax levied at each stage of the consumption chain and borne by the final consumer of the product or service. Each person is required to charge and collect VAT at a flat rate on all invoiced amounts on all goods and services produced in Nigeria. It was believed by many Nigerians that the tax was introduced as a means of avoiding taking loans from international agencies and came into effect on January 1, 1994 to replace the Sales Tax (Ochei, 2010). Taxable persons are obliged to register under VAT Act. The tax is at a single rate of taxable goods and services. Supply of all goods and services except those specifically exempted are subject to VAT. Non-resident companies, which transact business in Nigeria, are also required to register for VAT and render VAT returns using the address of the company in Nigeria with whom they have a subsisting contract.

Jones (2003) also describes VAT as a tax levied at each stage which supplies changes hands. In the case of manufactured items, this could be at the primary producer, manufacturer, wholesaler and retailer stages. It is ultimately borne by the consumer who is registered for VAT purposed is unable to reclaim it. The above definitions of VAT by Jones suggest that there are intermediaries through which goods must pass before they reach the final consumer. Each time goods are passed from one stage to the other, intermediary value is added to it. it is this value that is being taxed and borne by the final consumer. Adesola (2000) described value added tax as a consumer tax and is a charge before selling the good. He said value added tax is often defined as the sum of wages and profit. VAT has been a veritable fiscal measure of revenue generation in Nigeria. VAT does not contribute to revenue generated in Nigeria

2.2 Empirical Framework

Akhor and Ekundayo, (2016), examined the impact of indirect tax revenue on economic growth in Nigeria. The study uses value-added tax revenue and custom and excise duty revenue as independent variables and economic growth was proxy with the real gross domestic product as the dependent variable. The study employed secondary data collected from the Central Bank of Nigeria statistical bulletin for the period covering 1993 to 2013 for the empirical analysis using the convenient sampling techniques. The result revealed that value-added tax had a negative and significant impact on real gross domestic product. On a similar study conducted by Okwara and Amori (2017),on the effect of taxrevenue on the economic growth in Nigeria. The authors used statistical tool to analyze the impact of non-oil revenueand value-added tax on real gross domestic products. Findingsshowed that non-oil revenue impacted significantly whilethe value-added tax has negative and insignificantly related toeconomic growth. Oseni (2017) conceptually examine the effects of Value Added Tax (VAT) ongovernment revenue generation profile in Nigeria. The paper concluded that value-added tax has a positive effect on government revenuegeneration profile in Nigeria thereby contributing to its economic growth and development. Olaoye (2009) studied the administration of VAT in Nigeria intending to seekways of improving government revenue generation base to improve the economy.The study recommended that the government should increase people's awareness of theexistence VAT.Rostami et al, (2012) examined the impact of fiscal policy on economicgrowth in Iran with emphasis on the role of value-added tax. They found that value-addedtaxes have a significant effect on real output for Iran which means value-added taxes as a fiscalpolicy tool have useful performance in Iran. Wambai and Hanga (2013) on taxation andsocial development in Nigeria: tackling Kano's hidden economy, they found that taxpayers'attitude towards governance affects their tax compliance behaviour; they recommended a taxsystem that concentrates on establishing simplicity, predictability, and good governance.

Adereti (2011) explored value-added tax and economic growth in Nigeria, their resultfound a positive and significant correlation between values added tax and gross domesticproduct. Babalola and Aminu (2011) examined the relationship between fiscal policy andeconomic growth considering Nigeria adopting the Engle-Granger approach toCo-integration test, stated that productive expenditure was found to be statisticallysignificant.Okoye and Gbegi (2013) opined that most economy relies on income from taxation for itsdevelopment and that in addition to its use as a means of raising government revenue, it isalso often used as an instrument of regulating the economy; redistribute wealth and inducingpreferred modes of behaviour, particularly consumption patterns and investment choices.Their empirical study revealed that revenue generated through VAT has a significantinfluence on wealth creation in Nigeria and on the total revenue generated in Nigeria. In theirrecommendation, they pointed out that Federal Inland Revenue Service should pay attentionto the informal sector of the economy by creating VAT offices at the local communities to generate more revenue and to fully achieve the objectives of wealth creation throughVAT. In Kenya experience, Njogu (2015), investigated the effect of the value-added tax on economicgrowth from 1990 to 2014. The study concluded that there exists a significant negativerelationship between VAT rates and GDP. The findings equally indicated that there exists aninsignificant positive relationship between value-added tax rates and consumer price index. Italso revealed that there exists a significant positive relationship between VAT rates andthe unemployment rate during the study period. Conclusively, the empirical reviewed shows that indirect tax and revenue generation in Nigeriahas been few in the literature. However,this necessitated the investigation of indirect tax andrevenue generation in Nigeria and to extend the period covered by the previous researchers.

2.3 Theoretical Framework

2.3.1 Convenience Theory

This theory was propounded by Adam Smith, the capitalist patriarch. The theory states that tax is a compulsory levy which must be borne by all eligible to bear the burden. Thetheory, however, prescribes here that the payer nonetheless should be helped to carry his cross without mush sweat grouse (Akpa, 2018).

2.3.2 The Harrod-Domar Model Theory

According to Jhinga (2008), the Harrod-Domar model of economic growth is based on the experiences of advanced economies. They are primarily addressed to an advanced capitalist economy and attempt to analyze the requirements of steady growth in such an economy. Both of them are interested in discovering the rate of income growth necessary for the smooth and uninterrupted working of the economy. Though their models differ in detail, yet they both agree. Harrod and Domar assign a key role to invest in economic growth. But they emphasize the dual character of investment. Firstly, it creates income and secondly, its augments the productive capacity of the economy by increasing its capital stock.

2.3.3 Diffusion theory of taxation

According to diffusion theory of taxation, under perfect competition, when a tax is levied, it gets automatically equitably diffused or absorbed throughout the community. Advocates of this theory describe that when the state imposes a tax on a commodity, it automatically passes on to consumers. Every individual bears the burden of tax according to his ability to bear it. For instance, a specific tax is imposed on, cloth manufacturer. The manufacturers, therefore, raise prices of a commodity according to their capacity and thus share the burden of the tax. In the words of Mansfield: ‘a tax laid on any place is indeed like a pebble falling into a lake and making circles till one circle produces and gives motion to another”. This quotation explains that just as a pebble gets diffused in a lake, similarly a tax imposed on a commodity is also absorbed and its burden is felt equally among a various section of the commodity.

2.3.4 Benefit Theory of Taxation

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefit a person derives from the activities of the state, the more he/she should pay to the government. If under the benefits theory of taxation,” we conceive taxes as payments made in exchange for government benefits, perhaps the state should be obliged to confer personal tax benefit on residents who contribute to their tax coffers. The benefits theory would imply that a resident should be able to collect personal tax benefits to the extent that her tax payment to the source state exceeds the monetary value of any source state government benefits she already receives, including infrastructure, regulated labour, and capital market, and so on (Amadi and Alolote, 2019)

2.3.5 Ability to Pay Theory

According to Amadi and Alolote (2019), the most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government under their ability to pay, rather than the benefits principle. The “ability to pay principle” generally dominates modern equity discussions. Under the ability to pay principle, people with higher incomes should pay more taxes than people with lower incomes. It appears very reasonable that taxes should be levied based on the taxable capacity of an individual. For instance, if the taxable capacity of a person A is greater than person B, the former should be asked to pay more taxes than the latter.

3. METHODOLOGY

The design of this study is structure to use simple regression through econometrics statistical technique. This enables the researcher to determine the effect of value-added tax on revenue generation in Nigeria for the period ranging from 2000 to 2018. The data used in the analysis are secondary data which include value-added tax and total revenue which were obtained from the publication of Federal Inland Revenue Services, bulletin, journals and Internet. The following regression model was estimated:

$TR_{it} = \beta 0_{it} + \beta_1 (VAT)_{it} + e_{it}$

Where:

TR = Total Revenue (dependent variable)
VAT = Value Added Tax (independent variable)
β0= Contant term
β1 = Coefficient of the parameter estimates
e = Error Term

Total Revenue Generated and VAT Income

Years	Total Tax Revenue (In millions)	VAT (In millions)
2000	**1,906,159.70**	**58,469.60**
2001	**2,231,532.90**	**91,757.90**
2002	**1,731,800.00**	**108,600.00**
2003	**2,575,100.00**	**136,400.00**

2004	**3,920,500.00**	**159,500.00**
2005	**5,347,500.00**	**178,100.00**
2006	**6,069,800.00**	**230,400.00**
2007	**5,727,500.00**	**301,700.00**
2008	**7,866,600.00**	**404,500.00**
2009	**4,844,600.00**	**468,400.00**
2010	**7,303,700.00**	**562,900.00**
2011	**4,628,500.00**	**571,390.00**
2012	**5,007,700.00**	**498,700.00**
2013	**4,805,600.00**	**481,580.00**
2014	**4,714,600.00**	**493,953.00**
2015	**3,741,800.00**	**759,431.00**
2016	**3,307,500.00**	**777,504.00**
2017	**4,027,940.00**	**972,346.00**
2018	**5,320,520.00**	**1,108,038.00**

Source: Federal Inland Revenue Service (2000 – 2018)

4. RESULTS AND DISCUSSION

Table 1:

	TR	VAT
Mean	4477840	440193.1
Median	4714600	468400
Maximum	7866600	1108038
Minimum	1731800	58469.6
Std. Dev.	1681238	304348.1
Skewness	0.12935	0.62676
Kurtosis	2.548205	2.548129
Jarque-Bera	0.214577	1.405605
Probability	0.898267	0.495196
Sum	85078953	8363670
Sum Sq. Dev.	5.09	1.67
Observations	19	19

Source: Author's computation (2020)

Table1 presents the descriptive statistics for both the dependent and explanatory variables of the study. The number of observations for the study reflects a value of 19 indicating that the number of observation for the study is made up of 19 years (2000 – 2018). The table also shows the mean of TR and VAT as 4477840 and 440193.1 respectively. One important observation is that both the independent variable and the dependent variable have mean value higher than that of its standard deviation.

Table 2

Dependent Variable: TR

Method: Least Squares

Date: 03/11/20 Time: 13:43

Sample: 2000 2018

Included observations: 19

Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAT	7.50289	1.165286	6.438666	0

R-squared	-1.569649	Mean dependent var	4477840
Adjusted R-squared	-1.569649	S.D. dependent var	1681238
S.E. of regression	2695045	Akaike info criterion	32.50292
Sum squared resid	1.31000	Schwarz criterion	32.55263
Log likelihood	-307.7778	Hannan-Quinn criter.	32.51134
Durbin-Watson stat	0.306249		

Source: Author's computation (2020)

Hypothesis Testing

The formulated hypothesis is stated thus: $H0_1$: Value added tax does not affect revenue generation

Decision Rule: if the p-value is less than the 5% critical value the null hypothesis is rejected. Based on the decision rule, for $H0_1$ since the p-value is greater than the critical value the null hypothesis is accepted. Table 2 reveals a statistically insignificant relationship between value-added tax and revenue generation, while the value-added tax has a significant relationship with revenue generation. The estimate of this equation reveals a positive intercept which stands at 4477840. This implies that when TR is zero, all the explanatory variable would stand at 4477840. Finally, the test of goodness of fit reveals that the estimated relation has a positive fit. While both the R2 and adjusted R2, which stand at -1.56% and -1.56% % respectively, revealed that about -1.56% of total variations in TR can be explained by the regressors (VAT);

Table 3: Pairwise Grange Causality

Null Hypothesis:	Obs	F-Statistic	Prob.
VAT does not Granger Cause TRG	17	0.18603	0.8326
TRG does not Granger Cause VAT		0.08483	0.9192

Source: Author's computation (2020)

Pairwise Granger causality test displayed in table 4 depicted that total revenue generatedand value-added taxes freely move to each other. That is, there is no uni or bi-directional relationship among them. Meanwhile, the value-added tax is expected to granger cause revenue generation as a result of VAT is one of the sources of revenue generation. This could be due to inadequate collection of VAT, non-inclusion of the informal sector and other value added exempted services from the tax net, and tax avoidance.

5. CONCLUSION AND RECOMMENDATION

This study examined the effects of value-added tax on revenue generation in Nigeria where value-added tax and total revenue generated was used as the proxy for revenue generation. However, the result revealed that value-added tax can influence revenue generation. It also revealed that revenue generation, the value-added tax does not Granger cause each other, that is, they freely move to each other. The study concluded that value-added tax has no significant effect on revenue generation in Nigeria. Thus, it is recommended that the fiscal policy should discourage tax avoidance by emulating measures for compliance of value-added tax, incorporate the informal sector into the tax net, and review value added tax exempted services in Nigeia.

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Effect of Taxation on Nigeria's Economic Growth

KWABE, Mode Vandihe

Department of Accounting
Bingham University
Karu, Nasarawa State

Abstract

In every economy, the important of revenue mobilization and allocation is key to economic growth process. This study seeks to examine the Effect of Taxation on Nigeria's Economic Growth. The study adopts an ex-post factor research design, and by means the Auto Regressive Distributed Lag Model (ARDL), which are standard least squares regressions that include lags of both the dependent variable and explanatory variables as repressors, the analysis are made. The study concludes that petroleum profits tax has a significant positive relationship with Gross Domestic Product and still has a long run relationship among them for the period covered in the study. It was also concluded that about 99% changes in the dependent variable are explained by the independent variable. This implies that the goodness of fit measured by the R^2 is about 99%. It is therefore recommended that given the dwindling revenue from petroleum related sources, the government should embark on the strategic pursuit of broadening the economy to enhance economic growth and development.

Keywords: Taxation, Economic Growth, Gross Domestic Product, Governmenmt Revenue

1. INTRODUCTION

In every economy, the important of revenue mobilization and allocation is key to economic growth process. All the three tiers of Government (Federal, State and Local Governments} need to plan for the future. They need tax to assist them to generate more revenue to finance infrastructures' provision such as education, electricity, pipe borne water, good health facilities, good roads, railways, security (internal and external) etc. which are engine for economic growth. The Institute of Chartered Accountant of Nigeria (2009) defined a tax as a compulsory contribution imposed by government on her citizens in order to provide public goods and services and ensure their social and economic welfare and the Chartered Institute of Taxation Nigeria (2002) defined tax as an enforced contribution of money to the government pursuant to a defined authorized legislation. In other words, every tax must be based on a valid legal framework. Without legal framework, no tax can be imposed. Tax revenue is a veritable source of government revenue. However, it is still debatable in the literature what should be the optimal tax revenue to be imposed to enhance economic growth without unjustly inflicting welfare cost. Economic theories of taxation approach the question of how to minimize the loss of economic welfare through taxation and also discuss how a nation can perform redistribution of wealth in the most efficient manner. Taxation according to Emekekwue (2009) is the collection of a share of individual and organization income and wealth by the government under the authority of the law. The Nigerian tax System has undergone significant changes in recent times. The Tax Laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current Nigerian law, tax revenue is enforced by the 3 tiers of Government, which are Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies Act, 1998.

The whole essence of tax revenue is to generate revenue to advance the welfare of the people of a nation with focus on promoting economic growth and development of a country through the provision of basic amenities for improved public services via proper administrative system, and structures (Aboyade, 2010). Taxation is one of the major sources for revenue generation in Nigeria of which petroleum carries the highest percentage of revenue generated in Nigeria. Petroleum taxation policy is both employed as a fiscal policy and as well as income generating tool is widely employed by both developing and developed countries. Since petroleum has been discovered in Nigeria it has been the bedrock of economy and is responsible for about 90% of revenue which is the highest revenue generated by government from taxation. As of 2000, oil and gas export accounted for more than 98% of export earnings and about 83% of federal government revenue, as well as generating more than 14% of its GDP as it provides 95% of foreign exchange earnings, and about 65% of budgetary revenues (central bank of Nigeria; 2015). The role of oil sector towards the process of national development can be seen in the aspect of; employment generation, foreign exchange earnings, income generation, industrialization, and improvement in other economic variables. While the major investors in the petroleum industry are the multinational oil companies, the government regulate the petroleum operations in Nigeria through the petroleum profit tax act (PPTA) of 2007 amended, with its main fiscal instrument as the petroleum profit tax (PPT), through which petroleum revenue accrue to the government. Odusola (2006) notes that the petroleum profit tax is applicable to upstream operation in the oil industry, and its main focus relates to prospecting and exploration lease, royalties, rents, margins and profit-sharing elements associated with oil mining. The fundamental objectives of petroleum taxation are to ensure a fair share of accruing from the extraction of the petroleum resource, while also providing sufficient incentives to encourage investment and optimal economic recovery of the hydrocarbon resources. Nwete (2004) opines that the objectives of petroleum taxation include; achieving government's objectives of exercising right and control over the public asset, as well as regulating the number of participants in the industry and discouraging its rapid depletion in order to conserve some of it for future generation. Also, some economist considers taxation an important tool for maintaining the stability of a country economy.

Tax revenue plays a crucial role in promoting economic activity growth and development. Through tax revenue government ensures that resources are channeled towards important projects in the society, while giving succor to the weak. The role of tax revenue in promoting economic activity and growth may not be felt if poorly administered. This calls for a need for proper examination of the relationship between revenue generated from taxes and the economy, to enable proper policy formulation and strategy towards its efficiency. Adedeji and Oboh, (2012) are of view that the Nigerian economy has remained in a deep slumber with macroeconomic indicators reflecting an economy in dire need of rejuvenation, revival and indeed radical reform. Also, in the view of Aguolu, (2008), tax administration needs to be revamped and refunds of taxes as well as duty drawbacks administration are inefficient.

A critical challenge before tax administration in the 21st century Nigeria is to advance the frontiers of professionalism, accountability and awareness of the general public on the imperatives and benefits of tax revenue in our personal and business lives which include: promoting economic activity; facilitating savings and investment; and generating strategic competitive advantage. If tax administration does not for any reason meet the above challenges, then there is a desperate need for reform in the area of the regime, and in the administration of taxes.

The effect of the Nigerian tax system on businesses has been a matter of increasing interest and concern to many persons. Tax policies and the structure of taxation in Nigeria is resulting to multiple taxation on businesses, forcing most businesses to run into losses or collapse. Businesses make numerous decisions daily. Their inability to make the right decisions can result in their failure. Since taxation is a liability businesses have to incur, businesses are faced with the option of managing their tax liabilities in such a way their tax burden is reduced. Their inability to effectively manage taxation brings about negative effects on the financing, investment and dividend decisions of the business.

Multiple taxation and high tax rates are challenges facing businesses in Nigeria today. Tax liabilities pose two issues for a business. First each and every tax required of a business is just another business expense. An increase in tax has the same effect as would a rise in cost of goods. Ministries, departments, and agencies (MDAs) suffer from limitations in manpower, money, tools, and machineries to meet the ever-increasing needs of individual taxpayers. As a matter of fact, the negative attitude of most tax collectors can be linked to poor remuneration and motivation. Also, it has been noted that that staff are not provided with regular training to keep them ahead of developments in tax related matters. This makes the administration of taxes in terms of coverage and assessment very weak. This necessitates the essence of the study on the effect of taxation on economic growth of Nigeria. Also, the following hypotheses are those which underline this study:

H_{O1}: Petroleum profit tax does not have significant effect on the real gross domestic product of Nigeria.

H_{O2}: Company income tax does not have significant effect to the real gross domestic product of Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Taxation

Tax has defined in many ways by different authors. Anyanwu (2007) defined tax as "compulsory transfer or payment of money (or occasionally of goods and services) from private individuals, institutions or and services) from private individuals, institutions or groups to the government. It may be levied upon wealth or income or in the form of surcharge on price. According to Okpe (2008) "tax is the transfer of resources and income from the private sector to the public sector in order to achieve some of the nation's economic and social goals, maybe in the form of provision of additional government basic services particularly in education, public health, transportation, capital formation and in the provision of facilities. Anyanwaokoro (2004) defined tax as "a compulsory payment imposed by the government on individuals and corporate bodies in the governed area for which no direct goods or services are given in exchange of the payment made". Adebao (2009) also defined tax as "a compulsory levy imposed by the government on individuals and business organizations. It is a payment in return for which no direct and specific "quid pro quo" is offered by the government and indirect benefit to different individual taxpayers cannot be determined. From the above definitions Okwo (2011) summarized tax as a compulsory payment made by individuals and corporate bodies to the government for financing government expenditure or for general purpose of government aimed at improving the taxpayer's welfare and in which both the taxpayer and the public at large benefit.

2.1.2 Petroleum Profit Tax

The Petroleum Profit Tax Act (PPTA) is the tax law responsible for the governing of the taxation of companies engaged in petroleum operations (Adedeji and Oboh, 2012). The Act defines petroleum operations as "the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried by the company engaged in such operations, and all operations incidental there to and sale of or any disposal of chargeable oil by or on behalf of the company". The definition is applicable to the upstream sector of the petroleum industry; hence, only companies in the upstream sector are charged with petroleum profit tax (PPT).The importance of taxation on petroleum profits cannot be overemphasized as tax revenue derived from tax in petroleum profits contributes, largely, to the total tax revenue available to the Nigerian government. Aboyade, (2010) stated that Petroleum Profit Tax is a major source of revenue for the Federal Government of Nigeria to meet its statutory obligations of ensuring the economic development of Nigeria. It assists the government to achieve the country's macroeconomic objective in the areas of fiscal and monetary policies. However, it has been observed that non-provision of corporate social responsibilities in the communities where there is extraction of crude oil result into constant destruction of production installations, and hindrance to production; tax avoidance and evasion d poor tax administration, and weak fiscal policy have been negating the increase in tax income generated.

2.1.3 Company Income Tax

Companies Income Tax (CIT) is tax on the profits of incorporated entities in Nigeria (Wooldridge, 2006). It also includes the tax on the profits of non-resident companies carrying on business in Nigeria. The tax is paid by limited liability companies inclusive of the public limited liability companies. It is therefore commonly referred to as corporate tax. CIT was created by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and collected by the Federal Inland Revenue Service ('FIRS' or 'the Service'). The tax contributes significantly to the revenue profile of the Service. In 2016, the revenue target for Companies Income Tax is N1.877 trillion representing approximately 40% of the total projected tax revenue of N4.957 trillion for the year.

2.1.4 Effect of Tax Revenue on Economic Growth

Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society (Nwezeaku, 2012). Asterious and Hall (2010) stated that tax is imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities etc. Odusola, (2009:45) say taxes are used as proxy for fiscal policy. They outlined five possible mechanisms by which taxes can affect economic growth. First, taxes can inhibit investment rate through such taxes as corporate and personal income, capital gain taxes. Second, taxes can slow down growth in labour supply by disposing labour leisure choice in favour of leisure. Third, tax policy can affect productivity growth through its discouraging effect on research and development expenditures. Fourth, taxes can lead to a flow of resources to other sectors that may have lower productivity. Finally, high taxes on labour supply can distort the efficient use of human capital high tax burdens even though they have high social productivity.

2.2 Empirical Review

Akwe (2014) analysed the impact of oil Tax Revenue on Economic Growth from 1993 to 2012 in Nigeria. To achieve this research objective, relevant secondary data were used from the 2012 Statistical Bulletin of the Central Bank of Nigeria (CBN). These data were analyzed using the Ordinary Least Squares Regression. The result from the test shows that there exists a positive impact of Non-oil Tax Revenue on economic Growth in Nigeria. Ogbonna and Ebimobowei (2012) investigated the impact of petroleum profit tax on the economic growth of Nigeria. To achieve the objective of this paper, relevant secondary data were collected from the Central Bank of Nigeria (CBN) and the Federal Inland Revenue Service (FIRS) from 1970 to 2010. The secondary data collected from the relevant government agencies in Nigeria were analysed with relevant econometric tests of Breusch-Godfrey Serial Correlation LM, White Heteroskedasticity, Ramsey RESET, JarqueBera, Johansen Co-integration and Granger Causality. The results show that there exists a long run equilibrium relationship between economic growth and petroleum profit tax. It was also found that petroleum profit tax does granger cause gross domestic product of Nigeria. Omoh (2007) analyzed the revenue generating capacity of the nine oil producing states. He disposed that the nine states generated internally of total of N97.293bn between 1993 and 2003. He employed simple comparative and descriptive analysis for the study. He posits that the internally generated revenue when compared to the N886.57bn they collected from the federation account between June 1999 and July 2004 is just 10.97 percent of federation allocation to the nine states. He further disclosed that Rivers State generated the highest revenue of N33.217bn during the period which is about 22.78 percent of the net allocation to states from the federation account in the last five years.

Adegbie and Fakile (2011) examined the relationship between company income tax and Nigeria's economic development for the period 1981 – 2007. They used the GDP to capture the Nigerian economy which was measured against total annual revenue from company income tax for the same period. They employed the use of chi square and multiple linear regression analysis method to analyze data obtained from both primary and secondary sources. Their variables included varous taxes regressed against GDP. With an R squared of 98.6% and an adjusted R squared of 98.4%, revealing that company income tax impact on GDP is very high and impressive. It further showed that there is a significant relationship between company income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation. Overall the study examined only company income tax which calls for the need to see the impact of all tax revenues on the Nigerian economy. In their study of the relationship between company income tax and Nigerian economic development, Festu and Samuel (2007) reported that in Nigeria, the role of tax revenue in promoting economic activities and growth is not felt primarily because of its poor administration, perception and often an undesirable imposition which bears no relation to the responsibilities of citizenship or t the service provided by the governmet. Their study further revealed that an efficient and effective tax administration results in increased revenue yield, but this is not possible because of the presence of evasion and avoidance due to loop holes in the tax laws. On the other hand, Adedeji and Oboh (2010) stated that people expect that by sacrificing their private resources to the state in the form of taxes, government is expected to reciprocate by spending public revenue in a way that will enhance their welfare. However, government and tax collectors have been dubiously mismanaging the public treasury. There is high level of manipulation and diversion of tax revenue by the collectors. The dwindling tax revenue as presently witnessed results from lack of encouragement to the taxpayer, due to the fact that there is very little evidence to show for taxes collected. For these reasons, there are increased cases of tax evasion. Therefore, this gap in existing literature on tax revenue and economic growth needs to be filled.

2.3 Theoretical Framework

2.3.1 Benefit Principle Theory

The theoretical framework of this study is based on the benefit principle theory. The benefit principle theory is a concept in the theory of taxation from public finance. It bases taxes to pay for public-goods expenditures on a politically-revealed willingness to pay for benefits received. The principle is sometimes likened to the function of prices in allocating private goods. In its use for assessing the efficiency of taxes and appraising fiscal policy, the benefit approach was initially developed by Knut Wicksell (1896) and Erik Lindahl (1919), two economists of the Stockholm School. Wicksell's near-unanimity formulation of the principle was premised on a just income distribution. The approach was extended in the work of Paul Samuelson, Richard Musgrave, and others. It has also been applied to such subjects as tax progressivity, corporation taxes, and taxes on property or wealth. The unanimity-rule aspect of Wicksell's approach in linking taxes and expenditures is cited as a point of departure for the study of constitutional economics in the work of James Buchanan. According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government.

2.3.2 Ability to Pay Theory

The ability to pay theory was propounded by MS Kendrick in 1939. The theory considers tax liability in its true form-compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. According to this theory, a citizen is to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity. This doctrine has been in vogue for at least as long as the benefits theory. A good account of its history is found in Seligman. This theory was bound to be supported by socialist thinkers because of its conformity with the ideas and concepts of justice and equity. The basic tenet of this theory is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles necessitates that the tax burden is apportioned according to their relative ability to pay.

2.3.3 Faculty Theory

According to Ola, (2011), this theory states that one should be taxed according to the ability to pay. It is simply an attempt to maximize an explicit value judgment about the distributive effects of taxes. Okafor, (2012) argue that a citizen is to pay taxes just because he can, and his relative share in the total tax burden is to be determined by his relative paying capacity.

3. METHODOLOGY

The researcher adopted ex-post facto and he choice of the ex-post facto design is because the research relied on secondary data that have occurred in the past. The study is centered on Nigeria and it makes use of secondary data obtained from the Central Bank of Nigeria Statistical Bulletins for the relevant years. Historical data covering a period of 10 years are to be estimated using Auto correlation test, it often occurs in time series data and it can make an OLS inefficient for drawing inferences. Heterskedasticity test is also a factor commonly associated with time series data. It affects the standard error as well as the t-statistics. Bound test is a test for measuring long run relationship. It measures whether a long run relationship exists between the independent variables and the dependent variable.The Auto Regressive Distributed Lag Model (ARDL) are standard least squares regressions that include lags of both the dependent variable and explanatory variables as repressors' (Greene, 2008). The following model was used to evaluate the study:

GDP = F (PPT, CIT, CED) ………………… (1)

Where:

GDP = Gross Domestic Product (it is used as a proxy for economic growth)
PPT = Petroleum Profit Tax
CIT = Company Income Tax
CED = Custom and excise duties (it is used as a proxy for tax revenue)
In a linear regression form, it will become:

$RGDP = \beta o + \beta_1 PPT + \beta_2 CIT + \beta_3 CED + \mu$ ………………… (2)
Where
βo = Constant Term

β_1 = Coefficient of Petroleum Profit Tax
β_2 = Coefficient of Company Income Tax
β_3 = Coefficient of Custom and excise duties
μ = Error Term

4. RESULT AND DISCUSSION

The data presentation, estimation and results of the empirical investigation carried out are presented and also analyses the relationship between each of the types of tax revenue (petroleum profit tax(PPT), companies income tax(CIT), custom and excised duties(CED)) and gross domestic product(GDP). Table 4.1 shows the data that was used in the analysis in this study.

Table 4.1: Data showing GDP, PPT, CIT and CED

YR	GDP (N'M)	PPT(N'M)	CIT(N'M)	CED(N'M)
2007	6061700	683500	114800	195500
2008	11411067	1183600	113000	217200
2009	15610882	1904900	140300	232800
2010	18564595	2038300	244900	177700
2011	23280715	1500600	275300	241400
2012	25424948	2812300	420600	281300
2013	25236056	1256500	593700	297500
2014	34494583	1944700	658400	309200
2015	38016970	30700000	663020	438300
2016	40115340	32010000	847500	438300

Source: CBN Statistical Bulletins

The data were log transformed as in table 4.2 to minimize the values of the data in order to get an improved regression result.

Table 4.2: Data showing log of GDP, PPT, CIT and CED

YR	LPPT	LCIT	LCED	LGDP
2007	13.43498	11.65095	12.18332	15.61750
2008	13.98407	11.63514	12.28857	16.25009
2009	14.45994	11.85154	12.35793	16.56348
2010	14.52763	12.40861	12.08785	16.73677
2011	14.22138	12.52562	12.39421	16.96314
2012	14.84951	12.94944	12.54718	17.05124
2013	14.04384	13.29413	12.60317	17.04378
2014	14.48062	13.39757	12.64174	17.35631
2015	17.23977	13.40456	12.99066	17.45354
2016	17.28156	13.65005	12.99066	17.50727

Source: E-views Output

Normality Test

Table 4.3: Descriptive Analysis

	LPPT	LCIT	LCED	LGDP
Mean	14.85233	12.67676	12.50853	16.85431
Median	14.47028	12.73753	12.47069	17.00346
Maximum	17.28156	13.65005	12.99066	17.50727
Minimum	13.43498	11.63514	12.08785	15.61750
Std. Dev.	1.325524	0.772085	0.309113	0.588514
Skewness	1.182592	-0.218003	0.408500	-0.863609
Kurtosis	2.901597	1.512170	2.082318	2.941134

Jarque-Bera	2.334910	1.001558	0.629012	1.244477
Probability	0.311158	0.606058	0.730149	0.536742
Sum	148.5233	126.7676	125.0853	168.5431
Sum Sq. Dev.	15.81313	5.365042	0.859955	3.117142
Observations	10	10	10	10

Source: Author's Computation with Eviews Software Version 9

The study conducted the descriptive statistics of the relevant variables involved. Table 4.3 illustrates vividly these statistics. It shows the total number of observations, mean, median, maximum, minimum, standard deviation, skewness, kurtosis and Jarque-Bera. The dependent variable which is gross domestic product shows the minimum 15.61750 which was observed in 2000 and shows the maximum of 17.50727 which was observed in 2016. The mean value of the dependent variable is 16.85431 and the standard deviation is 0.588514 This implies that there was high fluctuation in gross domestic product for the years. It can be observed from Table 4.2 that all the variables have positive average values (means). The minimal deviation of the variables from their means as shown by the standard deviation gives indication of growth rate (fluctuation) of these variables over the period. It can be observed also that company income tax and gross domestic product show signs of negative skewness while petroleum profit tax and custom and excise duties show signs of positive skewness.

Unit Root Test

This test tries to examine the property of the variables. It is used to check for the presence of a unit root i.e. whether the variables are stationary. It is also used to ascertain the regression technique to adopt for analysis and testing of hypotheses. This test is carried out using the Augmented Dickey Fuller (ADF) test. The ADF is carried out using E-views software package and the results from the test are tabulated below:

Table 4.4 Unit root test

	ADF	cv@5%	Probability	Inference
LPPT	**-2.538871**	**-1.995865**	**0.0186**	**I(1)**
LCIT	**-3.164169**	**-3.017328**	**0.0351**	**I(0)**
LCED	**-2.885408**	**-1.995865**	**0.0100**	**I(1)**
LGDP	**-3.124923**	**-1.995865**	**0.0065**	**1(I)**

Source: Eviews 9.0 Computation by Author

The a priori expectation when using the ADF test is that a variable is stationary when the value of the ADF test statistic is more negative than the critical value at 5%. Log of petroleum profit tax, log of custom and excise duties and log of gross domestic product are stationary at first difference (I(1) while log of company income tax is stationary at level I(0).

Test for Autocorrelation

Auto correlation often occurs in time series data and it can make an OLS inefficient for drawing inferences. For instance, positive autocorrelation makes the standard error biased and too small while negative autocorrelation makes the standard error too large.

Table 4.5 Test for Autocorrelation

Breusch – Godfrey Serial Correlation LM Test

F- statistics	553.0092
Probability Values	0.1302

Source: Author's Compilation from Eviews 9

Decision Rule:

Accept that there is no autocorrelation when the probability value is greater than 5% otherwise accept that there is auto correlation. The null hypothesis for autocorrelation says that there is no autocorrelation. For the fact that the probability value is greater than 5%, it is therefore concluded that there is no auto correlation.

Test for Heteroskedasticity
Heteroskedasticity is also a factor commonly associated with time series data. It affects the standard error as well as the t-statistics.

Table 4.6 Test for Heteroskedasticity
Heteroskedasticity Test: Breusch – Pagan Godfrey

F- statistics	2.222109
Probability Values	0.2716

Source: Author's Compilation from Eviews 9

Decision Rule:
Accept that there is no heteroskedasticity when the probability value is greater than 5% otherwise accept that it exists. For the fact that the probability value is greater than 5%, it is therefore concluded that there is no heteroskedasticity.

Bound Test
Bound test is a test for measuring long run relationship. It measures whether a long run relationship exists between the independent variables and the dependent variable.

Table 4.7 Bound Test
ARDL Bounds Test
Date: 06/09/18 Time: 17:32
Sample: 2008 2016
Included observations: 9
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	5.558477	3

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.72	3.77
5%	3.23	4.35
2.5%	3.69	4.89
1%	4.29	5.61

Decision Rule:
If the F-statistics is greater than the upper bound, reject the null and conclude that there is long run relationship.
If the F-statistics is less than the lower bound accept the null and conclude there is no long run relationship.
If the F-statistic falls in between the upper and lower bound, the result becomes inconclusive.

Decision:
Since the F-statistic been 5.558477 is greater than the upper bound (3.77), it is therefore concluded that there is long run relationship between the independent variables and the dependent variable.

Regression Analysis
Tables 4.7: Auto Regressive Distributed Lag Model Table Analysis

The Auto Regressive Distributed Lag Model (ARDL) was adopted for analysis and test of hypotheses based on the premise that the unit root test in table 4.4 was a combination of I(0) and I(1).

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LGDP(-1)	0.530298	0.206820	2.564058	0.0829
LPPT	0.047262	0.045217	3.045229	0.0327
LCIT	0.291310	0.276788	2.752467	0.0169
LCIT(-1)	0.535851	0.244526	2.191385	0.1161
LCED	0.377467	0.`336987	1.120125	0.0342
C	9.109371	3.093538	2.944645	0.0603

R-squared	0.986952	Mean dependent var	16.99174
Adjusted R-squared	0.965206	S.D. dependent var	0.420932
S.E. of regression	0.078517	Akaike info criterion	-2.016274
Sum squared resid	0.018495	Schwarz criterion	-1.884791
Log likelihood	15.07323	Hannan-Quinn criter.	-2.300014
F-statistic	45.38468	Durbin-Watson stat	3.621337
Prob(F-statistic)	0.005001		

*Note: p-values and any subsequent tests do not account for model selection.

Source: Auhtor's E-View 9.0 Output, 2018

From the above regression analysis, the R^2 is 0.986952 which is about 99%. The R^2 is used to explain the goodness of fit. Therefore, since it is about 99%, it implies that about 99% change in GDP is explained by the independent variables and the higher the R^2 the better fit the independent variables. Since the F – statistics is 45.38468 which is greater than 2.5 and the probability value is 0.005001 is <0.05. This shows that the model is significant and has a high goodness of fit.

Test of Hypothesis one

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LGDP(-1)	0.530298	0.206820	2.564058	0.0829
LPPT	0.047262	0.045217	3.045229	0.0327
LCIT	0.291310	0.276788	2.752467	0.0169
LCIT(-1)	0.535851	0.244526	2.191385	0.1161
LCED	0.377467	0.336987	1.120125	0.0342
C	9.109371	3.093538	2.944645	0.0603

R-squared	0.986952	Mean dependent var	16.99174
Adjusted R-squared	0.965206	S.D. dependent var	0.420932
S.E. of regression	0.078517	Akaike info criterion	-2.016274
Sum squared resid	0.018495	Schwarz criterion	-1.884791
Log likelihood	15.07323	Hannan-Quinn criter.	-2.300014
F-statistic	45.38468	Durbin-Watson stat	3.621337
Prob(F-statistic)	0.005001		

*Note: p-values and any subsequent tests do not account for model selection.

Source: Auhtor's E-View 9.0 Output, 2018

Test of Hypothesis Two

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LGDP(-1)	0.530298	0.206820	2.564058	0.0829
LPPT	0.047262	0.045217	3.045229	0.0327
LCIT	0.291310	0.276788	2.752467	0.0169
LCIT(-1)	0.535851	0.244526	2.191385	0.1161
LCED	0.377467	0.336987	1.120125	0.0342
C	9.109371	3.093538	2.944645	0.0603

R-squared	0.986952	Mean dependent var	16.99174
Adjusted R-squared	0.965206	S.D. dependent var	0.420932
S.E. of regression	0.078517	Akaike info criterion	-2.016274
Sum squared resid	0.018495	Schwarz criterion	-1.884791
Log likelihood	15.07323	Hannan-Quinn criter.	-2.300014
F-statistic	45.38468	Durbin-Watson stat	3.621337
Prob(F-statistic)	0.005001		

*Note: p-values and any subsequent tests do not account for model selection.

Source: Auhtor's E-View 9.0 Output, 2018

4.1 Discussion of Findings

The regression analysis showed the R^2 to be 0.986952 which is about 99%. The R^2 is used to explain the goodness of fit. Therefore, since it is about 99%, it implies that about 99% change in GDP is explained by the independent variables and the higher the R^2 the better fit the independent variables. Since the F – statistics is 45.38468 which is greater than 2.5 and the probability value is 0.005001 is <0.05. This shows that the model is significant and has a high goodness of fit. It is also discovered that petroleum profit tax has significant effect on the gross domestic product of Nigeria due to the fact that probability value been 0.0327 was less than 0.05. It is also discovered that company income tax has significant effect on the gross domestic product of Nigeria as its probability value been 0.0169 was less than 0.05. Customs and excise duties have significant effect on the gross domestic product of Nigeria because its probability value been 0.0342 is less than 0.05.

5. CONCLUSIONS AND RECOMMENDATIONS

The following findings are made for this study; Petroleum profit tax has significant effect on the gross domestic product of Nigeria; Company income tax has significant effect on the gross domestic product of Nigeria and Customs and excise duties have significant effect on the gross domestic product of Nigeria. From the findings of this study, it is concluded that petroleum profits tax has a significant positive relationship with Gross Domestic Product and still have a long run relationship among themselves for the period covered in the study. It was also concluded that about 99% changes in the dependent variable are explained by the independent variable. This implies that the goodness of fit measured by the R^2 is about 99%. Consequently, the following recommendations are made for this study:

i. Given the dwindling revenue from petroleum related sources, the government should embark on the strategic pursuit of broadening the economy to enhance economic growth and development.
ii. Government agencies should effectively devise procedures for the collection of company income tax as it contributes to economic growth as reported in the findings.
iii. Government agencies should as well ensure timely payment of custom and excise duties as it also contributed positively to economic growth as reported in the findings of the study.

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Challenges on the Implementation of International Public Sector Accounting Standards in Nigeria

ONYILOKWU, I. Joseph

Department of Accounting
Bingham University
Karu, Nasarawa State
E-Mail: onyilokwu.i.joseph@gmail.com, PhoneNo: +234 7030332700

Abstract

In recent times the issue of International Public Sector Accounting Standards (IPSAS) has been of interest to scholars as far as financial reporting in the public sector is concerned. IPSAS have been embraced by many jurisdictions given its numerous benefits in the area of transparency and accountability. However, the transition to IPSAS has been a challenge, and the trend must be reversed. Therefore, the aim of this study is to contribute to the scholarly debate on the implementation of IPSAS1-40 so that Nigeria could gain some insight into factors relating to the transition, to improve public sector restructuring based on evidence from established body of knowledge and empirical analysis. The research objective is to investigate the factors that contribute to the slow implementation of IPSAS in Nigeria. A research question is pursued to achieve the objective. The research question is what are the factors that affect the implementation of IPSAS1-40 in Nigeria? An attempt is made to answer the research question based on cross-sectional survey design. Stratified random sampling statistics is employed for the study. A sample of two hundred and thirty-two (232) respondents drawn from the accounting and auditing cadres in the public sector are used to conduct this study. This study employs descriptive statistics for analysis. Findings from this study show that political buy-in of all the government functionaries as a collective decision is a significant factor for the slow implementation of IPSAS in Nigeria. The implication of this finding is that the benefits of IPSAS which are necessary for good governance and restructuring may remain untapped if the situation is unchecked. Therefore, this study recommends the need to apply moral suasion among the government functionaries to achieve the implementation, and harness the benefits of IPSAS for improvement in public financial management and restructuring in Nigeria. This study is useful to various stakeholders such as the National Assembly and the Federal Executive Council for law making and decision making.

Keywords: Accountability, Implementation, Public Financial Management, Transparency, IPSAS

1. INTRODUCTION

IPSAS are accounting standards issued in sets by IPSASB. "IPSAS are high-quality global accrual-based accounting standards which enable governments to produce high-quality financial information that leads to better decision making and builds accountability and trust with citizens" (IFAC 2017). IPSASB (2015) explains that the standards are for use by public sector entities excluding Government business enterprises worldwide. These standards are for the preparation of financial statements. The objective of IPSAS is to improve government financial resources decision making based on an improved general purpose financial reporting by public sector entities, to enhance transparency and accountability in public governance. International Public Sector Accounting Standards Board (IPSASB) which is a Committee of IFAC is responsible for issuing IPSAS. The traditional approach to public sector accounting is based on cash accounting under the Generally Accepted Accounting Principles (GAAP) which was copied from the private sector. The GAAP was originally meant for the private sector. It is convenient for accounting and cheap because in government, the primary objective of the financial statements has been for an individual Accounting Officer to be held to account and responsible for the way in which funds allocated in the budget have been utilised based on cash accounting. Unfortunately, The GAAP system has been criticised for poor transparency and accountability. The GAAP has failed in the public sector because the public and private sectors are different in objectives, goals, and expectation. Hence, the need for review was apparent and urgent to improve public financial resources management. The pressure to review the GAAP was more in the wake of the European Financial crisis which later became global because it was argued that the sometimes inapplicable GAAP accounting practices of the private sector being used in the public sector contributed to the event and somewhat belated response to the financial crisis and ever since, scholars have been concerned about accounting change in government (Sanderson 2009; IFAC, 2007).

Scholars have continued to call for an efficient approach to public governance in line with the New Public Management reforms (Babatunde, and Dandago, 2014; Ball, and Pflugrath, 2012). Omolehinwa (2012) argues that there is need to account for peoples' money. The need for an accounting change resulted into the introduction of International Public Sector Accounting Standards (IPSAS) by the International Federation of Accountants (IFAC). IFAC (2007) enjoins the global community to adopt and implement IPSAS in public governance, for convergence, uniformity of reporting, improved accountability and transparency. The adoption and implementation of IPSAS promote a reliable and transparent financial reporting, which can improve public sector decision making so that electors are better accountable to their constituents. Ijeoma and Oghoghomeh (2014) explain that the implementation of IPSAS enhances public-private partnership arrangements in collaborative efforts, with both running on a similar set of accounting standards (IPSAS and IFRS). The study argues that IPSAS benefits include economic leverage since sovereign nations are induced with the prospect of equal benefits. IPSAS block the tolerance of double standards in government services because it is about the transparency of operations. It is a solution to the predominant corrupt Countries like Nigeria. IPSAS were first issued on a cash basis in an attempt to follow the tradition of cash accounting in the public sector. The issuance of the Cash Basis IPSAS has been widely promoted by the donor community, IFAC and IPSASB. Unfortunately, the Cash Basis IPSAS are also criticised as not based on the good practices that have been developed in many countries over the past decades. Governments that report on a cash-basis do not account for significant liabilities, such as pensions and infrastructure development; as a result, the IPSASB formulated the accrual IPSASs for the public sector to substitute International Financial Reporting Standards of the private sector in line with the New Public Management trend. IFAC (2017) enjoins public sector entities to adopt the accrual IPSAS abbreviated as IPSASs as a measure to improve financial management transparency in a government.

IPSASB has issued forty accrual standards, but ironically despite the benefits, none of the standards has been implemented in Nigeria. Many jurisdictions have adopted IPSAS but have not implemented them. Some have implemented them either partially or completely. Much more are on the road to implementing the standards. According to Aboagye (nd), the European Commission (EC), North Atlantic Treaty Organisation (NATO) and some members of the African Union (AU) such as Ghana, South-Africa, Zimbabwe, and Botswana have adopted IPSAS. Despite the benefits, the implementation of this unique accounting change in government has been problematic because many governments are reluctant to accept the IPSAS reform but rather prefer to stick to the prior system of financial reporting. Notwithstanding, IFAC continues to propagate IPSAS adoption but despite the efforts the journey to implementation is still slow around the World although many countries adopted it but implementation has been an issue (IFAC, 2014). Adhemar (2006) argues that the IPSAS benefits are undermined by the fact that few governments have adopted the standards that are broadly consistent with IPSAS. For instance, IFAC (2017) finds that Anguilla and the Cayman Islands are the only Caribbean countries that have fully implemented IPSAS, many of the other Countries started the process while many more countries are facing some challenges with IPSAS implementation despite the numerous benefits. Also IFAC (2017) finds that implementation of IPSAS in the OECD countries have been very slow. The study also argues that while the direct adoption of international accounting standards, such as International Public Sector Accounting Standards (IPSAS) by national governments remains very low, almost 28% of the standard-setters use IPSAS as primary or explicit references for developing their national standards. According to IFAC (2017) why the direct adoption of international accounting standards by national governments remains very low was due to some factors such as cultural, technical and required expertise.

In line with the trend in globalisation, Nigeria considered the IFAC expectation and a significant decision was made by the Nigerian government when the International Public Sector Accounting Standards (IPSAS) was adopted in 2010, as the latest initiative in public sector reforms in Nigeria. This decision was predicated on the need to improve good governance as a catalyst to promote accountability and transparency in the management of public sector finances in the country. The adoption was supported by the enactment of the Financial Reporting Council of Nigeria Act, No.6, 2011. The Act empowers the Council to ensure the implementation of IPSAS in the best interest of Nigerians. It is a good thing to adopt IPSAS but its implementation is a more serious and rigorous matter. Unfortunately, since the adoption of IPSAS, Nigeria is behind in the implementation. While the

Country is wasting time on implementing the cash IPSAS, they were replaced with accrual IPSASs in 2013, and yet Nigeria has not implemented some of them ever since, contrary to expectation. In view of the slow implementation of IPSAS, the Federation Account Allocation Committee (FAAC) of Nigeria at the meeting of 13th June 2011 established a Sub-Committee to work out modalities for the implementation of IPSAS in Nigeria. It was expected that IPSAS cash basis would be applied to public sector financial reporting in 2012. The application was scheduled to start in 2012 being the year set as the deadline for the issue of first published IPSAS-compliant financial statements, but it failed. The Federal, State and Local Government Councils in Nigeria are to commence implementation of cash IPSAS by 2014 and accrual IPSASs by 2016, alas Nigeria has failed to meet the targeted dates despite the efforts of the Federal government since IPSAS adoption in 2010.

The incessant failure to implement IPSAS is quite an irony because the same Country has implemented the International Financial Reporting Standards for its private sector organizations without much delay which shows an element of a double standard attitude of some government institutions charged with the responsibility. For example, the Financial Reporting Council of Nigeria which is a government apparatus enforced the implementation of IFRS successfully in the private sector of the same Country, but this is not the case with IPSAS which is a puzzle to be resolved as to factors responsible. Many issues have been established by scholars for the failed implementation such as the required expertise and cost (Atuilik, Adafula, and Asare, 2016; Omolehinwa, and Naiyeju, 2015; Tikk, 2010 and Tickell, 2010). Several workshops and seminars have been organized to sensitize the public, educate and train the practitioners and ensure a smooth transition to the IPSAS regime but they all failed to achieve the implementation. Unfortunately, despite the efforts, the implementation date continues to fail and has shifted several times first to January 2014 and then to January 2016 without success and now to 2019. The frequent changes in implementation date have been viewed with mixed feelings among the practitioners and scholars in Nigeria. According to Ofoegbu (2014), several attempts have been made in the past towards improved financial reporting system in Nigeria, but they all failed. The study argues that existing financial reporting practice was based on laws and regulations such as Audit Ordinance Act No. 38, 1956 and Finance (Control and Management) Act No.33, 1958 all of which do not accord with the cash IPSAS.

Unfortunately, continuous delay in the implementation of IPSAS undermines the realisation of the benefits, such as in the area of transparency and accountability to the disadvantage of the Nigerian citizens. In view of the foregoing, the ineptitude on the part of Nigeria to implement IPSAS raises some questions in the minds of scholars in the areas of the factors that are affecting the implementation. It is necessary to probe these factors. Besides the inconsistencies in dates of implementation of IPSAS have a great setback on Nigeria because the country cannot operate in isolation of the World. It is evident that something has to be done to reverse the trend. The slow implementation of IPSAS since it was adopted in Nigeria in 2010 may imply nonconformity with the trend in globalisation. It also portrays noncompliance with IFAC public sector reform strategy as it relates to IPSAS. IPSAS reform is about transparency and accountability in the management of public resources. This problem of slow implementation can cause the nation to be less attractive to foreign direct investment because of poor transparency in the affairs of government, lack of comparison of financial reports of home and foreign operations due to different reporting format. Donor agencies and other funding agencies may not be attracted to Nigeria since it is slow in complying with the new public management reforms as established by the IFAC which is the global umbrella body of accountancy, to the detriment of a nation with poor transparency perception index. Transparency International (2019) corruption perception index ranks Nigeria 146th out of 180 countries surveyed. Also United Nations economic commission for Africa (2015) finds that there are illicit monies with some Nigerians. Some factors have been identified by scholars to have contributed to the slow implementation of IPSAS. These factors have been identified to include cultural, expertise, political-buy- in and accountability. For instance, the literature has identified political buy-in of top government at the different levels of governance as an issue of concern in the implementation of IPSASs (Atuilik, Adafula, and Asare, 2016; Tikk, 2010 and Tickell, 2010). Ijeoma and Oghoghomeh (2014), as well as Nurunnabi (2012) joined the debate on the implementation of IPSASs and argue that there is the problem of Sociological factors. Omolehinwa and Naiyeju (2015) and Hamisi (2012) identified the cost of implementation as a problem. Accountability is a factor affecting the implementation of IPSAS (Alshujairi, (2014). The aim is to contribute to the scholarly debate on IPSAS implementation so that the different Countries adopting it could gain some insight into factors relating to the transition, to improve strategic decisions for successful implementation of IPSAS. Therefore, this study is designed to achieve the following specific objective: Investigate the factors that contribute to the slow implementation of IPSAS in Nigeria. From the foregoing therefore, the primary objective of this study is to determine the extent of implementation of IPSAS 1-40 in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of Public Sector Accounting

The Federal Republic of Nigeria is a multi-party democracy with the executive, legislative and judicial arms of government. The executive comprises of three tiers of government, the Federal, State and Local government and each of the three arms and three tiers enjoys some autonomy to a large extent in the running of the Federal, State or Local government affairs. Any law passed by each tier may not be binding on the other tiers separately or collectively on the same scale, and thus different points of view as regards the implementation of the law may ensue, an example of this; is the Financial Reporting Council Act 2011, which provides for the adoption and implementation of IPSAS. Such laws run the risk of slow implementation as is currently the case with IPSAS in the Nigerian public sector accounting system. According to the Institute of Chartered Accountants of Ghana (ICA- Ghana) (2010) public sector accounting is a system that gathers, records, classifies and summarises as reports the fiscal and financial transactions that exist in the public or government sector, as financial statements and interprets them as may be required by accountability and fiscal transparency to provide information to users associated with public institutions. It involves the receipts, custody, disbursement and rendering of stewardship of public funds entrusted.

Nigerian public sector accounting is strategic in the development of the Nation through the public sector apparatus on one hand, it drives the business operations of the private sector to a large extent on the other hand. The public sector accounting financial system in Nigeria is managed by the Ministry of Finance and the budget office at the Federal level, while each of the thirty-six States of the Federation run their financial affairs through their individual Ministries of Finance and budget offices as each State is autonomous with separate budgets backed up by an appropriation law. Also, each of the seven hundred and seventy four Local councils of the nation run their affairs separately. The three tiers maintain individual budgets that are guided by separate appropriation laws from preparation, approval, and implementation of the government budgets. They are individually governed with separate functionaries. They also maintain the development of the public sector financial reports for audit and publication individually.

IPSAS are essential to the development of an efficient public sector accounting and reporting system in any country to identify and measure the government's expenses, revenues, assets, and liabilities properly. Therefore, the adoption of IPSAS in Nigeria in 2010 was a welcome development by all the tiers of government. However, each tier has a different capacity to withstand what it takes to implement it regarding various factors such as finance, expertise and political party alignment, which may be hindering the implementation and slow the process of better governance. Furthermore, the trend in the implementation of IPSAS Worldwide cannot be overlooked in Nigeria. For example, the South Asia countries are desirous of implementing IPSAS, but not much has been achieved. Janardanam (2016) explains that no country in South Asia is fully compliant with the cash - basis IPSAS. Janardanam (2016) explains that the process of implementing IPSAS is long and there are some obstacles such as cultural, communication, expertise laws and regulations factors. The study argues that the major requirement to achieve the tectonic change of implementing IPSAS is a serious commitment at the top levels of government from both political and administrative angles. Similarly, in Europe virtually all the Countries have adopted IPSAS, likewise virtually all South American countries have decided to implement IPSAS. Tremendous progress has been made across the world so far. According to PwC (2015). The Consolidated Fund of the Public Accounts of Ghana is currently prepared on a modified accrual basis. The plan is to implement accrual-based IPSAS from 2016, to consolidate the benefits of IPSAS.

2.2 Theoretical Discussion

2.2.1 New Public Management Theory

An analysis of the need for a transparent and accountability driven governance has generated debate stemming from the New Public Management (Onalo, Lizam, and Kaseri, 2013; Andriani, Kober, and Ng (2010). Cortes (2006) explain that NPM focuses on efficiency, performance measurement, fiscal discipline, accountability and transparency. The various theories of governance accommodate that social conflicts are resolved by a sovereign from a perspective of responsibility as guided by the new public management theory (Bevir 2011; Carrington, DeBuse and Lee 2008). In tandem with NPM, there is a growing consensus concerning the merits of accounting reforms in the public sector (Harun, 2007). The new public management techniques for the public sector are to facilitate more transparency in government activities, to strengthen the accountability of government, and improve decision-making (Mack, and Ryan, 2006). In response to NPM, Nigeria achieved a historic opportunity to develop a more democratic political system and to improve transparency and accountability. Nigeria adopted a multiparty system for the election of government office holders, with the executive at the central level and governors, and local government heads at the State and local levels respectively. Also, a set of new accounting standards based on IPSAS was adopted to reform effective and efficient governance in the provision of services to Citizens. IPSAS applies to the underlying principles of recent social, economic, public sector reforms as means to improve the accountability, transparency and public sector governance in Nigeria. The implementation of IPSAS in Nigeria as a part of broader financial management and public sector reforms in line with the doctrine of NPM in the country is still a dream.

2.2.2 Stakeholders Theory

Stakeholders' theory is based on the assumption that ''values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create, and what brings its core stakeholders together so as to deliver on their purpose'' (Freeman, Wicks, Parmar 2004). Financial statements are subject to stakeholders' scrutiny to ascertain their usefulness in line with the Stakeholders theory. Danescu and Rus (2013) argue that accounting information available should serve the users for their target purpose. The users of the IPSAS in the public sector suggest that its implementation is necessary for measuring performance, accountability by government organisations, efficiency, and effectiveness and decision making to support a proper function of democracy. Ironically, at the practical level, the implementation of the new policies is not a simple process (Haroun, 2012; Nor-Aziah and Scapens, 2007; Dambrin, Sponem and Lambert, 2007). Thus it is a mistake for technocrats to see the introduction of IPSAS as merely a technical reporting innovation. Government accounting needs a broader theory of government accountability, which can be derived from Herbert Simon's organization theory (Simon, 1945).

3. METHODOLOGY

The research method is quantitative. It is based on available information on the conceptualisation of the implementation of IPSAS, laws, and regulations in a questionnaire format, which constitutes primary data. This method belongs to cross-sectional survey design category. A primary data approach is used because of the peculiarity of this study which is about a technically distinctive situation with many variables of interest. The result relies on multiple sources of evidence, with data coverage and benefits from the prior development of theoretical proportion to guide data collection and analysis in line with Yin (2003). The foremost practitioners in charge of the implementation of IPSAS, the accountants and auditors in Ministries, Departments and Agencies of the Federal Government. This research focuses on MDAs because government have a high stake in achieving the implementation framework in the area of legislation, enforcement and monitoring. The MDAs has a large employer of public servants accountants and auditors, who are well informed in the issue at stake that is the implementation of IPSAS in Nigeria. These public servants constitute the population of this study. The research instrument is a five- point Likert scale type of questionnaire. It is designed to be straightforward and concise. Because Nigeria has not implemented IPSAS before, this study follows the trend in previous researches (Ijeoma and Oghoghomeh, 2014; Yin, 2003) to determine the content of the research instrument. It covers the areas of

IPSAS benefits and factors affecting the implementation, assurance and public interest. The instrument is clean and impartial. It asks the respondents to give their perception independently. It uses acceptable and objective indicators.

The questionnaire contains a set of questions classified into two major sections A and B. Section A features questions on bio-data of the respondents. Section B of the questionnaire comprises of statements of assertion and open-ended questions. These are designed primarily to provide information for answering the research question. The applicable five-point Likert scale used is outlined and interpreted with points of degree agreement, Strongly Agree= 5, Agree= 4, Undecided =3, Disagree =2 and Strongly Disagree= 1 (Babatunde 2013). Given the different strata of the respondents, stratified random sampling is adopted for this study as shown in Table 1.

Table 1: Administration of questionnaire in the MDAs of Nigeria

Respondents function	**Population**	**Stratified random sample Proportion (%)**	**Questionnaire copies distributed**	**Questionnaire copies retrieved and analysed**
Accountants	659	65	157	152
Auditors	506	35	83	80
Total	**1,165**	**100**	**240**	**232**

Source: Field survey 2019

The research instrument was subjected to content validation to ensure that the substance of the instrument measures the variables investigated in the study. The initial copy was reviewed by two doctoral students in accounting. Their input was incorporated into the second version which was reviewed and approved by a Professor in accounting. Also a reliability test was conducted. The reliability test recorded a Cronbach's alpha of .780 which is above the acceptable standard of 0.70. Hence, the research is highly reliable. The responses are analysed through the use of descriptive statistics in the form of frequencies. The statistical analysis is done with the aid of IBM Statistical Package for Social Sciences (SPSS) version 22.

4. RESULT AND DISCUSSION

The descriptive statistics in Tables 3 to 6 are used to analyse the results of the responses to the questionnaire. Tables 3 to 5 explain the strength of the respondents regarding their job, education, and experience as they relate to the chosen topic.

Table 2: Respondents academic qualification

	Description	Frequency	Percent
Valid	HND/BSC	172	74.1
	MSC/MBA	46	19.8
	Total	218	94.0
Missing	System	14	6.0
Total		232	100.0

Source: FieldSurvey 2019

Table 2 indicates that 74.1 % of the respondents are well educated with at least a first degree or its equivalent. It implies that the respondents are highly knowledgeable and well informed.

Table 3: Respondents Job title

	Description	Frequency	Percent
Valid	Accountant	146	62.9
	Auditor	77	33.2
	Total	223	96.1
Missing	System	9	3.9
Total		232	100.0

Source: Field Survey 2019

Table 4: Respondents work experience

	Description	Frequency	Percent
Valid	1-5 YEARS	16	6.9
	6-10 YEARS	59	25.4
	ABOVE 10 YEARS	139	59.5
	Total	213	91.8
Missing	System	19	8.2
Total		232	100.0

Source: Field Survey 2019

Table 3 shows that the respondents are accountants and auditors in the proportion of 62.9% and 33.2 % respectively. This implies that the respondents are knowledgeable and experienced in public sector accounting, most of them have spent above ten years in service at 59.5% as depicted in Table 5 is used to answer the research question.

Table 5: Descriptive Statistics of respondents perception of the factors that affect the implementation of IPSAS in Nigeria

Item No.	Description	N	Minimum	Maximum	Mean	Std. Deviation
1.	Implementation of IPSAS in Nigeria is affected bypolitical buy-in among the different governmentfunctionaries in Nigeria.	228	2.00	5.00	4.08	.84
2.	Implementation of IPSAS in Nigeria is affected by sociological factors	225	1.00	5.00	3.46	1.08
3.	Implementation of IPSAS in Nigeria is affected by availability of expertise	224	1.00	5.00	3.48	1.27
4.	Implementation of IPSAS in Nigeria is affected by accountability,	226	1.00	5.00	3.72	1.13
5.	Implementation of IPSAS in Nigeria is affected by institutional commitment	224	1.00	5.00	3.85	1.01
6.	Implementation of IPSAS in Nigeria is due to cultural dichotomy	221	1.00	5.00	3.25	1.30
7.	Cost of funding affects the implementation of	232	1.00	5.00	3.40	1.25

	IPSAS in Nigeria					

Source: Field Survey 2019

In Table 5, this study employs mean and standard deviation statistics to measure the dispersion, deviation or how far an average is representative of the mass responses. Table 5 item 1 shows the mean score of 4.08 for political buy -in factor with a standard deviation of .84. This is the highest mean recorded among all the criteria tested and with a less than 1 standard deviation which shows that all the respondents agree that political buy-in of government is a major factor affecting the implementation of IPSAS in Nigeria. It is followed closely by institutional commitment and accountability at a mean score of 3.85 and 3.72 respectively. Availability of prerequisite expertise records a mean score of 3.48 as shown in the Table. The finding indicates that sociological issues and cost of funding should be watched at a mean score of 3.46 and 3.4 respectively as depicted in items 1 and 6 of Table 6. Cultural dichotomy is perceived to be the least of the factors; it affects the implementation of IPSAS in Nigeria with a mean score of 3.25 as shown in item 6 of Table 5. All the scores are slightly above average not far from the maximum obtainable.

The standard deviations for items 2 to 7 of Table 5 for the factors are high at above 1. The high standard deviation is worrisome because it shows that the practitioners are not talking in one voice. The respondents are not in total agreement as to the factors causing the slow implementation of IPSAS in Nigeria except for political buy-in issue. It shows that different respondent have different reasons as a key factor, which further buttresses that there is no consensus on priority factors to hasten the implementation of IPSAS in Nigeria, incidentally all respondents are in alignment when it comes to the issue of political buy-in of all functionaries of government as a common decision to own the process of implementing IPSAS to fruition in Nigeria.

4.1 DISCUSSIONS OF FINDINGD

This result supports the finding in earlier scarce research on the implementation of IPSAS in the developing economies. Nurunnabi (2012) finds that politico-institutional factors are stronger and more dominant factors than accounting regulatory frameworks for IFRSs implementation in Bangladesh. Ball (2006) argues that most political and economic influences on financial reporting practice are local. Hamisi (2012) finds that there are some factors such as availability of expertise that affect the implementation of IPSAS in Kenya. Harun (2007) finds that improved accountability poses a significant threat to politicians' and bureaucrats' overall income level in Indonesia. The result of this study actualises the objective of the study which is to investigate the factors that contribute to the slow implementation of IPSAS in Nigeria. Also, the study answers the research question having found that political support, institutional commitment, expertise, sociological issues and cost of funding IPSAS are the factors affecting the implementation of IPSAS in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

This study concludes that political buy-in among the various functionaries of government is a major factor affecting the implementation of IPSAS in Nigeria. This study has largely achieved its aim of contributing to the debate on accounting change regarding the implementation of IPSAS. It also achieved its objective of investigating the factors that affect the implementation of IPSAS in Nigeria. From the foregoing, the following recommendations are put forward:

i. The factors mitigating against the implementation of IPSAS in Nigeria should be addressed to achieve the implementation of IPSAS in Nigeria in compliance with the trend in IFAC financial reporting convergence policy.
ii. Given the findings in this study, moral-suasion is recommended as a way to improve the acceptance of IPSAS among all the functionaries of Government, collectively, in solidarity and conformity with one another, for effective political-buy-in and ownership of the accounting change of successful implementation of IPSAS in Nigeria.

iii. A timely implementation of IPSAS is desirable to enjoy the benefits of a transparent government in the best interest of Nigerians.

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Impact of Environmental Accounting on Corporate Organizational Reporting in Nigeria

YOHANNA, Longdi Faith

Department of Accounting
Bingham University
Karu, Nasarawa State
E-mail:longdiyret@gmail.com, Phone No: +234 8138831376

Abstract

This study examines the impact of environmental accounting on corporate organizational reporting in Nigeria. Data were gathered from secondary source. The increasing importance of considering environmental aspects within a company's reporting demands, a broader scope in environmental accounting. The study describes the theoretical considerations relating to environmental accounting and disclosure of environmental accounting guidelines Literature relating to environmental accounting and corporate reporting have been issued by many organizations including UNEP in the last decade.The study of recommends that corporations should adopt a uniform method of reporting and disclose environmental issues. There should be high level of environmental accounting and reporting activities in corporate organizations in Nigeria and more awareness should be created. Environmental accounting standards should be published locally and internationally and continentally to ensure dynamism compliance and meet environmental situational needs.

Keywords: Environmental accounting, Corporate reporting, Environmental impact.

1. INTRODUCTION

Business organizations operate within an environment. And this environment is a "trust" handed over to us by our forefathers otherwise known as previous generations. In turn, we are to hand it over to the next generations. Environmental accounting involves the identification, measurement and allocation of environmental costs and the integration of these costs into business and encompasses the way of communicating such information to the companies' stakeholders. In this sense, it is a comprehensive approach to ensure good corporate governance that includes transparency in its societal activities (1). In recent years, the adverse environmental effect of economic development has become a matter of great public concern all over the world. Yakhon and Dorweiler (2004) emphasized that the impact of business activity on the environment is found in several forms: air, water, underground pollution, drinking water, land and habitat for endangered and threatened species, oceans, atmosphere, land, mass etc. an array of pollutants, including toxic, hazardous and 'warming' is accountable to business activities. They expressed that from this range of environmental impacts, multiple disciplines are needed for analysis of effects, and for integration into management decisions and accounting reporting.

All organisations are required to produce some form of financial statements. That of companies – especially large ones are governed by both Company and Allied Matters Act and Financial Reporting Standards. They are also subject to statutory audit. Financial statements are typically produced as part of the organisation's annual report. Historically, there has been no requirement to separately recognize environmental issues of any sort in financial statements and while this is still the case in most countries (including Nigeria), there is slow progress towards some limited acknowledgement of such matters as impairment of assets and environmental liabilities. For example, in the European Union, the commission recommendation on the recognition, measurement and disclosure of environmental issues in the annual reports of companies emphasized the need to integrate financial and environmental reporting. This is still voluntary. Mandatory environmental reporting already applied in some countries – both inside and outside Europe. Countries with some mandatory requirement for environmental reporting include Denmark, the Netherlands, Sweden, France, Australia and Korea. In the light of this therefore, this study is focused on the impact of Environmental Accounting on Corporate Organizational Reporting in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Environmental Accounting

The International Federation of accountants (IFAC) defined environmental accounting as the management of environmental and economic performance through the development and implementation of appropriate environmental related accounting system and practice. Environmental accounting can be conducted at the country level (through the National accounts that provide an estimate of the Gross Domestic Product) or at corporate level (which focuses on the cost structure and environmental performance of a company). At the country level, it is referred to as National Environmental and Corporate Environmental accounting consists of environmental management accounting and environmental financial accounting. At the international scene, the United Nations statistical Division developed into the system of integrated Environmental and Economic accounting (SEEA) for adoption by Nation States. United State Environmental Protection Agency (US EPA)(1995) explains that environmental accounting as a means of measuring and reporting sustainability can be used in three (3) different contexts. These are: (1) National Income Accounting. (2) Internal Business Management Accounting. (3) Financial Accounting. The US EPA further explains that environmental Accounting from context of National Income Accounting is used to measure macro-economic performance relating to usage of natural resources. For instance, environmental accounting can use physical or monetary units to refer to the consumption of a nation's natural resources, renewable and non-renewable. In this context, environmental accounting has been termed "Natural resource Accounting"that is accounting for stock and flow of natural resources in both physical and monetary terms (Gupta, 2005).

Environmental accounting is a term with a variety of meanings. In many contexts, environmental accounting is taken to mean the identification and reporting of environmental specific costs, such as liability costs of waste disposal costs. Environmental accounting involves any costs and benefits that arise from changes to a firm's products or processes, where the change also involves a change in environmental impacts (James, 1998). He further highlight that environmental accounting information need not be the product of accountants, nor need it be used by accountants. Instead, it is any information with either explicit or implicit financial content that is used as an input to a firm's decision – making. Product designers, financial analysts, and facility managers are equally to be the users of environmental accounting data. He pointed out that almost any type of information collected and analysed by firms will qualify. Examples include input prices, technical and scientific studies that relate production processes to physical outputs and legal, marketing and financial analyses. Seetharaman (2007) opined that environmental accounting is used to assess full environmental costs associated with activities and products. They also emphasized that environmental accounting can be used to track environmental performance of organization in more measurable manner. The key areas for monitoring are aggregated emission to air, water effluent discharge, soil contamination and boundary noise level.

2.1.2 Concept of Corporate Reporting

Corporate reporting is the process of communicating information of an entity to the external users. Measurement and disclosure are two (2) aspects of corporate reporting procedure and these two (2) are interconnected. Measurement symbolizes business activities in order to understand inter association among the perceived activities. Disclosure is the communication of description of such association to the users of information for the purpose of demonstrating corporate business position and the environment in which it operates. Together, these two aspects provide corporate annual reporting its essence.

2.1.3 Corporate Environmental Reporting

Environmental reporting started in the early 1990s, when some companies, like Norsk Hydro in Norway and Monsanto in the USA, started reporting their activities, impact on the environment and actions taken for alleviating the impact. The trend has extended quickly to hold most sectors. Environmental reporting can be defined as the provision of information about the environmental impact and performance of an entity that is useful to stakeholders in assessing their relationship with the reporting entity (FE, 1999). It refers to the environmental features and the impacts of company operations, as well as to the environmental policies and actions taken to mitigate those impacts. Many organisations including UNEP have issued more than 30 standards and guidelines for corporate reporting during the last decade. Although there is a remarkable increase in quality, most of the disclosures nowadays fail to meet the need for consistent, comparable and timely fashion.

2. Empirical Discusssion

Environmental accounting is defined as the identification, collection, estimation and analysis of environmental cost information for superior decision-making within the firm. It can be defined as the generation, analysis, and use if financial and non-financial information in order to optimize corporate, environmental and economic performance, achieving a sustainable business the ultimate objective of environmental accounting is to clearly indicate the environmental cost of each process, separating the non-environmental costs from the environment costs. Therefore implementing an environmental accounting system can provide more accurate information for Analysis options because environmental accounting ensures that management decisions are made with knowledge. Environmental accounting is a field that is promising and developing (CICA 1993). Its goal is the identification, measurement and communication of the costs from an entity's actual or potential impact on the environment (CICA 1993). To include environmental information in the accounting system of a company is one way to start to include sustainable development in everyday business decisions. A very important function of environmental accounting is to bring environmental costs to the managers, therefore, motivating them to identify ways to reduce and avoid economic costs related to the environment and at the same time reduces the company's environmental impact.

2.3 Theoretical Discussion

2.3.1 StakeholdersTheory

The basic proposition of the stakeholders theory is tha the firm's success is dependent upon the successful management of all the relationships that a firm has with its stakeholders a term originally introduced by Stanford research institute (SRI) to refer to those groups without whose support the organization would cease to exist (Freeman1983). In developing the stakeholder theory, Freeman (1983) incorporates the stakeholders' concept into categories; (i)a business planning and policy model; and (ii)a corporate social responsibility model of stakeholder management. In the first model, the stakeholder analysis focus on developing and evaluating the approval of corporate strategies decisions by groups whose support is required for the firm's continued existence. The stakeholders identified in this model include the owners, customers, public groups and suppliers. Although these groups are not adversarial in nature, their possibly conflicting behavior is considered a constant on the strategy developed by management to best match their firm's resources with the environment (Deegan & Gordon, 1966).

In this model, the corporate planning and analysis extends to include external influences which may be adversarial to the firm. These adversarial groups may include the regulatory environmentalist and special interest groups concerned with social issues (Guthrie and parker, 1990). The second, model enable managers and accountants to consider a strategic plan that is adaptable to change in the social demands of nontraditional stakeholdersgroups. The stakeholder's theory proposed an increased level of environmental awareness which creates the need for companies to extend their corporate planning to include the nontraditional stakeholders like the regulatory adversarial groups in order to adapt to changing social demands (Trotman, 1999). The main concern of the stakeholders' theory in environmental accounting is to address the environment cost elements and valuation and its inclusion in the financial statements.

3. METHODOLOGY

By means of an exploratory research design, the researched utilized the secondary source of data, considering that empirical works on the use of environmental accounting and reporting appears to be rare. Data from secondary source include those collected from internet, and related training manual.

4. RESULTS AND DISCUSSION

Issues associated with accounting for the environment have become relevant to business as environment pollution has become a more prominent problem throughout the world. Steps are being taken at national and international levels to protect the environment and international levels to protect the environment and to reduce, prevent and mitigate the effect of pollution; initiatives are being taken to facilitate the collection of data and increase company's awareness of financial implication of environmental issues (Jones 2005). Environmental issues can have an impact on financial statement prepared on an accrual basis. Some annual operating costs are environmental in nature. For Example, energy cost as the use of fossil fuel is a source of carbon dioxide and air pollution. Environmental issues can impact on the cash flows of an entity during the reporting period. Environmental risk may result in huge environmental liabilities and subsequently the organization/ entity may be obliged to outlay payments which may affect seriously the liquidity and the financial position of the organization. Current practices demonstrate that no track for environmental cost was available as it was charged randomly. Therefore, there is a need for proper changing and allocation of these cost and thus precise pricing and will help to develop sustainability indicators. Monetizing environmental issues may not be totally accurate but, economist and accountant have to give best estimates, according to the current level of knowledge and techniques used.

5. CONCLUSION AND RECOMMENDATION

The study investigated the impact of environmental accounting on corporate organizational reporting in Nigeria. Base on the finding above, it can be concluded that environmental accounting has impact on corporate organizational reporting since issues associated with accounting for the environment have become relevant to business as environment and initiatives are being taken to facilitate the collection of data and increase companies awareness of financial implication of environmental issues thereby reporting it in their annual reports consequently from the foregoing, the following recommendations are made;

i) There should be high level of environmental accounting and reporting activities in corporate organizations in Nigeria and more awareness should be created.

ii) Environmental accounting standards should be published locally and internationally and continentally to ensure dynamism compliance and meet environmental situational needs.

iii) Corporations should adopt uniform reporting and disclosure of environmental issues for the purpose of control and measurements of performance.

iv) Reporting environmental related matters should not be left to large corporations only as even small entrepreneurs should be encouraged to report and disclose environmental impact/related activities in their annual reports and accounts.

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Effect of Foreign Direct Investment on Interest Rate Regimes in Nigeria

UGBAH, Nduka Chibuike

Department of Accounting
Bingham University
Karu, Nasarawa State
E-mail: ndukaugbah@gmail.com, Phone No: +234 803607620

Abstract

Foreign direct investment (FDI) is an important tool for the growth of any economy. FDI is low in Nigeria and this is resulting in low level of economic growth and standards of living and has hindered the promotion of economic prosperity and sustainable development in the country. However, interest rates are critical determinant of foreign direct investment. Traditionally investors will shop for low cost credit sources or lower interest rates and invest it economies that are promising higher returns. The study seeks to examine the effect of foreign direct investment on interest rate regimes in Nigeria. The descriptive research designandmultiple linear regression modelwere used in analyzing the secondary data. The secondary data were sourced from the Central Bank of Nigeria (CBN) website and Nigerian Bureau of Statistics (NBS) several publications The result shows a negative relationship between Foreign Direct Investment and Interest Rate. In conclusion policy maker are to regulate the interest rates prevailing in the country bearing in mind that they influence FDI inflows in the country.

Keywords: Foreign Direct Investment, Interest Rate, Sustainable Development

1. INTRODUCTION

Foreign direct investment (FDI) is one of the key factors in determining the economic growth of countries especially developing countries like Nigeria. It is a significant source of capital inflows on the host country's economy and the benefits include technology transfer, human capital development, expansion in international trade, and a viable business environment (OECD, 2002). However, the macroeconomic environment in the home country must be favorable to attract foreign investors and one of themain factors of the operational monetary policy regime are real interest rates offered in a given country relative to others (Mishkin & Eakins, 2000). According to the UNCTDA report of 2002, foreign directinvestment can be defined aninvestmentinvolving a long term business interest and control by a foreign investor in another country different from that of the investor. The role played by foreign direct investment in actualizing economic development in a nation cannot be under estimate. As such, across the border transaction is celebrated mostly in the developing countries as it is seen as an avenue to promote and encourage inflows of technology, skill, materials and bridge the gap between savings, exchange rate and government spending. The effect of foreign direct investment flow is very significant to the stabilization of the interest rate of a developing nation like Nigeria experiencing transition and emerging markets. The required prerequisites to attract adequate Foreign Direct Investment are classified into political, economic, legal and social factors. Higher profitability on investments, political stability, suitable investment climate, cheap labour and production cost, adequate and functional infrastructure amenities and a stable regulatory environment also help to invite and retain Foreign Direct Investment in a nation.

This study will be guided by several theories such as the product life cycle theory, internalization theory and eclectic theory that have tried to explain the relationships between foreign direct investments and interest rates. These theories' main focus is on ways that FDI may facilitate increasedgrowth in recipient countries. The theories have examinedvarious levels in whichFDI may contribute to changes in technologyusingspillover impactof knowledge together with modern capital goods. According to this study, they have argued that circumstances in the recipient countries are a contributing factor to FDI. The theories relate FDI with economical growingof a country which is influenced by macro-economic variables such as interest rates. Foreign direct investment inflows to Nigeria fluctuated from 1990 to 2008 and then started to increaseuntil 2014. This implies that multinationals and their subsidiaries have continued to increase production of goods and services in Nigeria. This is due to the fact that foreign direct investment presents a long term commitment by the foreign investor to host country. In addition foreign direct investment leveragehas significant contribution to a host country's fixed capital formation (Abala, 2014), one of the earliest scholars on interest rates defined it as the cost associated with borrowing capital for a specified period of time. Devereux and Yetman (2002), defined interest rates as the price a borrower pays for using money or capital they do not own. Interest rates are normally predetermined by the supply and demand function of capital. In addition, interest rates in any given economy are determined by the monetary policy of the country. Where there is High demand for capital the interest rates go up. On the other hand, low demand for capital will lead to lower levels of interest rates. However, the government in its monetary policy can seek to increase or reduce the interest rates with the aim of achieving set macro-economic targets. For example in times of high inflation, the government may raise the interest rate to reduce money supply.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Foreign Direct Investment

A direct investment relationship exists between a resident enterprise in one economy (direct investor) and an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor, when the direct investor has control (over 50% of the voting power) or influence (from 10% to 50%) over the direct investment enterprise. In other words, foreign direct investment reflects the objective of establishing a lasting interest between the direct investor and the direct investment enterprise. The direction of the investment is determined in the statistics based on the direction of the control and influence between parties.
The economic theory which expounds on how capital moves in the global economy insist that capital tends to flow to countrieswhichhave a higher return on investment as compared to countries with higher interest rates. Consequently, investment is high in countries that offer better investment returns as well as security in the form of lower interest rates and a better business environment. Capital therefore desiresto move from countries with low rate return to countries with high rate of return (Pholphirul, 2002).This study seeks to investigate whether this theoretically expected relationship betweenforeign direct investment and interest rates and holds. The conceptual model developed used portrays this expected relationship between the study variables.The factors characterized here are foreign direct investments and interest rates.The independent variable are interest rate, exchange rates, and inflation rates. Foreign direct investment is the dependent variable which the study seeks to explain and it will be measured by quarterly FDI inflows.

2.1.2 Concept of Interest Rates

Interest rate is the amount ofinterest due per period, as a proportion of the amount lent, deposited or borrowed. The total interest on an amount lent or borrowed depends on the principal sum, the interest rate, the compounding frequency, and the length of time over which it is lent, deposited or borrowed. Interest rates arevital tool of monetary policies and are taken into account when dealing with variables like foreign direct investments, inflation and unemployment. The Central Banks of countries generally tend to reduce interest rates when they wish to increase investment and consumption in the country's economy. In developing economies, interest-rate adjustments are usually made to keep inflation within a target range for the health of economic activities or cap the interest rate concurrently with economic growth to safeguard economic momentum. Keynes (1936), one of the earliest scholars on interest rates defined it as the cost associated with borrowing capital for a specified period of time. Devereux and Yetman (2002), defined interest rates as the price a borrower pays for using money or capital they do not own. Interest rates are normally predetermined by the supply and demand function of capital. In addition, interest rates in any given economy are determined by the monetary policy of the country. When there is a high demand for capital the interest rates go up. On the other hand, low demand for capital will lead to lower levels of interest rates. However, the government in its monetary policy can seek to increase or reduce the interest rates with the aim of achieving set macro-economic targets. For example in times of high inflation, the government may raise the interest rate to reduce money supply.

Ngugi (2001) opines that interest rate is a good information indicator as it forecasts future inflation as well as any anticipated change in money's purchasing power. The interest rate is also affected by demand for loans or money by borrowers. Interest rates operate like other prices as market clearing mechanism, they ration the amount of credit available (Culbertson, 2004). Interest rates are determined in the credit markets, or the debt markets just the same way as stock prices are determined in the NSE (Kasemo, 2015).

2.1.3 Empirical Literature

Okafor (2012) studied on the value of domestic macroeconomic variables matter for foreign direct investment inflow in Nigeria. Prediction that foreign capital flows could stimulate economic growth ofnationsis the major finding of the study.The study used ordinary least square method as an estimation technique. Foreign direct investment in Nigeriais majorly determined byreal gross domestic product, interest rate, and real exchange rate as per the findings. FDI inflow is majorly determinedby domestic macroeconomic variables. The flow and benefits of foreign direct investment in Nigeriacan be achieved whenpolicy makers should strive to improvethe macroeconomic environment. Asiedu (2006) studied on the influence of natural resources and market size vis-à-vis government policy, host country's institutions and political instability in directing FDI flows to the region.The researchers used data for 22 SSA over the period 1984-2000. Countries in SSA that are endowed with natural resources or have large markets will attract more FDI. However, small countries and/or countries that lack natural resources in the region can also obtain FDI can be obtained by small countries by Improving their institutions and policy environment, because good infrastructure,an educated labour force, macroeconomic stability, openness to FDI, an efficient legal system, less corruption and political stability also promote FDI.

Piteli (2009) studied on the determent factors offoreign direct investment (FDI) by multinational corporations (MNCs) in developed economies. Using a context of an estimated equation derived from economic theory, which compares the main demand and supply-side determinants of FDIthe researcher compared between EU and non-EU countries. Application of differentproxies for demand and supply-side factors,comparison betweenEuropean and non-European developed countriesandtesting for the relative importance of total factor productivity (TFP) as a determining factor of FDIare the ways in which these research contributes to literature. The findings indicate the value of TFP as the determining factorpar excellence of FDI in developed countries.

2.3 Theoretical Framework

2.3.1 Product Life Cycle Theory

The theory explains that diffusion of technological innovations takes place at a much slower rate. As a result, differences are likely to occur in terms of the production technologies used by different countries. Vernon (1966), defines product life cycle as a process that consists of four phases of production which include innovation, growth, maturity and decline. A business entity would first come up with an idea about a product or a service. The product or idea then goes through a growth stage and finally attains maturity. It then begins to decline. The product decline is mainly caused by competition in the market place as well as inability of the business to innovate. Companies that are directly involved in foreign direct investment bring production equipment to foreign countries in order to be near the target market and ensure a sustainable market share is attained and maintained (Dunning, 1993). Vernon's evaluationof foreign direct investment solely focused on aproduct. A summary of the process shows that a product is first invented in the home country. The home country, where the foreign investor resides has advantages in terms of technology and innovation capabilities. The innovator produces the product for the local market first. At a later stage in the production cycle, the product is exported to foreign countries which lack the technology or the innovative capacity to develop similar products. Consequently, the product becomes standardized and eventually matures. At this stage of the product development, labor becomes and critical production input. Consequently, the investor has to attract value input from local materials and people in the foreign country. As a result, foreign direct investment is viewed as a critical stage in the product development life cycle (Chen, 1983)

2.3.2 Internalization Theory

This theory was advanced by Casson and Buckley in 1976. Further development of the theory was by Hennart (1982) and benefits from addition works by Casson (1983).

The theory explains the growth of multinational corporations and their motivations. It demonstrates that multinational corporations organize their internal activities to achieve specific advantage and exploit them to enhance its competitiveness. According to Hymer (1976), FDI will occur only when the exploitation of firm specific advantage supersede the relative cost of investing abroad. In summary, he implies that FDI occur in imperfect markets and it's simply a strategy decision at firm level rather than a financial decision of the capital market.Casson and Buckley(1976) argue that an FDI is only attractive if the ownership, Location and Internalization (OLI) conditions are met. First, the multinational must have an ownership advantage compared to the local firm's ownership. This may be in form of the multinational's specific organizational or technological knowledge. The government policies' likely on the benefits of investing in a certain host country is also vital. In some cases the host government may pose regulations concerning the nature of foreign ownership. Such restrictions in effect reduce FDI inward inflowswhich will be accompanied by technology. Secondly, it must be advantageous for the multinational companies as well as other investors to produce in the host country if they can benefit from some comparative locational advantage. Finally, it should be suitable to execute the activities within the host countries, as opposedas opposed to leasing or buying them from other firm.

2.3.3 Eccletic Paradigm Theory

Dunning (1993) came up with this theory which is in itself amix of three different but correlated theories. These theories are Ownership, Location and Internalization (OLI) which are used to describe how the factors therein contribute to changes in foreign direct investments. Ownership related advantages are thoseprovided by intangibleassets. This assets must however be considered as exclusive possessions held and owned by the company and are transferable to other firms at prices that would lead to reduction of costs to the company, or would lead to the company registering high rates of return. In his arguments, Dunning (2005) argues that when all other factors are held constant, a company with a higher level of competitive advantages, in comparison with its competitors, has a higher chance in increasing its overall production and hence increasing its global presence. Location benefits, as explained by Denisia (2010) are used to compare the different economies, as per their strengths and opportunity. Internalization establishes a need for the firm to be able to have an established business in each of the economies that the company sells its products or services. The firm must derive ways through which it can benefit further through foreign production as compared to the meager fees that are earned in international trade activities such as exporting and franchising. Dunning (2005) states that a corporation is more likely to get higher returns if, it engages in foreign production as opposed to the extension of its production rights to other countries. The eclectic paradigm is therefore in support of the establishment of production markets by a corporation through exploitation. The eclectic paradigm is therefore in support of the establishment of production markets by a corporation through exploitation of its competitive advantages and the selection of suitable locations. In doing this, the corporation is not only engaging in foreign direct investment but also gaining much more from their competitors.

3. METHODOLOGY

The study employed a descriptive design and a multiple linear regression model was used to analyze the relationship between the variables.Data used for the study was the FDI remittances into Nigeria, Central Bank of Nigeria (CBN) lending , average exchange rate (Naira/USD) , average inflation rate and economic for the period between January 2007 and December 2016. The study usedsecondary data from Nigerian Bureau of Statistics (NBS) publications and CBN website. Using thecollected data,a regression analysis was used to establish the extent of the relationship between foreign direct investments and interest rate.

The study appliedthe following regression model:

$Y= \beta 0+ \beta 1X1+ \beta 2X2+ \beta 3X3+\beta 4X4+\varepsilon$.

Where: Y = Foreign direct investments as measured by FDI inflows.

$\beta 0$=y intercept of the regression equation.
$\beta 1$, $\beta 2$and $\beta 3$,=are the slope of the regression
X1= Average Interest rates as measured by CBN lending rate
X2=AverageExchange rate between USD and Naira
X3= Economic growth as measured by natural GDP
X4= Average Inflation rateas measured by of CPI
ε =error term

4. RESULT AND DISCUSSION

The analysis of the collected data from CBN and NBS to establish the effect of foreign direct investments on interest rates regime in Nigeria. Using descriptive statistics, correlation analysis and regression analysis, the results of the study were presentedin form of tables for easy interpretation.

The researcher carried out diagnostic tests on the collected data. Cameron & Trivedi's IM-test was used to test for heteroscedasticity. The null hypothesis statedthat there is no heteroscedasticity. Results in Table 4.1 show that the p-value (p=0.3629)is greater than the critical value of 0.05. Therefore, we fail to reject the null hypothesis a and conclude that the variance is homogenous

Descriptive statistics givesa presentation of the mean, maximum and minimum values of variables applied together with their standard deviations in this study.Table 4.2 belowshows the descriptive statistics for the variables applied in the study. An analysis of all the variables was obtained using SPSS software for the period of ten years (2007 to 2016). FDI inflows had a mean of 6.45with a standarddeviation of 0.597. Interest raterecorded a mean of 8.010335with a standard

Table 4.1: Cameron & Trivedi's decomposition of IM-test

Source	Chi2	DF	P
Heteroskediaticit y	18.42	17	0.3629

Table 4.2

	₦	MIN	MAX	MIN	STD DEVIATION
FDI Inflow	40	6	8	6.45	.597
Interest Rate	40	2.1233	19.5200	8.0103	3.1288
Economic growth	40	5.7803	6.0219	5.8936	0.76128
Exchange rate	40	63	104	81.17	10.002
Inflation Rate	40	2.7136	19.187	8.200	4.5644002

Pearson correlation was employed to analyze the level of association between FDI inflows and the independent variables for this study (interest rates, economic growth, foreign exchange rates and inflation rates).From correlation analysis, the study showed the existence of a weak positive and insignificant correlation between FDI inflows intothe country and interest ratesand (p=.011, p>.945). This goes to show that thelevel of interest ratesin a country hasnosignificant association withFDI inflows intothe country.The relationship between economic growth and FDI inflows was found to be weak and positive (p=.495, p>0.001). This implies that movement in economic growth is positively correlated to FDI inflows and in a significant manner. The study also showed that there exist a strongpositive correlation between exchange rates and FDI inflows (p=.519, p>.001). This shows that exchange rates have a strongpositive association with FDI inflows and the association is significant. Although theindependent variables had an association to each other, the association was not strong to cause Multicollinearity as all the r values were less than 0.70. This implies that there was no Multicollinearity among the independent variables and therefore they can be used as determinants of FDI inflows intothe country in regression analysis.

4.1 Discussion of findings

The study sought to determine the effect of foreign direct investment on interest rate regimes in Nigeria. The independent variable was interest rates as measured by CBN lending rateon a quarterly basis. The control variables were economic growth as measured by quarterly GDP, exchange rates as measured by quarterly exchange rate between Naira and USD and inflation rates as measured by quarterly CPI. FDI inflows were the dependent variable which the study sought to explain and it was measured by quarterly FDI inflows in Nigeria. The effect of each of the independent variables on the dependent variable was analyzed in terms of strength and direction.The Pearson correlation coefficients between the variables revealed existence ofa weak positive and insignificant correlation between foreign direct investment and interest rate in the country. The relationship between economic growth and FDI inflows was found to be weak and positive. The study also showed that there exist a strong positive correlation between exchange rates and FDI inflows. The results also revealed a weak negative and insignificant correlation between inflation rates and FDI inflows in the country. The study adopted a descriptive research design which assisted in the establishment of the relationship between foreign direct investments andinterest rates in Nigeria. The overall findings and conclusion of the study was that interest rates have a positive correlation with FDI but not significant at all in determining the level of FDI.

5. CONCLUSION AND RECOMMENDATION

The study sought to investigate the effect of foreign direct investment on interest rate regimes in Nigeria. The study used quarterly data covering a period of ten years from January 2007 to December 2016.From the results of correlation analysis, a weak positive and insignificant correlation between foreign direct investment and interest rate was observed. However, a relationship between economic growth and FDI inflows was found to be weak and positive. The study also showed that there exist a strong positive correlation between exchange rates and FDI inflows. The results also revealed a weak negative and insignificant correlation between inflation rates and FDI inflows in the country. Inaddition, economic growth and exchange rates were found to have asignificant relationship with FDI inflows, while interest rates and inflation rates had an insignificant association with FDI inflows in Nigeria. From the study findings, the study concludes that FDI inflows in Nigeria have a negative relationship with interest rates. The study therefore concludes that higher interest rateslead to reducedFDI inflows in the country even though not to a significant extent. Exchange rates were also found to be positively related to FDI inflows in the country and therefore an increase in exchange rates leads to an increase in FDI. The study found that inflation rate and economic growth had a negative correlation with FDI inflows in the country and we can therefore conclude that higher inflationrates and economic growth tend to discourage foreign direct. This study therefore recommends that policy makersshould pay attention to the prevailing interest rates as they can negatively affect foreign direct investment (FDI) inflows into the country.

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