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Kajolam Fruitful Ventures
C/O Department of Accounting,
Bingham University
Tel: 08027629054, 08065662589
E-mail: kfventures@gmail.com

EDITORIAL BOARD

✓ All Enquiries to:

DR LAMBE K. ISAAC
E-mail: talk2ice@yahoo.com
***Mobile No.*:** +234 8027629054

DR J. O. ARUMONA
E-mail: jonaharumona@yahoo.com
***Mobile No.*:** +234 8037768884

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LIST OF CONTRIBUTORS

Effect of Currency Exchange Policy on Financial Reporting on Multinational Companies in Nigeria

LAMBE Isaac, Ph.D

Department of Accounting
Bingham University
Karu, Nasarawa State
E – Mail: talk2ice@yahoo.com, Phone No: +2348027629054

&

SALIFU, Grace

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail**:** amtugrace@yahoo.com, Phone No: +2348160042621

Abstract

The study seeks to examine the effect of currency exchange policy on financial reporting on multinational companies in Nigeria. There are a lot of factors that affect the financial report of multinational companies but the study focuses on currency exchange, inflation and government policies on multinational companies. The literature development was guided by purchasing power parity (PPP) theory, interest rate parity (IPR) theory, and the balance of payments theory. The descriptive research design was used in this study. The Nigeria Bureau for statistics and the Central Bank of Nigeria were used as sources of information in other to establish the effect of currency exchange, inflation and government policies on the financial reporting of multinational companies. The study used inflation rates in percentage, interest rates in percentage and average annual exchange rates for 5 years from 2012-2017. The Multiple linear regression was used to analyse the relationship between the variables and a response variable was used by fitting a linear equation to the observed data. The study also used the explanatory power of the model R^2, F test ANOVA and also test of Multicollinearity. The study found that the co-efficient of multiple determinations R-square value was 0.81; this implies that the chosen variables specifically inflation rate and currency rates in Nigeria during the year 2012-2017 affect exchange rate by 87.1% and therefore 12.9% effects the exchange rate was associated with other factors. The regression results also indicate that the relationship between inflation, interest rate, and exchange rates is very significant at 0.05 levels with a p-value of 0.016. The study concludes that increase in interest rate is necessary to stabilize the exchange rate depreciation and to curb the inflationary pressure and thereby helps to avoid much consequence on multinational corporations. The study therefore recommends that multinational corporations should come up with means to evaluate exchange rate volatility as a result of government policies and that given specific context of developing countries like Nigeria, significant shocks from the exchange rate to inflation and the limitations related to government policies controlling exchange rate volatility is vital to financial reporting.

Keywords: Exchange Rate, Financial Reporting, Government Policies, Inflation, Multinational corporations

1. INTRODUCTION

One of the main complications in dealing with multinational corporations is accounting for and planning around foreign currency exchange rates. Most countries have their own form of currency that fluctuates with the market and political climate in their country. Multinational companies must keep these changes in mind when doing any type of business abroad. Financial statement reporting is also more complex for businesses operating in multiple countries. FASB dictates that the US dollar must be used for all domestic companies' financial statements, but other countries often require IFRS statements for their markets. Many developed and developing countries have adopted International Financial Reporting Standards (IFRS) as the basis for financial reporting. This is because globalization of capital market is an irreversible process, and there are many potential benefits to be gained from mutually recognized and prospected international accounting standards. The move towards developing an acceptable global high quality financial reporting standard started in 1973 when the International Accounting standards committee (IASC) was formed by professional Accounting bodies from Canada, USA, United Kingdom, Germany, France, Netherland, Australia, Mexico and Japan. The IASC was to formulate uniform and global accounting aimed at reducing the discrepancies in International Accounting principles and reporting practices. In this light, the IASC was established and has actively been championing the uniformity and standardization of accounting principles for the past few years. In April 2001, the IASC was reorganized into International Accounting standard Board (IASB). Thenceforth, the IASB has updated the already existing International Accounting Standards and referred to them as International Financial Reporting standards (IFRS). IFRSs are single set of high quality understandable standard for general purpose of financial reporting which are principles based in contrast to the rules based approach. While some countries have been using these standards for decades, they are however new for transition economies like Nigeria. In Nigeria, implementation IFRS was launched in September 2010, but the successful adoption and implementation of these standards remain a mirage in Nigeria. The adoption was organized such that all the stakeholders will use the IFRS by January 2014. The adoption was scheduled to start with public listed entities and significant public interest entities who are expected to adopt the IFRS by January 2012.

The Effects of differing national rates of inflation and exchange rate changes on the profitability and hence the risk of multinational corporations is currently receiving much attention from both the management of these firms and the accounting profession. The relationships between changes in currency values, both internal and external and the international investing, trading, production, and marketing decisions of multinational firms are clearly of great interest to the national government involved. In the light of this therefore, this study is focused on the effect currency exchange, inflation and government policies has on the financial reporting of multinational companies.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Financial Reporting

Financial reporting discloses the financial situation of an entity which assists investors in predicting the performance of the entity and in estimating the value of the entity. Information regarding the position of the investments by the entity (stock) and the results of those investments (flows) is disclosed for those who predict the future and make investment decisions under their own responsibility. Financial reporting provides information that represents the results of the entity's investments basically the results of the past, but it is commonly used in predicting future cash flows, which provides the basis for estimating the value of the entity. Use of profit information implies emphasis on the information regarding stock of investments which generates profit. This is because not only the absolute amount of the results of the entity's investments but also the profitability (or efficiency) in comparison with the stock amount of investments which generates those results is considered to be important. The quality of the information provided in financial reports determines the usefulness of those reports to users. The qualitative characteristics of financial information discussed in the IASC Framework are: understandability, relevance, materiality, reliability and faithful representation, substance over form, neutrality, prudence, completeness and comparability. In addition, the IASC also notes that other characteristics such as timeliness are important. A balancing or trade-off between characteristics may be necessary. Different accounting bases may also score more highly on one characteristic than another. Deciding the relative importance of the characteristics in different cases is a matter of judgment (Adeyemo O; 2013).

The value of goods, services, and property is measured by currencies. Currency exchange rate is the rate which currencies are exchanged into another; it is the value of currencies relative to each other. The rest of the section is arranged as follows: section two deals with literature review, while the third section accesses the theoretical framework, section four presents the model specification and specification and estimation techniques while section five involves the empirical analysis and discussion of result, and section six concludes the paper.

2.1.2 Concept of Currency Exchange

A currency exchange is a business or financial institution that has the legal right to exchange one currency for another currency to its customers (Investopedia). A currency exchange may be a stand-alone business or may be part of the services offered by a bank or other financial institution. The currency exchange profits from its services either through adjusting the exchange rate or taking a commission. Exchange rate of currencies is one of the most important factors that affect the whole economy. All the companies in the world are affected by any change in the exchange rate of their currency. Multinational Corporation's value is affected more than national companies by any movement in currencies exchange rate. This change may affect the company's assets price, financial structure, profit margin, and cash flow (Feixiong, 2012).

2.1.3 Concept of Government Polices

The different components of the governmental policy have a significant influence over the foreign companies` activity. The economic policies include the fiscal policy, monetary policy, commercial policy and sector policy. For transnational society, the most influential governmental actions are those regarding economic restriction like: exchange control, import restrictions, taxes control, price control, the local matters restrictions, foreign investments` restrictions. Knowing the host country's global political climate (anticipating changes that might appear in time) and its involvement in a larger frame of the world's political context will offer to the company the possibility of a correct underlying and adaption of its own international strategy according to the concrete conditions of the political space where it will operate (Gagnon & Ihrig; 2004).

2.2 Empirical Literature

Exchange rate and monetary policies such as interest rates and inflation policies are key tools in economic management and in the stabilization and adjustment process in developing countries, where low inflation and international competitiveness have become major policy targets. Nigeria's experience with the financial reform process shows a widening interest rate spread following interest rate liberalization. This period is characterized by high implicit costs with tight monetary policy achieved through increased reserve and cash ratios. Despite the importance of monetary and exchange rate policies in economic management, few studies have been done to assess the relationship between them. It is already recognized in the literature that the real exchange rate is an endogenous variable that responds to both exogenous and policy induced disturbances and that prolonged real exchange rate misalignment will usually generate macroeconomic disequilibrium (Ndungu, and Ngugi, 1999).

A study by Ndungu and Ngugi (1999) indicated that the real exchange rate is a measure of international competitiveness, while inflation mostly emanates from monetary expansion, currency devaluation and other structural factors. Exchange rate policy has undergone various regime shifts over the years, largely driven by economic events, especially balance of payments crises. A fixed exchange rate was maintained in the 1960s and 1970s, with the currency becoming over-valued, though not extremely so. Exchange controls were maintained from the early 1970s until a market-determined regime was adopted in the 1990s. There have been numerous studies on inflation, interest rates and exchange rates, but studies on the interrelationship between these three variables have been scanty. A study by Pattnaik and Mitra (2001) indicates that interest rates, inflation rates and exchange rates are all highly correlated. By manipulating interest rates, central banks exert influence over both inflation and exchange rates, and changing interest rates impact inflation and currency values. A study by Bhole and Dash, (2002) sought to understand the relationship between interest rate and exchange rate in India. In their analysis, the scholars found the empirical relationship between the interest rate and exchange rate has been a debatable issue among the economists. According to Mundell-Fleming model, an increase in interest rate is necessary to stabilize the exchange rate depreciation and to curb the inflationary pressure and thereby helps to avoid many adverse economic consequences. The high interest rate policy is considered important for several reasons.

Firstly, it provides the information to the market about the authorities resolve not to allow the sharp exchange rate movement that the market expects given the state of the economy and thereby reduce the inflationary expectations and prevent the vicious cycle of inflation and exchange rate depreciation. Secondly, it raises the attractiveness of domestic financial assets as a result of which capital inflow takes place and thereby limiting the exchange rate depreciation (Morón & Winkelried; 2003). Thirdly, it not only reduces the level of domestic aggregate demand but also improves the balance of payment position by reducing the level of imports. But the East Asian currency crisis and the failure of high interest rates policy to stabilize the exchange rate at its desirable level during 1997-1998 have challenged the credibility of raising interest rates to defend the exchange rate. Critics argue that the high interest rates imperil the ability of the domestic firms and banks to pay back the external debt and thereby reduce the probability of repayment. As a result, high interest rates lead to capital outflows and thereby depreciation of the currency (Mohanty, and Klau, 2004).

In another study by Edwards, and Yeyati (2005) tried to establish the relationship between exchange rates and inflation in Latin America. The research established that generally, the inflation rate is used to measure the price stability in the economy. The study by Kiptoo (2007), focused on Real Exchange Rate (RER) volatility and misalignment on international trade and investment. The study found that the influence of exchange rate towards inflation itself depends on the choice of exchange rate regime in the country. It was established that exchange rate system has an important role in reducing or minimizing the risk of fluctuations in exchange rates, which have an impact on the economy. Any changes in exchange rates will have a great impact on the economy. Through the above statistical insight and theoretical findings on financial mater and exchange rates, this study therefore seeks to establish the effect of exchange rate, inflation and government policies on multinational coporations.

2.3 Theoretical Framework

There are different theories on exchange rate, each identifying own paradigm and concept about the exchange rates. The study is greatly interested with exchange rate theories that identify its relationship with interest rates and inflation and highlighted below are some of such theories.

2.3.1 Interest Rate Parity Theory

Interest Rate Parity (IRP) theory is used to analyze the relationship between the spot rate and a corresponding forward (future) rate of currencies. The IRP theory states interest rate differentials between two different currencies will be reflected in the premium or discount for the forward exchange rate on the foreign currency if there is no arbitrage the activity of buying shares or currency in one financial market and selling it at a profit in another. The theory further states size of the forward premium or discount on a foreign currency should be equal to the interest rate differentials between the countries in comparison (Bleaney & Fielding; 2002). The theory of interest rate parity, relates the difference between foreign and domestic interest rates with the difference in spot and future exchange rates. This parity condition states that the domestic interest rate should equal the foreign interest rate plus the expected change of the exchange rates. If investors are risk-neutral and have rational expectations, the future exchange rate should perfectly adjust given the present interest-rate differential. For example, if the differential between one-year dollar and pound interest rates is five percent with the pound being higher, risk neutral, rational investors would expect the pound to depreciate by five percent over one year thereby equalizing the returns on dollar and pound deposits. If the exchange rate did not adjust, then arbitrage opportunities would exist. Consequently, the current forward rate should reflect this interest rate differential as a forward contract locks in the future exchange rate.

2.3.2 Purchasing Power Parity Theory

Purchasing Power Parity (PPP) is a theory of exchange rate determination and a way to compare the average costs of goods and services between countries. The theory was developed in its modern form by Gustav Cassel in 1918. The theory assumes that the actions of importers and exporters (motivated by cross-country price differences) induce changes in the spot exchange rate. In another vein, PPP suggests that transactions on a country‘s current account affect the value of the exchange rate on the foreign exchange (Forex) market. This is in contrast with the interest rate parity theory, which assumes that the actions of investors (whose transactions are recorded on the capital account) induce changes in the exchange rate. PPP theory is based on an extension and variation of the - law of one price‖ as applied to the aggregate economy (Devereux & Engel; 2003). To explain the theory it is best to first review the idea behind the law of one price. Purchasing power parity is both a theory about exchange rate determination and a tool to make more accurate comparisons of data between countries. It is probably more important in its latter role since as a theory it performs pretty poorly. Its poor performance arises largely because its simple form depends on several assumptions that are not likely to hold in the real world and because the amount of foreign exchange activity due to importer and exporter demands is much less than the amount of activity due to investor demands. Nonetheless, the theory remains important to provide the background for its use as a tool for cross-country comparisons of income and wages, which is used by international organizations like the World Bank in presenting much of their international data

2.3.3 The Balance of Payments Theory

The balance of payments theory is the modern and most satisfactory theory of the determination of the exchange rate. It is also called the demand and supply theory of exchange rate. According to this theory, the rate of exchange in the foreign exchange market is determined by the balance of payments in the sense of demand and supply of foreign exchange in the market. Here the term 'balance of payments' is used in the sense of a market balance. If the demand for a country's currency falls at a given rate of exchange, we can speak of a deficit in its balance of payments. Similarly, if the demand for a country's currency 9 rises at a given rate of exchange, we can speak of surplus in its balance of payments. A deficit balance of payments leads to a fall or depreciation in the external value of the country's currency. A surplus balance of payments leads to an increase or appreciation in the external value of the country's currency (Galí & Monacelli; 2005). According to the theory, a deficit in the balance of payments leads to fall or depreciation in the rate of exchange, while a surplus in the balance of payments strengthens the foreign exchange reserves, causing an appreciation in the price of home currency in terms of foreign currency. A deficit balance of payments of a country implies that demand for foreign exchange is exceeding its supply.

2.4 Determinants of Exchange Rates

Exchange rates are determined by the demand and supply of a particular currency as compared to other currencies. There are numerous factors that determine the exchange rate between two countries. Some of these are discussed below.

2.4.1 Interest Rate

Inflation and interest rates are highly correlated. Higher inflation generally means higher interest rates in an economy. Hence, high interest rate also becomes a factor for the changes in exchange rate. Interest rate is the tool used by the central bank of a country to keep a check on any major currency fluctuation. The central bank can also try to keep the exchange rate under a targeted range by manipulating the interest rates. Higher interest rates bring in more investment from overseas as the returns are higher than countries with low interest rates (Bowe & Saltvedt; 2004). The theoretical as well as empirical relationship between the interest rate and exchange rate has been a debatable issue among the economists. According to Mundell-Fleming model, an increase in interest rate is necessary to stabilize the exchange rate depreciation and to curb the inflationary pressure and thereby helps to avoid many adverse economic consequences (Calvo & Reinhart; 2000). The high interest rate policy is considered important for several reasons. Firstly, it provides the information to the market about the authorities‘resolve not to allow the sharp exchange rate movement that the market expects given the state of the economy and thereby reduce the inflationary expectations and prevent the vicious cycle of 10 inflation and exchange rate depreciation. Secondly, it raises the attractiveness of domestic financial assets as a result of which capital inflow takes place and thereby limiting the exchange rate depreciation. Thirdly, it not only reduces the level of domestic aggregate demand but also improves the balance of payment position by reducing the level of imports (Devereux & Engel; 2003).

The three major explanations of inflation include fiscal, monetary, and balance of payments aspects. While in the monetary aspect inflation is considered to be due to an increase in money supply, in the fiscal aspect, budget deficits are the fundamental cause of inflation in countries with prolonged high inflation. However, the fiscal aspect is closely linked to monetary explanations of inflation since government deficits are often financed by money creation in developing countries. In the balance of payments aspect, emphasis is placed on the exchange rate. Simply, the exchange rate collapses bring about inflation either through higher import prices and increase in inflationary expectations which are often accommodated or through an accelerated wage indexation mechanism (McCallum & Nelson; 2000).

2.4.2 Inflation

Inflation is one of the major factors that affect the exchange rate. Theoretically a low inflation rate scenario will exhibit a rising currency rate, as the purchasing power of the currency will increase as compared to other currencies (Duarte & Stockman; 2002). Generally, the inflation rate is used to measure the price stability in the economy. Conceptually, the inflation can be divided into two sides, namely: demand side inflation (demand pull inflation) and supply side inflation (cost push inflation). For open-economy countries, inflation comes from domestic factors (internal pressure) and also overseas factors (external pressure) (Edwards, 2002). The sources of external factors are the increase in the world commodity prices or exchange rate fluctuation. The influence of exchange rate towards inflation itself depends on the choice of exchange rate regime in the country. Exchange rate system has an important role in reducing or minimizing the risk of fluctuations in exchange rates, which will have an impact on the economy. Any changes in exchange rates will have a great impact on the economy (Eichengreen, 2004). According to Engle, (2002) in the system of floating exchange rates, exchange rate fluctuations can have a strong impact on the level of prices through the aggregate demand 11 (AD) and aggregate supply (AS). On the aggregate supply, depreciation (devaluation) of domestic currency can affect the price level directly through imported goods that domestic consumers pay. However, this condition occurs if the country is the recipient countries of international prices (international price taker). Non direct influence from the depreciation (devaluation) of currency against the price level of a country can be seen from the price of capital goods (intermediate goods) imported by the manufacturer as an input. The weakening of exchange rate will cause the price of inputs more expensive, thus contributing to a higher cost of production.

Inflation is the term used to describe a rise of average prices through the economy. It means that money is losing its value. The underlying cause is usually that too much money is available to purchase too few goods and services, or that demand in the economy is outpacing supply. In general, this situation occurs when an economy is so buoyant that there are widespread shortages of labour and materials. People can charge higher prices for the same goods or services. Inflation can also be caused by a rise in the prices of imported commodities, such as oil. However, this sort of inflation is usually transient, and less crucial than the structural inflation caused by an over-supply of money (Fraga, Goldfajn & Minella; 2003).

Generally, the inflation rate is used to measure the price stability in the economy. Conceptually, the inflation can be divided into two sides, namely: demand side inflation (demand pull inflation) and supply side inflation (cost push inflation).For open-economy countries, inflation come from domestic factors (internal pressure) and also overseas factors (external pressure). The sources of external factors are the increase in the world commodity prices or exchange rate fluctuation. The influence of exchange rate towards inflation itself depends on the choice of exchange rate regime in the country. Exchange rate system has an important role in reducing or minimizing the risk of fluctuations in exchange rates, which will have an impact on the economy. Any changes in exchange rates will have a great impact on the economy (Fung, 2002). According to Gerlach and Smets, (2000) Inflation can be very damaging for a number of reasons. First, people may be left worse off if prices rise faster than their incomes. Second, inflation can reduce the value of an investment if the returns prove insufficient to compensate them for inflation. Third, since bouts of inflation often go hand in hand with an overheated 12 economy, they can accentuate boom-bust cycles in the economy. Sustained inflation also has longer-term effects. If money is losing its value, businesses and investors are less likely to make long-term contracts. This discourages long-term investment in the nation‘s productive capacity.

The relationship between inflation targeting regime and exchange rate regime has led some analysts to conclude that one of the costs of inflation targeting adoption is the increase in exchange rate volatility. Yet, some studies show that the adoption of a free-floating exchange rate does not necessarily implies more effective of nominal and real exchange rate floating argue that inflation targeting would lead to higher exchange rate volatility find that the lack of credibility of monetary authority may lead to exchange rate volatility problem (LevyYeyati & Sturzenegger; 2002). Understanding the sources of fluctuations in output and inflation is an important challenge to empirical macroeconomists. It is an issue taken up in a large number of recent studies in the developed nations, Latin America, and Asian countries. At the core of this issue is whether or not stabilization without recession is possible. While some theoretical models suggest that stabilization could be expansionary particularly for high inflation countries, others argue that stabilization without recession is rather difficult to achieve (Mackowiak; 2003).

3. METHODOLOGY

The study uses the Nigerian Bureau of Statistics (NBA) and the Central Bank of Nigeria as sources of information in the pursuit to establish the effects of interest rate, inflation and foreign currency exchange rates in multinational coporations. Data used was in the form of secondary data and in particular, the following data was used: Interest rates, Inflation Rates and Exchange rates for years 2012- 2017. The secondary data was collected from Central Bank and Nigerian National Bureau of Statistics. The data collected helped answer the research problem. Data was analyzed using quantitative method; the data was then presented using various statistical tools such as tables, percentages and graphs. The study used multiple linear regression formula to get the correlation between interest rates, inflation and exchange rates. Multiple linear regression was used to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data.

3.1 Model Specification

The formula given below was used to calculate the linear regression.
The equation; $Yi= b0 + b1x1 + b2x2+ \varepsilon$

Where: Yi = Exchange rate between US dollar and Nigerian naira

b0, b1,b2, are constants to be estimated by the model

X1 = Interest Rates, (in Naira, Monthly)

X2 = Inflation Rates (in Naira, Monthly)

ε= Error terms

Multiple regression analysis was also used to assess whether confounding exists. Since multiple linear regression analysis allows us to estimate the association between a given independent variable and the outcome holding all other variables constant, it provides a way of adjusting for (or accounting for) potentially confounding variables that have been included in the model. The study used Test of goodness of fit and the explanatory power of the model R 2 , F test ANOVA. The study did test of Multicollinearity. Multicollinearity is a linear relationship between two explanatory variables. Two variables are perfectly collinear if there is an exact linear relationship between the two. For example, X1 and X2 are perfectly collinear if there exist parameters λ0 and λ1 such that, for all observations i, it results:

$X2i = \lambda 0 + \lambda 1\ X1i$

Multicollinearity refers to a situation in which two or more explanatory variables in a multiple regression model are highly linearly related. In this study the researcher will have perfect multicollinearity if, for example as in the equation above, the correlation between two independent variables is equal to 1 or -1.

4. RESULTS AND DISCUSSION

In this study, data was collected for six years (2012-2017) from Nigeria Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) to establish the effects of interest rate and inflation on exchange rates in Nigeria. The data used was NAIRA/USD Annualized Average Exchange Rates (Forex), Annualized Average CBN Interest Rates (in %) and Annual Average Economic Inflation Rates (in %) to determine the effects of interest rate and inflation rate on exchange rates in Nigeria.

4.1 Regression Results

The intention is to establish the relationship between the NAIRA and USD exchange rates (Forex) and the two predictor variables; the CBN base lending rates and inflation rates in the years between 2012 and 2017.
The table below is a summary of the secondary data used for regression analysis Table

Table 1: Time Series Regression Data Regression Data

Regression Data			
Year	NAIRA/USD Annualized Average Exchange Rates	Annualized Average CBN interest Rates (in %)	Annual Average Economic Inflation Rates (in %)
2012	67.46	8.63	9.8
2013	69	8.9	16.2

2014	77.33	7.89	10.5
2015	79.26	6.5	4.1
2016	88.86	9.6	14
2017	84.52	16.5	9.4

Source; CBN, 2018

When the above data was run for regression analysis using IBM SPSS Statistics v.21, the model results incorporated all the three predictors (the absolute value of their un-standardized 19 coefficients had significant values; all were > |0.1|); this signifies they were significant enough as predictors of the regression model.

Below are the results of the model summary generated by the data after running regression analysis;

Table 2: Model Summary

ANOVA						
Model		Sum of squares	df	Mean Square	F	Sig.
	Regression	66.329	2	33.164	0.034	0.05[b]
	Residual	287.839	3	95.946		
	Total	354.167	5			
Dependent Variable: Forex Rates						
Predictors: (constant), Inflation Rates, Interest Rates						

Source: Authors Computation, 2018

All the three variables returned significant coefficients to model a regression equation. Both the predictor variables had significant values to consider using them in a regression model. The co-efficient of multiple determinations R-square value is 0.871; this means about 87.1% of the variation of the response variable which is NAIRA/USD Exchange rates can be explained by the two predictor variables.

The regression equation appears to be substantially useful for making predictions since the value of R^2 at 0. 871 is very close to 1

The ANOVA table generated from the same data is as shown below;

Table 3: ANOVA Table

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	Ƒ	Sig.
1	Regression	66.329	2	33.164	0.034	0.05[b]
	Residual	287.839	3	95.946		
	Total	354.167	5			
a. Dependent Variable: Forex Rates						
b. Predictors: (Constant), Inflation Rates, Interest Rates						

Source: Authors Computation, 2018

From the ANOVA table; at the 5% (0.05) significance level, the model is useful for predicting the response since;

Ƒ Value = 0.034 and ρ-value at 0.05 is less than 0.05.

Therefore; at the $\alpha = 0.05$ level of significance, there exist enough evidence to conclude that at least one of the two predictors is useful for predicting Exchange rates; therefore the model is very useful.
The coefficients table returned by running the data through analysis software is as illustrated below;

Table 4: Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	71.658	16.055		4.463	0.021
	Interest Rates	1.006	1.258	0.419	0.799	0.482
	Inflation Rates	0.342	1.057	-0.170	-0.323	0.768
a. Dependent Variable: Forex Rates						

Source: Authors Computation, 2018

From this table; using the regression model equation contemplated before i.e.
$Y_i = b_0 + b_1x_1 + b_2x_2 + \varepsilon$
Where: Y_i = Exchange rates in Nigeria
b_0, b_1, b2, are constants to be estimated by the model
X_1 = Interest Rates (in %, Annualized) X_2 = Inflation Rates (in %, Annualized) ε= Error terms
Using the coefficients in table 4 above; our regression model therefore becomes; NAIRA/USD Forex Rates = 71.658 + 1.006Int. Rates + 0.342 Inf. Rate Interpretation:

Intercept: In any given year, the NAIRA/USD rate will be 71.658 when all the predictor values are equal to zero.

Effect of CBN interest rates on NAIRA/USD forex rates: The forex rates increases by a unit on the CBN interest rates increasing by 1.006 or 100.6% all other factors held constant.
Effect of inflation rates on NAIRA/USD forex rates: The forex rates increases by a unit on the CBN interest rates decreasing by 0.342 or 34.2% all other factors held constant. The model however as indicated above in the ANOVA interpretation, is not useful in predicting variations NAIRA/USD forex rates.

4.2 Discussion of Findings

The co-efficient of multiple determinations R-square value is 0. 871; this means about 87.1% of the variation of the response variable which is NAIRA/USD forex rates can be explained by the two predictor variables. This implies that the chosen variables specifically inflation rate and interest in Nigeria during year 2008-2013 affect the exchange rate by 87.1% and therefore 12.9% effects of exchange rate was associated with other unexplained factors. The regression results also indicate that the relationship between inflation and interest rates against exchanges rates is very significant at 0.05 level of significance level with a p-value of 0.016. These findings conform to the findings of a study by Pattnaik, S. and Mitra A. K. (2001) which indicated that interest rates, inflation rates and exchange rates are all highly correlated. By manipulating interest rates, central banks exert influence over both inflation and exchange rates, and changing interest rates impact inflation and currency values.

The study further found that a great effect caused by the increased rate of inflation or decreased rate of inflation and interest rates can be seen on exchange rate almost immediately as opposed to the changes in exchange rate effects and how they can be seen in the interest rate and inflation. The Tolerance value of more than 1 and a VIF value indicate a correlation between the independent values – inflation rate and interest rate on exchange rate as a dependent variable. The analysis found that, at 0.039, the interest rates had a strong positive association with NAIRA/USD forex rates while at -0.019; the inflation rates had a small negative correlation with the same independent variable. This means that there was a likelihood of increases due to an increase in interest rates and even decreases in increases of inflation rates. This correlates with the study by Bhole and Dash (2002) who sought to understand the relationship between interest rate and exchange rate in India. In their analysis, the scholars found the empirical relationship between the interest rate and exchange rate has been a debatable issue among the economists. According to Mundell-Fleming model, an increase in interest rate is necessary to stabilize the exchange rate depreciation and to curb the inflationary pressure and thereby helps to avoid many adverse economic consequences.

5. CONCLUSION AND RECOMMENDATION

The analysis investigated the effects of interest rate, inflation rate, exchange rates ,government policies on financial report of multinational coporation with specific reference to NAIRA/USD Annualized Average Exchange Rates (Forex), Annualized Average CBN Interest Rates (in %) and Annual Average Economic Inflation Rates (in %) all information from 2012 -2017. The study finally concluded that increase in interest rate is necessary to stabilize the exchange rate depreciation and to curb the inflationary pressure and thereby helps to avoid much adverse economic consequence. Consequently, from the foregoing, the following recommendations are made.

i. The study recommends that regulators should come up with means to evaluate exchange rate volatility. This will help to curb the impact that exchange rate volatility can have on an economy, and, among other aspects, on inflation. This is even more relevant to developing countries, where exchange rate volatility tends to be higher, contributing to a higher exchange rate pass-through to inflation. The higher exchange rate volatility in developing countries, in turn, stems from their greater vulnerability to external shocks and the lower liquidity of their currencies in international markets. As a result of these two characteristics, the impact of the exchange rate on inflation is greater in developing countries.

ii. A second important recommendation is the limitation of controlling inflation through monetary policies. A first restriction is the weak transmission mechanism of monetary policy in some developing countries—meaning that the effectiveness of the policy might be only partial. Another limitation is the output cost implied in the policy, which, depending on the country‘s economic situation and prospects, might not always be optimal.

iii. In addition, given specific context of developing countries like Nigeria, of significant shocks from the exchange rate to inflation and the limitations related to monetary policy, controlling exchange rate volatility is very important in the fight against inflation. Indeed, policy makers would be opting for a more interventionist approach to curb inflation. The fear of floating would in fact be a fear of inflation. Moreover, that does not require abandoning monetary policy independence; as such control is effected through direct interventions in the exchange rate markets. An illustration of this rethinking of the intersection between exchange rate and inflation was its recognition inside the International Monetary Fund (IMF). Blanchard (2011) stated that developing countries‘central bankers were right to care about the exchange rate and affirmed the need to fight inflation through different instruments.

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An Empirical Investigation into the relationship between Capital Structure and Firm`s Market Value in Nigeria

OKOYE, Peter Anija

Department of Accounting
Nile University of Nigeria,
Jabi, Abuja - FCT.
E – Mail**:** anijaokoye@gmail.com, Phone No: +2348036578309

AYOGU, Sunday E.

Department of Accounting
Nile University of Nigeria,
Jabi, Abuja - FCT.
E – Mail**:** sundayayogueze@gmail.com, Phone No: +2348039364779

Abstract

Following the Modigliani and Miller theory (1963), there have been considerable debates on the nature of relationship that exists between a company`s capital structure and its market value. This study seeks to empirically investigate the relationship between corporate capital structure and a firm`s market value in Nigeria.. Dataset from selected companies listed on the Nigerian Stock Exchange for the period of 2013-2017 were used for analysis. Results from the analysis show a positively significant relationship between a firm`s capital structure and its market value.. Hence, the study recommends that listed companies in Nigeria should optimize their capital structure in order to maximize their market value for the benefit of all the stakeholders.

Keywords: Capital Structure, Listed companies, Market value, Nigerian Stock Exchange

1. INTRODUCTION

Capital structure could be described as the financing structure of a firm. According to Pandey (2014), the term capital structure is used to represent the proportionate relationship between debt and equity .Equity includes paid-up share capital, share premium and reserves and surplus (retained earnings). The financing or capital structure decision is a significant managerial decision .It influences the shareholder`s return and risk. Consequently, the market value of the share may be affected by the capital structure decision. Following the Modigliani-Miller (1958 and 1963) paradigms on a firm`s capital structure and its market value, there have been considerable debates among scholars on the nature of relationship between a firm`s capital structure and its market value. According to Modigliani and Miller (1958), under the perfect capital market assumption, a firm's market value does not depend on its choice of capital structure when there are no bankruptcy costs, taxes, and capital markets are frictionless. But after due consideration on the inclusion of corporate taxes, Modigliani and Miller (1963) assented, by way of amending their previous proposition, that when there are corporate taxes then interest payments are tax deductible and that 100 percent debt financing is optimal. That is, corporate value increases as debts increases. Considering this argument, despite the substantial research efforts devoted in determining an optimal capital structure for individual firms, there is still no generally accepted theory throughout the literatures explaining the debt-equity choice of firms (Adeyemi and Oboh, 2011). But in the last decades, several theories have emerged explaining firms' capital structure and the resultant effects on their market values such as the pecking-order theory by Donaldson(1961), the static-order theory, the capital structure relevance theory by Modligiani and Miller(1963), the agency cost theory,the capital signaling theory and the trade-off theory (Bokpin and Isshaq, 2008). The trade-off theory of capital structure is built around the concept of target capital structure that balances various costs and benefits of debt and equity. The pecking order theory on the other hand conceives the capital structure decisison as one of making a scale of preference. Although the arguments for the existence of an optimum capital structure have not gained a universal acceptance, lot of empirical discoveries and suggestions point to the fact that an optimum capital structure for individual firms exist (Wippen, 1966; Ozkan, 2001).

In Nigeria, one of the fundamental causes of corporate distress points to the fact that inadequate capital and inappropriate capital mix characterize the Nigeria firms (Salawu, 2007). Generally, firms are faced with a complex list of options when deciding on their choice of capital structure. Most firms have to choose either to finance their investments with retained earnings, new equity issues, or through debt. However, it has been observed that the Nigerian firms most often use equity rather than debt in financing projects (Adeyemi and Oboh, 2011) as compared to firms in the developed nations.

Notwithstanding, Bhaduri (2002) discovered that most emerging economies not until lately little value the important roles companies play in economic growth and national development and, that companies in these nations encounter various limitations on their decisions concerning sources of finance. Nevertheless, there have been substantial operational changes in the Nigerian stock market since the 2005 capital base restructuring in the banking industry. These have significantly enhanced the flexibility of most firms in deciding their capital mix optimally. However, the debt market as in many other undeveloped economies is still inefficiently developed (Salawu, 2007; Adeyemi and Oboh, 2011). Empirical evidences have shown that a firm's capital structure is fundamental in determining its market value. This paper make up for the paucity of scholarly papers on the relationship between the capital structure and firm`s market value. It also adds to the literature by providing empirical evidence within the context of the Modigliani-Miller relevance theory and effects of a firm's capital structure on its market value drawing evidence from Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

According to Kennon (2010), capital structure refers to the percentage of capital at work in a business by type. That is, there are two forms of capital: equity and debt capital. Each form of capital has its own benefits and disadvantages and some organizations try to find the perfect capital structure in terms of risk and reward for shareholders. As discussed by Inanga and Ajayi (1999), the capital structure of a firm does not include short-term credit but the components of a firm`s long-term funds obtained from various sources. The capital structure of a firm is described as the mix of both equity and debt capital in financing its assets. Pandey (2014) differentiated between capital structure and financial structure of a firm affirming that the various means used to raise funds represent the firm`s financial structure while the capital structure represents the proportionate relationship between long-term and equity. According to Alfred (2007) a firm`s capital structure implies the proportion of debt and equity in the total capital structure of a firm.It is important to state that the theory of capital structure is related to a firm`s cost of capital and that the main objective of capital structure decision is to maximize the market value of the firm through a suitable mix of long-term funds.

Through optimal capital structure, a firm`s overall cost of capital will be minimized. It however remains a matter of argument whether an optimal capital structure for a firm really exist. According to Besley and Brigham (2000) the argument is whether a firm can actually influence its valuation and its cost of capital by varying the mix of its capital structure. Harris and Raviv (1991) argued that the valuation of the capital structure of companies is imperative because, not only does it affect a firm`s market value but that it also affects its real decisions about employment, production and investment. Inanga and Ajayi (1999) classified capital structure into equity capital, preference capital and long-term debt capital. Pandey (2014) defined equity capital as including share-capital, share premium, reserves and surplus (retained earnings). Equity capital consists of two types which include: contributed capital by the shareholders and retained earnings representing profits from past years kept by the firm for growth, acquisitions or expansion. Preference share capital is a hybrid that combines the features of debentures and those of equity shares except the benefits. Debt capital refers to the long-term bonds/debentures used in financing the firm especially its assets and investments.

2.2 Empirical Framework

According to Salawu and Agboola (2008) research efforts into firms' financing decisions have been minimal in the third world nations. Most studies only report findings for firms in the industrialized nations. In the argument of Errunza (1979), when a study is conducted elsewhere, especially in the developed nations, it is important to note that in reality most assumptions such as the perfect capital markets often do not exist in most developing nations. Also, he argued that most nations would rarely adapt to the contemporary theories of capital markets founded on these suppositions because different nations have divergent legislative provisions, primarily with regards to corporate market regulations, economic growth level, bankruptcy and tax laws and the roles financial institutions play. These factors also contribute to the variation and divergence of corporate capital structure across nations.

A firm's capital structure as discussed by Inanga and Ajayi (1999) could be described as the capital mix of debt and equity in financing its assets. Simply put, it is the relative portion of a firm's equity, debt and other long term securities, combined together to finance its long term investments in its assets. Therefore, it is imperative to note that the capital structure theory has a close relationship with the cost of capital of the firm and, that the primary objective of the capital structure decisions is to aid a firm in achieving its financial objectives through an optimal mix of long-term sources of finance. By this optimal capital structure, the firm's total cost of capital is minimized. Nevertheless, it still remains an unraveled argument whether individual firms could attain an optimal capital structure or not. According to Besley and Brigham (2000) and Ross *et al*. (2002), major arguments have centered on the actuality of a firm affecting its value and cost of capital by fluctuating its capital mix. Harris and Raviv (1991) argued that the evaluation of the capital structure of companies is imperative because, not only does it affect a firm's market value but that it also affects its real decisions about employment, production, and investment.

2.3 Theoretical Framework

Although there have been substantial research efforts devoted by different scholars in examining the factors affecting a firm's choice of capital structure, no generally accepted theory exist throughout the literatures explaining the firm's choice of debt-equity combination. But in the last decades, there are several theories propounded explaining a firm's capital structure and its determinants subsequent to the Modigliani-Miller (1958) paradigm. Different scholars have expanded on their irrelevance theory of capital structure and several theories have emerged explaining the capital structure choice of a firm and the factors influencing such choice. For instance, the pecking-order theory, the static-order theory and the agency cost theory among others have been largely discussed in the literatures (Bokpin and Isshaq, 2008). In the irrelevance theory of capital structure as postulated by Modigliani and Miller (1958), a firm's value depends on its operating profitability rather than its capital structure under perfect capital market conditions; that is, value irrelevant (Modigliani and Miller, 1958). But, in their second proposition, they argued that market value is an increasing function of a firm's leverage when an interest payment is permitted by the tax law (Modigliani and Miller, 1963). This theory despite its success raised a number of considerable debates among researchers (Modigliani and Miller, 1963; Baxter, 1967; Warner, 1977; Miller, 1977; DeAngelo and Masulis, 1980; Altman, 1984; Myers, 1984; Leland, 1994; Abu, 2008).

The agency cost theory on the other hand according to Jensen and Meckling (1976) states that optimal capital structure is obtained when the costs of conflicts between the principal and the agents are minimized. This theory also supports that a firm can actually attain an optimal capital structure by its choice of capital mix. Thus, suggesting that the choice of a firm's capital structure is vital in maximizing its value as supported by the static trade off theory. However, Smith and Warner (1979) stated that the basis of the firm's capital mix necessarily does not influence agency cost, for superfluous bonuses, asset changeover, high-ranking debt issuance and underinvestment are what constitute agency cost of debt problem. By this, it shows a prediction that growing firms should make use of less debt. Thus, suggesting a possible relationship between the market value of a firm and its choice of capital mix. Extension of this theory could be seen in Myers (1977), Jensen (1986), Hart and Moore (1988) and Parrino and Weisbach (1999).

While the static-order theory according to Baxter (1967) and Altman (1984) suggests that where the net-tax benefit of debt capital weighs leverage associated costs, optimal capital structure is obtained. According to Ahmed and Hisham (2009), different questions have been asked with regard to the increase tax-shield advantage arising from debt issue and if it may compensate for distress costs such as likely bankruptcy cost and competitive risk when pressured for cash. With regard to this theory, when new equity issues are made, the firm's capital structure deviates from optimum level. However, this should be seen as undesirable. Myers (1984) suggested that assuming this theory, may possibly be considered as setting a debt-to-value objective ratio with a continuing effort to attain it. Though, he argued that when managers perceived the stock price is undervalued in the market, they will be unwilling to make equity issues. And when this happens, the investors only recognize that issuance of equity only occurs when it is either justly priced or high-priced. Consequently, investors are most likely to adversely respond to equity issues and management will be unwilling to make new issues. This model of capital structure has been extensively discussed and extended by other scholars (see Miller, 1977; DeAngelo and Masulis, 1980;

Bradley *et al.*, 1984; Titman and Wesels, 1988; Barclay and Smith, 1999; Fama and French, 2002). This theory also suggests that bigger and more matured companies make use of more debt than equity in their capital structure.

After the Modigliani-Miller (1958) prediction on the capital structure decision, the pecking-order theory was introduced by Donaldson (1961) in sharp contrast to the capital structure irrelevance theory as put forward by Modigliani and Miller (1958). This theory is among the most influential theories of corporate leverage. It goes contrary to the idea of firms having a unique combination of debt and equity finance, which minimize their cost of capital. It suggests that when a firm is looking to finance its long-term investments, it has a well-defined order of preference with respect to the sources of finance it uses. It states that a firm's first preference should be the utilization of internal funds (i.e. retained earnings), followed by debt and then external equity. He argued that the more profitable firms become, the lesser they borrow because they would have sufficient internal finance to undertake their investment projects. He further argued that it is when the internal finance is inadequate that a firm should source for external finance and most preferably bank borrowings or corporate bonds. And after exhausting both internal and bank borrowing and corporate bonds, the final and least preferred source of finance is to issue new equity capital. Other researchers have reacted to this theory (see Myers, 1984; Shyam-Sunder and Myers, 1999; Fama and French*,* 2002). This theory as postulated by Donaldson (1961) does not support the idea of a firm's choice of capital structure being affecting by any factor, rather, it suggests that a firm should follow a well-defined order of financing its investments regardless of any factor.

This paper however, in the context of the Modigliani-Miller relevance theory and the static order theory of capital structure discusses how a firm's capital mix affects its market value. Normally firms finance their operations through various sources consisting of preferred shares and debts, variable and secure income securities. Therefore, corporate financing decision simply involves a firm combining various securities in order to minimize its risks and maximize expected returns. The essential argument here is how a firm should strike a balance between risk and return in order to attain optimum capital mix of debt and equity. A firm's capital structure could either be all equity financed (i.e. 100% equity capital), or all debt financed (i.e. 100% debt capital), or could be an appropriate mix of both equity capital and debt capital (i.e. X% equity capital and Y% debt capital).

3. METHODOLOGY

The main objective of this study is an empirical investigation into the relationship between corporate capital structure and a firm`s market value in Nigeria.Dataset from selected companies listed on the Nigerian Stock Exchange for the period of 2013 – 2017 were used for analysis.

3.1 Empirical Model and Estimation Method

In this study, the empirical effect a firm's capital structure on its market value using a multiple regression estimator framework was tested. By way of a purposeful sampling technique, dataset were obtained from the annual reports and accounts of a selection of 39 listed companies for the period of 2013 to 2017. The sample size was determined based on data availability, because in the process of data collection, it was observed that many Nigerian firms do not make use of long-term debt in their capital structure. Periodical publications of the Nigerian Stock Exchange such as fact books were also depended upon to augment available data. Seeing that some of the variables in this study are proxies for the real variables, it is imperative at this point to properly define the constructed variables. The regression model states:

$$MKT\text{-}VAL = \alpha_0 + \alpha_1 LEV\ (1) + \alpha_2\ LEV\ (2) + \alpha_3\ SIZE + \varepsilon \ldots\ldots \qquad (1)$$

Where:
MKT-VAL = market price per share (being the dependent variable);
LEV (1) = long-term debt/equity capital;
LEV (2) = total-debt/total capital; *SIZE* = natural logarithm
of net assets; $\alpha 0$ = Intercept or constant of the equation;
$\alpha 1$, $\alpha 2$, $\alpha 3$ = as coefficients of the independent variables; and ε = error term

3.2 Variables and Measures

The key variables of this study include the market value of the firms, their debt-equity mix *(Lev 1)* and total-debt/total capital ratio (*Lev 2*) for the specified financial period. According to most corporate finance literatures and theories of capital structure, the firms' debt ratios (DRs) are usually used as the measurement for the level of leverage employed by the firms. This largely depends on the purpose the study seeks to achieve. Prior empirical studies have employed a broad choice of debt ratios as measurement for financial leverage (see Hamson, 1992; Abu, 2008). For the purpose of this study, their debt-equity mix (*Lev 1*) and total-debt/total capital (*Lev 2*) were used to measure their DRs. The MPPS, on like prior studies, has been used in this study because, most firms are generally valued based on their market values in times of takeover or merger, and or, when a new issue is to be made. And also, most investors are likely to be attracted to firms with higher MPPS than those with lower MPPS. Furthermore, the size of the firms has been included in the regression analysis as a control variable in order to bring the study to a logical conclusion. Different measurements for firm size have been employed in most prior empirical studies. For instance, Hamson (1992) used the natural logarithm of the sum of the fair value of equity and the book value of liabilities, the natural logarithm of total-assets has been employed by Gul and Tsui (1998) and the natural logarithm of sales as used by Titman and Wessels (1988). However, this study adopted the natural logarithm of net-assets as the measurement for the firms' size.

4. RESULTS AND DISCUSSION

4.1 Descriptive Analysis

In this section, the descriptive statistics for both the explanatory and dependent variables of interest were shown. Each variable is presented based on the mean, standard deviation and normally distributed skewness and kurtosis values. A long right tail signifies a positive skewness and a long left tail signifies a negative skewness. A value of 3 has been suggested to be a normal kurtosis value. A variable with a value greater than 3 indicates a substantial peak. But when it is less than 3, then the distribution will be flatter. Table 1 below displays the descriptive statistics for the study.

Table 1. Descriptive statistics

Variables	Min	Max	Mean	Std. D	Skewness	Kurtosis	N
Dependent:							
MKT-VAL	1.398	225.934	28.8053	48.8269	2.858	8.362	39
Independent:							
LEV(1)	0.0009	1.9849	0.3866	0.4087	2.224	6.059	39
LEV(2)	0.0009	10.1322	0.4653	1.5962	6.152	38.203	39
SIZE	4.68	7.60	6.5174	0.7001	-0.629	0.137	39

Note. This table presents descriptive statistics for all the variables of interest

As shown in Table 1, the mean value for *MKT-VAL* indicates that, on the average, most non-financial firms have a relatively fair market value (mean = 28.8053). That is, not too low and not too high, suggesting that only a few firms have their market values above average. The mean value for *LEV (1)* signifies that on the average, the debt/equity ratios of most firms are skewed towards equity capital than debt capital (mean = 0. 3866). Implying that, most non-financial firms in Nigeria are low-geared companies. Whereas the mean value for *LEV (2)* indicates that the total debt/total capital ratio of most of the firms is below average (mean = 0.4653), the mean value for *SIZE* indicates that most of the firms are large companies having their net assets above average (mean = 6.5174).

Furthermore, considering the *MKT-VAL* variable, it shows a right tail distribution (skewness = 2.858), as well as a substantial peak value (kurtosis = 8.362). Also, the *LEV (1)* and *LEV (2)* variables show right tail distributions as seen in Table 1 (skewness = 2.224 and 6.152 respectively) and substantial peak values (kurtosis = 6.059 and 38.203 respectively). Whereas, the *SIZE* variable has a left tail distribution and a low peak value (skewness = -0.629 and kurtosis = 0.137 respectively). From the descriptive statistics as a whole, the variables show right tailed distributions and substantial peak values, except for the *SIZE* variable which shows a left tail and low peak value. We therefore conclude that variables are skewed and have substantial kurtosis values.

4.2 Correlation Analysis

As part of the procedure for analysis in this study, a correlation analysis was performed in order to establish relationship among all the variables of interest. Table 2 below displays the correlation matrix.

Table 2. Correlations Matrix

		MKT-VAL	LEV(1)	LEV(2)	SIZE
MKT-VAL	Pearson Correlation	1			
	Sig. (2-tailed)				
LEV(1)	Pearson Correlation	.392(*)	1		
	Sig. (2-tailed)	.014			
LEV(2)	Pearson Correlation	-.042	.205	1	
	Sig. (2-tailed)	.801	.211		
SIZE	Pearson Correlation	.443(**)	.252	-.023	1
	Sig. (2-tailed)	.005	.122	.889	

Note: *Significant at 5% level *(2-tailed),* ** Significant at 1% level *(2-tailed). N = 39*

An examination of Table 2 shows that the highest correlated variable of the *MKT-VAL* is the *SIZE* variable, having a correlation coefficient of 0.443 and it is significant at a 0.005 level of significance ($P < 0.01$). While the next correlated variable to the *MKT-VAL* variable is the *LEV (1)* with a correlation coefficient of 0.392 and significant at a 0.014 level of significance ($P < 0.05$), while *LEV (2)* has a negative correlation coefficient of -0.042 and not significant ($P = 0.801$). Analysis among the independent variables shows that there are no correlations among them. Hence, indicating that there is an absence of multicollinearity. With regards to the correlation analysis, we conclude that larger firms tend to have higher market values than smaller firms. Whereas the capital-mix of long-term debt and equity capital has a positive influence on the firms' market value, their total debt (combination of long and short term debts) to total capital has a negative impact on their market value.

4.3 Regression Analysis

This study primarily examined the empirical effect a firm's debt-equity choice has on its value. In order to evaluate this effect, this study adopted the multiple regression estimation analysis and the regression results of the model are given in Table 3 below.

Table 3. Regression Analysis

	Predictors' Variables	Constant	LEV(1)	LEV(2)	SIZE
Dependent Variable (MKT-VAL)		0.032	0.040	0.501	0.020
		(-148.047)[a]	(38.435)[a]	(-3.040)[a]	(25.072)[a]
		-2.238**	2.133**	-0.681	2.434**
F-statistics	4.753	R-square			0.289
Sig. of F-statistics	0.007	Adj. R-square			0.229
No. of sample	39	Dur-Wat.			2.040

**Note: Significant at 5% level and [a] coefficients are in parenthesis.

As shown in Table 3, the results from the multiple regression analysis reported the F-statistic to be 4.753 and being statistically significant at a 0.007 level ($P < 0.05$). The R^2 and adjusted R^2 values are indicated as 0.289 and 0.229 respectively. The Adj-R^2 value shows that the estimated model is able to explain about 23% of the variations in firm value. While the Durbin Watson test shows a value of 2.040. Examining the regression coefficients of the model, *LEV (1)* has a coefficient value of 38.435 and positively significant at 0.040 level ($P < 0.05$), *LEV (2)* has a negative coefficient of -3.040 and not statistically significant ($P = 0.508$), while *SIZE* has a coefficient of 25.072 and a significant value of 0.020 level (i.e. $P < 0.05$). Based on the regression analysis as shown in Table 3, we conclude that a positive and significant relationship exists between a firm's market value and its debt-equity choice and size. In conformity with the M&M and static-order theoretical standpoints, Table 3 plainly demonstrations that a firm's market value increases as a result of the increase in its financial leverage since the expected coefficient for *LEV (1)* is positive. However, the level of its total-debt to total capital ratio should be adequately managed so as to minimize debt associated risk. The estimate for the *SIZE* simply suggests that bigger companies have higher market value for every unit of investment. Hence, supporting the argument for investment diversification and economies of scale in leverage related costs (Abu, 2008).

Furthermore, in order to find out the autocorrelation in the residuals in the regression, the Durbin-Watson (DW) value of model was computed. The result shows the value of 2.040, implying that the independence of residuals assumption is not violated. This conclusion is based on the suggestion of Kohler (1994), stating that the Durbin Watson values have an upper limit of 4 and lower limit of zero. So, if the Durbin-Watson value is equal to 2, then there exists no autocorrelation, but if the value is less than or greater than 2, then there exists a positive correlation or negative correlation respectively. Also, it was observed from the analyses, that most firms in Nigeria scarcely make use of debt capital in their capital structure, thereby making their capital structure lopsided. That is, more equity capital to debt. It was also observed that the firms' debt structure is mostly dominated by short-term debts. One of the reasons identified for the inappropriate capital mix is due to the lack of theoretical background on the part of the financial managers.

5. CONCLUSION AND RECOMMENDATION

After the seminal Modigliani-Miller paradigm on the theory of capital structure and the effects on market value in 1958, major debates have centred on the existence of an optimal capital structure and the level of debt usage relevant to individual firm's capital structure. Therefore, for this discrepancy in theory that this study attempted to empirically investigate how a firm's choice of capital structure affects its market valuation, basing its argument on the Modigliani-Miller relevance theory and the static order theory of capital structure. Consistent with prior empirical studies, the conclusion is that a firm's capital structure affects its market value positively and significantly. Suggesting that, a firm can actually attain an optimal capital structure, where its risk will be minimized and returns maximized. This is in support of the research findings of Modigliani and Miller (1963) and Abu (2008) among others, but in sharp contrast to the pecking order theory as propounded by Donaldson (1961), which assumes a firm's capital structure as irrelevant to its market value and that a firm's choice of capital structure should follow a well-defined order.

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Impact of Budget Implementation on the Growth of the Nigerian Economy

DADU, A. Gwong

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: gdadu@ahnigeria.org, Phone No: +2348064517281

Abstract

This study examines the impact of Federal budget on the growth of Nigerian economy from 1999 to 2016. Secondary source of data sourced from institutions such as World Bank, Central bank of Nigeria, Office of the Accountant-General of the Federation and Federal Ministry of Finance was used in conducting the research. Gross Domestic Product (GDP) was used as the dependent variable while Public Recurrent Expenditure (REXP) and Public Capital Expenditure (CAPX) were used as the independent variables. The study adopted multivariate analysis (multiple regression) in analyzing the impact of budget implementation on the growth of Nigerian Economy. The results revealed that budget implementation has a positive impact on Nigeria economic growth. Correlation coefficient was used to measure the relationship between Gross Domestic Product and Public Revenue Expenditure on one hand and Gross Domestic Product and Public Capital Expenditure on the other hand which revealed positive relationship on each scenario. This study amongst others recommended that a monthly update on the parameters upon which the Federal budget was appropriated should be prepared by the budget office and publish on its websites for members of the public to monitor the progress being recorded on the implementation of the budget and to hold the government to account when the expenditures reported cannot match the revenue generated, the practice of early preparation and submission of budget estimates by the executive arm of government should be encouraged.

Keywords: Budget, Budget Implementation, Economic Growth, Public Expenditure, Recurrent Expenditure.

1. INTRODUCTION

The 1999 Constitution of the Federal Republic of Nigeria provides that - the security and welfare of the people shall be the primary purpose of Government and that, within the context of the ideals and objectives for which provisions are made in the Constitution, the State shall, inter alia; Harnessing the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy, and control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity. Nigeria practices the Presidential system of Government under which the Federal Government is headed by the President, Commander-in-Chief of the Armed Forces and each of the 36 State Governments is headed by a Governor. At the Federal level, the President of the Senate heads the Legislature, complemented by the Speaker who heads the House of Representatives. The Senate consists of three Senators from each State and one from the FCT, making a total of 109. The House of Representatives consists of 360 members. The Judiciary is headed by the Chief Justice of Nigeria.

Section 81(1) of the 1999 constitution of the Federal Republic of Nigeria as amended states that “The President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year’. For meaningful growth and development to be experienced in any given society deliberate effort must be exerted by officials in charge of governance in designing policies, projects and programs that are necessary for the progress, happiness and comfort of the people. These policies, projects and programs are usually operationalized and package in a document known as ‘budget’. According to Uchendu (1998) budgets are economic tools deliberately designed through political process to aid in the allocation of available resources among competing demands. He further added that “a public budget is an economic tool deliberately fashioned through the political process to assist in the management of public sector”. Budget could be defined as a future plan of action for the whole organization or a section thereof. Budget can also be defined as a financial and or quantitative statement prepared and approved prior to a defined period of time of the policies to be pursued by the organization in order to achieve organizational goals and objectives (Adams, 2006). The national budget is the most important economic policy instrument for a government and it reflects the government’s priorities regarding social and economic policy more than any other document. In addition, the instrument translates policies, campaign promises, political commitments, and goals into decisions regarding where funds should be spent and how funds should be collected.

A well-functioning budget system is vital for the formulation of sustainable fiscal policy and the facilitation of economic growth (Ohanele, 2010).

Budget is an instrument that provides direction to government ministries, departments and agencies (MDAs) in the delivery of their constitutional mandate to the Nigerian people. A normal budget cycle has four stages: budget formulation, a review of process (typically by the law-making body, such as parliament or congress), actual implementation, and some monitoring of project execution. This process provides for checks and balances in the entire budget cycle and is shared majorly between the executive and legislative arm of government and equally have constitutional backing. This research work would x-ray the capital and recurrent expenditure components of Federal budget and ascertain to what extent the implementation of annual Federal budget has impacted on the growth of Nigerian economy.

2 LITERATURE REVIEW

This study was centered on assessing the impact of budget implementation on the growth of Nigerian Economy. The literature review provides review for relevant concepts, literatures and theories postulated by other scholars on this subject matter.

2.1 Conceptual Framework

2.1.1 The Concept of Budget

Budget is a management technique or a formalized approach for preparing and communicating organization's expectation and accomplishing the planning, coordinating and controlling responsibilities of the management in such a way as to maximize the use of resources available (Fadeyi, 1999). A budget is a financial and/or quantitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. A budget is normally for a year. It is therefore a short-term plan. One of the primary objectives of budget is to measure the profit earnings of an organization. However, in the case of government, which is non-profit making, budgets are used:

i. As a guide for the present and the future.
ii. To plan, control and estimate the amount to be received and spent during a specified period.
iii. To distribute limited resources.
iv. To motivate managers towards the achievement of corporate goals.
v. As a means of evaluating performance.
vi. To inform managers about the results and operations of their responsibility domains.
vii. As a standard of measurement for the purpose of controlling on-going economic endeavours.

A national budget of Nigeria is usually broken down into anticipated expenditures that the government has prioritize to execute in the next fiscal year and projected revenue earnings needed to finance the anticipated expenditures. See appendix 1 for the pictorial breakdown of 2018 budget of the Federal Republic of Nigeria. Budget also is an important tool in governance and most relevant to the economic policy. It is the second most important document after the constitution in any country of the world (Samuel & Wilfred, 2009). It signifies that the budget is an expression of the constitution and statutes of a government which endow the executive and legislature with designated financial and managerial responsibilities. Budget has been classified into different types. They are:

i. Surplus Budget: It refers to as a situation where the expected revenue surpasses the expenditure. This has been the dream of every government.

ii. Balanced Budget: This occurs the moment the proposed expenditure is equaled to the expected revenue. This situation, however, is always difficult to attain. In fact, it requires a high financial prudence and acumen to accomplish.

iii. Deficit Budget: The expenditure is higher than the projected revenue in this type of budget. This is where government spent more than it earned. It came with the need to finance government projects despite the non-availability of funds.
iv. Supplementary Budget: As the name implies, it means the budget made or initiated after the main budget is passed. This type of budget is necessary if it is discovered that the earlier amount appropriated by the by the Appropriation Act for

any purpose is insufficient; or there is need for expenditure on a purpose for which no amount has been earlier appropriated.

v. Development Budget:

It refers to a budget plan over a long period of time. It is usually incorporated as part of development plan.

2.1.2 The Purpose of Budget

In all Government units, the executive arm prepares the budget and submits to the legislative arm for review, modification and approval. The approved budget serves as the basis for the activities of the government unit for the fiscal period under focus. There are four main purposes which a government budget serves.

i. A budget is an economic and financial document. It highlights government's policies which are designed to promote economic growth, full employment and enhance the quality of life of citizenry.
ii. It is a useful guide for the allocation of available resources.
iii. Through the Legislature, the executive arm uses the budget as a means of accountability for the money earlier entrusted and the appropriations newly approved.
iv. The budget stands for the request of the Executive arm of government for the legislature to collect and disburse funds.

2.1.3 Method Used in Preparing Budget by Federal Government of Nigeria

The budgeting approach used by Government to allocate funds for a succeeding year is the incremental or 'line-item' method. The approach is oriented to expenditure, itemizing proposed disbursements under different Heads and Subheads of the various Ministries and Extra-Ministerial Departments. The traditional budgeting method which is also often called 'Incremental Budgeting' involves picking last year's figures and adding a percentage to arrive at this year's budget. The percentage added is based essentially on three factors, namely:

i. Trend of economic event;
ii. Inflation; and
iii. The available funds.
The line-item budgeting system has certain features, which include the following:
i. The budgets refer to the Ministries and Extra-Ministerial Departments for which they are prepared. No prominence is given to the ends for which the funds are provided.
ii. The current year's budget is arrived at through routine and incremental reasoning, and not by scientific analysis.
iii. The main thrust of the budget is the achievement of control and accountability.

The incremental or 'line-item' method has the following advantages:

i. It is simple to understand and operate.
ii. It suits the country's level of development, where there is paucity of data.
iii. It is cheaper to produce.
iv. It encourages the continuity of projects.
v the method ensures that budget is translated in monetary language and relates to the relevant activity operations.
vi. Allocations into Heads and Sub-heads facilitate the monitoring of performance.

In spite of the above enumerated advantages of incremental or'line-item' budgeting, the following drawback are associated with it:

i. The method allows past errors to be carried forward. It is therefore not efficient in its operations.
ii. Detailed scrutiny is not contained in the budget. The budget preparation is consequently not well researched.

iii. It fails to clarify the cost of alternative methods of achieving programmed objectives.
iv. It results in continual growth budget totals leading to inflation, as opposed to serious economic needs.
v. It fails to fund new programs of high priority on a sufficiently reasonable scale.
vi. The method does not clearly spell out the relationship between capital and recurrent expenditure. The approach is based on organizational set-ups rather than programs.

2.1.4 Budget Planning and Control Tools

The second administration of President Olusegun Obasanjo (2003 – 2007) made frantic effort in ensuring headway improvement is achieved in economic and social performance of the country through budgetary reforms. Before this period, there was no clear and consistent budgetary framework or budget process. According to Okonjo-Iweala (2012), the budget process that she encountered in the mid 2000s was ad hoc, opaque, and poorly planned. There was little coherence in budget formulation. Budgets tended to just repeat sectoral allocations from the past with some tweaking at the margin, perpetuating a legacy. Program implementations often deviated from the budget with impunity. All this meant that the budget cycle created room for corruption and waste. To use a common Nigerian term, there were widespread leakages at various stages of the budget process. It was widely believed that one could bribe senior civil servants preparing the budget in order to get a desired project included. Monitoring and evaluation officials could also be routinely bribed to sign off on a shoddily completed project, or even on incomplete project. For example, a contractor building a road could cut costs by not building drainage systems or sidewalks specified in the project design. The government supervisor could simply ignore this and take his or her share of the "savings" accruing to the contractor.

In order to increase the efficiency of government spending and improve service delivery, the Economic Reform Team of President Obasanjo second administration introduced three planning and control tools in budget preparation process: a fiscal strategy paper, a medium-term expenditure framework (MTEF), and medium-term sector strategies (MTSS). Section 18 (1&2) of Fiscal Responsibility Commission (Establishment) Act 2007 (as amended) provides as follows: Annual Budget to be derived from Medium Term Expenditure Framework – Notwithstanding anything to the contrary contained in this Act any law, the Medium-term Expenditure Framework shall:

(i) Be the basis for the preparation of the estimates of revenue and expenditure required to be prepared and laid before the National Assembly under section 81 (1) of the Constitution.

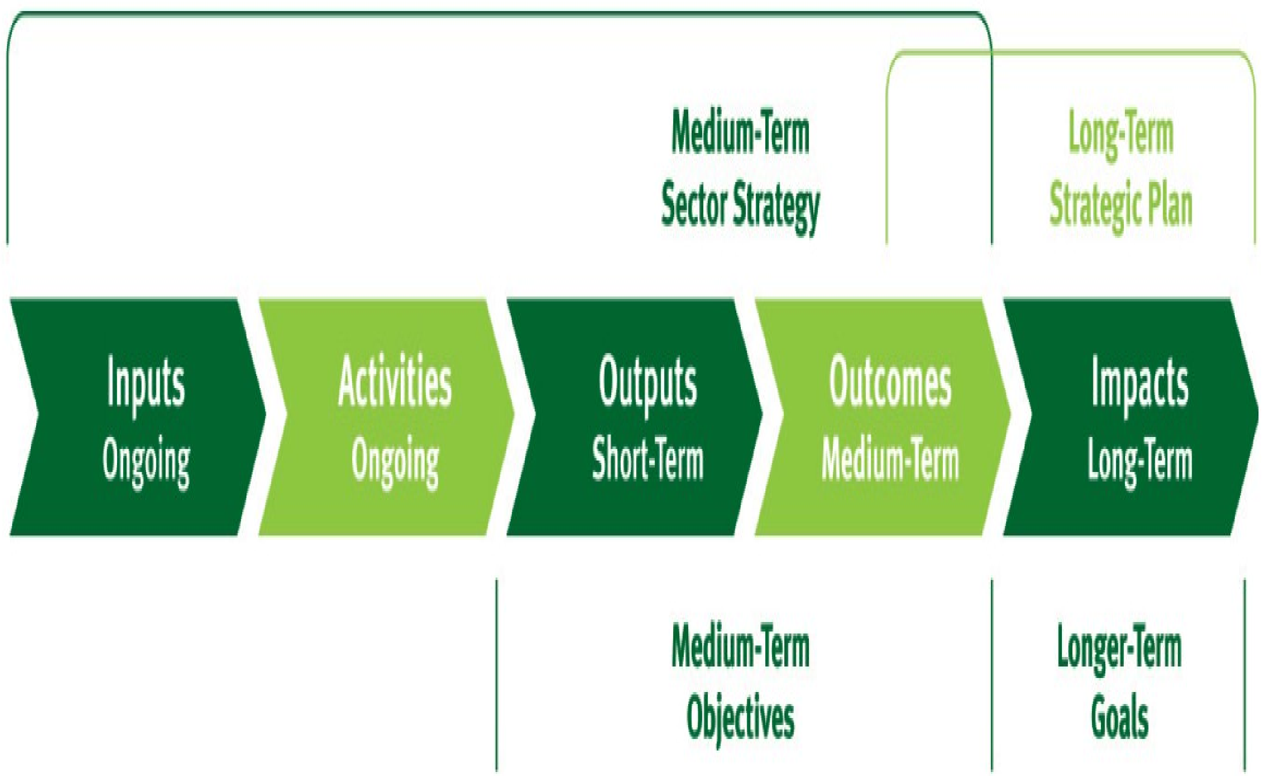
(ii) The sectoral and compositional distribution of the estimates of the expenditure referred to in subsection (1) of this section shall be consistent with the medium term developmental priorities set out in the Medium Term-expenditure Framework.

a. Medium-term Expenditure Framework

The document is prepared by the Budget Office of the Federation and gives a detail of the total sum that the government plans to disburse within three years. It also shows payments hat are shared across the key expenditure heads. In addition, it shows the difference between expected revenue and expenditure. After the entire sum of money to be spent is determined, the total expenditure is subtracted from the total income to determine if it is Deficit/Surplus budget. A deficit budget is when government expenses are higher than the revenue, while the surplus is when the government revenue is more than the expenditure.

b. Medium-Term Sector Strategy

A medium-term sector strategy links policy, planning and budgets. Medium-term strategies set out specific inputs and activities to deliver specific outputs in the medium term. A medium-term sector strategy is thus a road map that combines ambition and realism, and clearly plots priorities, deliverables and costs. It shows the chain of results that will achieve policy goals. A medium-term sector strategy sets out the projects and programs that will be carried out in a sector over a three-year period, how much each program and project will cost, where the money for them will come from and who will carry them out. The diagram below typically depicts a medium-term sector strategy.



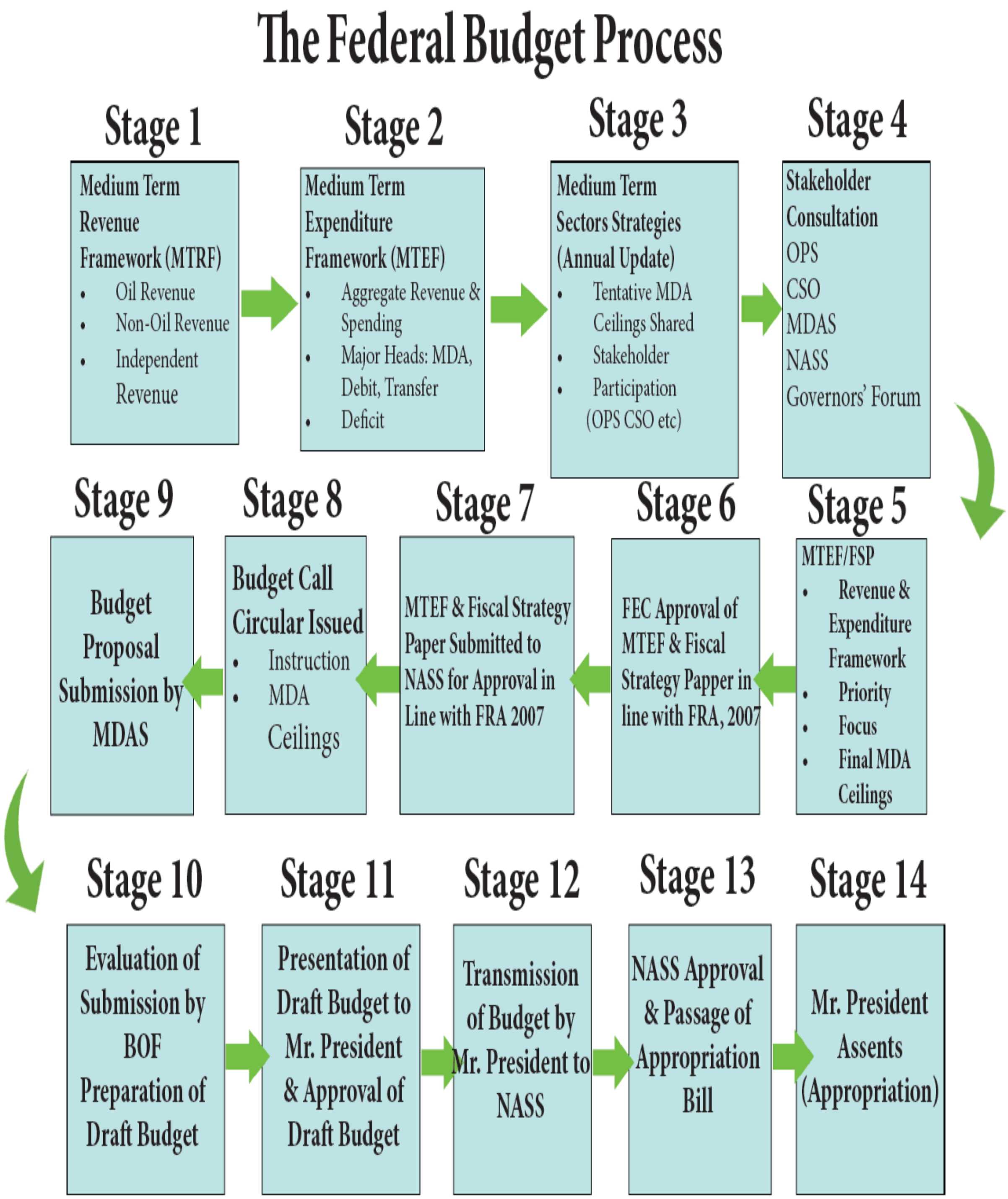
Source: Nigerian Governors' Forum Step-by-Step Guide on MTSS

C. The Medium-Term Revenue Framework (MTRF)

This document can be described as a detailed income statement of the government over the next three years. In order to prepare this document, Federal Government agencies that generate revenue, oil and non-oil sources, submit their various income statements to the Budget Office of the Federation that collates and prepares the final document. The anticipated revenue would generally be collected and deposited into the Federation and VAT Pool Account, and later shared among the three tiers of government with an appropriate formula.

2.1.5 The Nigerian Budget Process

A household would usually discuss its projected income, expenses and savings for a given period. Sometimes in the event households lack money to address what they need, they could decide to reduce their expenses or consider other means of earning extra income or even borrow. Similar to the household situation, Government also calculates its income and expenditure in a given fiscal year and in the medium term. Government has to also remember that it pulls together revenue for its citizens; therefore, it has to discuss how its decisions could grow the economy and improve the welfare of its citizens (Smith, 2015). It should be acknowledged that a budget is a systematic activity. It is the systematic nature of budget that makes it a central instrument of financial administration (Eghe and Paul, 2015). The Federal budget process has been pictorially represented below:



Source: Budget Office of Nigeria Citizens Guide, 2018

2.1.6 Factors Responsible for Budget Failure in Nigeria

The following are essentially the factors Responsible for Budget Failure in Nigeria:

i. Poor record keeping between the Budget Office and Accountant-General's Office. As a result of poor records keeping by these two important Offices, millions of dollars have been lost when funds are released to implement a project. The ministries, departments and agencies (MDAs) that implement the budget usually take advantage of this lack of coordination by routinely redirecting monies disbursed into various accounts with commercial banks. While banks traded with the monies on their own account, top civil servants shared the interest that had accrued. As a result, monies were often kept in account for as long as possible to earn interest, while projects and programs went executed.
ii. Over dependence on one source of revenue. Nigeria is a mono-culture economy that mostly depends on revenue from crude oil sales. Crude oil prices are volatile thus volatility in oil prices and oil revenues usually translated into volatility in public spending with serious macroeconomics consequences.
iii. Poor funding of multi-year projects. Most multi-year projects are usually funded at inception, but then not funded in later years.
iv. Poor savings culture by the Federal Government of Nigeria. Implementation of budget is dependent on the Monthly allocation of monies shared by the Federation Account Allocation Committee (FAAC) to the three tiers of Government. In an event of poor revenue generated from crude oil sales, the Federal Government does not have savings that will provide the for smooth implementation of the budget.
v. The bureaucracy in the public service is also contributing to the problems of poor implementation of budget.
vi. Budget implementation in Nigeria is fraught with corruption. Member staff of monitoring and evaluation unit of Budget Office usually colludes with contractors and certify contract work that were poorly executed and share the proceeds of the unexecuted portion of the project.
vii. Tampering or tweaking of the budget by Members of the National Assembly (House of Senate and House of Representatives). The Appropriation bill submitted by the Executive to the National Assembly for appropriation usually suffers deletion of budget items requested by the Executive and insertion of new budget items in the name of "constituency" projects by the Legislators. These insertion and deletion usually caused the Executive to be reluctant to disburse funds for the implementation of the budget.
viii. Lack of proper budget monitoring and evaluation by the Budget Office of the Federation.

2.2 Empirical Framework

Ayodele and Tunde (2017) carried out a study on "Budget Deficit and Economic Performance in Nigeria'. The research work seeks to examine the lag effect of previous year's budget deficit on performance of the Nigeria economy in the contemporary year using VAR estimation between the periods 1981 to 2015. Findings of their research work established that Budget deficit significantly stimulate economic performance. The output of the granger causality test shows that budget deficit statistically granger cause economic performance and vice versa while the result of the multiple regression of the ordinary least square report a significant but negative relationship to economic performance. The negative response of budget deficit to economic performance could be attributed to moral hazard, mismanagement of fund and financial indiscipline which prevent the country from enjoying the sustainable level of expected growth overtime. The study recommends that Policy makers should ensure effective utilisation of borrowed fund and maintain a sporadic evaluation and supervision of such project in which borrowed fund are channeled into in order to achieve a profitable return which will help in servicing of such debt and also stimulate economic performance.

Nwaorgu and Alozie, (2017) carried out a study to evaluate Nigeria's federal budget and its performance. The paper adopted the descriptive and analytical research method, using ex-post 'facto' data analysis of secondary data extracted from various budget documents, financial and economic reports of the Federal Republic of Nigeria. Budget variance analysis and construction of budget deviation indices were the tools of analysis used on one side; and augmented with regression analysis fiscal and economic performance variable in the last segment. The study revealed that Federal Government budget lacks credibility except in the case of fiscal solvency / discipline in the first stage whereas the second stage revealed that the federal budget performance is considered below average. The findings ranked Nigeria's budget / fiscal performance as sub-optima but fairly satisfactory. The researchers recommended that, Federal Government should prepare a gazette 'Budget Performance Report' that incorporates "Year-End Revised Approved Estimates with

Comparison of Actual Fiscal Performance Report" within 90 days after the last day of every financial year as this will help improve the performance of budget in Nigeria.

Oke (2013) carried out a research that examines the effect of budget implementation on Nigerian economic growth. The researcher used econometric model of ordinary least square (OLS) regression test to analyse time series data that span from 1993 to 2010. The dependent variable was proxied by gross domestic product (GDP), while the independent variables were public total expenditure (PEX), public recurrent expenditure (PRE), public capital expenditure (PCE) and external debt (EXD). The results revealed that budget implementation has a positive effect impact on Nigeria economic growth. The results further showed a positive relationship between GDP and public total expenditure (PEX), public recurrent expenditure (PRE), public capital expenditure, external debt (EXD), while public capital expenditure (PCE) shows a negative relationship to GDP. The researcher recommended that government should enact an enabling law that will ensure the workability of its budgets according to plans and increase the proportion of capital expenditure to recurrent expenditure so that the budget can have growth and development inducement among others.

Ogujiuba, and Ehigiamusoe, (2014) Used descriptive analysis to examine capital budget implementation in Nigeria by focusing on the 2012 Federal Government Budget. The findings indicated that only 51% of the total appropriated funds for capital expenditures were utilized as of December 31st, 2012. The observed level of performance is insufficient to foster rapid economic development and reduce poverty. The researchers identified some of the challenges that are responsible for the low performance of capital budget implementation in Nigeria to include poor conceptualization of the budget, the inadequacy of implementation plans, the non-release or late release of budgeted funds, the lack of budget performance monitoring, the lack of technical capacity among MDAs, and delays in budget passage and enactment. The paper recommends that Nigerian government formulate a realistic and credible budget, release appropriated funds early to Ministries, Departments, and Agencies (MDAs), and strengthen MDAs' technical capacity to utilize capital expenditures in order to improve the index of capture in public expenditures.

Saidu and Utiya (2016) in a published article titled "Determinants of Budget Performance in Nigeria: The Nigeria's Budget of Change, Challenges and Potential Implications on the Nigerian Economy" assessed the enabling environment for the successful implementations of Nigeria's 2016 budget and potential implications of the budget on Nigerian economy. The researchers identified the following factors to likely hamper the successful implementation of the budget: the lack of political will, high level of corruption, social instability and the tradition of awarding of projects to oneself without completion as the biggest challenges of policy implementations in Nigeria. The study concluded that these problems are capable of frustrating the success of 2016 budget in terms of implementations which by their second round effects translated into barriers against the economy and national development. In addition, the researchers added that if preventive measures are put in place against such potential problems, the 2016 budget is very promising, and that the nation is likely to experience massive employment, income growth and poverty reduction through the multiplier effects of capital spending on infrastructure

Oladipupo (2016) carried out a study that evaluated the effect of budget implementation on Nigeria's economic growth. The researcher used Gross Domestic Product (GDP) as the explained variable while Public Recurrent Expenditure (PRE), Public Capital expenditure, (PCE) and Public Debt Service (PDS) were used as the explanatory variables of the study. The research used secondary data which were sourced from Central Bank of Nigeria statistical bulletin from 1986 to 2014. The study adopted Ordinary Least Square (OLS), Co-integration and Error Correction Model (ECM) to analyze respectively the short and long-run effect of budget implementation on Nigeria's economic growth. The findings from the study revealed that in the short run, PRE will have a positive relationship with GDP while PCE and PDS will have a negative relationship with GDP. In the long run, there was a complete turn of relationship as to what was obtained in the short run. In both the long run and short run, only PRE is statistically significant at 5% level of significance. The F-test revealed that the overall model is statistically significant in the explanation of the subject matter. The Durbin Watson graph shows that there is absence of serial correlation in the model adopted for the study.

Abiola and Mustapha (2015) carried out a research on the Impact Assessment of Public Budget Indicators on the Nigerian Poor. The study examines the impact of public budget indicators such as federally collected government revenue and aggregate expenditure on the poverty incidence using the time series econometric modelling and techniques. The results showed that federally government collected revenue and aggregate expenditure increase poverty incidence in Nigeria.

This could be due to over-reliance of the economy on one point source of revenue – oil revenue, high level of corruption and poor public budget process and implementation. The researchers recommended among others, budget restructuring and people based budgeting so as to reflect the needs and preferences of Nigerians.

Olatunji, Oladipupo, and Joshua (2017) in a published article titled "Impact of Capital Budget Implementation on Economic Growth in Nigeria", examined the impact of capital budget expenditure implementation on economic growth in Nigeria. The study used secondary data collated from Central Bank of Nigeria(CBN) statistical bulletins, and analyzed the data using Augmented Dickey-Fuller unit root test, co integration test and error correction model (ECM) analysis. The research was concluded that capital expenditure implementation is key in maintaining and sustaining economic growth in Nigeria. Consequently, it was recommended that government should ensure adequate implementation of capital expenditure in the country especially in areas of economic and socio-community services and overhaul ministries, government agencies and parastatals to curb and curtail loopholes impeding effective and efficient implementation of capital budget in the country.

Olurankinse (2013) carried out an investigation to evaluate the causes and implications of poor performance of budget in Ondo state. The research was a case study and data were sourced from government workers using questionnaires. Data obtained were analyzed using descriptive and empirical analyses. The descriptive analysis used tables, percentages and charts to describe the characteristics of the responses in the questionnaires. The empirical analysis used multiple regressions of the ordinary least square and covariance and correlation analyses. The results of the analyses showed that factors such as poor planning, fraudulent manipulation, lack of adequate professional knowledge, delay in passage of budget, late release of fund are all responsible for poor budget performance in the state. The implication is that it discourages investors due to poor condition infrastructures, it reduces the standard of living of the people of the state, and it slows down economic development through wasteful spending, extra budgetary spending and debt accumulation. The researcher recommended among others for participatory budgeting process, consistency in government policies and regular monitoring and evaluation of programs and projects.

2.3 Theoretical Framework

Institutional theory is a theory on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior. This study is anchored on the institutional-theory which tends to focus on the budgeting process as a whole, the interrelated analyses, interpretations, and negotiations that constitute budgeting. More specifically, institutional theory argues that an organization's survival requires it to conform to social norms of acceptable behavior as much as to achieve levels of production efficiency. Many aspects of an organization's formal structure, policies, and procedures such as budgeting revenue projections, expenditure budgeting, deficit budgeting, and budget passage time serve to demonstrate conformity with institutional rules and social norms, thereby legitimizing it, to assist in gaining society's continued support. Here it is argued that budgeting is used to influence negotiating and bargaining around resource procurement and deployment, rather than to apply bureaucratically neutral decision rules to optimize organizational functioning (Nwaorgu & Alozie; 2017).

3. METHODOLOGY

This research work used secondary data in analyzing the impact of budget implementation on the growth of Nigerian economy. The secondary data was gathered from publications by institutions such as World Bank, Central bank of Nigeria, Office of the Accountant-General of the Federation and Federal Ministry of Finance from 1999 to 2016. The study adopts an econometric model (multiple regressions) in determining the impact of budget implementation on economic growth in Nigeria. Multivariate analysis is an important statistical tool used in ascertaining the cause and effect relationship between one dependent variable and two or more independent variables. Based on the variables adopted in this research work the Gross Domestic Product (GDP) is the dependent variable while Public Recurrent Expenditure (REXP) and Public Capital Expenditure (CAPX) are the independent variables. The statistical model developed for this study is hereunder:

GDP = a + BiREXP + B2CAPX

Where:

GDP = Gross Domestic Product
a = Constant Parameter
Bi = Coefficient of REXP
REXP = Public Recurrent Expenditure
B2 = Coefficient of CAPX
CAPX = Public Capital Expenditure

The test for multicollinearity of the two independent variables where Public Recurrent Expenditure was used to represent the independent variable and Public Capital Expenditure represents the dependent variable, coefficient of correlation (r) was used to measure their relationship. Since the degree of relationship (r=0.7024) between the two independent variables is not that high, the researcher proceeded with the use of the two independent variables in computing for the least square regression. An online statistical calculator (https://www.socscistatistics.com/test/multipleregression) was used to compute for the values of the constant parameter and coefficients of the independent variables using the statistical data in appendix 3.

4. RESULT AND DISCUSSION

Data in appendix 3 was used to compute the least square regression for the given dependent variable and independent variables. The calculated values of 'a = - 8824.07133', 'Bi = 30.76278', and 'B2 = 23.30699' can now be substituted into the regression equation GDP = a + BiREXP + B2CAPX as follows:

GDP = 30.76278*REXP* - 23.30699CAP*X* - 8824.07133

The result above shows that the constant parameter is negatively related with gross domestic product. It has a negative coefficient of -8824.07 which implies that if all explanatory variables are held constant in the short-run gross domestic product will decrease by -8824.07 units. Public recurrent expenditure (REXP) showed a positive coefficient of 30.76278 which implies that a unit increase in the level of public recurrent expenditure will result in a 30.76278 increase in the gross domestic product. Public capital expenditure (CAPX) on other hand showed a negative coefficient of -23.30699 which implies a negative relationship between public capital expenditure and gross domestic product, therefore, a unit increase in public capital expenditure will lead to a -23.30699 unit decrease in the gross domestic product. The result of the analysis agreed with research conducted by Oladipupo (2016) except for the constant parameter that his result revealed a positive unit.

The calculated correlation coefficient *(r)* between Gross Domestic Product and Public recurrent expenditure revealed a strong positive relationship of r=0.9669. In like manner, the calculated correlation coefficient *(r)* between Gross Domestic Product and public capital expenditure reveals a positive relationship of r=0.5836 which is not significant.

5. CONCLUSION AND RECOMMENDATIONS

The issue of budget implementation has long been a source of concern to the public because of the key role budget implementation plays on economic growth and development in Nigeria. Budget implementation is liken to the common saying 'garbage in garbage out'. In the real sense, economic growth to a larger extent in a developing country like Nigeria is the function of funds injected into the system by government. When little funds are injected, growth of the economy will in direct proportion respond in that order and vice versa. Budget implementation in Nigeria has always being a subject of discussion among academics, financial experts, development experts, captain of industries, to mention a few. Some writers have ascribed an importance to the Federal budget as the second most important document after the constitution. This is because the budget operationalizes the policies, programs, projects, manifesto/campaign promises of the government to the citizens. Hence, its implementation remains key in the realization of those broad objectives of the government in providing better life for the people. Based on the findings of this research work, the following recommendations have been submitted by the researcher for a sustainable economic growth of Nigeria from budget implementation.

i. An update on the parameters upon which the budget was appropriated should be prepared by the budget office and publish on its websites monthly for members of the public to monitor the progress being recorded on the implementation of the budget and to hold the government to account when the expenditures reported cannot match the revenue generated.

ii. Public servants should be adequately equipped with educational or training programs that will instill the spirit of transparency in them. This will reduce or eliminate the unwholesome practice where staff of the monitoring and evaluation department of the budget office usually received bribe to sign off on shoddily completed project or even incomplete work.
iii. Appropriation bill should be prepared early enough by the executive to enable the legislature to perform its legislative functions of review of the appropriation bill and pass the budget into law in good time before the commencement of the next fiscal year.
iv. Funds appropriated to Ministries, Departments and Agencies of government should be released in good time to enable them implement programs incorporated in the budget.
v. In order for budget implementation to have a long-term impact for sustainable growth of Nigerian economy, delay in the release of the percentage of the budget appropriated for capital expenditure should be constantly challenged by members of the public and civil society groups.
vi. The practice of early preparation and submission of budget estimates by the executive arm of government should be encouraged.
vii. The technical capacity of member staff of Ministries, departments and Agencies in the preparation and implementation of budget should be strengthen.

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Impact of Real Sector Financing on Economic Growth in Nigerian

JACOB, Mary

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail**:** jacobmary76@yahoo.com, Phone No: +2348036134210

Abstract

Financial systems have long been recognized to play an important role in economic and this is because they play a key role in the mobilization and allocation of savings for real sector growth. However, over the years, instead of progressive performance of the real sector, it has retrogressed to an unimaginable proportion. The study is embarked upon to examine the effect of real sector financing on economic growth in Nigeria from 1986-2017. Ex-post facto research design was adopted by the study; while ordinary least square (OLS) regression technique was utilized in the empirical analysis. Pre-estimation test was carried out on each of the variable to avoid spurious regression results. Co-integration results revealed that long-run equilibrium relationship exist between real sector financing and economic growth in Nigeria. Findings from the study revealed that finance to manufacturing sector have a significant impact of economic growth in Nigeria. More so, it was discovered from the analysis that Agricultural Sector Finance has indeed significantly Influenced Economic growth. Based on these findings, the study recommends that the monetary authority should seek out ways to reduce increase money supply (credit) to sectors such as manufacturing which deposit money banks often time find it difficult to extend credit to. Commercial banks should be encouraged to sustain their lending to agricultural sector as a priority sector. This can be enhanced by relaxing some of their lending conditions. Such lending should take into consideration the long gestation period associated with agricultural production.

Keywords: Real sector, Manufacturing, Agriculture, Financing and Economic Growth

1. INTRODUCTION

Financial institutions play important role in the provision of the financial support to the real sector in an economy, such as Nigeria. As financial institutions, banks perform intermediation roles generally by mobilizing resources from the surplus units and channeling same to the deficit units for productive activities within an economy (Nzotta & Okereke, 2009). The deposit money banks through their credit policy act as lubricants and promote growth in different sectors of the economy, paying attention to the priority sectors of the economy. Ajemba (2015) noted that in the last two decades the link between real sector financing and economic growth has generated a great deal of interest among academics, policy makers and economists around the globe both in developed and emerging economies. The development of any economy is often viewed largely from the perspective of the growth and vibrancy of its banking sector. This show how important investible real sector financing to growth and development. Therefore, the place of banking industry in real sector growth and development of any nation cannot be over-emphasized. Onwumere and Suleiman (2010) have posited that all national economies comprise the public and private sectors, though, the degree and size of each sector differ among countries. They noted that the development of a country's economy involves in part the development of the real sector financing subsumed in these two main sectors. These different sectors may include some or the following; agriculture, industry, mining, commerce, transportation, communication, and etc. These sectors need funds to remain in operation and contribute to the nation's overall performance. For them to survive and perform effectively there must be investment which is synonymous with funding, hence the banking industry becomes a very relevant funnel.

In Nigeria, deposit money banks are the largest financial intermediaries that transfer funds from surplus sector to the deficit sectors of the economy (Soludo, 2004). While highlighting the role of deposit money banks to real sector, Ademu (2015), explained that finance to real sectors can be used to prevent an economic activity from total collapse in the event of natural disaster, such as flood, drought, diseases, or fire. However, despite all attempts in developing the real sector of the economy, the situations of manufacturing and agricultural sector in Nigeria revealed that these sectors have not improved appreciably. The unimpressive performance of the real sector in Nigeria is mainly due to massive importation of finished goods and inadequate financial support for the manufacturing and agricultural sector, which ultimately has contributed to the reduction in capacity utilization of the sector in the country. Enebong (2014) argued that the level of the Nigerian real sector performance will continue to see a decline because as it is now, the producers will have even more problems in assessing raw materials due to stiff competition from the foreign firms who have adequate access to finance. Accordingly, the real sector in Nigeria is faced with the problem of accessibility to funds in the financial market.

Based on the above problem, the seminar raised the following questions:

i. What impact does finance to manufacturing sector has on the growth of Nigerian economy?
ii. How has agricultural sector finance impacted on the growth of Nigerian economy?

In-line with the stated research questions, the following hypotheses was tested:

H01: Finance to manufacturing sector has no significant impact on the growth of Nigerian economy
H02: Agricultural sector finance has no significant impact on the growth of Nigerian economy

Following the introduction, the remaining section of the seminar is organized as follows: section two provides a synthesis on conceptual, theoretical and empirical literature on real sector financing and economic growth. Section three captures the source and methodological framework in the study. Section four deals on the presentation and discussion of the result and this were concluded in section five.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Bank Finance

Bank finance or Credit implies a promise by one party to pay another for money borrowed or goods and services received. Finance cannot be divorced from the banking sector as banks serve as a conduit for funds to be received in form of deposits from the surplus units of the economy and passed on to the deficit units who need funds for productive purposes (investment). Banks are therefore debtors to the depositors of funds and creditors to the borrowers of funds. According to CBN (2013), the amount of loans and advances given by the banking sector to economic agents constitute bank credit. Credit is often accompanied with some collateral that helps to ensure the repayment of the loan in the event of default. Credit channels savings into investment thereby encouraging economic growth. Thus, the availability of credit allows the role of intermediation to be carried out, which is important for the growth of the economy.

According to Nzotta (2012), the factors that determine lending in Nigeria include contact position of the bank, risk and profitability of various types of bank credit, economic condition, monetary policies, ability and exposure of bank personnel, credit need of the area served and the nature of the source of bank. For Nzotta, bank credit means the act of a bank giving out advances to a debtor after considering the risk and profitability that must follow such lending decision.
Anuolam (2008) defined commercial bank credit as a process where a commercial bank provides loan or advance to a single borrower or group of individual or client. It is believed that bank credit contributes significantly to banks' profitability, with its disparities explained by the difference in their lending rates, lending policies and unavoidable competition that may be between banks.

2.1.2 Concept of Agricultural Finance

Agricultural finance can be defined as the mobilization of resources at all levels in order to increase production and productivity in agriculture and to enhance the productive capacity. Agriculture financing in an emerging world could have positive effects on the growth of Gross Domestic Products (GDP), which translates to the entire economy's wellbeing. Agriculture financing brings about growth and it solves the problems militating against the agriculture sector's productivity. It plays the role of an effective engine for growth for most agriculture-based countries (ADB, 2017). Also, at the instance of high population growth rates, there is a pressure on low input/ output agricultural systems to accelerate increase in food production through finance. Estimates show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture (WDR, 2008). Agriculture financing provides an increased productivity, economic sustainability, poverty reduction, business opportunities, institutional changes, innovation incentives as well as growth (Adesina, 2016). Agricultural finance facilitates access to financial resources needed by farmers for effective performance (Shephard, 1979). Finance plays an important role in the process of agricultural development, and having access to credit facilities for farming purposes is an incentive for increasing the agricultural sector's performance. It is important that financial resources be made available to create access for farmers to contribute to agricultural development. For instance, Olagunju and Ajiboye (2010) argued that the lack of a formal national credit policy and the inadequate number of credit institutions in Nigeria is a major cause for the decline in the contributions of agriculture to the economy.

2.1.3 Concept of Real Sector

The real sector is one of the four distinct and interrelated sectors of the economy. Others are financial, fiscal and external sectors. The sector consists of agriculture, industry, mining, building and construction, and services. The real sector is one of the main drivers of the economy and propels economic growth and development. It directly deals with the production of goods and services using available resources, including capital and labour. A productive real sector, especially agriculture and manufacturing builds linkages in the economy more than any other sector, thus reducing the economic pressures on the external sector. Also, growth in the real sector leads to increase in employment and income generation.

2.2 Empirical Review

Akujuobi and Chima (2012) examined the impact of commercial Bank credit to the production sector on economic development in Nigeria, for the period 1960-2008 using an ordinary least square technique. The commercial banks' credit to the following subsectors of the production sector - agriculture, forestry and fishery, manufacturing, mining and quarrying and real estate and construction were examined against the Gross Domestic Product. The finding of the study revealed that a long-run relationship exists between banks' credits to the production sector and economic growth. Also, the finding showed that, there was a high evidence of a bi-directional causal relationship between two of the explanatory variables and the Gross Domestic Product (GDP) with only the commercial banks' credit to the mining and quarrying sub-sector appearing to be a significant contributor at 1% significant level. Hence, the study concludes that, commercial Banks' lending to the production sector has not performed well in relation to contribution to economic growth. Chinweoke, Egwu, and Nwabeke, (2015), investigated the impact of commercial banks loans and advances to the agricultural and manufacturing sectors on the economic growth in Nigeria for the periods, 1994 - 2013 using an ordinary least square technique, the result of the study shows that banks' loans and advances to agricultural and manufacturing sectors have a statistically significant impact on economic growth.

The study of Adeyinka, Daniel and Olukotun (2015) examined the contributions of commercial banks' credits in financing agricultural sector in Nigeria, secondary data from 2002-2014 on sectoral distribution of commercial banks' loans and advances to agricultural sector, liquidity ratio of commercial banks, cash reserve ratio of commercial banks and money market minimum rediscount rate. Data were analysed using multiple regression of ordinary least square to estimate the model, it was found out cash reserves ratio and rediscount rate is not statistically significant; and liquidity ratio is statistically insignificant; the study recommends that bank should provide a means of monitoring the end use of the loans given to farmers in order for them to manage the loans, effectively and efficiently.

Kolawole (2013) empirically investigated the impact of interest rates and some macroeconomic variables on agricultural performance in Nigeria by employing co-integration and an error correction mechanism (ECM) technique with annual time series data covering the period 1980 to 2011. The results revealed that there was a negative relationship between agricultural value added, interest rate spread, and inflation in the country. By implication, the study deduced that the higher the level of inflation and interest rate spread in the country, the lower the level of agricultural value added will be.

Udih (2014) investigated banks credit and agricultural development. The paper used primary and secondary sources of information that were extracted from five (5) banks and ten (10) agricultural enterprises in Delta State. A simple random sampling technique through the lottery method was adopted to select the samples. The data were analysed using percentage, mean, and Standard Deviation and Pearson product moment correlation to test the hypotheses. The research findings include: that banks' credits and advances to agricultural entrepreneurs promotes agricultural development and productivity, and that regulated banks' credits to the agricultural entrepreneurs has no or little impact on the entrepreneurship performance, and thus, suggested that adequate bank credits should be granted to small scale agricultural farmers to increase productivity: and their farms land should be used as collateral instead the of usual banks loan security to promote entrepreneurship performance.

Kareem, Bakare, Raheem, Olagumela, Alawode and Ademoyewa (2013), examined the factors influencing Agricultural productivity in Nigeria: Macro-economic perspectives. The study seeks to determine the factors influencing agricultural production in Nigeria, and also determine the causality between Agricultural outputs and macro-economic variables. The study adopts regression analysis, descriptive statistics and the Granger causality tests on macroeconomic variables (i.e. Food import value, Interest rate, Commercial bank loans on Agriculture, GDP growth rate and Foreign direct investment) to find the significant relationship between the different variables chosen. The result shows fluctuations in the trend of variables considered (i.e. Interest rate, Commercial bank loans to Agriculture, GDP growth rate and foreign direct investment) in relation to the period under review. The result further shows that foreign direct investment: commercial bank loan, interest rate and food import value have positive relationship with Agricultural output.

Obilor (2013) examined the impact of Agricultural Credit Scheme Fund, agricultural product prices, government fund allocation and commercial banks' credit to agricultural sector on agricultural productivity using OLS regression method and experimental research design. The result revealed that Agricultural Credit Guarantee Scheme Fund and Government fund allocation to agriculture produced a significant positive effect on agricultural productivity, while the other variables produced a significant negative effect. Nwankwo (2013) examined agricultural financing in Nigeria and its implication on the growth of Nigerian economy using ordinary least square (OLS) method and quantitative research design. The study revealed that there is no significant relationship between agricultural financing and the growth of Nigerian economy and that the level of loan repayment rate over the years has indeed negatively impacted significantly on the growth of Nigerian economy.

Ogbanje, Yahaya and Kolawole (2012) examined the effect of commercial banks loan on the agricultural sector in Nigeria from 1981 to 2007. Growth in agricultural sector was expressed in terms of agricultural Gross Domestic Product (GDP). Secondary data for the study were obtained from the Central Bank of Nigeria. Findings revealed that commercial banks loan to the agricultural sector increased substantially from N590.6m in 1981 to N4.221.4m in 1990, a 614.76 percent increase. From 1991, the loan stock rose from

N5,012.7m to N146,504.5m in 2000, representing an increase of 2822.67 percent. There was, however, a sharp decline in loan stock from N200,856.2m in 2001 to N149,578.9m in 2007. Over the period of study, agricultural GDP showed declining growth rate. Nevertheless, agricultural GDP grew from N84,428.5m in 1981 to N267,051.7m in 2007. The ordinary least square method, with lagged dependent variable, revealed that commercial banks' loan positively affected agricultural GDP at 0.01 level of probability. Hence, commercial banks' loan has contributed significantly to agricultural development in Nigeria. Enyim, Ewno and Okoro (2013) examined banking sector credit and performance of the Agricultural sector in Nigeria between 1980 and 2012. The study applied econometric tests such as unit root, co-integration and its implied error correction model and Grange causality test, in which changes in AGDP was regressed on commercial bank credit to agriculture. The result of the analysis shows that the total money stated as Government Expenditure on agriculture is not statistically significant and not theoretically in line. However, the result shows that commercial banks' credit to the agricultural sector has a positive relationship with agricultural productivity.

2.3 Theoretical Framework

2.3.1 The Theory of Money

The theory of money has been described by different school of thought in their different opinions. For example, the modern classical schools of thought who are also called the monetarist are concerned with the explanation for the changes in price level. To them, a stable and equilibrating relation exists between the adjustments in the quantity of money and the price level. In other words, they refute any form of monetary influence on real output both in the short-and long-run. This led to the popular paradigm that, "Inflation is always and everywhere a monetary phenomenon". For the less stringent monetarist, they agree that money influences output in the short-run, but only prices in the long-run. Nevertheless, irrespective of the path of adjustment, the monetarist all seem to concur that in order to reduce or curtail inflationary growth, money growth should be less than or equal to the growth in output. The quantity theory of money is hinged on the Irvin Fisher equation of exchange that states that the quantum of money multiplied by the velocity of money is equal to the price level multiplied by the amount of goods sold. It is often replicated as MV= PQ, M is defined as the quantity of money, V is the velocity of money (the number of times in a year that a currency goes around to generate a currency worth of income), P represents the price level and Q is the quantity of real goods sold (real output). By definition, this equation is true. It becomes a theory based on the assumptions surrounding it.

2.3.2 Shaw Financial Deepening Theory

According to Shaw's financial deepening hypothesis, financial liberalisation tends to raise ratios of private domestic savings to income. With real growth of financial institutions, there are many investors having access to borrowing. There arises incentives for saving with many players and borrowings become cheaper. The planning horizon of the savers shifts to distant future. Current consumption is reduced on account of expected increase in income. Savings also tend to rise in the Government sector. With financial deepening, savings from the foreign sector respond to financial liberalization. There is inflow of capital and easy access to foreign capital markets, which remove distortions in relative prices. Liberalization permits the financial process of mobilizing and allocating savings to displace inflation and foreign aid. Liberalization enables superior allocation of savings through widening and diversifying financial markets wherein investment opportunities compete for savings flow. The savers are offered a wider menu of portfolio choice. The market is broadened in terms of scale, maturity and risk. Information is available more cheaply. Local capital markets are integrated and new avenues for pooling savings and specializing in investments are possible. Prices are used to discriminate between investment opportunities. In this context, Shaw states that, "Financial depth seems to be an important pre-requisite for competitive and innovative disposition of savings flows." Thus, financial liberalization and allied Policies bring in equal distribution of income. It reduces monopoly rents arising out of import and other licenses to few importers and bank borrowers. It contributes to the stability of growth in output and employment.

According to Shaw (1973), with the development of the financial system, an alternate financial asset other than money becomes available as repositories of financial savings to be eventually used for investment in productive resources. The savings and investments could take place through accumulation of non-money assets. Thus, in contrast to McKinnon's hypothesis, cash balances are not required to be accumulated prior to investment and hence, there is no complementarity. The negative relationship between money demand and saving imply substitution of money to other non-monetary financial assets as the major repository of saving. Such a relationship implies some level of financial development leading to the emergence of alternate financial assets other than money and would not be consistent with self-financing condition.

Financial intermediation is restricted due to financial repression and investors resort to informal credit market. Therefore, financial liberalization would lead to better integration of formal and informal credit markets, which will result in efficient transfer of funds between savers and investors. Economies of scale will result in reducing cost of financial intermediation, information costs and lowering risks due to diversification.

Shaw (1973) underscores the developmental role of finance by distinguishing between nominal finance and real finance. With financial repression, nominal values in general rise at some buoyant rate and if deflated by any index of prices, their rise is less rapid. The nominal finance takes a high growth path while the real finance takes the lower one. Therefore, the finance in the real sense is partly shallow due to inflation. On the other hand, there are several indicators of financial deepening such as stocks. With financial liberalisation and removal of distortions in financial prices, liquidity increases. There is less intervention. The financial assets grow in relation to income or in proportion to tangible wealth and their range of quality also widens. Maturities are lengthened and there is more entry of debtors in the financial markets. Diversification of financial assets takes place that facilitates borrowers to adjust their debt structures and lenders their portfolios by relatively small margins. Financial flows indicate financial deepening and it eases the strain on taxation and moderates demand for foreign savings as reserves' capital flight and savings are diverted from investments in fixed capital and velocity of money diminishes. Deepening increases the real size of the monetary system and generates profitable avenues for other institutions. Specialisation in financial functions and institutions takes place wherein the domestic institutions benefit as compared with foreign markets and curb markets. Deepening also implies that interest rates reflect opportunities for substitution of investment for current consumption and disinclination of consumers to wait. Real interest rates are high and interest rate differentials tend to diminish, removes leases in relative prices.

2.3.3 Supply Leading Hypothesis

This hypothesis was first put forth by Schumpeter (1911). The conventional view of the supply-leading hypothesis postulates that financial development causes economic growth. In a world with frictionless transaction, information and monitoring costs, no financial intermediaries are needed. If transaction, information and monitoring costs are sufficiently high, no exchange among economic agents will take place. The desire to reduce those costs and enable exchanges led to the emergence of financial institutions and markets that make up the financial sector. The theory posits that a well-developed financial sector provides critical services to reduce transaction, information and monitoring costs and increase the efficiency of intermediation. It mobilizes savings, identifies and funds good business projects, monitors the performance of managers, facilitates trading and the diversification of risks, and fosters exchange of goods and services. These services lead to efficient allocation of resources; lead to a more rapid accumulation of physical and human capital; and lead to faster technological innovation. This eventually results into faster and long-term economic growth (Schumpeter, 1911).

3. METHODOLOGY

The research design adopted for this work is the non-experimental *ex-post facto* research design. Ex-post facto research design is type of research involving events that have already taken place research design. The reason is that non-experimental *ex-post facto* research design combines the theoretical exposition with empirical observation. The data used for this research work is secondary data obtained from the Central Bank of Nigeria (CBN) statistical bulletin. The variables used in this research work are annual data finance to manufacturing sector (FMS), agricultural sector finance (ASF) and real GDP sector for the period of 1986 to 2017. In this work, RGDP is the dependent variable and the BCM and BCA are the independent variables.

This study is based on the use of some statistical and econometric model. The ordinary least square (OLS) linear regression model is used to estimate the variables in this research. This includes estimation of the model in order to examine the impact of real sector financing on the growth of the Nigerian economy. The aim of the linear estimation technique is achieving unique parameter estimates that would enable us to interpret the regression coefficients and consequently give a slightly better fit.

Therefore, the model specifications here are formulated to tests the two hypotheses and they are as follows:

$$RGDP = \beta_0 + \beta_1 FMS + \beta_2 ASF + \mu_t \text{ - - - - - - - - - - } 1$$

Where;

FMS = Finance to manufacturing sector

ASF = Agricultural sector finance
RGDP = Real Gross domestic product
μ = Error term (or stochastic term).

The justification for the use of regression method is because it measures the relationships existing between two or more variables. It is simple to compute without errors and it helps to illustrate the directional outcome and strength of the variable. It further shows a precise quantitative measurement of the degree of relationships between dependent and independent variables. As a rule of thumb, the usefulness of regression is further to assess the level, nature, and significance of the relationships among the variables, as well as to test the existence of robustness among the variables.

4. RESULTS AND DISCUSSION

Descriptive Statistics

From the descriptive results in Table 1, the analysis of the means(M) and standard deviations(SD) shows the following descriptive statistics RGDP (*Mean (M)*= 10.32, *Standard Deviation (SD)* = 0.506); FMS (*M* = 6.705, *SD* = 1.158); ASF (*M* = 10.92, *SD* = 1.594). The analysis indicates that Skewness which measures the shape of the distribution shows that variables RGD and FMS have values to be positive, which suggests the distribution tails to the right of the mean. However, the skewness for ASF have their values to be negative which suggests that the distribution tails to the left of the mean.

The kurtosis statistics reveals that RGDP is leptokurtic implying that the distribution is peaked relative to the normal distribution. However, the other variables (FMS and ASF) are platykurtic, suggesting that their distributions are flat relative to normal distribution. Jarque-Bera is a statistical test that determines whether the series is normally distributed. The null hypothesis here is that the series is normally distributed (i.e skewness =0) so as to be consistent with skewness test. The Jarque-Bera statistics here accepts the null hypothesis for RGDP, BCM, BCA since their probability values are greater than 0.05. We conclude that financing to real sector and economic growth variables are normally distributed during the period under study.

Table 1: Summary of Descriptive Statistics Results

	RGDP	FMS	ASF
Mean	10.32272	6.705196	10.92800
Median	10.13728	6.475145	10.91854
Maximum	11.14221	8.495003	13.80197
Minimum	9.631547	3.724546	7.824846
Std. Dev.	0.506179	1.158158	1.594720
Skewness	0.327195	0.411247	-0.304487
Kurtosis	1.642651	2.943045	2.674306
Jarque-Bera	2.932886	0.877997	0.616029
Probability	0.230745	0.644682	0.734905
Sum	320.0043	207.8611	338.7679
Sum Sq. Dev.	7.686510	40.23991	76.29396
Observations	32	32	32

Source: Authors Computation, 2018 (Eviews-10)

4.1 Unit Root Test Result

Time series data are assumed to be non-stationary and this implies that the results obtained from the OLS method may be misleading. In this vein, it is cognizant that stationarity test should be conducted. The stationarity test is carried out using the Augmented Dickey-Fuller (ADF) Unit Root Test. The stationarity of data is essential for the Johnasen co-integration test. The decision rule for the ADF Unit root test states that the ADF Test statistic value must be greater than the Mackinnon Critical Value @ 5% (absolute term) for stationarity to be established at level and if otherwise, differencing occurs using the same decision rule.

Table 2: Summary of Unit Root Test Results

Variables	**ADF Test Statistic(at first difference)**	**Order of Integration**
RGDP	-3.425221(-3.221728)**	*I(1)*
FMS	-5.327628(-4.309824)*	*I(1)*
ASF	-3.873143(-3.574244)***	*I(1)*

*Notes: ***, ** and * significant at 10%, 5% and 1%, respectively*

Source: Authors Computation, E-views-10

From Table 2, it could be deduced that all the variables were stationary at first difference i.e. I(1) series. This is because their respective ADF statistic value is greater than the Critical Value @ 1, 5 and 10% at absolute term after taking the first difference.

4.2 Johansen Co-Integration Test Result

The co-integration test establishes whether a long-run equilibrium relationship exist among the variables. To establish co-integration, the likelihood ratio must be greater than the Mackinnon Critical Value @ 5% levels of significance and the co-integrating equation is chosen from the normalized co-integrating coefficient with the lowest log likelihood.

Table 3: Summary of Co-integration Estimates

Date: 08/16/18 Time: 22:29
Sample (adjusted): 1988 2016
Included observations: 29 after adjustments
Trend assumption: Linear deterministic trend
Series: RGDP FMS ASF
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.768980	72.16121	47.85613	0.0001
At most 1	0.480177	29.66890	29.79707	0.0517
At most 2	0.257434	10.69514	15.49471	0.2309
At most 3	0.068682	2.063467	3.841466	0.1509

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: Authors Computation, E-views-10

Using the trace statistics, it indicates one co-integrating equations at 5% significance level which implies that long run relationship exists among the variables. This led to the rejection of the hypothesis of no co-integration among the variables. It thus shows that long-run equilibrium relationship exist between real sector financing and economic growth in Nigeria.

4.3 Regression Results

The results obtained under this section were generated using ordinary least square (OLS) regression analysis. The two hypotheses formulated in the study were tested using t-statistics. The level of significance for the study is 5%, for a two-tailed test. The decision rule is that we shall accept the null hypothesis if the critical t- statistic value of ±1.96 is greater than the calculated t- statistic, otherwise we reject the null hypothesis. That is, using the t-test (t-statistic), we say that a variable is statistically significant if the t* (t-calculated) is greater than the critical t- statistic of ±1.96 under 95% (or 5%) confidence levels and it is statistically insignificant if the t* is less than the tabulated value of ±1.96 under 95 %(or 5%) confidence levels.

Table 4: Regression Model Result

Dependent Variable: RGDP
Method: Least Squares
Date: 09/17/18 Time: 22:37
Sample: 1986 2017
Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.670928	0.370475	18.00640	0.0000
FMS	0.149152	0.038987	3.825690	0.0007

ASF	0.366437	0.034241	10.70162	0.0000

R-squared	0.880578	Mean dependent var	10.32272
Adjusted R-squared	0.867309	S.D. dependent var	0.506179
S.E. of regression	0.184384	Akaike info criterion	-0.423673
Sum squared resid	0.917936	Schwarz criterion	-0.238643
Log likelihood	10.56694	Hannan-Quinn criter.	-0.363358
F-statistic	66.36320	Durbin-Watson stat	1.916480
Prob(F-statistic)	0.000000		

Source: Authors Computation, E-views-10

F-statistic:

The F-statistics which is used to examine the overall significance of regression model showed that the result is significant, as indicated by the value of the *F*-statistic, 66.36 and it is significant at the 5.0 per cent level. That is, the F-statistic P-value of 0.000 is less than 0.05.

The R^2 (R-square):

The R^2 (R-square) value of 0.8805 shows that real sector financing has a very good impact on economic growth in Nigeria. It indicates that about 88.05 per cent of the variation in economic growth is explained by real sector financing, while the remaining unaccounted variation of 11.95 percent is captured by the white noise error term.

Durbin Watson (DW) statistic

It was used to test for the presence of serial correlation or autocorrelation among the error terms. The acceptable Durbin – Watson range is between 1.5 and 2.4. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.91. This shows that the estimates are unbiased and can be relied upon for economic decisions.

Statistical Test of Hypothesis

Test of Hypotheses One:

H01: Finance to manufacturing sector has no significant impact on the growth of Nigerian economy.

From the regression result in Table 4, it was observed that the calculated t-value for finance to manufacturing sector is 3.82 and whilst the tabulated (absolute) value is 1.96. Since the t-calculated is greater than the t-tabulated (3.82 > 1.96) it thus falls in the rejection region and hence, we reject the first null hypothesis (**$H0_1$**) and conclude that finance to manufacturing sector has a significant impact on the growth of Nigerian economy

Test of Hypotheses Two:

H02: Agricultural sector finance has no significant impact on the growth of Nigerian economy

Mores so, from the regression result in Table 4 the calculated t-value for agricultural sector finance is 2.61 and the critical value is 1.96 under 95% confidence level. Since the t-calculated is greater than the critical value (2.61 > 1.96) it also falls in the rejection region and hence, we reject the second null hypothesis (**$H0_2$**). The conclusion here is that agricultural sector finance has a significant impact on the growth of Nigerian economy

4.4 Discussion of Findings

Findings from the results showed that finance to manufacturing sector have a significant impact of economic growth in Nigeria. The implication of this significant impact is that the output of manufacturing sector in Nigeria has been improved over the years due to adequate funding through bank, occasioned by the culture of the Nigerian banks to finance mainly short-term investment. In addition, it was discovered from the analysis that agricultural sector finance has indeed significantly influenced economic growth in Nigeria thus showing the ability of farmers in accessing formal bank credit. It is also an indication that Commercial banks have made reasonable contribution to agricultural productivity for economic growth. This is in-line with Kareem, Bakare, Raheem, Olagumela, Alawode and Ademoyewa (2013) whose result shows that foreign direct investment: commercial bank loan, interest rate and food import value have positive relationship with economic growth. More so, Obilor (2013) results revealed that Credit Guarantee Scheme

Fund to agriculture produced a significant positive effect on agricultural productivity, while the other variables also produced a significant positive effect.

5. CONCLUSION AND RECOMMENDATIONS

The study re-affirms the fact that one of the most important functions of banks and other financial institutions is to make credit available to the real sector investors at affordable rate most especially to the agricultural sector and manufacturing sector for economic growth. This is because low credit to real sector will amount to low level of investment which transmits to low economic growth. The study thus concludes that real sector financing has a significant impact at stimulating the growth of the Nigerian economy.

i. In view of the statistical significance of bank credit to the manufacturing sector for economic growth, the researcher suggest that the monetary authority should seek out ways to reduce increase money supply (credit) to sectors such as manufacturing which deposit money banks often time find it difficult to extend credit to.

ii. Commercial banks should be encouraged to sustain their lending to agricultural sector as a priority sector. This can be enhanced by relaxing some of their lending conditions. Such lending should take into consideration the long gestation period associated with agricultural production. If possible, a long-term agricultural financing scheme should be evolved to carter for the sector's financial needs.

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Growth Strategies and Performance of Listed Insurance Firms in Nigeria

ANOKE, Amechi Fabian

Department of Business Administration
Nasarawa State University,
Keffi, Nasarawa State
E – Mail: anoproject1@gmail.com

Abstract

The study used descriptive survey method research design to collect and analyse the data, collected using questionnaire in a bid to assess Growth Strategies and Performance of Listed Insurance Firms in Nigeria. The target population of the study was the 5 top ranked insurance firms listed in Nigeria. Questionnaire was the major instrument of data collection. 47 copies of the questionnaire were distributed to top managers of the selected insurance firms. In testing the formulated hypothesis, multiple regressions was adopted using SPSS version 20. Descriptive analysis was used in the analysis and the data was summarized by use of tables. The study found out that market penetration and product development have significant impact on the performance of insurance firms in Nigeria. The Study concluded that product penetration and market development enhanced performance of Insurance firms in Nigeria and recommended that Insurance Companies should invest in feasibility Studies aimed at analyzing the factors that influence growth strategies and conduct regular monitoring and evaluation intended to measure the effectiveness of the adopted growth strategies.

Keywords: Growth, Strategies, Firm, Performance, Listed in Nigeria

1. INTRODUCTION

In today's global competitive business environment, firms define their arrangements on how to maintain their business operations, competitiveness and improve their productivity by utilizing the concept of growth. Growth strategy often plays a vital role in a business' management as it assists a company to set a path or direction and figure a way to achieve its goals (Gibcus & Kemp, 2003). Growth strategy has not only been one of the main topics of interest within strategic management research, but has also received the attention of historians, economists and researchers in such areas as finance, law, marketing and public policy (Hoskisson, Hitt & Hill, 2013). Growth strategy is a strategy that involves choosing to structure a company's operation in such a way that it promotes the involvement of the firm in a wider range of revenue producing activities. It could involve production of goods and services associated with the business, or rearranging the investment portfolio. This strategy was popularized by conglomerates in the 1960s and 1970s. The goal of growth strategies in any industry is to promote and increase sales, return on investment and return on equity of the company while also minimizing the potential for failure or loss.

Organizations pursue opportunities for geographical market diversification. The natural sequence for geographical diversification is local to regional to national to international. The degree of penetration will however differ from area to area depending on the profit potentials (Thompson & Strickland, 2013). The strategies of growth can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. The combination is determined in function of available opportunities and consistency with the objectives and the resources of the company (Machel, 2012).

In the last twenty (20) years, some of the most popular growth diversification strategies adopted across the globe has been that of market penetration and product development diversification strategies. The phenomenon was popular in the United States and Europe in the late 1960s to 1980s where large corporations sought to expand their empires through acquisitions and mergers. Despite growth diversification strategies almost becoming a dominant corporate strategy globally, the arguments and questions about the value of this strategic option have never stopped. According to Hoskisson and Hitt (2005), the latest trend across the globe is for companies to disinvest and to concentrate on core businesses. According to Olotch (1999) the number of players in the Insurance industry was relatively small when compared to banking sector. He noted that the Republic of South Africa accounted for more than 90% of the premium in Africa and had half the number of insurers listed in Nigeria. He further suggested that the local Insurance Companies in Nigeria should merge to create bigger but fewer units (Olotch, 1999). The industry is governed by the Insurance Act and is regulated by the NAICOM.

Due to the presence of many players in the market, competition for business has unfortunately focused on pricing. In a survey carried out for the period 2010 to 2015, the market produced positive underwriting results despite the pressure on rates. Over these six years, eighty four companies averaged a combined ratio of under 100%, signifying underwriting profit, while the remaining sixteen companies showed underwriting losses, with the worst performer recording a combined ratio of 13%. In spite of this, all but two companies were able to realize a profit for year 2015 because healthy investment returns boosted the poor underwriting performance (NAICOM, 2016). As a result of price wars and other management inadequacies, the industry experienced company failures, with five companies being placed under liquidation or statutory management. The issue of price competition has been of such concern to market players in the industry (short-term business) over the last few years that the Association of Nigeria Insurers was forced to give guidance to its members. In place of such competition and failure in the sector, players in the industry need to adopt growth strategies that will minimize the chance of loss to the company.

Findings from Pilot Study carried out by the researcher among other thing, revealed that Insurance Industry in Nigeria for the past decade now has been experiencing low patronage and declining market share. This is as a result of lack of interest in Insurance policies and packages by insurance undertakers. This low patronage and declining market share affects the economy negatively. Despite the widely accepted notion that growth strategies are vital to survival and increase performance for firms that adopted it. It is regrettably that Insurance firms still lag behind in terms of growth strategies for enhanced performance (Adams & Buckle, 2010). Although research in this area abound, the findings are still inconclusive. Furthermore, most studies in this area dwell on insurance and banking; insurance and growth strategies with respect to Market development and diversification (Li & Greenword, 2004; Elango, 2008; Shame, 2009; Pavic & Pervan, 2010; Berry-Sterlzle, 2012). Little or no attention was given to Insurance Performance and Growth Strategies with respect to Market Penetration and Product Development as advanced by (Obonyo, 2015). This study will therefore, be anchored on these measurements to expand the body of literature by looking at the effect of growth strategies on the performance of Insurance Companies in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Performance is a continuous and flexible process that involve managers and those they manage acting as partners within a framework that sets out how they can best work together to achieve the required result (Armstrong, 2006) performance s the end result of activities. The practice of a manager is justified in terms of his ability to improve the organizations performance (Wheelen & Hunger, 2010) organizational performance comprises the actual output or results of an organization as measured against intended outputs (or goods and objectives). According to Richard (2009), organizational performance encompasses three specific areas of firm outcome: financial performance profit, return on assets and return on investment), product market performance (sales, market shares) and shareholders return (total shareholders return, economic values added). The study of Berger, Cummins, Weiss, and Zi (2000) provides evidence on the validity of the conglomeration hypothesis versus strategic focus hypothesis for financial institutions using data on U.S. insurance companies. They used profit scope economies, which measure the relative efficiency of joint versus specialised production, to distinguish between the conglomeration and strategic focus hypotheses. Their results suggest that the conglomeration hypothesis dominates for some types of financial services providers and the strategic focus hypothesis dominates for other types. The study of Berger et al., (2000) is eighteen years old now and the finding is assumed to be less value considering the recent changes in the insurance industry. In addition, the study was conducted among US insurance firms which have different regulatory environment compare to Nigeria. Further, they failed to look at individual growth strategies adopted by the insurance firms such as product development and market penetration strategies.

Similar to the study of Berger et al., (2000), is the study of Meador (2000) who examined the relationship between a firm's output choice and measures of X-efficiency. Data from life insurance industry for the period 1990–1995 was used. The study adopted correlation study design. The study has three specific objectives and research question. The population of the study was made up of 150 employees of the insurance firms and questionnaire was the major instrument of data collection. Cronbach Alfa coefficient was used to determine the reliability of the questionnaire. Descriptive statistic and multiple regression analysis were used to test the hypotheses with the aid of SPSS statistical package version 12. The result of the study revealed that growth diversification across multiple insurance and investment product lines resulted in greater X-efficiency than a more focused production strategy. The knowledge gap established in the study of Meador (2000) is that the study is eighteen years old now and the finding is assumed to be irrelevant considering the recent changes in the insurance industry. In addition, the study was conducted in USA where insurance firms are making continuous progress compared to Nigeria.

2.2 Empirical Literature

Cummins and Nini (2002) investigated the use of capital by insurers to provide evidence on whether the capital increase represents a legitimate response to changing market conditions or a true inefficiency that leads to performance penalties for insurers. Their empirical analysis includes a regression of performance on capitalization and several controls, including line-of-business diversification. The population of the study consists of twenty-three (23) employees of recapitalized insurance firms in U.S. The major instrument used for data collection in the study is the questionnaire, which was designed in 5point Likert-Scale. The data generated for the study were analysed with frequencies and percentages while the stated hypotheses were statistically tested with the Pearson Product

Moment Correlation Co-efficient. Their study revealed an inverse relationship between diversification and Return on equity. The conceptual framework of the current study is different from Cummins and Nini (2002) study, since the current study employed growth strategies of insurance firms as independent variables to measure dependent variable.

Li and Greenwood (2004) examined the effect of diversification upon intra-industry performance in the Canadian general insurance industry. The survey design was used in the study with a sample size of 143 consisting of accountants, management staff and shareholders. Simple random technique was utilized in selecting the sample size, while the binomial test was employed in the data analysis. Their test of a theoretical model indicated that mutual forbearance provides advantage under specified conditions, that market structuration also provides advantages, but that growth diversification does not.The knowledge gap established in the study is that the study of Li and Greenwood (2004) focused on the public knowledge of income and revenue diversification as variables to test firm's performance in the insurance industry, while the current study will expand its variables by considering the market penetration and product development to determine their impact on the performance of insurance firms in Nigeria.

Liebenberg and Sommer (2008) examined performance as a function of line-of-business diversification and other correlates for a sample of property–liability insurers for the period 1995–2004. To achieve the study's objectives, both primary and secondary data were used. One hundred and fifty (150) questionnaires were administered to the study respondents that were purposively selected from eleven (11) insurance firms. Guided interviews were also conducted with some of the respondents. Analysis of Variance (ANOVA) was employed to test the research hypothesis. Their results indicate that undiversified insurers consistently outperform diversified insurers. Their study revealed a growth in diversification of insurance firms of at least 1% of return on assets or 2% of return on equity. The knowledge gap established in the study of Liebenberg and Sommer (2008) is that the study is ten years old now and the finding assumed to be old considering the recent changes in the insurance industry. In addition, the study was conducted among insurance firms outside Nigeria which have different regulatory environment compare to Nigeria.

Elango (2008) examined the relationship between product diversification and firms' performance in the U.S. property–liability insurance industry for the period 1994–2002. The survey method of research design was adopted in generating the necessary data. Population of the study consisted of 12 public institutions in the United States. In order to gather the data for the study, a structured questionnaire was administered to internal auditors and chief accountants of the selected public institutions. The data generated for the study were analyzed with frequencies and percentages, while the stated hypotheses were statistically tested with the Pearson Product Moment Correlation Coefficient, which was computed with the aid of the Statistical Packages for Social Sciences (SPSS) Version 17. They found that the extent of product diversification shares a complex and nonlinear relationship with firms' performance and that performance benefits associated with product diversification are contingent upon an insurer's degree of geographic diversification. As result of this gap, it called for further investigation in the area. The current study adopted the following variables of growth product development and market penetration strategies in narrowing the performance of insurance firms in Nigeria.
McShane and Cox (2009) examined what makes these long-term care insurers different and whether managers are following a diversification or strategic focus strategy. The population of the study consists of twenty-three (23) recapitalized insurance firms that have failed. The major instrument used for data collection in the study was the questionnaire, which was designed in 5point Likert-Scale. The data generated for the study were analysed with frequencies and percentages while the stated hypotheses were statistically tested with the Pearson Product Moment Correlation Co-efficient. It was reviewed that strategic focus was consistently important factor and that managers' participation and volume decisions are made independently.McShane and Cox (2009) carried out the research in various industries while the current study is conducted in the insurance industry in Nigeria. The variables adopted by the current study are the core growth strategies as the independent variables but the study of McShane and Cox (2009) was restricted to whether managers are following a diversification or strategic focus strategy.

Cummins, Weiss, Xie, and Zi, (2010) examined economies of scope in the U.S.A. insurance industry over the period 1993–2006. They analysed whether it is advantageous for insurers to offer both life–health and property–liability insurance or to specialise in one major industry segment. The study employed a mixed research design comprised of descriptive design, hypothesis testing design, correlation/ casual design and survey with sample size of 110 respondents. Questionnaire was used as instrument to collect data from the respondents. They found that property–liability insurers realise cost scope economies and that life–health insurers increased both cost and revenue. They concluded that strategic focus is superior to conglomeration in the insurance industry. This study is different since current study used two growth strategies to address the persistent issue of insurance firm's unsatisfactory performance while the study of Cummins, *et al.,*(2010) covers only life–health and property–liability insurance.

Pavic and Pervan (2010) examined the performance effect of diversification in the Croatian non-life insurance industry for the period 2004–2007. The study adopted a survey research design and data from primary source were collected through interviews and administration of questionnaire, while secondary source consists of journals, articles and seminar papers and other online materials. Statistical tools used to analyze the data include percentages, mean score, frequency tables, regression analysis and Z-test. Their results indicated that both measures of diversification have a negative and statistically significant influence on profitability. The study contrast significantly with the present study which looked at the growth strategies adopted by insurance firms in Nigeria and its impact on their performance. Another point of contrast is the concentration of the present study on Nigeria insurance firms while Pavic and Pervan (2010) focused on non-life insurance industry only. Apart from the restriction of the sample respondents to only non-life insurance policy, the study also used a weak tool for the analysis of the data collected. The current study used larger number of sample size to have valid generalization of the conclusion and more robust statistical tool of least square regression.

Berry-Stolzle, Liebenberg, Ruhland, and Sommer (2012) examined variations in line-of-business diversification status and extent among property–liability insurers for the period 1996–2006. Two hypotheses were formulated in line with the objectives of the study. Survey method was adopted and data were collected through the use of questionnaire. Data collected from sample of fifty-five (55) respondents from insurance firms were analyzed with five point likert's scale. The two hypotheses formulated were tested using t-test statistical techniques with aid of SPSS version 20.0. Their results showed that the extent of diversification is not driven by risk pooling considerations; insurers operating in more volatile business lines do not diversify more. Using a measure of unrelated line-of-business diversification, they find support for the diversification prediction of the managerial discretion hypothesis, that mutual insurers should be less diversified than stock insurers. While mutual insurers tend to exhibit higher level of total diversification, they engaged in significantly less unrelated growth diversification than they do in stock insurers. Their study, just like current study used same design methodology and insurance industry as a case study. The two differ in term of scope, sample size and objective. Although the results of most studies of the strategic focus hypothesis versus the conglomeration focus hypotheses in the insurance industry showed results that are in favour of the strategic focus hypotheses, there is still a lack of consistency at the international level. This, together with the lack of similar studies in Nigerian insurance industry, served us as a motivator.

2.2.1 Product Development Strategy and Firm Performance

The aim is to launch new products or services on existing markets. Product development may be used to extend the offer purposed to current customers with the aim of increasing their turnover, these products may be obtained by; investment in research and development of additional product and "branding" it joint development with ownership of another company who need access to the firm's distribution channels or brands. Product development can also be seen as the creation of products with new or different characteristics that offer new or additional benefits to the customer. It may involve modification of existing products or its presentation or it's formulation of entirely new products that satisfies a newly defined customer wants or market niche. It can also be referred to as all the stages involved in bringing a product from concept or idea through market release and beyond.

2.2.2 Growth Strategies and Firm Performance

Adams and Buckle (2010) defined growth as a corporate system that organizations utilize to go into another market not in the present, and additionally making another item for that new market. In their view, the firm accomplishes development by creating and presenting new items for totally new markets. A growth strategy is sought after as indicated by Priem and Butler (2009), when firm's openings are implanted in innovation and market structures and additionally open doors for development in the association's essential business. Because of the way that key topographical developments are less clear and new markets seem more lucrative and alluring on the face, numerous safety net providers have confronted huge challenges both entering these business sectors and securing a gainful position. Firms will seek after this methodology trying to expand their Rate of return to guarantee a proficient utilization of assets.

Mostly, studies conducted on hierarchical performance utilize an assortment of monetary and non-money related achievement measures. Monetary measures incorporate issues, for example, benefit, return on Investment (ROI), Return on Capital Employed (ROCE), and stock turnover. Non-budgetary measures incorporate inventiveness, client devotion and market remaining as highlighted by (Kaplan & Norton, 2008). Loewe (2006), noticed that there exist diverse courses by which people can use to minimize the social dangers, for example, credit arrangement, resource creation programs, wellbeing nets, family sparing, collection, hazard adapting and chance administration procedures. Firm performance has as of late turned out to be exceptionally mainstream and assumes an extremely crucial part in the accomplishment of the firm. The firm performance is regularly measured by computing the estimations of subjective and quantitative performance pointers like benefit, cost, and clients base. It is essential for an organization to decide the significant marketers, how they influence the organization objectives and their association with the performed exercises. These days, most administrators perceive this and put the fundamental push to characterize the organization objectives, Performance pointers and assess them. Timothy (2012), noticed that such investigation is much of the time done in a casual way and proposes that a deliberate formal approach will profit the industry more.

Obinyo (2015) examined the effect of growth strategies on the performance of Insurance companies in Kenya. Two hypotheses were formulated in line with the objectives of the study. Survey method was adopted and data were collected through the use of questionnaire. Data collected from sample of seventy seven (77) respondents from the Insurance firms were analysed with five points likert scale. The hypotheses were tested using simple regression with the aid of E-views to determine and analyse the effect of product development and market penetration on the performance of Insurance companies. He found that Market Penetration influenced Insurance performance more than product development. The literature gap is that the study was done in Kenya. The current study in Nigeria will confirm or contradict his study.

2.2.3 Market Penetration Strategy and Firm Performance

The aim of this strategy is to increase sales of existing products or services on existing markets, and thus to increase your markets share. To do this, you can attract customer away from your competitors and/or make sure that your own customer buy your existing products or services more often. This can be accomplished by a price decrease, an increase in promotion and distribution support, the acquisition of a rival in the same market or modest product refinements. The relationship between growth strategies and firm performance is a key issue to the survival of the organization in every industry. Growth strategies and its relationship with firm performance has been associated with the field of strategic management from its earliest foundations. Porter (2000), suggested that strategists must assess the factors affecting competition in their operational environment, then identify their organization's strengths and weaknesses. This way, strategists can come up with plans of action that may include positioning the company so that its capabilities provide the best defence against the competitors, influence the balance of the competitive forces thus improving the company's position, and, anticipate shift in these factors underlying the forces. This will thereby lead to choosing a strategy appropriate for the dynamic and competitive environment the firm operate in. Internal growth of any organization is a key measure of firm performance. It can be used to explain how well a firm is utilizing its available resources and opportunities to expand its activities. According to Richard (2009), organizational growth is a very important factor for any company to survive in the modern ever increasingly complex and dynamic environment. Knowledge and evidence-informed decision making are instrumental to organizational growth.

Mcshane (2009) examined the effect of Market development and diversification strategies on the performance of banking sector in U.S.A. The population of the study was ten(10) randomly selected quoted money deposit bank in U.S.A. Questionnaire was use as instrument to collect data from the respondent. They found that Diversification enhanced bank performance more than market development. The research gap is that the work was carried out in banking sector in U.S.A (though financial institution) the current study looked into the Insurance Sector in Nigeria. In a similar line of argument Johnson (2006) argued that the present trend towards narrower diversification has been driven by a growing preference to gear diversification around creating strong competitive positions in few well selected industries as opposed to scattering corporate investments across many industries. This latest development arose mainly as a result of many companies making strategic mistakes such as making acquisitions in new fields where value is not added to group performance or there are no operating synergies as stated by Dos Santos (2008). The phenomenon has since spread to Nigeria as many insurance firms operating in the country have restructured to raise profits and unlock shareholder value through growth strategies.

2.3 Theoretical Framework

2.3.1 Resource Based Theory

Resource based view theory (RBV) asserts the organization's capacity to deliver competitive advantage when assets are overseen with the outcomes that their results can't be imitated by contenders, which at last makes a focused boundary. It connects the organizations' exhibitions on enhancement and item advancement strategy. Resources Based View approach is based on the assumption that firms undertake deliberate managerial efforts steered towards attaining a sustainable competitive advantage. The approach analyses firms as a collection and sets of resources which idea was began by Edith Penrose in her 1959 seminal work "the theory of the growth of the firm" and further advanced by Rubin in his 1973 work on "Expansion of firms". Penrose's theory gave birth to RBV, which later became one of the most dominant approaches to the analysis of sustainable competitive advantage. RBV approach enlists the circumstances under which a firm's resources lead to high returns over longer periods of time using Porter's five competitive forces. It explains the resource-benefits accruing to a firm by envisaging the existence of resource position barriers where by the holders of a resource are able to maintain a sustainable competitive advantage in relation to other holders and third persons. This is because possession of a resource by one party affects the costs and / or revenues of later acquirers adversely. In such a case the holder can be said to enjoy the protection of a resource position barrier or a first mover advantage (Lieberman and Montgomery, 1988). Just like entry barriers envisaged in Porter's model, resource position barriers do indicate a potential for high returns since one competitor has an advantage over others occasioned by efficiency in the use of resources (Montgomery, 1994). Indeed, Prahalad and Hamel (1990) suggests the emergence of large firms because of the success in building distinctive capabilities based on resource capabilities as a source of sustainable competitive advantage.

The RBV theory not only provides a prescription for improving a firm's financial performance but also recommends diversification by building on the resource capacities to enter new markets or what Wernerfelt calls the sequential entry strategy. A firm's resource position is beneficial by not only creating entry barriers but also directly by supporting diversification into related activities which provides cost benefits to the firm. Barney (1991) argued that diversification based on resource capabilities can create economies scope by sharing activities and core competences transfer as a source of sustainable competitive advantage. The essence of RBV is an action strategy to position a business unit as a foundation for a multi-business firm and emphasizes the firm's ability to exploit the potential synergies between resources to produce higher performance. Therefore, potential diversification based on RBV focuses on resource allocation and sharing competencies across different business lines to enhance performance by either cost reduction or by playing competitors out of the market as the absolute volume per period increases (Porter, 1980). This exploitation of potential synergies expected from sharing functions, resources and competencies lead to generation of sustainable competitive advantages and thus profitability occasioned by cost reduction. Therefore, the RBV predicts a positive impact of diversification on a firm's financial performance.

3. METHODOLOGY

The study adopted descriptive research design which belongs to the generic family research design type called Survey Design. Survey according to Oso & Onen (2008) "presents an orient methodology used to investigate population by selecting samples to analyse and discover occurrences". The target population of the study was top managers of 5 top ranked insurance firms listed on Nigeria stock exchange market in 2017. The choice of these five (5) insurance firms was driven by the little growth realised in terms of diversification by the insurance companies compared to other insurance firms in the industry. A stratified and convenient sampling technique was used to select 47 respondents from the 148 top managers of the sampled insurance firms. In addition, the top managers were the preferred respondents in this study because they were assumed to be the most knowledgeable on growth strategies and therefore in a better position to provide the most accurate, relevant and adequate information to the study. Questionnaire was utilized to gather data from the respondents of the sampled insurance firms. The questionnaire was divided into three sections, namely; general information, growth strategies and the aspects of performance. The researcher administered 47 copies of the questionnaire to the available respondents of the insurance firms. The organized questions were in type of five point Likert scales, whereby respondents were required to show their perspectives on a size of 1 to 5. Secondary source of information was collected from relevant published materials both in print and online. Data obtained from the questionnaire was coded, organised and analysed using Statistical Package for Social Sciences (SPSS) version 20. Descriptive statistics such as mean, standard deviation, frequency distribution and percentages were used to quantitatively describe the important features of the variables. The findings were then presented using tables, frequencies and percentages.

A pilot test was conducted to measure the validity and reliability of the questionnaire and the test model. Pre-testing was done by administering 10 copies of the questionnaire to respondents in AIICO Insurance Plc, Abuja. On the basis of the experience from the pilot study, some of the questions were refined with a view to ensuring the correctness of the responses and included in the final questionnaire. Some top of strategic management experts in the department of business administration have been consulted and their suggestions were incorporated while finalising the questionnaire to ensure the content validity of the instrument. The reliability of the scale of measurement was assessed by using Cronbach Alpha coefficient, which was above the minimum acceptable level, 0.70 there by confirmed the reliability of the scale of measurement.

Table1: Summary of the Measurement Reliability (Cronbach's Alpha)

Questionnaire Variables	No of Items	Cronbach's Alpha
Market Penetration Strategy(MPS)	5	.781
Product Development Strategy (PDS)	5	.773

Flowing from the extant empirical literature and the above theoretical frame-work, the relationship between growth strategies and performance of insurance firms is represented in econometric form as:

$$FIRMPERF_{it}=\alpha_0+\alpha_1 MPS_{it}+\alpha_2 PDS_{it}+\mu_{it}$$

Where:

FIRMPERF = growth performance of insurance firms due to diversification
MPS = market penetration strategy of insurance firms
PDS = product development strategy of insurance firms
μ = Error term
$\alpha_1,...,\alpha_2$ = Unknown coefficient of the variables. It is presumptively expected $\alpha_1,...,\alpha_2>0$

4. RESULTS AND DISCUSSIONS

Form of growth strategies adopted by Insurance Firms

The evaluation of responses with respect to the form of growth strategies adopted yielded the results presented in Table 1 below.

Table 1: Form of growth strategies adopted

Growth Strategies	Frequency	Percentage
Market Penetration Strategy	29	61.7
Product Development Strategy	18	38.3
	47	100

The results in Table 1 indicate that about 61.7% of the firms had adopted market penetration strategy while 38.3% adopted product development strategy. This shows that every insurance firm at least adopted one of the growth strategies in order to increase their performances.

Market Penetration Strategy

The researcher investigated the market penetration strategies and its influence on the performance of insurance firms in Nigeria. The mean was calculated from the Likert scale and the results summarized in the table 2 below.

Table 2 Market Penetration Strategy

Market Penetration Strategy	Mean	Std. deviation
Securing dominance of growth markets has increased performance of the firm.	4.01	0.27
Lowering prices of the products in a bid to increase sales has increased performance of the firm.	4.15	0.27
Intense advertising have increased performance of the firm.	3.87	0.28
Merging existing products and selling them as a package to the existing clients has increased performance of the firm.	3.90	0.32
Embracing new technologies e.g. online access of services, has increased performance of the firm.	4.02	0.32

The study sought to establish the extent to which respondents agreed with the above statements relating to Market Penetration Strategy. From the research findings, majority of the respondents agreed that lowering prices of the products in a bid to increase sales has increased performance of the firm with a mean of 4.15 and a standard deviation 0.27 followed by embracing new technologies such as online access of services has increased performance of the firmwith a mean of 4.02 and standard deviation of 0.32. in addition, securing dominance of growth markets has increased performance of the firm as shown by a mean of 4.01 and standard deviation of 0.27.

Others agreed that merging existing products and selling them as a package to the existing clients has increased performance of the firm as shown by a mean of 3.90 and Intense advertising have increased performance of the firm as shown by a mean of 3.87.Hence on average the weighted mean is above 4 which means that majority agreed with statements hence market penetration strategy influence performance to a great extent.

Product Development Strategy

The respondents were asked to indicate the extent to which Product DevelopmentStrategy influence performance. The responses were as represented in Table 3

Table 3 Product Development Strategy

Product Development Strategy	Mean	Std. deviation
Research and development increases performance of your firm	4.47	0.26

Assessing customer needs and changing existing product features to match the same improves the performance of your firm	4.04	0.24
Product differentiation increase performance of your firm	4.19	0.23
Developing new products with new features improves performance of your the firm	4.02	0.22

The results from the Table 3 above indicated that research and development increases performance of a firm and Product differentiation also increase performance of insurance firm at a mean score of 4.47 and 4.19 respectively. However, assessing customer needs and changing existing product features to match the same improves the performance of firm and developing new products with new features improves performance of the firm with a mean score of 4.04 and 4.02 respectively.

Firm Performance

Table 4 show weighted mean averages on various sub measures investigating the extent to which growth strategies increase the performance aspects in a firm.

Table 4 Firm Performance

Firm Performance	**Mean**	**Std. deviation**
Return on Investment	4.15	4.15
Innovativeness	4.02	4.02
Return on equity	4.19	4.19
Internal growth	3.96	3.96
Employee productivity	4.04	4.04
Sales volumes	4.13	4.13

The study sought to establish the extent to which respondents agreed with the above statements relating to the growth strategies on performance aspects of a firm, from the research findings majority of the respondents agreed to a great extent that return on investment, innovativeness, return on equity, internal growth, employee productivity and sales volume increases performance of a firm in a great extent as shown by a mean of 4.15, 4.02, 4.19, 3.96, 4.04, 4.13 respectively.

Result of Regression Analysis

Table 5: Multicollinearity Test between Growth Strategies and Performance of Insurance Firms

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
	Market penetration strategy	.856	1.168
1	Product development strategy	.839	1.192
	Firm performance	.893	1.120

a. Dependent Variable: Firm performance

The study examined the effect of multicollinearity on the regression models using the variance inflation factor for the independent variables (VIF) analysis. If the VIF factor is less than 5 then there is no Multicollinearity problem. The findings indicate that the mean variance inflation factors for all the independent variables was 1.16 implying that there was no Multicollinearity problem since independent variables did not have variance inflation factors (VIF) that exceeded 5.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.420[a]	.176	.142	3.90503

a. Predictors: (Constant), market penetration strategy, product development strategy

The summarized regression table show that there is a relatively significant relationship between the dependent and independent variables as indicated by R of .420 for market penetration strategy and product development strategy respectively. Similarly, the R^2 which is a measure of the strength of association or variance in the dependent variable that can be explained by the independent reveal a coefficient of determination (R^2) value of 0.176 This value reveals that 17.6% of the changes or variation that occurred in the performance of insurance firms could be traced to the growth diversification strategies adopted by the firms.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	385.575	4	77.115	5.057	.000[b]
1	Residual	1799.417	42	15.249		
	Total	2184.992	46			

a. Dependent Variable: firm performance
b. Predictors: (Constant), market penetration strategy, product development strategy

The ANOVA table indicate F-value of 0.000 which is significant at 0.05 level. This implies that the overall regression model is statistically significant. The regression model result implies that all independent variables are highly significant in explaining that there is a significant relationship between the dependent variable and independent variables as such can used be used for statistical inferences.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.874	2.952		7.748	.000
	Market penetration strategy	.680	.098	.044	3.491	.001
	Product development strategy	.698	.095	2.383	4.595	.000

a. Dependent Variable: firm performance

The coefficient of determination for growth diversification strategy of market penetration and insurance firm's performance (MPS) is positive (0.680) and is significant at 0.05 (0.001 <0.05) with respect to insurance firm's performance through growth diversification strategies. The value of 0.680 representing the coefficient of determination indicated that 68.0% of the changes or variation that occurred in insurance firms' performance is attributed to growth diversification strategy of market penetration adopted by insurance firms in Nigeria. Therefore, the null hypothesis is rejected and alternative hypothesis accepted that growth diversification strategy of market penetration has a significant impact on the performance of insurance firms in Nigeria.

The coefficient of determination for growth diversification strategy of product development and insurance firm's performance (PDS) is positive (0.698) and is significant at 0.05 (0.000 <0.05) with respect to insurance firm's performance through growth diversification strategies. The value of 0.698 representing the coefficient of determination indicated that 69.8% of the changes or variation that occurred in insurance firms' performance is attributed to growth diversification strategy of product development adopted by insurance firms in Nigeria. Therefore, the null hypothesis is rejected and alternative hypothesis accepted that growth diversification strategy of product development has a significant impact on the performance of insurance firms in Nigeria.

4.1 Discussion of Results

The study examined the influence of growth strategies on the performance of listed insurance firms in Nigeria. The study revealed that most of the firms had adopted various growth strategies. One of the most adopted strategy is market penetration strategy at 61.7% of the firm have adopted it. This finding conforms to that of (Sink, 2011) who noted that growth strategies influence performance of insurance firms to a great extent. According to Obong (2014)established that Securing dominance of growth markets, lowering prices of the products, Intense advertising and embracing of new technologies increases performance of a firm. This is in line with (Sink, 2011) who found that lowering prices of the products increases performance of a firm. The study has further established that Product

Development Strategy influence performance to a great extent against Obonyo (2015) who found that Market Penetration influenced Insurance Performance. A study by (Kotler, 2010) associated market development strategy with performance of a firm. The study also noted that assessing customer needs and changing existing product features to match the same improves the performance of the firm. This agrees with Liebenberg and Sommer (2008) that developing of new geographical markets, new product dimensions and selling the existing products into existing markets does not influence performance of firm to a great extent.

5. CONCLUSIONS AND RECOMMENDATIONS

This study has given an extensive review of the impact of growth strategies on the performance of insurance firms in Nigeria. The study noted that growth strategies influenced performance of Insurance firms in Nigeria to a big margin. Largely, the insurance firms have embraced different growth strategies, for example, product development and market penetration has enhanced insurance firms' performance. In addition, the study concluded that growth strategies have significant influence on the performance of insurance firms. Finally, the study showed that growth strategies increase return on investment, innovativeness and return on equity, internal growth and employee productivity.

Based on the research findings, the study offers the following recommendations;

i. Insurance companies in Nigeria should invest in feasibility studies aimed at analysing the product development factors that influence growth strategies and conduct regular monitoring and evaluation intended to measure the effectiveness of the adopted product development strategies.

ii. The study also recommended that insurance firms ought to enthusiastically deal with re-designing of marketing and market penetration procedure as that will continually keep them in live with the stakeholder objectives putting in mind that output is a product of input.

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Strike Actions and its Effects on Industrial Relations in Nigeria

BEIDA, Onivehu Julius

Department of Private & Commercial law
Faculty of Law
Bingham University, Karu, Nigeria
E- Mail: beidang@yahoo.com, Phone No: +2348034686700

Abstract

In recent times, agitations for better working conditions have often resulted in industrial disputes culminating in strikes, work to rule, lock outs and other actions. This is because, workers all over the world desire recognition, better salaries and wages and great improvements in the terms and conditions of work. However, despite efforts made to ensure effective stability in industrial relations at various organisations and institutions in Nigeria, strike still occurs through economic strike and sympathy strike. The study thus examines strike actions and its effects on Industrial Relations in Nigeria using federal medical center (FMC), Keffi as a study. Descriptive research design was adopted, while the data used for the empirical analysis were generated through structured questionnaires and were analyzed using binary logistic regression estimation method. Findings from the study showed that economic strike has a significant effect on industrial relations among FMC staff in Keffi. More so, the study shows that sympathy strike has a significant effect on industrial relations among FMC staff in Keffi. Based on these findings, the study recommends that there is the need for governments, business organizations, and employers of labour, employees, organizations and all stakeholders in industrial relations to embrace collective bargaining as the machinery to resolve industrial disputes. This would promote industrial harmony, enhance employees' performance, increase productivity and improve the living standards of the generality of the people.

Keywords: Strike, Industrial relations, Industrial Disputes, Sympathy strike and Economic strike

1. INTRODUCTION

In every modern economic system, it is inevitable that forces of labour and capital would have dissenting views with each side resorting to measures through which it can press home its demands. In this vein, collective bargaining and strikes are important mechanisms through which the worker can engage the employer in a dialogue to meet its demands. Strikes if unregulated may spiral out of control with attendant consequences for the polity. Employees occupy a very strategic place in an organization because of their centrality to the production process. They contribute a very indefinable role both in the achievement of various organization goals and objectives as well as the government economic programme. However, for employees to perform their crucial role effectively and efficiently there must exist a strong cordial relationship between the employer and employee of such organizations. Although conflict in an organization is inevitable, it must however be noted that friction between employer and the employee must be reduced through a vibrant collective bargaining process to ensure smooth operation in the business of the organization. Conflicts are inevitable in every organization. There will always be conflicts and disagreements between employers and employees, either on wages or on the general condition of service of the workers. Conflict in Nigerian industries has become perennial and disturbing so much that it has hampered the growth of some organizations in Nigeria.

In many organizations in Nigeria today, internal (intrapersonal) and interpersonal conflicts are consuming so much organizational time and attention that organizations are starting to look as though conflict is their primary business (Ojielo, 2012). This development is largely due to the inability of leaders in Nigerian work organizations to view the management of conflict as systematically as they view information, human resources, and financial management systems. Instead, conflict is viewed and handled in piecemeal and is considered as local events. The inability to view and manage workplace conflicts systematically has therefore rendered conflict dysfunctional in some organizations. This is evidenced by the high frequency of strike action, unhealthy rivalry between and among sub-units and individuals within an organization, sabotage at workplace, slow work, labour turnover, absenteeism, lack of productivity, general inefficiency, high rate of industrial accident, low morale, withholding of vital knowledge and a host of others that are being perpetrated by workers in workplaces.

Managing conflict is critical for sustaining organizational efficiency and effectiveness. Growth in multinational companies and international alliances (Kanter & Corn, 1994), as well as increased diversity within a country's workforce (Jackson, Stone), suggest that individuals from diverse backgrounds will be working together in organizations. An increase in diversity is often associated with an increase in conflict (Olakita, 2015). Industrial relations deals with the problem of employment, conditions of work, pay, security of employment and other issues such as labour grievances, trade disputes and their resolution within the frame work of rules and regulations, mutually to by employer and its employees. In the words of Marshall (1996), Industrial relations, (also known as labour relations) is the interdisciplinary and somewhat diffuse study of the institutions and rule-fixing processes of the labour. It's core subject-matter has always been collective bargaining between trade unions or analogous organisations on the other hand. The term "employee relation" found increasingly in management writing, was once a synonym for industrial relations.

The unpleasant side of industrial relation and on which the public often associate industrial union is strike. The strike shows a breakdown of cordial relationship between the employee represented by the labour union and employer or management. Strike are the most overt and significant aspect of industrial conflict. But they are unfortunately only a part of the phenomenon of conflict. Most strikes involved attempts by either the union or management to change the bargaining power of the other party. When a strike is adequately used for the demand of the employees, it can force employers to concede to the demands of the employees. It can impose exorbitant costs and thereby induce them to reach agreement. A strike may be used to effect a change in the structure of bargaining and to win substantive demand by workers. Industrial relations and collective bargaining can therefore be described as the industrial machinery for determining wages and conditions of employment with a view to improving the quality of work life of the employees. It encourages the power of the union to enter contract with management to determine the terms and conditions of service of its members as well as establish the procedure for handling disputes. The following questions were raised for this paper;

i. What effect does economic strike has on industrial relations among FMC staff in Keffi?
ii. What effect does sympathy strike has on industrial relations among FMC staff in Keffi?

In accordance to the research questions raised, the following hypotheses were tested:

H01: Economic strike has no significant effect on industrial relations among FMC staff in Keffi
H02: Sympathy strike has no significant effect on industrial relations among FMC staff in Keffi

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Industrial Relations

Industrial relation is the process and institution through which employment is managed, such as trade union and employers' associations. Cordova (1980) defines industrial relations as "the process of interest accommodation by which conditions of work are fixed; relations are regulated and power is shared in the field of labour". Akanji (2010), on his part sees industrial relations as "the whole web of human interactions at work which is predicated upon and arises out of the employment contract". Both definitions recognized that industrial relations is concerned with the systems, rules and procedures used by union and employers to determine the reward for effort and other conditions of employment, to protect the interest of the employed and their employers and to regulate the ways in which employers treat their employees. Mgbe (2013) emphasized that the term industrial relations is relevant in and applies to the context within which modern society organizes its various economic and production services.

2.1.2 Concept of Strike action

"Strike" is defined as the cessation of work by a body of persons employed and acting in combination, or a concerted refusal, or a refusal under a common understanding of any number of persons employed to continue to work for an employer in consequence of a dispute done as a means of compelling their employer or any person or body of persons employed to accept or not to accept terms of employment and physical conditions of work. In this definition, "cessation of work" includes deliberately working at less than usual speed or with less than usual efficiency while" refusal to continue to work‟ includes a refusal to work at usual speed or with usual efficiency. Strike is a breach of contract by the employee which entitles the employer to dismiss him, provided the employer dismisses all those who are actually on strike at the date of their dismissal and does not offer to re-engage some of them within three months after their dismissal. In this event, the industrial tribunal has no jurisdiction to decide whether or not the dismissals are fair or unfair. This is the "no picking or choosing" rule.

When a union calls out its members on strike, it is in the belief that the strike will exert pressure on the employer (and sometimes indirectly on government) to take a desired action, such as conceding a demand for improvement in terms of employment, or ameliorating an unsatisfactory working conditions. Most strikes involve attempts by the union to change the bargaining position of the management. When properly used, a strike can force management to concede the demand of the union. Apart from the use of the strike by the workers to win substantive demands, a strike may be used to effect a change in the structure of bargaining, such as changing from enterprise bargaining to multi- employers bargaining, or vice versa. In spite of the usefulness of the strike option in union-management relationships, it imposes cost both on the two sides of industry and the economic as a whole the cost of strikes to the union and its members represents loss of income to both, in addition to social costs, represented by the bad image which it imposes on them. On the employer's side, the costs of the strike are in terms of lost output and profit, as well as the social stigma which it imposes. For the economy, loss in productivity, which affects the Gross Domestic Product, constitutes the most significant quantitative cost to society. The significance of this loss in national output in one firm is more worrisome because it often leads to a chain of events in other establishment. For example, a strike of some duration at a cement factory may adversely affect other establishments. Suppliers to the factory would have to curtail or suspend operation.

Economic strike

Economic strike is one of the popular worldwide strikes which workers usually embark upon. In South Africa, Nigeria and Ghana, it is a form of common strike among workers (Adavbiele, 2015; Bendix, 2015; Seniwoliba, 2013). Bendix (2015) is of the view that an economic strike arises due to the refusal or failure by employers to meet the demands of workers related to wages and other economic issues namely: benefits and working conditions. According to Nel *et al.* (2013), an economic strike occurs as a result of the demands that pertain to wages, fringe benefits or any other matter of an economic nature regarding the interest of workers. Workers usually initiate this strike with the view to putting pressure on the employer in order to enforce their economic demands, for instance, an increase in wages, salaries and bonuses. Employees agitate for an increase in their wages and salaries, allowances, bonuses, and other entitlements, like an increase in annual leave, privilege leave and casual leave (Odeku, 2014). Clark (2012) also expresses the similar view that an economic strike is the most common and popular form of strike that workers frequently embark upon worldwide. Economic strike is the most common type of strike that workers in Ghana, Nigeria and South Africa embark upon. The discussion below is centered on sympathy or secondary strike.

Sympathy or secondary strike

Sympathy or secondary strike is another type of strike that workers and their trade unions often embark on in Africa (Clark, 2012). As the name suggests, this type of strike is a solidarity action that is often embarked upon by workers who are not part of the labour dispute. A sympathy strike is normally used by trade unions to express moral and fractional support of other employees who are on strike with the view to putting pressure on the primary employer to address the concerns of the employees. Clark (2012) also argues that this type of strike is embarked upon as a form of solidarity for other unions. It is a deliberate attempt by other unions to put indirect pressure on the employer to meet the demands of his or her employees. Adaviele (2015) also expresses the same view that a sympathetic strike is where workers of one organisation or unit join their colleagues in other organisations who are on strike to compel the primary employer in meeting the demands of his employees. In Nigeria, the 2014 Non-Academic Staff Union of Universities (NASUU) went on sympathy strike in support of a strike action declared by Academic Staff Union of Universities (Adaviele, 2015).

2.2 Empirical Review

Researchers (Arputharaj & Gayatri, 2014; Awe & Ayeni, 2012; Selala, 2014) have found that one effect of strike action is that it leads to poor employment relationships, especially between the employers and employees. Arputharaj and Gayatri (2014) found that when employees and their unions embark on strike action there is the possibility of unhealthy relationships in the organisation. According to Arputharaj and Gayatri (2014), each time employees embark on a strike action the trust in the organisation is said to be broken and this eventually affects the employment relations. A similar study conducted by Awe and Ayeni (2012) on the effect of conflict on employment relations in Nigeria has discovered that strikes have negative implications for employment relations in an organisation. According to the authors, action can bring about division between the parties in the workplace which can have lasting effects on the kind of relationship that exists between them. Awe and Ayeni (2012) contend that due to strike action, parties might view each other as enemies and this may have a major implication on the employment relations that exist within the working environment. Selala (2014) also found that strike action can impact negatively on the employment relationship. According to Selala (2014), during strike action there is hostility between employees and the employer because the employer may perceive the employees as opposing his authority. Findings by Awe and Ayeni (2012) and Selala (2014) affirm the previous assertion made by Arputharaj and Gayatri (2014) that strike action may contribute to unhealthy relationship among the parties. The following discussion focuses on how strike action may lead to employee dismissal. Olusegun Ajayi (2014) found that strike action by the Academic Staff Union of Universities in Nigeria created conflict between the management of the universities and trade unions and this impacted on the working relationships among the parties.

Ayeni and Kolawole (2014) explored continual conflicts and strikes within selected organisations in the Ekiti State in Nigeria. The study found that there is a direct link between strike and conflict. Ayeni and Kolawole (2014), further discovered that strike action can increase the possibility of conflict in the organisation if there is no proper dialogue between the trade union members and the employer. Similarly, Ayeni and Kolawole (2014) explored the incessant conflicts and strikes and their effects on the achievement of goals of business education in the tertiary institution in the Ekiti State. The findings revealed that incessant strikes accounted for the massive student failure rates in all tertiary institutions in Nigeria.

Asaolu (2010) argues that learning is one of the core activities of university education. Asaolu (2010) believes that effective learning in school occurs when the stakeholders adequately perform their roles. Also, effective learning is achieved when students are emotionally and psychologically stable. Contrary to this, when there is strike action, effective learning among students is disrupted. According to Asaolu (2010), disruption arises when academic activities are substantially impeded due to strike action by university employees. Olukunle (2011) in his study discovered that effective learning in schools is disrupted when there is strike or industrial action. Olukunle

(2011) agrees with Asaolu (2010) that effective learning occurs when learners are emotionally and psychologically stable. Therefore, disruption in effective learning may occur when the staff of the university decides to embark on strike action.

2.3 Theoretical Framework

The study will be based on the following theories as closely examined below:

2.3.1 Unitary Theory

The unitary frame of reference is credited to Alan Fox who proposed in 1966. The unitary perspective views the organisation as pointing towards a single or unified authority and loyalty structure. Emphasis under the unitary perspective is placed on common values, interest and objectives. Unitarism in essence implies the absence of factionalism within the enterprise (Fajana, 2000). A core assumption of unitary approach is that management and staff, and all members of the organization share the same objectives, interests and purposes; thus working together, hand-in-hand, towards the shared mutual goals. Furthermore, unitary theory has a paternalistic approach where it demands loyalty of all employees. Trade unions are deemed as unnecessary and conflict is perceived as disruptive. The theory is applicable to study as from the employee point of view the theory means that: Working practices should be flexible. Individuals should be business process improvement oriented, multi-skilled and ready to tackle with efficiency whatever tasks are required. It also means that if a union is recognized, its role is that of a further means of communication between groups of staff and the company. The theory as well emphasizes on good relationships and sound terms and conditions of employment.

According to Rose (2008), under the unitary perspective, trade unions are regarded as an intrusion into the organisation from outside, competing with management for the loyalty of employees. The theory also ensures employee participation in workplace decisions is enabled. This helps in empowering individuals in their roles and emphasizes team work, innovation, creativity, discretion in problem-solving, quality and improvement group's etc. Finally, the theory ensures that employees should feel that the skills and expertise of managers supports their endeavors. The theory is applicable to study as from the employer point of view, unitary theory means that: Staffing policies should try to unify effort, inspire and motivate employees. The organization's wider objectives should be properly communicated and discussed with staff. Reward systems should be so designed as to foster to secure loyalty and commitment. Line managers should take ownership of their team/staffing responsibilities. Staff-management conflicts - from the perspective of the unitary framework - are seen as arising from lack of information, inadequate presentation of management's policies. The personal objectives of every individual employed in the business should be discussed with them and integrated with the organization's needs.

2.3.2 Conflict theory

Conflict theory is synonymous with the pluralist or the pluralistic frame of reference which is also credited to Alan Fox who proposed it in 1966. Conflict theory views the organisation as combination of sectional groups with different values, interests and objectives. Thus, employees have different values and aspirations from those of management, and these values and aspirations are always in conflict with those of management. Conflict theorists argue that conflict is inevitable, rational, functional and normal situation in organizations, which is resolved through compromise and agreement or collective bargaining. Conflict theorists view trade unions as legitimate challenges to managerial rule or prerogatives and emphasize competition and collaboration. This view recognizes trade unions as legitimate representative organizations which enable groups of employees to influence management decisions (Rose, 2008). Rose further states that the pluralist perspective would seem to be much more relevant than the unitary perspective in the analysis of industrial relations in many large unionized organizations and congruent with developments in contemporary society**.** The study applies Conflict theory as it engages managers or state functionaries to be tolerant of unions or labour based political organisations and realizes that from the point of view of the trade unions, legitimacy of their rule is not automatic but rather the management control function should be shared with labour.

3. METHODOLOGY

The study used a descriptive research design because of the nature of the variables that were at hand, to produce data required for quantitative analysis and to allow simultaneous description of views, perceptions and beliefs at any single point in time (White, 2000). The population of the study covers selected staff of FMC, Keffi, which is about 786 as indicated.
The sampling methodology for the survey is simple random sampling. In a simple random sample, every FMC staff has an equal probability of being chosen.

Table 1: Selected Staff Categories

S/N	Staff Categories	Population
1	Admin staff	274
2	Medical Staff	384
3	Accounts/Bursary	128

	Total	**786**

Source: Field survey, 2018

Thus, the sample size was estimated from the Smith (1984) sample size formula given as:

$$n = \frac{N}{3 + Ne^2}$$

Margin error = 5%
Where;

N = population size
3 = is constant
e = is Margin of error (5%)

$$n = \frac{786}{3 + 786(0.05)^2}$$

$$n = \frac{786}{3 + 786(0.0025)}$$

$$n = \frac{786}{4.965}$$

$$n = 158$$

The instrument employed for this study was a structured questionnaire. Copies of the questionnaire were administered by the researcher to the selected FMC staff in Keffi. The questionnaires were closed ended questions and were designed to keep the questionnaire to a reasonable length and this encouraged response and validity in terms of the responsiveness of the return. It also minimizes the risk of misinterpretation unlike the open-ended questions. Lastly, it permitted easier tabulation and interpretation by the researcher. Reliability test was conducted to examine the extent to which the measuring instruments will produce consistent scores when the same groups of individuals are repeatedly measured under the same conditions (Amin, 2015). The study administered one kind of questionnaire to selected staff of FMC and using Cronbach reliability test, Alpha values of 0.7531 (as shown in Table 2) were gotten indicating that the tool was suitable for the analysis.

Table 2: Result of Reliability Test

Variable	Alpha
Economic Strike	0.7125
Sympathy strike	0.7874
Industrial relations	0.7724
Test to scale	**0.7531**

Field Survey, 2018

The data was analysed using the binary logistic regression method. The binary logistic regression was used to establish the relationship that exists between dependent and independent variables. Also, postulated hypotheses were tested using the t-value of binary logistic regression estimation technique. Minitab statistical package was used to present the data in the form of tables.

The model below is specified to tests the two hypotheses as follows:

$$L_{INR} = In\left(\frac{P_i}{1 - P_i}\right) + \beta_0 + \beta_1 EC + \mu_t$$

$$L_{INR} = In\left(\frac{P_i}{1 - P_i}\right) + \beta_0 + \beta_2 SS + \mu_t$$

P_i, the probability of event occurring
(1 - P_i), the probability of event not occurring

Where;
EC = Economic strike
SS = Sympathy strike
INR = Industrial relations
β_0 to β_2= The parameter estimates of economic strike and sympathy strike
μ_t = Error term

The justification for the use of the binary logistic regression estimation method is because, it's simple to compute without errors and it helps to illustrate the directional outcome and strength of the variable. It further shows a precise quantitative measurement of the degree of relationships between dependent and independent variables. As a rule of thumb, the usefulness of regression is further to assess the level, nature, and significance of the relationships among the variables, as well as to test the existence of robustness among the variables.

4. RESULTS AND DISCUSSION

In this section, the formulated null hypothesis for the study was tested. In testing the hypothesis which partly satisfies the objective of this study, the study adopts 5% level of significance and a critical t-value of 1.96. Conclusion would however be taken based on the probability values (PV). If the PV is less than 5% or 0.05 (that is PV < 0.05), it implies that the variable in question is statistically significant at 5% level; otherwise, it is not significant at that level.

Hypothesis One

$H_0$1: Economic strike has no significant effect on industrial relations among FMC staff in Keffi

Table 3: Regression Model Result

Dependent Variable: Industrial relations			
Method: Least Squares			
Variable	**Coefficient**	**t-value**	**Prob.(p)**
Constant	0.87111	0.32176	0.1179
Economic strike	0.12451	2.45460	0.0012
R-squared	0.7415		
Adjusted R-squared	0.6952		
F-statistic	4.25524		
Prob(F-statistic)	0.00124		
Durbin Watson	1.67		

Source: Authors Computation Using Minitab (2018)

Test of Hypotheses One:

The estimates from the regression result in Table 3 revealed that the calculated t-value for the Economic strike is 2.45 and the critical value is 1.96 at 95% confidence level. This implies that t-calculated is greater than t-critical (that is 2.45 > 1.96) or $p<0.05$, that is 0.0012 < 0.05. Since $p<0.05$, we reject the null hypothesis (H01) and accept the alternative hypothesis and conclude that economic strike has a significant effect on industrial relations among FMC staff in Keffi

Hypothesis Two

$H_0$2: Sympathy strike has no significant effect on industrial relations among FMC staff in Keffi

Table 4: Regression Model Result

Dependent Variable: Industrial relations			
Method: Least Squares			
Variable	**Coefficient**	**t-value**	**Prob.(p)**
Constant	1.12792	5.00011	0.7479
Sympathy strike	0.64819	2.21452	0.0121

R-squared	0.64111
Adjusted R-squared	0.51244
F-statistic	7.25411
Prob(F-statistic)	0.00111
Durbin Watson	2.012

Source: Authors Computation Using Minitab (2018)

Test of Hypotheses Two:

From regression result in Table 4, the calculated t-value for the relationship between sympathy strike and industrial relation is 2.21 and the p-value computed is 0.012 at 95% confidence levels. Since the p-value is less than 0.05 used as the level of significance, we reject the null hypothesis (H02) and conclude that there is a significant relationship between sympathy strike and industrial relations among FMC staff in Keffi.

Table 5: Regression Model Result

Dependent Variable: Arbitration **Method:** Least Squares			
Variable	**Coefficient**	**t-value**	**Prob.(p)**
C	2.33991	11.0367	0.0000
Collective bargaining	0.16114	2.55519	0.0113
R-squared	0.62808		
Adjusted R-squared	0.52378		
F-statistic	6.52900		
Prob(F-statistic)	0.01127		
Durbin Watson	1.78		

Source: Authors Computation Using Minitab (2018)

Findings from the study showed that economic strike has a significant effect on industrial relations among FMC staff in Keffi. This agrees with Olusegun Ajayi (2014) who found that strike action by the Academic Staff Union of Universities in Nigeria created conflict between the management of the universities and trade unions and this impacted on the working relationships among the parties. This shows that strike had been causing conflict or rivalry among trade union members in Nigeria because they no longer trusted each other. More so, the study shows that sympathy strike has a significant effect on industrial relations among FMC staff in Keffi. This is inline with Ayeni and Kolawole (2014) who found that there is a direct link between strike and conflict. They discovered that strike action can increase the possibility of conflict in the organisation if there is no proper dialogue between the trade union members and the employer.

5. CONCLUSION AND RECOMMENDATIONS

Workers all over the world desire recognition, better salaries and wages and great improvements in the terms and conditions of work. Workers have formed associations for the purpose of realizing this main objective. By forming associations and bonding together, workers have a more effective basis to realize improvements in working conditions. Both Nigerian Labour law and International law recognize the right of workers to bargain collectively for the protection of the legitimate interests of workers. Indeed, that the ILO has declared its support for collective bargaining as a means through which the protection of the economic and social interests of workers can be achieved.

But strike and strife are indeed ill winds which blow neither the employers nor workers any good. Strikes disrupt not only the business of the employers and cause the workers loss of wages but also invariably disorganises the economy of the state and social order in some cases.

In the view of the researcher, the only way to achieve industrial peace in Nigeria is for the employers to always promptly review, negotiate and implement collective agreements entered with workers concerning improvements in wages and general working conditions. Other specific recommendations are:

i. Governments, business organizations, employers of labour, employees, organizations and all stakeholders in industrial relations should endeavour to embrace collective bargaining as the machinery to resolve strike actions so as to promote industrial harmony, enhance employees' performance, increase productivity and improve the living standards of the generality of the people.

ii. It should be noted that the most important step in the collective bargaining procedure is for the employer or the employers' association to recognise the trade union as a bargaining agent for the employees within the bargaining unit, in relation to terms and conditions of employment.

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Effect of Retirement Problems in Nigeria Public Sector

IGWEBUIKE, Joyce

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State

Abstract

Most state government retirees across the nation and federal government retirees are often faced with lack or inadequate pension funds which in most cases are unable to adequately take care of their daily needs and demands. Thus, retirees are faced with feelings of helplessness, confusion, frustrations amongst others. These situations always induce fear in pre-retiree workers. The paper thus examines the effect of retirement problems in Nigeria public sector (using federal ministry of education, Abuja as a study). The research design adopted for this study is the descriptive design; while structured questionnaire was administered to raise data meant for empirical analysis. Findings from the study showed that there is no significant difference between the perception of FME workforce that encountered psychological/financial challenges and the perception of FME workforce that did not encounter psychological/financial challenges. In addition, there is no significant difference between the perception of FME workforce that accessed the retirement training exercises and the perception of FME workforce that did not accessed the retirement training exercises. The study also showed that there is no significant difference between the perception of FME workforce that experienced lack of accountability, corruption and embezzlement of pension funds and the perception of FME workforce that did not experience lack of accountability, corruption and embezzlement of pension funds. The study thus recommends that Government should put strict measures in place to ensure the proper monitoring and implementation of the provision of the Pension Reform Act of 2004. Pre-retirement enlightenment workshops should be organized for workers who are about to retire. Workers and employers of labour should be properly enlightened on the benefits of the contributory pension scheme. This would further ensure worker confidence towards retirement as well as reduce falsification of age in the civil service.

Keywords: Retirement Plan, Public Sector, Nigeria

1. INTRODUCTION

Retirement is the formal disengagement from an employed job. According to Gbenda (2006), it is the state of being terminated from business, public or business organization and from active service. He maintained that it is the transition from a formal business career or active service to another second career in life or a second range of life development. To Edet, Okon and Arah (2006), retirement is an official and the formal enduring of a work life. They maintained that it is a transition from active involvement in the world of work, to active enjoyment of the world of leisure. Retirement could also be seen as the withdrawal from employment or profession due to social, economic, physical and political reasons to a new task that is less tasking but increases one's prestige and leisure (Ekoja & Tor-Anyiin, 2006). Retirement therefore is different for everyone depending on the type and reason for disengagement. In Nigeria, most retirement exercises are basically classified into three groups namely- voluntary retirement, compulsory retirement and mandatory retirement. Retirement is voluntary/early if it is caused by the individual or the employer and could be due to poor motivations leading to frustrations of the employee. Retirement is said to be compulsory if the employee is said to be forced out from the service of an organization. It is however mandatory where conditions of service in reference to chronological age or service year are fulfilled. No matter the type of retirement one enters into, it seems the workers are never prepared for it. Orhungur (2006) observed that retirees are always loaded with both economic and psychological burdens. Such burdens may affect one's income, relationships, health amongst others. The emotional responses to these burdens depend heavily on the reasons for leaving the work force and how one deal with the changes that occur during transition.

While some individuals are able to cope in retirement, others fail to adjust. Some studies have shown that some Nigerians find it difficult to cope with retirement challenges leading to anxiety gripping the pre-retirement workers. Anxiety has been defined by Raymond (1999) as a pervasive and unpleasant feeling of tension, apprehension and feeling of impending disaster, He maintained that anxiety can exist in various forms including anxiety disorder, anxiety disturbance, anxiety equivalent, anxiety neurosis and anxiety tolerance. While anxiety disorder entails a group of disorders in which unpleasant feelings of stress, uneasiness, tension, and horror is experienced in confronting a dreaded object or situation, or in resisting obsessions or compulsions; anxiety disturbance is a condition marked by a high level of apprehension and tension, with extreme sensitivity, self-consciousness and morbid fears as in the case of pre-retirement anxiety. Most state government retirees across the nation and federal government retirees are often faced with lack or inadequate pension funds which in most cases are unable to adequately take care of their daily needs and demands. Thus retirees are faced with feelings of helplessness, confusion, frustrations amongst others. These situations always induce fear in pre-retiree workers.

Retirement is different for everyone. The emotional responses depend heavily on the reasons for leaving the workforce and on how one deal with the changes that occur during this transition. Planning one retirement can make for a smooth transition. Make plans for your financial future, but also make plans for your lifestyle, relationship, family, hobbies and part-time or volunteer work. Most people take time to adjust to retirement. A job provides not just money but lifestyle, self-image, purpose and friendships. For those who have turned an interest, hobby or passion into a career, a job is a means of personal fulfillment and creative expression. Responses to retirement for each person, and depend a lot on the reasons for leaving the workforce. For example, a person who carefully planned for their retirement is more likely to feel positive about it, while a person who is forced into early retirement due to redundancy or illness may find it harder to cope with the transition. It is against this background that this study seeks to identify the retirement problems in Nigeria public sector with reference to federal ministry of education, Abuja. This research work made provision for the following research questions which were formulated in-line with the variables of interest. These research questions shall be measured later with descriptive statistical tools named; mean, frequency and percentage.

i. At what percentage do federal ministry of education workforce encountered pre-retirement psychological/financial challenges?
ii. At what percentage do federal ministry of education workforce accessed the retirement training exercises?
iii. At what percentage do federal ministry of education workforce encountered challenges of cumbersome retirement clearance procedures?
iv. At what percentage do federal ministry of education workforce experienced lack of accountability, corruption and embezzlement of pension funds?

In pursuance of the purpose of this study, the following null hypotheses were formulated in-line with the research variables of interest. These research hypotheses were measured later with inferential statistical tool named t-test at 0.05 confident level:

HO$_1$: There is no significant difference between the perception of FME workforce that encountered psychological/financial challenges and the perception of FME workforce that did not encounter psychological/financial challenges.

HO$_2$: There is no significant difference between the perception of FME workforce that accessed the retirement training exercises and the perception of FME workforce that did not accessed the retirement training exercises.

HO$_3$: There is no significant difference between the perception of FME workforce that encountered challenges of cumbersome retirement clearance procedures and the perception of FME workforce that did not encounter challenges of cumbersome retirement clearance procedures.

HO$_4$: There is no significant difference between the perception of FME workforce that experienced lack of accountability, corruption and embezzlement of pension funds and the perception of FME workforce that did not experience lack of accountability, corruption and embezzlement of pension funds.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Retirement

Retirement is an age long practice in both the private and public service (Osuala, 2005). He stressed that it is a major stage in adult development and it essentially marks the split from middle years to old age. He further noted that at 65 years of age, our mental and physical exuberance dwindles; it however becomes rationale to relieve the person of some strenuous and excruciating duties that may weigh him down and consequently threaten his health. This, therefore, results to the retirement age of 65 in developed and economically buoyant countries. But in Nigeria, due to economic crunch and high rate of unemployment, the minimum legal age for mandatory retirement was put at 55 until recently when the Federal Government of Nigeria pegged it to 60 years. Retirement as defined by Atchley (1977) is the act of retiring or the state of being retired.

That is to withdraw oneself from business public life or and to remove from active service. Thus, the process of retirement involves the transition of people's experience, when they move from a job role performed for pay to the role of retired person. The role of a counsellor is not complete until an individual is able to realize himself and the realities of the world around him and also maximize his potentials in order to cope with life demands. Counseling for the retirees is becoming very necessary in view of the various problems they are facing.

Bukoye (2005) in her study suggested that the Federal Government should establish retirement bureau in each state to address problems of retirees and to assist them from wasting away. A close observation of many retirees in the Nigerian society and the problems they are facing draw the attention of all and sundry. These problems seem to range from sudden loss of life, loss of the usual monthly salary, anxiety about a residential home, lack of occupation, dwindling status, decreased strength and deteriorated health condition, physical disabilities and aging. Harris and Cole (2000) noted that retirement may be a ceremony between one career and another; it may represent the opportunity to start one's real life work or to draw two pay checks. In addition, they further explained that second and even third careers are becoming more common among men and women whose first career is motherhood. They viewed retirement from a chosen career to active participation in other careers. This view point presents an interesting side of retirement. In Nigeria society today, the researcher observed that some retirees have been engaging in other activities after retirement, some have been actively engaged in politics, some in industries/private establishment while some are giving academic leadership in various Institutions particularly tertiary Institutions. However, according to Bolarin (2008) retirement to some people is like a bitter pill and could be viewed from different perspectives. Omoresemi (2007) stated that retirement is a real transition, transition in the sense that it is the passage from one place, stage of development to another. He was also of the opinion that the transition could mean passage from the former business career of active services to another, a second stage of life development. This submission has relationship with the postulation of Harris and Cole (2000). Manion (2006) defined retirement as the First life step that convincingly defines a person as old. It is a withdrawal from customary activity in business industry or service. In the work of Ogunbameru (2007) retirement had indeed been considered a crisis situation for most retired public servants in Nigeria. His view was contrary to that of Manion (2006) which admitted that retirement is withdrawal from customary activity in business or industry or service.

Ogunbameru (2007) showed that retirement is more than withdrawal, rather, it is a major crisis especially in Nigeria because there is an absence of pre-retirement counselling given by employers to employees, which would generate changes that normally facilitate the transition from work to retirement may be perceived as resulting into loss of status especially, if the retiree is a bread winner. His view corroborated the findings of Anyah (2000) who stated that teachers in Ghana feared to and were refusing to go on retirement because of boredom and loss of sense of self worth and security that they observed about retirement. There were situations where pensioners were owed huge amount of money as monthly pension arrears. When little out of the monthly pensions are paid, the pensioner usually face serious administrative bottleneck to the extent that some die on the queue in a bid to collect what actually belong to them. The above stated submission calls for adjustment among the retired Public Servants. The irregular payment of pension often leaves them at the mercy of their children and these children may not even have enough to take care of themselves let alone their aged parents. Already a great number are languishing in the rural and urban communities for failure to plan for their retirement and more are being disengaged yearly into this training of retirement.

2.2 Empirical Review

Knowing that change is the only constant thing in life, preparing for this change, usually has many sides to it. Whether it is willingly accepted or not, the actuality is that life after retirement is usually a "bend" or "break" experience. Once one is aware of the up and coming challenges, and prepares oneself for it sufficiently, it can be an extremely rewarding period of life. The individual going into retirement is entering a new phase of life, which like every phase of life will have its own peculiar problems. The retiree is faced with anxiety producing events. The anxiety revolves around the fact that loss of work will cause serious problems of adjustment and maintenance. The anxieties of retirees could be categorized as: psychological, social, and economic in nature. These include sudden loss of income, anxiety about residential home, lack of occupation, dwindling status, decreased strength and deteriorating health condition including physical disability largely due to accelerated ageing. This situation becomes pathetic when retired workers cannot perform their financial obligations to their families and consequently begin to suffer from gradual loss of respect which they had hitherto enjoyed (Alan, 2005). Thus, in other not to fall into these retirement anxieties some the workforce embank on falsification of their service age in other to gain more service years while some the workforce embank on corrupt practices etc.

According to Nweke (2009), retirement is one thing every salaried worker tends to avoid. He warned that it is risky to retire without adequate arrangement on how to spend one's retirement. In order to check the trauma of retirement and its attendant discomfort, some societies develop an employee assistance programme and policies which are later incorporated into career development of the retirees. The program is usually aimed at assisting employees to cope with the problems and challenges that interfere with their productive ability on the job and personal happiness (Gordon, Monday, and Premeaux, 1990)

Asuquo & Maliki (2007) on their part, view pre-retirement planning as a process that involves the articulation of past, present, and future, a review of the past and current outcomes regarding gainfully engaging the retirees after disengagement from active service. They further added that the planning process requires a complex intellectual knowledge to identify areas for action and to successfully mediate and contain the adverse effects of retirement. According to these authors, emphasis must be placed on the changing values, habits, lifestyle, daily routine, self concept, use of time, living arrangement, among others.

2.3 Theoretical Framework

2.3.1 Psychological Approaches on Aging

Many psychologists focus on decline and deficit in aging. A great deal of attention in this area has focused on memory and the ways in which people forget more when they get old. While evidence has emerged showing that memory deficits can be a problem in old age, some work has also demonstrated that certain elements of memory are largely spared. Short-term memory appears to be more of a concern than long-term memory. So, for instance, as we get older we may have a harder time remembering a 11-digit phone number for long enough to find a pen and write it down. However, we are just as likely to be able to remember the state capital of Kaduna. A second area of decline is that suggested by disengagement theory. The theory was formulated by Cumming and Henry in 1961 in the book titled "Growing Old". This theory suggested that older adults disengage from society and their social networks as they approach death. This increasing isolation in older adults was suggested to be functional for older people and those around them (particularly in terms of decreasing stress and bereavement associated with death). This theory has been largely discredited. However, a more recent theory makes somewhat similar predictions and has received more support.

2.3.2 Socio-emotional selectivity Theory

The Socio-emotional selectivity theory predicts that older individuals are more focused on the "here and now," and hence will focus on the relationships that provide them with the most significant rewards, while reducing their investment in more peripheral relationships. The social selectivity theory argues that people generally identify with groups that they perceive positively (Ashforth, 2001). As a result, workers who view retirees positively are more motivated to join the group. Desmette and Gaillard (2008) uncovered that older worker possessing self-portrayed older worker identity had the predisposition to identify with the retirees and displayed desire to retire earlier. This theory has received support, with evidence that older adults focus their energies on family, for instance, and are less concerned with collecting large numbers of casual acquaintances than younger people (Carstensen, 2002). Hence, while older adults' networks of social relationships do get smaller, it is incorrect to view this as a decline of any kind. Rather, it reflects focusing and shifting emphasis.

2.3.3 Continuity Theory

This is a theory of aging that downplays the changes associated with aging, and instead focuses on what doesn't change. The continuity theory of aging by Robert Atchley (1971) maintains that older people attempt to preserve consistent life pattern before and after retirement in order to mitigate unwelcome disruption. As such, one way for retirees to achieve continuity is to keep on working (Kim & Feldman, 2000). Anchored in the continuity theory, Gobeski and Beehr (2009) uncovered that three work-related factors, namely job-related strain, job-related skills and intrinsic job characteristics, predicted career bridge employment of retirees. Research emerging from this theory has consistently uncovered patterns of stability in old age. Our personalities, our preferences and tastes, the activities we enjoy and those we don't enjoy all remain relatively stable and predictable in old age. Continuity theory is a useful theoretical framework for those who are terrified of aging. In spite of the notion that everything is going to fall apart at age 65, in fact, things are going to remain much the same. Activity theory is a psychosocial theory designed to explain successful aging. The theory was developed by Robert, J.Havighurst in 1961. This theory suggests that those who maintain high levels of activity will be more successful in aging. Extensive support for this theory emerges in studies of older adults who maintain hobbies, develop new ones, and remain socially active. These older people are happier, healthier, and live longer than those who do not maintain their activity level.

3. METHODOLOGY

The research designed used in this project work is the survey design. Survey research design was conducted by selecting and studying chosen from the population to discover the relative incidence, distribution, and interrelation of sociology and psychological variables (Osuala, 2005). Survey research design was chosen for this study because, it is concerned with conditions or relationships that exists, opinions that happens, processes that are going on, effect that are more evident based or trends that are developing. Survey research is not concerned with characteristic of individuals as individuals. Survey research permitted the researcher to convert collected data from respondents into numerical indices using rating scales such as; yes or no, frequency and percentage as well as employ t-test statistical analysis techniques to generalize the findings from a sample of the respondents to a population.

Two different set of questionnaire were used to collect research data. One set of research questionnaire was designed to addresses research question; outcome of the responses from this research questionnaire was placed on descriptive statistics (frequencies and percentage parameter) in order to describe the stated research questions one to four, one after the other. Appendix A reflects pro-format of the said research questionnaire. Second set of research questionnaire of the said research questionnaire was designed to addresses research hypothesis; outcome of the responses from the research questionnaire was placed on descriptive statistical tools called t-test in order to take decision on the stated research hypothesis one to four, one after the other. Appendix B reflects pro-format of the said research questionnaire. Population is any groups of individuals that have one or more characteristics in common which are of interest to the researcher (Kahn and Best 2005). All available retirees and staff within federal ministry of education, Abuja was taken as universal population for this research works. Out of the total population of all available retirees and staff within federal ministry of education, Abuja upon which this study is based, two hundred samples are expected to be used for the investigation. The reasons are for more efficient, time / financial cost-effective and easy data collection with analysis techniques (Data management). Staff attendance register serial number was used as a code for each staff, one inch square ballot papers were prepared to cover each and every staff serial number. Then, the serial numbers were written on the prepared ballot papers one after the other, thereafter the ballot papers were squeezed and kept inside one plastic container in respect of staff. Two secondary school students were called to pick the ballot papers one after the other without replacement. This random sampling brings unbiased selection of two hundred staff. Thus, investigation was carried out through these samples.

The designed questionnaire consists of twenty question items. These twenty question items were carefully sub-divided into four groups. Each set of questionnaires question items in each groups, consists of two question-items, thus each of these groups of question-items was used to treat respondent variables such as; psychological/financial challenges; workforce accessed the retirement training exercises; challenges of cumbersome clearance procedures and lack of accountability, corruption and embezzlement of pension funds. The researcher collected responses via (questionnaire) and converted these responses into numerical indices using yes or no scale rating, base on the rating scale / scores on the questionnaire collected from the respondents, researcher employed statistical tolls, frequency, percentage and t-test at 0.05 alpha level in other to analyses the data collected from the questionnaire. Hypotheses one to four were tested using t-test analysis at 0.05 alpha levels, while research questions one to four were described using frequency and percentage parameters.

$$t = \frac{\overline{x_1} - \overline{x_2}}{\sqrt{\frac{S_1{}^2}{N_1} + \frac{S_2{}^2}{N_2}}}$$

4. RESULTS AND DISCUSSION

The three hypotheses formulated in this study were tested using the t-statistics. The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV). If the PV is less than 5% or 0.05 (that is, if PV < 0.05), it implies that the regressor in question is statistically significant at 5% level; otherwise, it is not significant at that level.

Results of research hypothesis 1:

Table 1

SUMMARY TABLE OF THE PAIRED RESPODENTS PERCEPTIONS					
Variables Observed	**SA**	**A**	**UD**	D	**SD**
Workforce that encountered psychological/financial challenges (**X_1**).	410	204	36	18	6
Workforce that did not encountered psychological/financial challenges **(X_2).**	13	16	6.6	30	17

Source: Authors Computation, 2018

Groups	**Sample size (N)**	**Mean (X)**	**Standard Deviation (S)**	**Degree of freedom (df)**	**t-test calculated**	**t-test table**	**Level of significance**	**Remark**
X_1	160	4.2	36	198	0.23	1.64	0.05	HO_1 accepted
X_2	40	2.1	6					

Source: Authors Computation, 2018

The t-test analysis tool was applied to analyze the first formulated 'workforce psychological/financial challenges' variables in order to accept or reject formulated research hypothesis one. At the end, t-test calculated value was 0.23 while the t-test observed (t-test table) value was 1.64 with degree of freedom 198 and calculated at 0.05 levels of significance (alpha). The t-test table value obtained was greater than the t-test calculated value; hence the null hypothesis one was accepted. This implies that there is no significant difference between the perception of workforce that encountered psychological/financial challenges and the perception of workforce that did not encounter psychological/financial challenges.

Research Hypothesis 2: There is no significant difference between the perception of FME workforce that accessed the retirement training exercises and the perception of FME workforce that did not accessed the retirement training exercises. T-test was used to analyze the researcher hypothesis two. The result of t-test is presented below:

Table 2

SUMMARY TABLE OF THE PAIRED RESPODENTS PERCEPTIONS					
Variables Observed	**SA**	**A**	**UD**	D	**SD**
Workforce that experienced accumulated arrears of pension benefits **(X_1).**	400	136	54	22.4	8.8
Workforce that did not experience accumulated arrears of pension benefits **(X_2).**	20	19.2	18	22.4	34

Source: Authors Computation, 2018

Groups	Sample size (N)	Mean (X)	Standard Deviation (S)	Degree of freedom (df)	t-test calculated	t-test table	Level of significance	Remark
X_1	140	4.4	36	198	0.78	1.64	0.05	HO_1 accepted
X_2	60	1.9	6					

Source: Authors Computation, 2018

Results of research hypothesis 2: The t-test analysis tool was applied to analyze the second formulated 'workforce that accessed the retirement training exercises' variables in order to accept or reject formulated research hypothesis two. At the end, t-test calculated value was 0.78 while the t-test observed (t-test-table) value was 1.64 with degree of freedom 198 and calculated at 0.05 levels of significance (alpha). The t-test table value obtained was greater than the t-test calculated value; hence the null hypothesis two was accepted. This implies that there is no significant difference between the perception of FME workforce that accessed the retirement training exercises and the perception of FME workforce that did not accessed the retirement training exercises.

Research Hypothesis 3: There is no significant difference between the perception of FME workforce that encountered challenges of cumbersome retirement clearance procedures and the perception of FME workforce that did not encounter challenges of cumbersome retirement clearance procedures. T-test was applied on the research hypothesis three; the result of t-test performed on research hypothesis three was obtained from data summary appendix 2CC.

Table 3a

SUMMARY TABLE OF THE PAIRED RESPODENTS PERCEPTIONS					
Variables Observed	**SA**	**A**	**UD**	D	**SD**
Workforce that encountered challenges of cumbersome clearance procedures **(X_1).**	510	168	30	28	12
Workforce that did not encounter challenges of cumbersome clearance procedures **(X_2).**	6	4.8	3.6	8	12.4

Source: Authors Computation, 2018

T-test formulae is hereby stated and applied as follow;

Groups	Sample size (N)	Mean (X)	Standard Deviation (S)	Degree of freedom (df)	t-test calculated	t-test table	Level of significance	Remark

X_1	180	4.2	40	198	0.81	1.64	0.05	HO_1 accepted
X_2	20	1.7	3					

Source: Authors Computation, 2018

Results of research hypothesis 3: The t-test analysis tool was applied to analyze the second formulated 'workforce challenges of cumbersome clearance procedures' variables in order to accept or reject formulated research hypothesis three. At the end, t-test calculated value was 0.81 while the t-test observed (t-test-table) value was 1.64 with degree of freedom 198 and calculated at 0.05 levels of significance (alpha). The t-test table value obtained was greater than the t-test calculated value; hence the null hypothesis three was accepted. This implies that there are no significant differences between the perception of FME workforce that encountered challenges of cumbersome retirement clearance procedures and the perception of FME workforce that did not encounter challenges of cumbersome retirement clearance procedures.

Research Hypothesis 4: There is no significant difference between the perception of FME workforce that experienced lack of accountability, corruption and embezzlement of pension funds and the perception of FME workforce that did not experience lack of accountability, corruption and embezzlement of pension funds. T-test was applied on the researcher hypothesis four: The results of t-test performed on research hypothesis four was obtained from data summary appendix 2DD.

Table 4

SUMMARY TABLE OF THE PAIRED RESPODENTS PERCEPTIONS					
Variables Observed	**SA**	**A**	**UD**	D	**SD**
Workforce that experienced lack of accountability, corruption and embezzlement of pension **(X_1).**	470	168	30	28	12
Workforce that did not experience lack of accountability, corruption and embezzlement of pension **(X_2).**	6	4.8	3.6	12	18.4

Groups	**Sample size (N)**	**Mean (X)**	**Standard Deviation (S)**	**Degree of freedom (df)**	**t-test calculated**	**t-test table**	**Level of significance**	**Remark**
X_1	172	4.1	38	198	0.83	1.64	0.05	HO_1 accepted
X_2	28	1.6	4					

Results of research hypothesis 4: The t-test analysis tool was applied to analyze the fourth formulated 'lack of accountability, corruption and embezzlement of pension' variables in order to accept or reject formulated research hypothesis four. At the end, t-test calculated value was 0.83 while the t-test observed (t-test-table) value was 1.64 with degree of freedom 198 and calculated at 0.05 levels of significance (alpha). The t-test table value obtained was greater than the t-test calculated value; hence the null hypothesis two was accepted. This implies that there is no significant difference between the perception of FME workforce that experienced lack of accountability, corruption and embezzlement of pension funds and the perception of FME workforce that did not experience lack of accountability, corruption and embezzlement of pension funds.

5. CONCLUSION AND RECOMMENDATION

This research study implies that there are retirement problems in Nigeria public sector because the research study that was carried out in federal ministry of education, Abuja revealed that workforce of federal ministry of education encountered psychological/financial challenges; challenges of accessing the retirement training exercises; challenges of cumbersome clearance procedures and lack of accountability, corruption and embezzlement of pension funds. On the strength of this study finding, the following recommendations were made:

i. Government should put strict measures in place to ensure the proper monitoring and implementation of the provision of the Pension Reform Act of 2004. Pre-retirement enlightenment workshops should be organized for workers who are about to retire.
ii. Workers and employers of labour should be properly enlightened on the benefits of the contributory pension scheme. This would further ensure worker confidence towards retirement as well as reduce falsification of age in the civil service.
iii. Pre-retirement training was grossly ignored. Moreover, gratuities paid to the retirees can serve as the needed seed money for entrepreneurial endeavours. Indeed, effort should be made towards conscious propensity to retiree involvement in entrepreneurship. The retiree and the economy would be better for it. This can be achieved by a deliberate policy through adequate evaluation of the retirement planning process.

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Impact of Entrepreneurship Education on Job Creation Ability of Bingham University Students

EZE, Felicia

Entrepreneurship Development Centre
Bingham University, Karu,
Nasarawa State
E-Mail: felijbong@gmail.com, Phone Number: +2348176945457

&

AROGE, Peter A.

Entrepreneurship Development Centre
Bingham University, Karu,
Nasarawa State
Phone Number: +2348034833847

Abstract

Education without emphasis on entrepreneurship development has led to more graduates in Nigeria seeking for non-existence job which worsen the problem of unemployment. This study examined the impact of entrepreneurship education on job creation among Bingham University students. Three hypotheses were formulated for this study (to assess the effect of entrepreneurship educational curriculum; skills; and pedagogy on job creation); and Survey research method design was employed. Using Taro Yamene formula, 234 final year students of Bingham University drawn from the three Faculties (Science and Technology, Humanities, Social and Management Sciences, and College of Health Sciences) were used as sample size. Data obtained for analyses was through self-administered questionnaires; and were analysed using descriptive statistics and multiple regressions in testing the three hypotheses. Pearson Correlation Coefficient was used to test the correlation between variables. The correlation coefficient results showed that none of the variables are strongly correlated, which indicates that the problem of multicollinearity is unlikely. Hence the variables are suitable for conducting regression analysis. The major findings revealed that entrepreneurship educational curriculum has low and insignificant effect on job creation, while entrepreneurship skills and pedagogy have significant effect on job creation among Bingham University students. Based on the findings, it was recommended that Entrepreneurship educational curriculum be reviewed from time to time to accommodate some changes in business environment such as changes in technologies, demographic factors of customers, new products and services, etc.; and more practical skills should be taught as the business world is dynamic and need constant change. Also, both traditional and modern pedagogy should be used in entrepreneurship education as both methods are effective.

Keywords: Ability, Entrepreneurship Education, Job Creation

1. INTRODUCTION

It is widely believed that entrepreneurship is the engine for poverty reduction, self-dependence, and economic empowerment. Entrepreneurship skills enhance the capability to lead new venture creation, creative mind, self-dependent and economic development of any nation (Oyewum & Adeniyi, 2013). Entrepreneurship education teaches students and youths how to start and run their own businesses, play the stock market roles and balance personal life (Nafukho, 2005). To Sidek (2006), Entrepreneurship has a lot of benefits that can change human life, hence it is important to all. Most developing countries (especially in Africa), are confronted by the problem of high level of unemployment among youths and abject poverty. To Garba, Kabir and Nalado (2014), the level of unemployment in Nigeria is ever increasing since 1980. In 2012, unemployment rate was 23.4%, which is a source of concern for the government and policy makers on how to stop the trend and its adverse impacts on the country. Over the years, it has been observed that the number of students graduating from tertiary institutions is rapidly increasing.

Education is a process of teaching, training and learning, especially in schools or colleges, to improve knowledge and develop skills. Education teaches students how to live a life of developing mind that equip him to deal with reality of life. National Policy on Education (2004) states that the acquisition of appropriate skills and the development of mental, physical and social abilities and competences as equipment for the individual to live in and contribute to the development of the society. On this note therefore, education should not just stop at theoretical or conceptual level but also extend to the acquisition of different types of skills that will help the individual to contribute immensely, his/her quota to the development of the society.

Over time, several reforms have taken place in the Nigerian education system, due to its direction at graduating students for employment without considering the demands of the labour market. Nigeria society, at a stage was faced with a high rate of unemployment because of failure of graduates to possess sound knowledge of entrepreneurial education. On this note, in 2006, the federal government of Nigeria made it compulsory for every tertiary institution in the country to establish centre for entrepreneurship study. It was further directed that entrepreneurship study be taught in all institutions of higher learning irrespective of the course of study. By so doing, the government believed that entrepreneurship education in tertiary education would lead to acquisition of skills that would enable its graduates to be self-employed, thereby reducing unemployment. Education without emphasis on entrepreneurship development has led to more graduates seeking jobs that do not exist which worsened the problem of unemployment in Nigeria. Therefore, the researcher aims to find out the impact of entrepreneurship education on job creation ability of Bingham University students. This study will specifically address the following questions:

(i) To what extent does entrepreneurship educational curriculum affect job creation ability of Bingham University students?
(ii) How has the entrepreneurship skills affect job creation ability among Bingham University students?
(iii) To what extent has the entrepreneurship education pedagogy affect job creation ability among the students?

The aim of this study is to examine the impact of entrepreneurship education on job creation ability among Bingham University student. The specific objectives are to:

(i) Assess the effect of entrepreneurship educational curriculum on job creation ability of Bingham University students;
(ii) Examine the effect of entrepreneurship skills on job creation ability among Bingham University students; and
(iii) Evaluate the extent to which entrepreneurship pedagogy affect job creation ability among Bingham University.

This study will examine the following hypotheses:

Ho_1: Entrepreneurship educational curriculum has no significant effect on job creation ability of Bingham University students.
Ho_2: Entrepreneurship skills have no significant effect on job creation ability among Bingham University students.
Ho_3: Entrepreneurship pedagogy has no significant effect on job creation ability among Bingham University students.

This study is significant in the sense that, the findings will help education policy makers in building the right curriculum for University entrepreneurship education.
This study will specifically also guide the management of Bingham University on employing the right lecturers for entrepreneurship education, acquiring the needed facilities to support the programme and also creating conducive environment for students to think entrepreneurial. The study will equally help the government and other policy makers on how best to tackle the challenges confronting entrepreneurship education in Nigeria universities and the general educational system in Nigeria. It will contribute to the pool of knowledge on entrepreneurship education as well as a reference material for students and teachers of entrepreneurship studies, management, human resource and others who will like to make further research on the same topic. This study is on the impact of entrepreneurship education on the ability of Bingham University students to create job. The study was limited to the final year students of Bingham University, Karu in Nasarawa State, Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Entrepreneurship

Like many other disciplines, entrepreneurship has no universal definition. Many authors and individuals have defined it in different ways. According to Singal (2011), entrepreneurship is the process that involves all actions an entrepreneur undertakes to establish an enterprise in order to give reality to his ideas. It can be described as a creative and innovative response to environment. To Bob Reiss (2000), entrepreneurship is the recognition and pursuit of opportunity without regard to one's current control resources, with confidence and assurance of success, and with the flexibility to change as necessity and the will to rebound from setback.

Tende (2011) opined that entrepreneurship is simply concerned with what an entrepreneur actually does, the utilization of resources in managing an enterprise and assuming the risks and maximizing profit from the business venture. According to him, it is a very dynamic process of creating incremental wealth for the wellbeing of both the entrepreneur and individuals in society. To Emmanuel (2013), Entrepreneurship is concerned with the identification of existing gaps or business opportunities in someone's environment and gathering together all the necessary resources in an innovative and creative way to fill these gaps, with the risks involved to make personal rewards which may or may not be for profit motives.

2.1.2 Entrepreneurship Education

According to National Policy on Education (2012), Education is an instrument for national development; to this end, the formulation of ideas, their integration for national development and the interaction of persons and ideas are all aspects of education. The goals of tertiary education, as enshrined in National Policy on Education (2012) shall be to:

(a) Contribute to national development through high level relevant manpower training;
(b) Develop and inculcate proper values for the survival of the individual and society;
(c) Develop the intellectual capability of individuals to understand and appreciate their local and external environments;
(d) Acquire both physical and intellectual skills which will enable individuals to be self-reliant and useful members of the society;
(e) Promote and encourage scholarship and community service;
(f) Forge and cement national unity; and
(g) Promote national and international understanding and interaction.

2.1.3 Entrepreneurship Education Curriculum

Curriculum content is very important because effective education lies on quality curriculum. According to Kuratko (2009), Curriculum is the instructional and educative programme through which the pupils achieve their goals and aspiration of life. To Adesanya (2017), teaching entrepreneurship education with the right curriculum content is very crucial to develop entrepreneurship trait and skills. According to Kerr (1968), curriculum is defined as all the learning or experiences, planned and guided by the school which may be carried out in groups or individually in or outside the school. To Hunkins (2004), the success of a new curriculum depends largely on how well those who have planned its development and implementation have perceived the needs of the students.

2.1.4 Entrepreneurship Education Pedagogy (Teaching Method)

According to Adesanya (2017), pedagogy in entrepreneurship education is a study of the various styles and methods by which lecturers teach students entrepreneurship. It involves different approaches that require models that are used in communicating and teaching entrepreneurship in universities. There are many methods of teaching available for transfer of knowledge. This depends mostly on age, class/level, nature of task, number of learners and curriculum materials available. However, in teaching entrepreneurship, it is not every teaching method that can bring about effective learning. When the best varieties of pedagogies are used in teaching entrepreneurship education, students are likely to acquire a very high level of entrepreneurial skills. Some of these pedagogies include: Lecture method; Demonstration method; Field trip; Discussion method; Case study; Internship; Mentor and mentee interaction; Business plan competition; and Students' entrepreneurship conference.

2.1.5 Entrepreneurial Skills

Entrepreneurial skills are those skills required by an entrepreneur to remain creative, innovative, generate new and viable ideas and be adequately competitive to survive in business environment. According to (Adetayo et al., 2015), these skills can be classified into three main areas: Technical skills, Business management and Personal entrepreneurial skills.

a) **Technical skills:** This skill has to do with things like writing, oral presentation, listening, coaching, organizing, good team player and technical know-how. Technical skills also include those necessary skills for production of business products and services.
b) **Business management:** Business management skill involves ability to start, development and manage a business enterprise. It has to do with ability to effectively handle the day-to-day management of the business.
c) **Personal entrepreneurial skills:** This skill put a different between a manager and an entrepreneur. Such skills include discipline, risk taking, innovative, change-oriented, persistent, accountability, emotional skill, creative skill, etc.

2.2 Empirical Review

This session review extant literature on impact of entrepreneurship education on job creation. Agbonlahor (2016) explored the challenges of entrepreneurial education in Nigerian universities. The study adopted a review methodology approach of extant literatures and publications in the last decade. The theoretical underpinning of the methodology is based on structural functionalism in order to achieve a holistic system diagnosis. The internal challenges that bother on funding, relevance and harmonization of curricula were found to be more invasive than the external policy-related challenges. Similarly, Olorumolu and Agbede (2012) examined how quality entrepreneurship education could help in job creation in Nigeria. Challenges of quality entrepreneurship education were also discussed. The study emphasized on the level of quality of the training and purposeful development of education which is the progress of a nation. For citizens to be gainfully employed, government educational policies should be geared towards a functional education, which lead to job creation and self-reliance. Finally, suggestions on how to overcome the challenges of quality entrepreneurship education were proffered, so as to enhance job creation and reduce unemployment in Nigeria. These suggestions are: urgent need for Universities to review and align Entrepreneurial Education curricula by linking to real-world business challenges; Universities should identify and partner with businesses to strengthen the practical component of the training; and Government direct assistant to facilitate and enable students and graduates startup viable business venture.

Adesanya (2017) examined the effect of entrepreneurship education outcomes on entrepreneurship behavior among postgraduate students of Covenant University, Ota. Data were collected from 302 postgraduate students using questionnaire, and descriptive research design was used for the analysis of data. The results indicated a positive effect of entrepreneurship education outcome on entrepreneurial behavior. Based on the findings, it was recommended that more universities should include entrepreneurship courses in their curriculum and also ensure that all students, irrespective of their academic specialization, study entrepreneurship. However, data in this study was limited to only post graduate students of Covenant University, the findings therefore may not be generalized to other universities.

Obianuju Hope and Iyekekpohor (2016) investigated the influence of entrepreneurial skill acquisition on job creation in Benin City Metropolis, Nigeria. Obtaining data with both primary and secondary sources, Pearson's Product Moment Correlation was used to analyse the data. According to the study, it was revealed that acquisition of entrepreneurial skills is an indispensible means of making jobs available in Benin City, Nigeria. From the findings, it was revealed that as entrepreneurial skill increases, job creation also increases. This means that when there is entrepreneurship skill acquisition, jobs are created. According to the researchers, primary data was obtained from unemployed and underemployed, if entrepreneurial skills actually increase job creation, why are they remaining unemployed? In the same vein, Baba (2013) assessed the challenges of entrepreneurship development in Nigeria and way forward. He was of the opinion that without technological skills, entrepreneurial spirit that drives economic development through job creation will be lacking. Therefore, government should provide required infrastructures for skills acquisition of its citizens. The study concluded that the youths should, as a matter of urgency, change their mindset on white collar job and embrace self-employment as entrepreneurship is crucial for sustained economic growth.

Adebayo (2016) investigated career choice and graduate employability: the mediating roles of entrepreneurship and vocational training. A survey of 200 final year students was randomly selected across three institutions in Kwara State. Using pearson correlation and regression tools, the result showed a significant correlation between graduate employability and career choice and same holds for vocational training and employability. It was concluded that career choice, entrepreneurship consciousness, and various vocational training programmes such that develop individual creative skills and specific technical know-how have a major impact on graduate employability. Ogundele, Akingbade and Akinlabi (2012) examined the impact of entrepreneurship training and education on poverty alleviation in Lagos State. Five local government areas in Lagos State were selected for a survey of 250 entrepreneurs and apprenticeships. A simple regression analysis was used to test the relationship between the entrepreneurship training and education and poverty alleviation. It was revealed that youth empowerment is influenced by their acquired technical skill and entrepreneurial training and education are significantly related to the youth empowerment and social welfare services.

Fatoki (2014) examined teaching methods for entrepreneurship at a South African University with the objective of identifying the traditional and non-traditional pedagogies used in teaching entrepreneurship in South Africa University. Using final year undergraduate and post-graduate students in the Department of Business Administration of selected Universities in Limpopo Province of South Africa, data was collected through primary source. Descriptive statistics was used for data analysis. The result indicated that students are mainly exposed to the traditional teaching methods which are not very effective impact entrepreneurial spirit in students, thereby making them passive learners. However, the study was conducted in only one University, as such, the result cannot be generalized.

Job creation is the process of providing new jobs, especially for people who are unemployed. Job creation means to be able to start your own business or add value to an existing product and be employable due to entrepreneurial skill acquired. It can also be referred to as youth empowerment. The contribution of entrepreneurship to job creation and growth cannot be over-emphasized. It is estimated that in the last decade, new firms generated between 1 and 6 percent of employment in Organisation for Economic Cooperation and Development (OECD) countries. Job is created when entrepreneurs establish firms and need people with suitable and needed skills to apply to fill the existing vacancies. Therefore, entrepreneurs create job opportunities through entrepreneurial development. Oyewumi and Adeniyi (2013) assessed attitude to and knowledge of entrepreneurship among students with hearing impairment in Nigeria. 125 students with hearing impairment were purposively selected from Ijokodo High School and Methodist Grammar School in Ibadan. Descriptive statistics and chi-square were used to analysed the data. Findings revealed that greater percentage of the respondents preferred to be self-employed than working for government.

2.3 Theoretical Framework

There are many theories of entrepreneurship. However, this study is based on Management school of thought because of its relevance to the study. The Management School of thought sees entrepreneurship as a discipline that can be learnt or taught. This school of thought as propounded by Peter Ferdinand Drucker (1985), believes that entrepreneurs cannot only be born but can be made (taught). The focus of management skills school of thought is managerial skills. The managerial skills enable an individual to exploit economic opportunities in his environment for economic gain.

3. METHODOLOGY

The research design for this study is survey method. This study makes use of the survey method which, according to Senam and Akpan (2014), is one of the methods of quantitative research, which entails a painstaking process of gathering information or data and using the results as the basis for determining the trend or the issues that formed the thrust of the research. The population of this research covered all the final year students in Bingham University. The University is made up of three Faculties viz: Faculty of Science and Technology (Computer Science, Chemical Sciences, Biochemistry, Biological Sciences), Faculty of Humanities, Social and Management Sciences (HSMS) and College of Health Sciences (Medicine, Physiology and Anatomy). Stratified sampling was used because the respondents were grouped into Faculties. This population was chosen because it is assumed that they have adequate knowledge of the subject matter and the research variables under investigation. Using Taro Yamene formula, the researcher arrived at 234 as the sample size for this study. Bourley's proportional allocation formula was further used to derive sample size for each faculty.

The instrument that was used for data collection is questionnaire which consists of close ended questions. A five-point likert scale, which rnges from strongly disagree, disagree, undecided, agree, disagree and strongly disagree was used to rate the response from respondents. The Cronbach's alpha was used in validating and testing the reliability of the research instrument used in collecting data for the study.

3.1 Techniques for Data Analysis and Model Specification

This research study applied the multiple regression tools in analyzing the impact of entrepreneurship education on job creation among Bingham University students. To further achieve this, the use of descriptive and inferential statistics to summarize the characteristics of the data and testing of hypotheses was adopted. With the aid of STATA 13 software for windows, descriptive statistics were applied to analyse the data gathered to compare variables numerically and to determine a pattern in the data set. The descriptive statistics include the mean, standard deviation, minimum and maximum. Also, the inferential statistics which include the Post Regression diagnostic test of multicollinearity using Variance Inflation Factor (VIF) and Heteroskedasticity using Brousch-Pagan for heteroskedasticity were used to test the hypotheses of the study. The formulated hypotheses were examined utilizing the p-value statistic. The p-value was applied because it is viewed as appropriate since all the observation is greater than 30. A p-value less than $\alpha = 0.05$ indicates that there is enough statistical evidence to reflect the null hypothesis and thereby take the alternative hypothesis. If $p>0.05$, then there is no enough statistical evidence to rule out the null hypothesis or accept the alternative hypothesis.

Model Specification

The model below is specified to test the three hypotheses as follows using multiple regression method:

$JOBC = \alpha + \beta_1 CUR + \beta_2 SKIL + \beta_3 PED + \mu$

Where:

JOBC = Job Creation

CUR = Curriculum

SKIL = Skill

PED = Pedagogy

α = Slope (the value of dependent variable [job creation] when all independent variables [curriculum, skills and pedagogy] are zero)

μ = Error term

$\beta_1 - \beta_3$ = Coefficient of Independent variables (which shows the rate of change in the dependent variable (job creation) as determined by increase or decrease in the independent variable (curriculum, skills and pedagogy).

Justification for the Method

According to Marill (2004), "multiple linear regression is a generalization of simple linear regression in which there is more than one predictor variable". The use of multiple regression was necessary in this study because the outcome of interest (job creation) depends on more than one predictor variable (entrepreneurship educational curriculum, entrepreneurship skills and entrepreneurship pedagogy). Moreover, multiple regression has the ability to account for multiple predictor variables simultaneously.

4. RESULT AND DISCUSSION

The data collected for this study are presented in this section using summary statistics to describe the characteristics of the data. The summary statistics of the variables as shown in Table 4.1.1 show the minimum value as 1 while the maximum value is 4.

For the independent variable, sex has an approximate mean value of 2, which is a code for female. This means that majority of the respondents were females. For other independent variables - age, Faculty and CGPA have an approximate average values of 2, 2 and 3 respectively. These mean that majority of the respondents are in the age bracket of 20-23, from Faculty of Humanities, Social and Management Science (HSMS) with CGPA of 3.5-4.49 respectively.

Table 4.1.1: Descriptive Statistics (Summarize Sex, Age, Faculty and CGPA)

Variable	Observation	Mean	Std. Dev.	Min	Max
Sex	200	1.64	0.482418	1	2
Age	200	1.99	0.703455	1	4
Faculty	200	1.73	0.827006	1	3
CGPA	200	2.64	0.659354	1	4

Source: STATA 13 Output

The summary statistics of the variables as shown in table below show the minimum value as 2 while the maximum value is 5. For the independent variable, curriculum has an approximate mean value of 4, which is a code for Agreed. This means that majority of the respondents agreed that entrepreneurship curriculum has a significant effect on job creation. Likewise skills and pedagogy have an approximate mean value of 4 which is a code for Agreed. This also means that entrepreneurship skills and pedagogy have significant effect on job creation.

Descriptive Statistics (Summarize Curriculum, Skills and Pedagogy)

Variable	Observation	Mean	Std. Dev.	Minimum	Maximum
Curriculum	200	4.07	0.7	2	5
Skills	200	4.34	0.6391282	2	5
Pedagogy	200	3.9	0.8819171	2	5
Job Creation	200	4.21	0.74	2	5

Source: STATA 13 Output

For the dependent variable, job creation has an approximate mean value of 4, which is a code for agreed. This means that majority of the respondents agreed that job creation depends on entrepreneurship educational curriculum, skills and pedagogy.

Reliability Test and Correlation Matrix

To test for the internally consistent of the data, reliability test using Cronbach Alpha was done. The result of the test is presented in table below.

Reliability Test for the Independent Variables

Item	Observation	Sign	Item-test correlation	Item-rest correlation	Average interitem covariance	Alpha
Curriculum	200	+	0.8123	0.5821	.2161616	0.6990
Skills	200	+	0.7527	0.5118	.289899	0.8429
Pedagogy	200	+	0.8208	0.4929	.2284848	0.7851
Test Scale	= Mean (unstandardized items)				.2448485	0.7757

Source: STATA 13 Output

The test for the internally consistent of the questions that made up entrepreneurship curriculum shows that they are internally consistent with alpha value of 70%. The questions for skills shows the result of alpha value of 84% while the questions for pedagogy shows 79% which means they are all internally consistent. The overall alpha score for all the three independent variables as shown in table above is 70%. This means that the questions used in obtaining the data are internally consistent. Therefore, they are reliable for testing the hypotheses of the study.

Correlation Matrix of the Independent Variables

	Curriculum	Skills	Pedagogy
Curriculum	1.0000		
Skills	0.5107	1.000	
Pedagogy	0.4696	0.3835	1.0000

Source: STATA 13 Output

Pearson Correlation Coefficient result for the variables is shown in table above. It is observed that there is a positive correlation between the variables. None of the variables is negatively correlated. In conclusion, the correlation coefficient results show that none of the variables are strongly correlated, which indicates that the problem of multicollinearity is unlikely. Hence the variables are suitable for conducting regression analysis.

Test of Hypotheses

Entrepreneurship Educational Curriculum and Job Creation
Multiple regression was conducted to examine whether entrepreneurship educational curriculum has significant effect on job creation of Bingham University Students, and the result is shown in table below

Regression Results for Hypothesis One

Variable	Coefficient	*t*	P > t
Curriculum	.10934	0.97	0.332

Source: STATA 13 Output

The overall model was significant as F-stat = 24.45, Prob = 0.000, suggesting that the model is fit to measure the relationship between entrepreneurship educational curriculum and job creation. The regression coefficient for the variables was positive and insignificant as β = .1093, P = 0.332 indicating that entrepreneurship educational curriculum has no significant effect on job creation of Bingham University students.
The finding is not significant at 5% as the P-value is 0.332. Based on this, there is a sufficient reason to accept the null hypothesis. Hence, it is concluded that entrepreneurship educational curriculum has no significant effect on job creation among Bingham University students.
The R^2 for the regression is 43% which shows that entrepreneurship curriculum account for about 43% of job creation, the remaining 57% is accounted by other factors.

Entrepreneurship Skills and Job Creation

Multiple regressions was conducted to examine whether entrepreneurship skills has significant effect on job creation among Bingham University students. The result is shown in table below.

Regression Results for Hypothesis Two

Variable	Coefficient	*t*	P > t
Skills	.35436	3.02	0.003

Source: STATA 13 Output

The overall model was significant as F-stat = 24.45, Prob = 0.000, suggesting that the model is fit to measure the relationship between entrepreneurship skills and job creation among Bingham University students. The regression coefficient for the variables was positive and significant, as β= .35436, P = 0.003 indicating that entrepreneurship skills has a positive effect on job creation among Bingham University students.
This finding is significant at 5% as the P-value is 0.003. Hence, there is no sufficient reason to accept the null hypothesis and thus, it is concluded that entrepreneurship skills have a significant effect on job creation among Bingham University students. The R^2 for the regression is 43% which shows that entrepreneurship skills accounts for about 43% of job creation among Bingham University students while the remaining 57% is accounted by other factors.

Entrepreneurship Pedagogy and Job Creation

Multiple regression was conducted to examine whether entrepreneurship pedagogy has significant effect on job creation among Bingham University students and the result is shown in table below

Regression Results for Hypothesis Three

Variable	Coefficient	*t*	P > t
Curriculum	.41011	4.95	0.000

Source: STATA 13 Output

The overall model was significant as F-stat = 24.45, Prob = 0.000, suggesting that the model is fit to measure the relationship between entrepreneurship pedagogy and job creation among Bingham University students. The regression coefficient for the variables was positive and significant as $\beta = .41011$, P = 0.000, indicating that entrepreneurship pedagogy has a positive effect on job creation among Bingham University students. The finding is significant at 5% as the P-value is 0.000. Hence, there is no sufficient reason to accept the null hypothesis and thus, it is concluded that entrepreneurship pedagogy has a significant effect on job creation among Bingham University students. The R^2 for the regression is 43% which shows that entrepreneurship pedagogy accounts for about 43% of job creations among Bingham University students, while the remaining 57% is accounted for by other factors.

Post Regression Diagnostic Test

The test for hetereoskedasticity was conducted using the Breusch-Pagan/Cook-Weisberg test for hetereoskedasticity and it shows that the variables are homogenous since the hypothesis of hetereoske-dasticity is rejected since the P-value is less than 5%. Similarly, the multicolinearity test was conducted using the variance inflation factor and it shows there is no problem of multicolinearity. This confirms the claims made when presenting that data earlier in this chapter.

4.1 Discussion of Findings

From the first hypothesis, finding reveals that entrepreneurship educational curriculum has no significant effect on job creation ability of Bingham University students. This finding is inconsistent with the findings of Agboulahor, 2016 and Olorumolu and Agbede, 2012; whose findings were also significant. On entrepreneurship skills and job creation, the study reveals a significant effect among Bingham University students. This study is in tandem with the findings of previous work of Obianuju, et. al. (2016), Baba (2013), Duval-Couetil and Long (2015), Adebayo (2016), and Ogundele et al (2012). Similarly, the findings of the third hypothesis reveal that entrepreneurship pedagogy has a significant effect on job creation ability among Bingham University students. This means that entrepreneurship pedagogy/methods of teaching is very crucial in achieving the objective of entrepreneurship education. This study is inconsistent with the study of Fatoki (2014), which concluded that students are mainly exposed to the traditional teaching methods which are less effective in encouraging entrepreneurial attributes and make students to become passive participants.

5 CONCLUSIONS AND RECOMMENDATIONS

This study concludes that entrepreneurship education has a significant positive impact and is a predictor of job creation. The study shows that entrepreneurship educational curriculum, skills and pedagogy are major determinants of job creation among Bingham University students. Base on the findings and conclusion of the study, it is recommended that:

a) Entrepreneurship educational curriculum should be reviewed from time to time to accommodate some changes in business environment, such as changes in technologies, demographic factors of customers, new products and services, etc. The study of entrepreneurship should not only encourage students to run local businesses but go international. More practical skills should be taught as the business world is dynamic and need constant change. This could be achieved by enhancing Students Industrial Work Experience Scheme (SIWES), while students should be given freedom to practice entrepreneurship on campus.
b) It is equally recommended that both traditional and modern pedagogy (teaching methods) should be used in entrepreneurship education as both methods are effective. This is because entrepreneurship education consists of both practical and theory.
c) Lastly, Management of Bingham University should give consideration to the establishment of a full-fledge Entrepreneurship Department to the Faculty of HSMS.

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Effect of Organizational Culture on Post-Consolidation Performance of Deposit Money Banks in Nigeria

KENECHI, Godwin Onwumere

Department of Business Administration
Nasarawa State University,
Keffi, Nasarawa State.
E – Mail: chukwumerek66@gmail.com, Phone No: +2348056021070

&

ABBAH, J. E. I, Ph.D

Department of Business Administration,
Nasarawa State University,
Keffi, Nasarawa State
E – Mail: edacheabbah@yahoo.com, Phone No: +234 8062279557

Abstract

It is a generally agreed that consolidation (mergers and acquisitions) in the Nigerian banking industry has not resulted in significant increased profitability even as the capital base has significantly increased. A robust body of researchers such as Odeleye (2014), Berger and Allen (1998), and Okafor (2009) have found that in Nigeria and elsewhere, mergers and acquisitions particularly in the banking industry have not resulted in better performance. The suspicion is that the problem must lie with the second major factor that play in the banking resource composition – the human element. This is because the banking industry being a service industry operates on funds and employees basically. This paper therefore sets out to investigate the effect of organizational cultural clash on the performance of post-consolidation banking companies in Nigeria. A sample of 288 employees of various grades within the industry was surveyed with the use of a questionnaire. The Pearson Product-Movement Correlation Coefficient (PPMCC) was employed to analyze the data. It was found that there is a very strong positive effect of organizational cultural clash on employee commitment and therefore performance in the workplace. It was also found that there is a significant effect of organizational cultural clashes on the post-consolidation performance of deposit money banks in Nigeria. It is recommended that in new organizations such as merged companies, great effort must be expended on avoiding organizational cultural clashes. Managing such clashes where they exist through activities such as training and retreats, should be made a priority to mold the employees coming from different background cultures into a new family of committed persons. Effective communication is also recommended, at least in the immediate post-merger period to put employees at ease and allay their fears of the new environment.

Keywords: Organizational Culture, Post consolidation, Performance, Deposit Money Banks

1. Introduction

Strategically, consolidation (mergers and acquisitions) ought to produce a synergy for the emergent company in terms of strengths and opportunities. It is also expected that profitability as a measure of performance ought to be better. It is generally observed that the Nigerian banking sector has experienced steady consolidation through recapitalization and mergers and acquisitions that have resulted in fewer banks holding a greater value of the total assets in the sector. It is expected to enhance synergy, improve efficiency, induce investors, focus and trigger productivity and welfare gains (Nnama, 2004). However, there is a growing body of researches (such as that of Odeleye (2014), Berger and Allen (1998), and Okafor (2009)) that show that in Nigeria and elsewhere, mergers and acquisitions particularly in the banking industry has not resulted in better performance. The banking industry is a service industry where human beings are the real factor apart from finance. Since mergers and acquisitions in the industry has resulted in bigger capital base in addition to the rather large economy in terms of customers' deposits, and coupled with the introduction of fast-paced and workable technological investments, the other arm worthy of suspicion is the human element. The *a priori* suspicion is that with the corporate cultural clashes that are inevitable when two or more companies merge, the problem may be in the realm of organizational cultural incompatibility. This paper therefore sets out to investigate the effect of organizational culture on the performance of post-consolidation banking companies in Nigeria. the main motive behind consolidation is to maximize shareholders value. Two hypotheses were then formulated, thus: that there is no significant

effect of organizational culture on employees' attitude and commitment to the organization, and the second, that there is no significant effect of sustained organizational culture on company Performance.
It is hereby admitted that as a result of consolidation (through mergers and acquisitions) several gains have been recorded in the Nigerian banking sector, such as the aggregate capital base of the banks which stood at N384 billion before consolidation has notched up to N768 billion Okafor (2009). In addition, foreign direct investments have also gone up. Another gain of consolidation is the institution of better corporate governance and professionalism (Emmanuel, Okafor & Emeka, 2009).

2. LITERATURE REVIEW

2.1 Conceptual Framework

In a study of the financial performance of the post-consolidation banks in Nigeria, Umaru (2013) reported that the results cast doubt on the validity of the general conclusion of past studies – that the policy has had 'real' and significant impact on bank intermediation, portfolio management and performance. He used a panel data consisting of 11-year time series data, covering six stratified randomly selected consolidated banks in Nigeria, designed to isolate the 'pure' impact of the policy on bank performance using the Chow test procedure, the LSDV model, which was deployed to test the hypothesis that the overall impact was not evenly spread across banks. Odeleye (2014) also examined the impact of consolidation on performance of Nigerian banks for the period 1999 to 2011. Using System GMM (generalized methods of moments) estimation to ascertain the directional and magnitudinal (size) impact of consolidation on the banks' efficiency, and using earnings per share as a proxy for consolidation, he stated that Nigerian banking consolidation exercise did impact their efficiency positively.

Berger and Allen (1998) examined mergers which occurred in the 1980s that involved banking organizations, and the relative industry rankings of banks participating in mergers. They employed Frontier methodology which involves econometrically estimating an efficient cost frontier for a cross-section of banks to measure the banks' X-efficiency. They found out that, on average, mergers led to no significant gains in X-efficiency. Okafor (2009) carried out a research on consolidation exercise in Nigeria. He employed capital adequacy asset quality liquidity and management as variables for the period 2004 -2005 (the pre-consolidation period) and 2006-2009 (the post consolidation period). He reported that consolidation improved the overall performance of banks in terms of assets size, deposit base, capital base and capital adequacy, but that it did not contribute to the profit efficiency of those commercial banks. Adegbaju (2008) examined the effectiveness of recapitalization on the performances of 20 Nigerian banks. He discovered that while few banks recorded appreciable improvements in their performances, majority of the banks remained the same or even worse off.

However, the results reported by Yinka (2013) point in the opposite direction. He examined the consolidation and profitability in Nigerian banks between the years 2000 and 2010 which included the pre- and post-consolidation periods, using secondary data from the Nigerian Stock Exchange and annual reports of individual banks, and analyzed them with the aid of T-test. He reported that bank consolidation affected bank profitability performance positively in Nigeria and that bank consolidation has improved the efficiency of the banks. In the same vein, Adegboyega (2012) evaluated the impact of mergers and acquisitions on performance of Banks in Nigeria. Pre-merger and post-merger financial statements of two sets of consolidated banks were obtained, adjusted, carefully analyzed and compared. The result revealed that all banks in the two groups produced in addition to operational and relational synergy, financial gains far more than the 2+2=5 synergistic effects. Ratio technique and inferential statistical tools were used to highlight synergistic effects on the merging banks. This report seems suspicious in view of many reports to the contrary. Since the banks have not shown expected increase in financial performance in their post-consolidation activities, then we shall x-ray their human resource capability since "money is not the problem", and also given that regulation is not the problem.

2.2 Empirical Literature

All grades of workers up to the controlling managers are affected in their performance by the organizational culture of their respective companies. Organizational culture is a series of values, standard and beliefs that guide employee behavior and attitudes in the workplace (Handy, 2006). Organizational culture always finds ways of controlling performance so as to maintain a balance in the system, even when that balance may be less than optimal for the

organization's success. This has been identified as long ago as 1983 by Cohen (Cohen, 1983). Davis (2004) defined it as comprising of the pattern of shared beliefs and values that gives the members of an institution meaning, providing them with the rules (mostly unwritten) for the performance. An analysis of the success of sustained employee and organisational performance, according to Peter and Waterman (2006) usually reveal a progressive corporate culture.
The strength of corporate culture according to Nahavandi and Malekzadeh (2003) are determined by the number of shared belief, values and assumptions; the numbers of employees who accept, rejects, or share in the basic values, and assumptions; the higher the number of shared beliefs, values and assumptions, the stronger the culture. Furthermore, organizational culture is strengthened by a homogenous and tenured workforce; 'surviving the good and bad times together and ensures that the employees are a close-knit group' (Ingols and Myer 2002). Once a corporate culture is established, it provides employees with identity and stability, which in turn enhances employee commitment, shaping their performance. It is therefore relevant to interrogate the effect of organizational cultural clashes resulting from mergers of two or more banking companies with different organizational cultures and to see if data analysis can further reveal the affect it has on the performance of the new entity.

Burman and Evans (2008) states that when there is a merger, a change of the cultures of the merging organizations must happen, and due to the organizational structures in which they are embedded, it is not easy to achieve. Burman and Evans (2008) argue that the difficulty is due to lack of understanding that it is 'Leadership' that affects culture rather than 'Management' advising that training should be provided to all employees to understand the new processes, expectations and systems. There is need to develop ethical and legal sensitivity. Cummings & Worley, (2004) postulate that changes or dilutions in culture can lead to tensions between organizational and individual interests, which can result in ethical and legal problems for organizational members. This is particularly relevant to changes in employee integrity, control, equitable treatment and job security. They recommend outside consultants be hired to facilitate the change process, particularly by providing employee training and effective communication.

2.3 Theoretical Discussions

2.3.1 Mergers, Cultural Clash and Cultural leadership

Dasanayaka and Mahalcalanda (2008), state that one of the biggest obstacles in the way of the merging of two organizations is organizational culture. They state further that each organization has its own unique culture and most often when brought together, these cultures clash. Ineffective handling of cultural clash leads to employees' disenchantment, loss of identity and ego. Luthans (2003) postulates that the most effective way to combat such difficulty is through cultural leadership. Organizational leaders must also be cultural leaders and help facilitate the change from the old cultures into the one new culture. This is done through cultural innovation followed by cultural maintenance. Cultural maintenance according to the author includes (a) integrating the new culture through reconciling the differences between the old cultures and the new one, (b) embodying the new culture: Establishing, affirming, and keeping the new culture, and (c) removal of cultural fear, which he stated to be able to neutralize what he referred to as petty tyrants, that is leaders who exercise a tyrannical style of management resulting in a climate of fear in the workplace. It is possible that managers of post-consolidation banks may be using this to dissolve resistance to change, thereby recording low productivity and outright resignations as a result.

2.3.2 Corporate Performance

Casecio (2006) defines performance as the degree of achievement of the tasks at work place that builds up an organization goal. The term performance was sometime confused with productively. In an effort to clarify the terms, Ricardo (2001), stated that Productivity was a ratio depicting the volume of work completed in a given amount of time, while Performance was a broader indicator that could include productivity as well as quality, consistency and other factors. Many measures of performance now exist. One is the Strategic performance measurement system (SPMS). Chen HaIl (2005) said that the SPMS provides a way to translate financial performance. Kaplan and Norton (1992) suggested that Balance Score Card (BSC) is one of the most important SPMS tool. However, our task in this paper is on consideration of financial performance, specifically, profitability, of banks as a result of mergers (consolidation).

2.3.3 Financial Performance

The profitability of an organization is the important financial indicator that reflect the efficiency of the organization's employees and the owners'/managers' ability to increase the company' wealth by sales increase while keeping costs down (Chen Hall, (2005). Profit margin, return on assets, return on equity, return on investment, and return on sales are considered to be the common measures the of financial profitability (Chen HaIl, 2005). Sales growth is measured based on the average annual sales growth rate for at least, three consecutive years, while profitability is analyzed by three financial ratios, which are return on sales (ROS), Return on investment (ROI) return on asset (ROA) within the last consecutive three years. The three ratios are then averaged out and incorporated into a Business Performance Composite Index (BI'CI). The inclusion of the three financial ratios as components of BPCl provides a comprehensive and fair view of the firm's -and of course, employees' — financial performance as compared to using only one measurement alone such as ROS or ROA or ROI.

3. METHODOLOGY

The study population covers employees of deposit money banks in the head offices of the banks, with total staff strength of about nine thousand, eight hundred and seven (9,807) employees (NIBIFIE, 2015). A sample of 288 employees was taken and their responses were collated and analyzed against the performance of the respective banks. The proxies for organizational culture used were the culture trait parameters: Mission, Work Process, Adaptability and Consistency.
The Performance measures were adapted from Fisher (2000), the same measures used by Denison (2000). The variables employed were: employee commitment, turnover, job satisfaction and profitability.

Procedure for Data Analysis and Model Specification

CP = Corporate Performance (Being the dependent variable)
CC = Measure of corporate culture
$\mathcal{E}$= error term
$\beta 0, \beta i,$ =intercepts

Data Presentation and Analysis

Table 1: Identification of Forms of culture in the Banks

Forms of Culture in the Banks	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	Total
Dressing	7	16	20	51	22	116
High Performance Targets	2	12	19	28	18	79
Severe Discipline	0	4	10	10	9	33
God-fatherism	5	10	13	22	10	60
Total	14	46	62	111	55	288
PERCENTAGE	4.9	15.0	21.5	38.5	20.1	100

SOURCE: Field Study

Table 1 indicates that the responses to the question on dress codes were majorly in the affirmative. Answers to questions on the severity of discipline and on the presence of god-fatherism are varied, indicating a balance nearly 50:50.

Table 2: Employees Share the Bank's Mission and Strategic Intent

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	AVR
Senior Executives	39	42	5	12	18	15
Lower Level Mgrs	27	23	1	18	10	14
Supervisor	11	6	2	8	6	7
Operational Staff	12	15	8	18	7	12.5
Total	89	66	17	56	41	288
PERCENTAGE	31	23	6	19	14	100

SOURCE: Field Study

The responses to this question are tabulated above in Table 2. Majority of the respondents (155) opined that the employees do not share in the Banks' mission and strategic intent. Lack of good internal communication is usually responsible for this, creating "them and us" situation.

Table 3: The Bank's Work Process

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	Total
Senior Executives	7	10	15	51	33	116
Lower Level Mgrs	9	12	10	28	20	79
Supervisor	4	6	2	10	11	33
Operational Staff	5	15	8	18	14	60
Total	25	43	35	107	78	288
PERCENTAGE	8.7	15.0	12.2	37.2	27.1	100

SOURCE: Field Study

Table 3 indicates that majority of the employees (107+78 = 185) or 64% agree that the bank's work process is a course of job dissatisfaction which leads to turnover of employees. When the work process in the consolidated bank is different from what the employee is previously accustomed to, he/she is inclined to leave.

Table 4: Inability of Employee to Adapt to New Work Environment

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	AVR
Senior Executives	11	21	8	51	25	38
Lower Level Mgrs	6	16	7	28	17	22.5
Supervisor	3	8	4	11	8	9.5
Operational Staff	10	25	4	15	10	12.5
Total	30	70	23	105	60	288
PERCENTAGE	10	24	8	37	21	100

Table 4 show clearly that more than half of the respondents found it difficult to fit themselves into the new work environment, leading to high turnover with its negative influence on productivity and ultimately, bank performance.

Table 5: Employees' Perception of Absence of Consistency in work Rules and Policies

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	Total
Senior Executives	7	19	5	63	22	116
Lower Level Mgrs	2	15	8	33	17	79
Supervisor	2	8	4	12	7	33
Operational Staff	9	18	8	15	14	60
Total	20	60	25	123	60	288
PERCENTAGE	6.9	20.8	8.7	42.7	20.8	100

SOURCE: Field Study

Table 5 shows that about 70% of the respondents agreed that management inconsistency in policy and rules is a source of low productivity and therefore low performance. Post-consolidated banks are in reality, new organizations. As such, the rules and policies are bound to change rapidly as experiments are often discarded in favour of new ones as idea flows from managers of different backgrounds are accepted and rejected very frequently.

Table 6: Consolidation has Resulted in Heavier Use of Technology in Your Bank

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	Total
Senior Executives	20	18	7	38	33	116
Lower Level Mgrs	10	16	5	27	21	79

Supervisor	5	10	2	9	7	33
Operational Staff	10	17	4	17	12	60
Total	45	61	18	91	73	288
PERCENTAGE	15.6	21.2	6.2	31.6	25.3	100

SOURCE: Field Study

Table 6 indicates that there is a general view among the respondents that deeper use of technology has become commonplace in the banks since the beginning of the merger. This is indicated by the total number of 164 of the 288 respondents, representing a combined 56.9% of those that strongly agreed and agreed. 15,6% and 10.7% of them strongly disagreed and disagreed respectively, 6.2 % were undecided.

Table 7: I fear that Technology May Lead to my Job Loss

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	Total
Senior Executives	25	11	5	46	27	116
Lower Level Mgrs	17	12	9	20	15	79
Supervisor	6	8	6	12	3	33
Operational Staff	25	10	4	17	10	60
Total	73	41	24	95	55	288
PERCENTAGE	25.3	14.2	8.3	33.0	19.1	100

SOURCE: Field Study

The summary data contained in table 7 shows that more than half of the employees fear that they will lose their jobs eventually. 33.0% and 19.1% respectively agreed and strongly agreed. In such an atmosphere of fear, productivity is bound to fall, and performance follows naturally.

Table 8. There had been consistent employee turnover since the consolidation of the banks as from 2005

Area Council Office Location	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	Total
New Secretariat	25	11	5	46	27	116
Old Secretariat	17	12	9	20	15	79
Keffi Stadium	6	8	6	12	3	33
Youth Center	25	10	4	17	10	60
Total	73	41	24	95	55	288
PERCENTAGE	25.3	14.2	8.3	33.0	19.1	100

SOURCE: Field Study

Table 8 shows that there is a common pattern of opinion of the respondents in the various banks regarding staff turnover (resignations, lay-offs, retirements) since the consolidation process began. Majority of the respondents (52%) agree that the turnover is significant and consistent.

4. RESULTS AND DISCUSSSION

The above tables contain the aggregate of data that was used to test the hypotheses formulated for solution, based on our a priori expectations expressed at the start of the study.

Analysis of Data – Hypothesis One

The Pearson Product-Movement Correlation Coefficient (PPMCC) is used. The decision criterion is to reject the null hypothesis, Ho if the computed PPMCC, r is positive; otherwise, the null hypothesis is accepted. The value of r ranges from -1 to +1. A negative value of r implies an inverse relationship between the independent and the dependent variables (or that the independent variable negatively affects the dependent variable), and vice versa. The aggregates in Tables 4 and 6 above are used for this analysis.

Table 2: Employees Share the Bank's Mission and Strategic Intent

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	AVR
Senior Executives	39	42	5	12	18	15
Lower Level Mgrs	27	23	1	18	10	14

Supervisor	11	6	2	8	6	7
Operational Staff	12	15	8	18	7	12.5

Table 4: Inability of Employee to Adapt to New Work Environment

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	AVR
Senior Executives	11	21	8	51	25	38
Lower Level Mgrs	6	16	7	28	17	22.5
Supervisor	3	8	4	11	8	9.5
Operational Staff	10	25	4	15	10	12.5

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2\}}}$$

Where, r = the PPMCC

n = number of employees in the sample

x = average value of response of the respondents that agreed and strongly agreed (AVR) for the independent variable (organizational culture)

y= average value of response of the respondents that agreed and strongly agreed for the dependent variable (conducive work environment)

Data: **Table 2.for x and table 4 for y**

Computation:

X	Y	Xy	x^2	y^2
15	38	570	225	1444
14	22.5	315	196	506.25
7	9.5	66.5	49	90.25
12.5	12.5	156.25	156.25	156.25
∑ = 48.5	∑ = 82.5	∑ = 1107.75	∑ = 626.25	∑ = 2196

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2\}}}$$

$$r = \frac{4(1107.75) - (48.5)(82.5)}{\sqrt{\{4*626.25 - (48.5)^2\}\{4*2196 - (82.5)^2}}$$

$$r = \frac{426.75}{549.64} \quad \mathbf{0.7764}$$

Decision: since the computed value of r is positive, indicating that employees are dissatisfied and, therefore, the test result is a proof that there is significant effect of organizational culture on employees' dissatisfaction, leading to high turnover.

Analysis of Data – Hypothesis Two

$H0_2$: there is no significant effect of sustained organizational culture on company Performance The data presented in 2 and 8 is used as the bases for the testing of the hypothesis 2.

Table 2: Employees Share the Bank's Mission and Strategic Intent

Employee Level of Responsibility	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	AVR
Senior Executives	39	42	5	12	18	15
Lower Level Mgrs	27	23	1	18	10	14
Supervisor	11	6	2	8	6	7
Operational Staff	12	15	8	18	7	12.5

Table 8. There had been consistent employee turnover since the consolidation of the banks as from 2005

Area Council Office Location	STRONGLY DISAGREE	DISAGREE	UNDECIDED	AGREE	STRONGLY AGREE	AVR
New Secretariat	12	16	5	56	27	41.5
Old Secretariat	22	12	4	28	7	17.5
Keffi Stadium	11	8	1	10	17	13.5
Youth Center	10	10	4	12	30	21

Test statistics:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{\{n\sum x^2 - (\sum x)^2\}\{n\sum y^2 - (\sum y)^2\}}}$$

Where, r = the PPMCC

n = number of sampled area council offices

x = average value of response of the respondents that agreed and strongly agreed (AVR) for the independent variable (organizational culture)

y= average value of response of the respondents that agreed and strongly agreed for the dependent variable (effective work process.

Data: Table 2 for x and table 8 for y

Computation:

X	Y	Xy	x^2	y^2
15	41.5	622.5	225	1722.25
14	17.5	245	196	306.25
7	13.5	94.5	49	182.25
12.5	21	262.5	156.25	441
$\sum = 48.5$	$\sum = 93.5$	$\sum = 1224.5$	$\sum = 626.25$	$\sum = 2651.75$

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{\{n\sum x^2 - (\sum x)^2\} \times \{n\sum y^2 - (\sum y)^2\}}}$$

$$r = \frac{4(1224.5) - (48.5)(93.5)}{\sqrt{\{4\times626.25 - (48.5)^2\} \times \{4\times2651.75 - (93.5)^2}}$$

$$r = \frac{363.25}{533.7} = \mathbf{0.6806}$$

4.1 Discussion of Findings

The first test was for the effect of organizational culture on employees' attitude and commitment to the organization. The test result (**0.7764)** is positive, indicating that there is a positive effect of organizational culture on employee commitment and therefore performance in the workplace. The conclusion drawn from an earlier study by Kim, Cameron and Robert Quinn (1999) on organizational effectiveness and success, based on the Competing Values Framework also established a positive relationship between organizational culture and organizational performance is relevant to this study.

In the second test, for effect of organizational culture and employee Performance, the computed value is **0.6806**. It is as positive as it is numerically high – tilting towards +1. It is therefore, a proof that there is significant effect of organizational culture on employee Performance in the surveyed organization. This shows that culture can enhance Performance or lower it. A study in 2002 by Corporate Leadership Council found that cultural traits are the most important drivers of Performances, and may impact individual performance. Good and sustained organizational culture has a positive effect on effective work process. However, it is recognized that there are other factors that can impact effective work environment not captured in the model, such as supervision and physical factors, distance from home, etc. This lend credence to the study carried out and published by Denison, Haaland, and Goelzer (2004), in which they found that culture contributes to the success of organizations, (including the work environment and work process).

5. CONCLUSIONS AND RECOMMENDATIONS

The research work succeeded in identifying a list of dimensions that pointed out clearly how organization culture can enhance Performance and lead to achieving organizational goals. It is recommended that organizations that actually want to record effective achievement of their goals and objectives should consider building and sustaining an organizational culture that is progressive and is easy to change. However, in new organizations such as merged companies, great effort must be expended on avoiding organizational cultural clashes. Managing such clashes through activities such as training and retreats, should mold the employees coming from different background cultures into a new family of committed persons.

Effective communication media, such regular meetings at short intervals, should be mounted immediately after the mergers to put employees at ease and allay their fears of the new environment. As time goes on, these can be relaxed after the achievement of mission and strategic intent milestones. Finally, it must be noted that variables other than cultural clashes may negatively affect productivity, encourage turnover and lower profitability, at least in the short run. Such variables may include family disruptions and new rules. These other factors were not covered by this study.

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Effect of Tax Revenue Contribution to Economic Development in Nigeria

TION, Williams

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: tawilliamsassociates2009@yahoo.com, Phone No: +2347038933502

Abstract

The objective of this study is to assess the impact of taxation on economic development of Nigeria proxy by the gross domestic product (GDP). The study further looked at the relation between companies income tax (CIT), petroleum profit tax (PPT) and gross domestic product in post-IFRS period. Secondary data were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Services (FIRS) and other relevant government agencies for the period of 13 years, ranging from 2002-2015. The data were analyzed using descriptive statistics, econometric model with the aid SPSS version 20. The results show that a strong positive and significant relationship exist between economic development and Tax variables used. It also documented a decline in tax revenue in post – IFRS period. The study further revealed rise and fall in tax revenue and economic development occasioned by corruption, tax evasion, economic meltdown, dysfunctionalities in the income tax system, and loopholes in tax laws and inefficient tax administration. The study therefore recommended that the economy should be diversified to enhance revenue base of the country, to rid corruption from the system, investing in economic activities that will generate jobs, harmonize our tax laws and administration to acceptable global standard. Also checkmating the activities of corporate bodies in their tax sheltering through accounting choices was also recommended.

Keywords: Taxation, Economic Development, GDP, Companies Income Tax

1. INTRODUCTION

Despite her strong fundamentals, oil rich Nigeria has been hobbled by inadequate power supply, poor education, lack of infrastructure delay in the passage of legislative reforms, an inefficient property regulation system, poor electoral processes, restrictive trade policies, militancy, insecurity, an inconsistent regulatory environment, a slow and ineffective judicial system, pervasive corruption, the poor becoming poorer as the economic diversification and strong growth have not translated into a significant decline in poverty levels of the country (CBN Statistical Bulletin, 2015). The constant reliance on the oil revenue for political, economic, and social development for the provision of infrastructure in the country has become worrisome as the price of crude oil continues to decline below the budget benchmark. This concern prompted this study to investigate the impact of taxation another source of revenue for the economic development of Nigeria.
According to Ogbonna and Ebimobowei (2012) "the political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that given country". They further stated that a well-structured tax system would boost the generation of the income for a meaningful development of such country. This Ogbonna and Ebimobowei view are the same as the Biblical account, where Jesus paid tax to the government of Caesar the Roman Emperor. There were many taxes needed from the provinces to administrate the Roman Empire these taxes paid for a good system of good roads, law and order, security, religious freedom, a certain amount of self-government and other benefits. The provisions of these basic amenities depend on the amount of revenue being generated. Kiabel and Nwokah (2009) stated that rise in the cost of running government coupled with the incessant dwindling revenue had left all tiers of government in Nigeria with formulating strategies to improve the base of income. One of such strategies is taxation. According to PricewaterhouseCoopers, Nigeria has made some improvement to the tax system. What then is taxation? Oxford Dictionary of Accounting (1995) defined taxation as a levy on an individual or corporate body by the central or local government to finance the expenditure of that government and also as a means of implementing its fiscal policy. Thus the government can transfer resources through taxation from private consumption to public investment.

The major objective of taxation is to Finance government expenditure and to redistribute wealth which will have a positive causation effect on development of the country (Jhingan 2004, Ogbonna and Ebimobowei, 2012; Musgrave and Musgrave, 2004; Ola 2007; Burges and Sterm, 1993; Bhantia 2009; Lewis 1984). In Nigeria, this important role of taxation lacks in our system. Odusila (2006) noted that the system is lopsided and dominated by oil revenue, that over the past two decades, oil revenue has accounted for at least 70% of the revenue, by implication traditional tax revenue has never assume a strong role in the country's management fiscal policy. The view of Jhingan (2002) that taxation effectively curtails conspicuous consumption and other wasteful expenditure of the richer classes does not hold water in Nigeria. The richer are acquiring and accumulating properties and paying less or no tax while the poor are getting poorer and paying tax. The redistribution of income through taxation in Nigeria has not been achieved. On the other hand, there is no tangible improvement in our infrastructural facilities. Nigerian roads are bad and have become a death trap to the citizens.

According to Okonjo-Iweala, the Former Minister of Finance and Coordinator of Nigerian Economy, said that Nigeria faces a massive infrastructural deficit, citing infrastructure deficit as a hindrance that is holding back economic development by at least 2 percent per annum according to a recent world bank study. She further stated "that about US$14.2 billion per year is required to bridge the infrastructural gap, with about $10.5 billion needed for national infrastructure alone, adding that amount spending is only $5.9 Billion (The Financial Times: 2014). Some countries have influenced their economic development through revenue from the tax, such as Canada, United States, Netherland, United Kingdom. They desire substantial income from Company Income Tax, Value Added Tax, Import Duties and had used same to create prosperity (Oluba: 2008) cited (Worlu and Nkoro, 2012). According to IMF "Developing countries must be able to raise the revenue required to finance the services demanded by their citizens and the infrastructure (physical and social) that will enable them to move out of poverty. Taxation will play the key role in this revenue mobilization". However, Nigerian economy as a number one economy in Africa and emerging economy in the world has many problems militating tax revenue mobilization as a source of financing developmental activities. Federal Inland Revenue Services (FIRS) faces the challenges of widespread tax evasion, which is motivated by a complaint about corruption and poor quality of services. Omoigin (2011) stated, in Nigeria and other African countries, the level of tax evasion are quite high. No wonder, Okonjo-Iweala (2014) noted that a recent study conducted by the government revealed that about 75 percent of registered companies in the country are not registered with the stepping up its efforts to encourage voluntary compliance with a tax obligation. Pricewaterhouse Coopers in their publication titled 'Nigeria@50' Top 50 Tax Issues ranging from tax legislation to administration and tax policy matters.

According to the World Bank doing business 2011 report, Nigeria ranked 137 out of 183 countries surveyed on the ease of doing business and 134 on the ease of paying taxes. The report, further noted that in the 2010 report, Nigerian ranked 134 and 131 on the ease of doing business and paying taxes respectively. The report documented that Nigeria has been sloping back consistently on the ease of paying taxes index is a function of three broad indicators – some tax payments, time require complying with tax obligations and total tax rate. Confirming World Bank Report, Okonjo-Iweala said for every N100 that business has to pay in taxes they pay about N30 in compliance costs. She further said that this is a waste of capital that could be invested in this business to grow them and create more jobs for our economy. Another challenge identified according to Oyedele (2011) that the mark-to-market (MTM) or Fair Value Accounting (FVA) of the financial instrument upon adoption of International Financial Reporting Standards (IFRS) would create significant swings in earnings and capital. By extension, it will affect taxable profit been reported by some management of organizations that use discretion in managing profit and tax, companies shelter their taxes at the detriment of tax authority duty of collecting taxes, due to the government. In the United States, it is reported that a "two-book" method of presentation of financial report exist, one for taxable income that companies report to government and the other to investors. This buttress the point that there exist "book tax gap and evident of earnings manipulation and tax sheltering" (Daniel, 2009). As noted in a circular published in March 2013 by Federal Inland Revenue Services (FIRS). "Section 55(1) of the Companies Income Tax Act, CAPC 21, LFN 2004 requires a company filing a return to submit its audited account to the FIRS while sections 8, 52 and 53 of the Financial Reporting Council (FRC) of Nigeria Act, 2011 gave effect to the adoption of International Financial Reporting Standards" The implication is that companies will be taxed based on audited accounts prepared in line with IFRS recommendations. Tax is a compulsory levy designed to generate revenue for public expenditure including infrastructures. (Appah 2004; Azubike, 2009; Appah and Oyadoughan 2011; Ogbonna and Ebimobowei, 2012). "Tax paying culture is poor in Nigeria due in large part to the lack of transparency and accountability on the part of the government as tax payers money is rarely seen at the mark." Therefore, based on this background, the objective of this study is to examine the impact of taxation on the economic development of Nigeria (2002 – 2015). In addition to the stated purpose is to investigate the impact of International Financial Reporting Standards (IFRS) on taxation and economic development of Nigeria, judging its impact on the magnitude of revenue generated in the post- IFRS adoption in Nigeria.

Consequently, the hypothesis associated with this study includes the following;

H_{O1}: There is no significant and positive relationship between gross domestic products (GDP) and tax revenue.
H_{O2}: The relation between company income tax (CIT) and gross domestic product (GDP) has declined in the post-IFRS period.
H_{O3}: The relation between Petroleum Profit Tax (PPT) and gross domestic product (GDP) has declined in the post-IFRS period.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Taxation is the act of laying a tax, that is, the process by which a local, state and central government, through its law-making body, raise revenue to defray the necessary expenses of the government. According to Anyanwu (1997), taxation can be defined as the compulsory transfer or payment (or occasionally of goods and services) from private individuals or groups to the government. The purpose and importance of taxation is to raise funds with which to promote the general welfare and protection of its citizens, and to enable it to finance its multifarious activities and to redistribute wealth and management of the economy (Jhingan 2004, Bhartia, 2009; Ola (2001) cited in Ogbonna and Ebimobowei,2012). Tax is that enforced proportional contributions from persons and property levied by the law-making body of the state for the support of the government and all private needs. Roja (2011) in his article titled The True Nature of Taxation narrated that nobody likes paying their taxes. However, as the adage about "death and taxes" conveys, there is a sense that taxes are as legitimate and as inevitable as death itself. Tax is a lawful and inevitable 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 (Appah and Oyandonghan, 2011, Appah, 2004).

As the Economic Bulletin for Asia and the Far East cited in Jhingan (2002) stated that "Taxation, therefore remains as the only effective instrument for reducing private consumption and investment, and transferring resources to the government for economic development: Jhingan (2002); Anyanwu (1993) pointed out several objectives of taxation. These are 1. to put a curb on consumption and thus transfer resources from consumption to investment 2. To raise revenue for government 3.To reduces economic inequalities 4.To control income and employment. Nzoha (2002) cited in Ogbonna and Ebimobowei (2012) and Patonov and Stuiolova (2012) noted that taxes have allocational, distributional and stabilization functions. In Nigeria taxes are not necessarily earmarked to those expenditures most conducive to economic growth, either because of political "inefficiencies" or because of redistribution policies that may yield benefit for society but will not be reflected in robust GDP growth rates (Atkinson, 1985) The truth is that in Nigeria taxes are not earmarked to boost economic development because of corruption and other factors that affect the role of taxation as argued by Nwezeaku (2005). He stated that the scope of these functions depends, among other things, to the political will and economic orientation of the people, their needs and aspirations as well as their willingness to pay tax.
Ogbonna and Ebimobowei (2012) added thus the extent to which a government can perform its functions depend largely on the ability to design tax plans and administration as well as willingness and patriotism of the governed. The level of willingness and patriotism of the governed anchored on the political will power of the government to fight corruption and embark on expenditures that will boost the economy.

2.1.1 Principles of Taxation

Business Dictionary.com defined as basic concepts by which a government is meant to be guided to designing and implementing an equitable taxation regime. These include:

i. **Board Basing:** Taxes should be spread over as wide as a possible section of the population, or sectors of the economy, to minimize the individual tax burden.
ii. **Compatibility:** Taxes should be coordinated to ensure tax neutrality and overall good governance.
iii. **Convenience:** Taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible. Bhartia (2009) noted that the time of payment, the manner of payment, the quality to be paid ought to all be clear and plain to the tax payer and every other person.
iv. **Earmarking:** Tax revenue from a specific source should be dedicated to a specific purpose only when there is a direct cost – and- benefit link between the tax source and the expenditure, such as the use of motor fuel tax for road

maintenance and also education tax for buying educational materials. However, what we are experiencing today in Nigeria is fiscal indiscipline, corruption and misappropriation of funds.

v. **Efficiency:** Tax collection efforts should not cost an inordinately high percentage of tax revenue. This principle seems to be lacking in Nigerian tax system. World Bank Report says that for every N100 that business has to pay in taxes, they pay about N30 in compliance costs. According to the Former Minister of Finance Okonjo-Iweala, this is a waste of capital.

vi. **Equity:** Taxes should equally burden all individuals or entities in similar economic circumstance. Equity Principle states that tax payer should pay the tax in proportion to his income (Anyanfo (1996) cited in Ogbonna and Ebimobowei, 2012)

vii. **Neutrality:** Taxes should not favour any one group or sector over another, and should not be designed to interfere with or influence individual decisions making.

viii. **Predictability:** Collection of taxes should reinforce their inevitability and regularity.

ix. **Restricted Exemptions:** Tax exemptions must only be for purposes (such as to encourage investment) and for a limited period.

x. **Simplicity:** Tax assessment and determination should be easy to understand by an average tax payer.

On both equity and simplicity principles, Anyanfo (1996) "states that it is only when a tax is based on the tax payer's ability to pay can it be considered equitable or just". He argued that tax law should be transparent. Appah, (2004); Jhingan (2004) and Bhartia (2009) pointed out that every tax should be economical for the state to collect and the taxpayer to pay. In Nigeria, paying tax and doing business is not cost-effective. The role of taxation in every economy cannot be over emphasized, that is why every nation is working tirelessly to have a good tax law: Ogbonna and Ebimobowei (2012) highlighted numerous tax laws being enacted in Nigeria. Here, we enumerate only nine (9) bills on tax reforms recommended by study group on the Nigerian Tax System as follows: Federal Inland Revenue Services Act 2004, Companies Income Tax Act 2004, Petroleum Profit Tax Act 2004; Education Tax Act 2004, Customs, Excise Tariffs etc. (Consolidation) Act 2004; National Surgeon Development Act 2004; and National Automobile Council Act 2004.

2.1.2 Concept of Economic Development

Economic development is the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a given area. Economic development can also be referred to the quantitative and qualitative changes in the economy. The Malthusian theory did not regard the process of economic development as automatic. Rather, it required consistent efforts on the part of people. Dafionone (2013), noted, "that for the country to lay claim on growth and development through taxation, there must be an improvement of the quality of life of the citizens, as measured by the appropriate indices in economic social, political and environmental terms". In Nigeria, dependency theorists argument explains the precarious situation we are into. Dependency theorists argue that poor countries have sometimes experienced economic growth with little or no economic development initiatives. Today, Nigeria being the number one economies in Africa cannot boast of a good education system like our sister country Ghana. Nigeria only functions as resource-providers to wealthy industrialized countries. Although opposing argument has it that growth causes development because some of the increase in income gets spent on human development such as education and health. Other theories of economic development are Adam Smith's theory, the Ricardian theory, the Schumpeterian theory, the Keynesian theory e.t.c (Jhingan, 2002).

2.2 Theoretical Framework

Apart from the obvious purpose of providing revenue, taxation aims at achieving other objectives. These are resources allocation, income redistribution, price stabilization, full employment and economic growth. Within the scope of these social objectives, two principles have been put forward as a basis for modern taxation namely.

2.2.1 Benefit Principle (Received Theory)

This benefit principle theory, also called vertical equity stipulates that an individual ought to be taxed according to the benefits he receives from government provision of goods and services. This in other words, is a benefit cost approach in which tax is a cost and government amenities are the benefits (Bhartia, 2009; www.amoweb.com/cgi-bin-curb_nav.p?

s=upd&k =benefit principle and Anyanfo, 1996) This theory assumes a state of equality between the marginal tax rate (MTR) and marginal benefit received (MBR) to determine the amount of taxes to be paid. However, the benefit principle does not work well for the efficient provision of public (near public) goods, for example military defence. Thus the conditions of equality between taxes –paid and benefits-received which sound so egalitarian in principle, do not hold in practice.

2.2.2 The Ability-To-Pay Approach

This is concerned with the equitable distribution of taxes according to assumed taxable capacity or ability to pay of an individual or group. This approach, sometimes called horizontal equity, enables the distribution and stabilization of objectives of taxation to be achieved more equitably. We know that taxes are a means of transferring the purchasing power of income to governments; the ability to pay is based on income. It then means that those who have more income can afford to pay more taxes. Although this theory has the above-stated advantages, it is not free from flaws. Its disadvantage is that the criterion on which "ability" is judged is not clear. (Anyanfo, 1996; Bhartia, 2009; Ogbonna and Ebimobowei,2012; Chigbu *et al.*, 2012).

2.2.3 Cost of Service Theory

According to Chigbu *et al.* (2012) and Ogbonna and Ebimobowei, 2012) this theory is very similar to the benefits-received. It is centred on the relationship that exists between the state and the citizens to a greater extent. The theory aimed at a balanced budget policy.

2.2.4 Socio-Political Theory

This theory of taxation to an extent anchored on Thomas Hobbes social contract which saw in the beginning man lived in the state of nature. They had no government, and there was no law to regulate them. There were hardship and oppression on the sections of the society. To overcome from this hardship, they entered into two agreements which are (1) "Pectum Unions" (2) Pactum Subjections" therefore, the socio-political theory states that social and political objectives should be major factors in selecting taxes. It implies that government getting revenue through taxing the citizens should use it to cure the ills of society as a whole.

2.2.6 Expediency Theory

As cited in Ogbonna and Ebimobowei, 2012, Bhartia (2009) explained that expediency theory asserts that every tax proposal must pass the test of practicality. That it must be a factor that should be considered in choosing a tax proposal.
Ibn Khaldun's theory of taxation has been considered one of his most important contributions to economic thought, he debates the theory of taxation with the government expenditure and argues for low tax rate, so that incentive to work is not killed and taxes paid happily (Islahi, 2006)

2.3 Empirical Literature

Several empirical studies have been conducted on the impact of taxation on economic development. The empirical studies of Gwatney (2006) Engen and Skinner (1996), Ogbonna and Ebimobowei, (2012) Adereti *et al* (2011), Worlu and Nkoro (2012), Adegbie and Falile (2011), Wambai and Hanga (2013) and Otu and Adejumo (2013) provided different evidences of impact of economic development. Major tax legislation passed in 1981 and 1986 reduced the top U.S federal income tax rate from 70 percent to approximately 33 percent. The performance of the U.S economy during the eighties was impressive (Gwatney, 2006 cited in (Islahi, 2006). This evidence is supported by Ibu Khaldun's theory of taxation. Engen and Skinner (1996) in their study of taxation and economic growth of U.S economy considered a large sample of countries and documented that 0.2 to 0.3 percentage point differences in growth rate in response to a major tax reform. He stated that small effects could have a large cumulative impact on living standards. Ogbonna and Ebimobowei (2012) in their study, on the impact of Tax Reform and Economic Growth of Nigeria: A time server analysis, found that tax reforms are positively and significantly related to economic growth and that tax reforms Granger cause economic growth. Also, that tax reforms improve the revenue generating machinery of government.

Adeneti *et al.* 2011 using simple regression analysis and descriptive statistical method, find that the ratio of VAT to GDP averaged 1.3% compared to 4.5% in Indonesia, though VAT revenue accounts for as much as 95% significant variations in GDP in Nigeria. The data covered a period of 1994 to 2008. Worlu and Nkoro (2012) in the study tax revenue and economic development in Nigeria: A macro econometric approach. From 1980 to 2007, they found that tax revenue stimulates economic growth through infrastructural development. Also, revealed that tax revenue has no independent effect on growth through infrastructural development and forcing direct investment, but just allowing the infrastructural development and foreign investment to positively respond to increase in output.

Studying on company income tax and Nigerian economic development relationship, Adegbie and Falile (2011) revealed a significant relationship between company income tax and Nigerian economic development. That tax evasion and avoidance are major hindrances to revenue generation. Wambia and Hanga (2013) in their study based on survey method, used questionnaire on 40 respondents to generate data which was measured by a simple majority or percentage of opinions. The study found that more tax compliance is significantly associated with the adequate campaign and judicious utilization of tax funds. Otu and Adejumo (2013) studying the effects of tax revenue on economic growth in Nigeria 1970 to 2011, adopted the ordinary least square OLS regression technique and established that tax revenue has a positive effect on economic growth in Nigeria. The literature that exists is of the support that tax revenue impacts positively on economic development. However, to the best of the researcher's knowledge, no study has been conducted to know the impact of the adoption of International Financial Reporting Standards (IFRS) on tax revenue in Nigeria. This, the study intends to achieve this as well as to update the existing literature on the impact of taxation on economic development.

3. METHODOLOGY

In this study, secondary data are used and were collected from Central Bank of Nigeria Statistical Bulletin, Federal Inland Revenue Service (FIRS) and other relevant website were visited. Data are time series and covered the period of 2000 to 2013.

3.1 Model Specification

Consistent with Rapu (2006), Onah (2006) Masood, Sohaid and Syed (2010), Ogbonna and Ebimobowei (2012) the model is specified with little modification as follows:

$$GDP = F(PPT, CIT, VAT, ET, CED, Post) \ldots\ldots (i)$$
$$GDP = a_0 + a_1 PPT + a_2 CIT + a_3 VAT + a_4 ET + a_5 CED + a_6 Post + a_7 CIT * IFRS + a_8 PPT * IFRS + \varepsilon$$

Where:

PPT = Petroleum Profit Tax
CIT = Companies Income Tax
V AT = Value Added Tax
ET = Education Tax
CED = Custom & Exercise Duty
POST = Dummy Variable Control pre-IFRS and post- IFRS
CIT.IFRS = Interactive Variable Indicating Companies Income Tax Management
PPT.IFRS = Interactive Variable Indicting Petroleum Profit Tax Management
GDP = Gross Domestic Product a proxy for Economic Development

Increase tax revenue is expected to increase economic development (gross domestic product)
Note: the main proxy as far as this model specification is concerned is PPT, while others are the dependent variables.
The post indicates the change of IFRS. This dummy variable taxes the value of 1 for post –IFRS period, Otherwise 0. I expected decline in tax revenues as companies adopted IFRS
To ensure the accurate result of the test, the statistical package for social science SPSS was used. Tables 1-7 show the outputs.

4. RESULTS AND DISCUSSION

This section of the study examines the results and discussions of relevant findings from the econometric and statistical analysis.

Hypothesis 1

Table 1: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998[a]	.997	.995	949.52285

a. Predictors: (Constant), CED, ET, PPT, CIT, VAT
b. Dependent Variable: GDP

Table 2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2132296509.973	5	426459301.995	473.006	.000[b]
	Residual	7212749.130	8	901593.641		
	Total	2139509259.104	13			

a. Dependent Variable: GDP
b. Predictors: (Constant), CED, ET, PPT, CIT, VAT

Table 3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4208.769	1478.531		2.847	.022
	PPT	1.028	.490	.106	2.100	.069
	CIT	64.207	28.115	1.579	2.284	.052
	VAT	-13.298	35.384	-.260	-.376	.717
	ET	-65.924	18.276	-.443	-3.607	.007
	CED	-.973	15.701	-.008	-.062	.952

a. Dependent Variable: GDP
Source: SPSS Version 20

Table 1 shows model summary with a R^2 value of 0.997, which indicates that 99.7 percent of the variation in the GDP can be explained by variability in tax revenue. This indicates that tax revenue has a very strong relationship with the gross domestic product. In addition, the intercept of the regression is positive, meaning that tax revenue has a positive relationship with the gross domestic product. This is consistent with Okafor (2012) Ogbonna and Ebimobowei (2012) Otu and Adejumo (2013), and Ola (2001).

The ANOVA F-value is 473.006 which is statistically significant at a level of 0.05 this suggests that there is a linear relationship between the variables. The analysis shows various p-values for the independent variables which are more than the conventional level of 0.01 and 0.05 levels of significance except for education tax which has a 0.007p-value. This means that education tax contributed more to the variation in the gross domestic products than the other independent variables. We, therefore, reject the null hypothesis and conclude that tax revenue has a positive statistically significant relationship with the gross domestic product.

Hypothesis 2: The relation between company income tax and gross domestic product has declined in the post-IFRS period.

Table 4: Group Statistics

	POST	N	Mean	Std. Deviation	Std. Error Mean
Unstandardized Residual	PRE	12	222.6946422	2226.58356626	642.75931068
	POST	2	-1336.1678533	2566.52643418	1814.80824570

Source: spss version 20

Table 5

Independent Sample Text

		Levene's Test for Equality of Variances		*t-test for Equality of Means*						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Unstandardized Residual	Equal variances assumed	.005	.943	.904	12	.384	1558.862495	1723.71194	-2196.78320250	5314.5081934
	Equal variances not assumed			.810	1.265	.542	1558.862495	1925.27101	-13579.46925103	16697.194242

p < 0.01, p < 0.05 and p < 0.10, respectively

Source: SPSS VERSION 20

Descriptive results for the model are reported in Table 4 above. The mean of the unstandardized residual of the ordinary least square (OLS) regression of the relationship between company income tax and gross domestic product is 222.6946422 for a pre-IFRS period while the mean for post-IFRS is -1336.1678533 apparently there is a huge difference between both periods. From the analysis results above; the relation of company income tax to gross domestic product in pre and post-IFRS is implicated as having insignificant equality at 1%, 5% and 10% level. Hence, we accept the null hypothesis and conclude that the relation between company income tax and gross domestic product has declined in the post-IFRS period.

Hypothesis 3: The relation between petroleum profit tax and gross domestic product has declined in the post-IFRS period.

Table 6: Group Statistics

	POST	N	Mean	Std. Deviation	Std. Error Mean
Unstandardized_ Residual	PRE	12	-257.8768337	5741.30140589	1657.37095610
	POST	2	1547.2610024	5313.09382410	3756.92467210

Table 7: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Unstandardized Residual	Equal variances assumed	.029	.868	-.414	12	.686	-1805.1378361	4358.67468	-11301.874	7691.5984
	Equal variances not assumed			-.440	1.422	.718	-1805.1378361	4106.25881	-28495.44	24885.171

p < 0.01, p < 0.05 and p < 0.10, respectively

Source: SPSS Version 20

Descriptive results for the model have reported in Table 6 above. The mean of the unstandardized residual of the ordinary least square (OLS) regression of the relationship between petroleum profit tax and gross domestic product is -257.8768337 for a pre-IFRS period while the mean for post-IFRS is 1547.2610024 apparently there is a huge difference between both periods. From the analysis results above; the relation of petroleum profit tax to gross domestic product in pre and post-IFRS is implicated as having insignificant equality at 1%, 5% and 10% level. Hence, we accept the null hypothesis and conclude that the relation between petroleum profit tax and gross domestic product has declined in the post-IFRS period. These results for hypotheses 2 & 3 results confirm the theoretical views of Oseni (2013) and Oyedele (2011). Also From the figure 1 below the graphical illustration also supported the finding that relation between the dependent and independent variables under study here have declined in post –IFRS period.

Table 8: PERCENTAGE CHANGE IN GDP, PPT AND CIT

YEAR	%ΔGDP	%ΔPPT	%ΔCIT
2002			
2003	2.7	21.74	34.23947
2004	13.06	-38.65	29.76988
2005	27.16	74.27	28.844
2006	15.11	73.15	13.32753
2007	28.04	60.95	24.67333
2008	27.06	7	50.98644
2009	11.27	-26.38	33.52389
2010	17.62	87.41	27.46177
2011	2.05	-55.32	36.30038
2012	37.07	54.77	15.70146
2013	10.08	104.47	6.572341
2014	8.38	9.84	21.14204
2015	4.57	-14.85	16.13245
Source:	Researcher's computation		

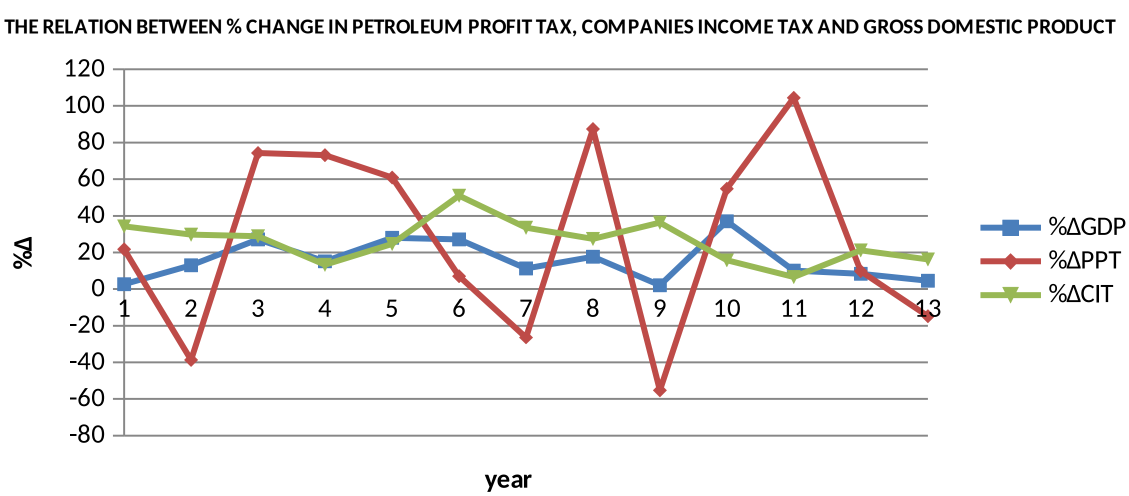

Figure 1

Sources: Table 8

Table 8 and figure 1 show that for the period 2002-2015 under study, the relationship between percentage change in gross domestic product (**%**ΔGDP) and percentage change in companies income tax (**%**ΔCIT) and percentage change in petroleum profit tax (**%**ΔPPT) has not been stable. This instability was so evident in 2009 with 2.07%, -55% and 36.30% change in GDP, PPT and CIT respectively.Gross Domestic Product and Petroleum Profit Tax moved in the same direction supporting the view of Odusila (2006) that Nigerian economy depends on oil. The rise and fall among the variables under consideration are occasioned by among the following: the 2008 economic meltdown, dysfunctionalities in the income tax system, loopholes in tax laws and inefficient tax administration (Okafor, 2012). Today, the price of oil has collapsed and continues falling. "Energy –sector debt has been called into question because of the collapse of oil prices. Moreover, emerging markets have been put into question because of a global growth slowdown, global deflation, and the strong dollar" (James, 2015). The three variables are nose diving towards south direction instead of north; this shows an early warning that another round of economic crisis is on the way.

5. CONCLUSION AND RECOMMENDATIONS

The major objective of this study is to assess the impact of taxation on the economic development of Nigerian. This was done by examining the relationship between gross domestic and petroleum profit tax, companies' income tax, value added tax, education tax and customs and excise duties. It goes further to find the relation between the dependent variable GDP and two independent variables PPT and CIT in the post-IFRS period. To capture this, time series data were sourced from 2002-2015. The OLS multiple regression analysis confirms that there exist positive and significant relationships between gross domestic products GDP and tax variables. It also through Leven's test documented that the relation between GDP and PPT, CIT declined in post-IFRS. This study encourages further study on the empirical study on the impact of IFRS on taxation and economic development of Nigeria.

However, based on the findings, the study recommends as follows: First, Nigerian government should free the system from corruption by utilizing revenues generated in providing social amenities such as good roads, power, etc and investing our fund on projects that generate jobs to our dear youths. This will help curtail insurgency, tax evasion and encourage tax compliance. Second, the economy should be urgently diversified to expand the revenue base of the nation. Gone are the days of oil and continue reliance on that sector for funding government expenditures is no longer acceptable based on the current economic trend. Third, tax laws and administration should be harmonized to reduce the cost of paying tax. Finally, federal, state and local tax authorities have to study the impact of IFRS on taxation in Nigeria. This will help to check mate tax sheltering by corporate bodies as some accounting standards provide an avenue for this. Suffice to state here that, the post –IFRS standard covers only 2016 hence, this gives ample opportunity for further research to be conducted by interested parties to enhance adequate information provision in this area of study.

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Voluntary Tax Compliance as an Alternative to Boosting Tax Revenue Generation in Nigeria

SAYI, A. Wilfred

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail**:** sayijnr@yahoo.com, Phone No: +2348035990980

&

LAMBE, K. Isaac, Ph.D

Department of Accounting,
Bingham University,
Karu, Nasarawa State.
E – Mail**:** talk2ice@yahoo.com, Phone No: +2348027629054

Abstract

This study examined the correlation of voluntary tax compliance as a means for boosting tax revenue generation in Nigeria. The study is motivated by the bid to provide an insight into alternative ways of boosting tax revenue yields. It looks at the possibility of widening the tax base by bringing in the informal sector and high net individuals into the tax nets through voluntary tax compliance or enforce voluntary tax compliance. A survey design method was employed to sample opinions of respondents through the use of questionnaire, interviews and content analysis, which employ review of relevant books and articles on the subject of discussion. Descriptive statistic using mean, ordinary least square (OLS) regression method was equally used for data analysis. Findings from the study revealed that voluntary tax compliance and enforcing voluntary tax compliance are both capable of boosting tax revenue generation in the country. The study recommend the establishment of reward and honors scheme for all categories of taxpayers who are regular in the payment of their tax for a period of not less the 30yeras consecutively for national honors in order to encourage them and others to be compliant.

Keywords: Informal Sector, Tax Compliance, Tax Revenue Generation, Voluntary Tax Compliance,

1. INTRODUCTION

Financing government activities and Programmes has not been an easy task. In recent times various levels of government in Nigeria are faced with the challenges of insufficient revenue to meet its responsibilities for the protection of life and property of its citizens, provision of infrastructure, good health system, education and welfare goods and services to its citizens. In some states and local government areas in the country, government are unable to pay the salaries of its workers for more than five to ten months, a situation that is quite worrisome and disturbing. The major source of revenue to the government in Nigeria is the oil revenue, which often accounts for about 70% of the total revenue generation in the country Ade (2018), closely followed by tax revenue. Tax revenue are charge, usually monetary imposed by government on individual, corporate bodies, transactions or property to yield public funds for the discharge of government responsibilities.

Recently the dwindling oil revenue occasioned primarily by the fall in crude oil price at the international market has made the government to take a look at the undeclared source of tax revenue by individual and corporate bodies, with the aim of harnessing its benefits by increasing tax revenue generation and broadening the tax base. Tax revenue being the next in line, as a source of revenue generation compared to oil revenue has remained low in Nigeria despite of the fact that it remains the most reliable sources of revenue to government, be it state, local or federal government. No doubt, the federal government through the Acting President Prof. Yemi Osibanjo in 2017 issued an executive order, mandating the Federal Ministry of Finance to set up a Voluntary Assets and Income declaration scheme (VAIDS), a scheme, which is geared towards voluntary compliance and amnesty for tax defaulters to declare and pay the correct amount of tax, with a view of expanding the Nigeria tax base and improving the tax revenue generation capacity of the three tiers of government.

Most developed Countries have adopted the voluntary tax compliance scheme, where eligible taxpayer and other corporate bodies are require to freely declare and paying income tax obligations to government as at when due, rather than government imposing involuntary tax on the citizens. In Nigeria the voluntary tax compliance scheme has being in operation for quite some time now, but the rate at which eligible taxpayers fail to pay their full tax burden either by mistake or by deliberate attempts at tax evasion is a matter for concern. (Ade, 2018) states that Nigeria has a population of about 186 million people. Of this number, about 77 million were employed as at 2015 and only about 10 million people out of this number, are registered for personal income tax across the 36 states and the federal capital territory (FCT). These numbers just do not add up. How does one explain that 10 million people carry the tax burden that at least 77 million people are expected to share? A reality that leaves the economy very vulnerable to fluctuations in the oil market and the reason that propel the federal government to introduced the VAIDS. According to Anyaduba, Eragbhe and Kennedy (2012) Tax researchers have investigated why some people pay taxes and others do not. Through experiments random surveys and available tax database, research have identified characteristics of non-compliance and factors that inhibit voluntary tax compliance to include but not limited to lack of citizen-inclusive approach to compliance through policies that encourage dialogue and persuasion, combined with an effective mix of incentive and sanctions. Other scholars have identified inadequate public awareness, public enlightenment and sensitization of the citizens of their legal obligation to pay tax, government inability to fulfill the social /fiscal contract, Inability to judiciously applying the resources available to projects and programmes that have direct bearing on the governed. Inability to make the taxpayer obligation to pay easier and cheaper by providing simple mode of payment, and technical assistance were necessary and building a positive relationship between the taxpayer, tax authorities and the government. Thus this study adds to existing literature by assessing the correlation of voluntary tax compliance as a means of boosting tax revenue generation in Nigeria, as compared with order developed countries that have adopted the same or similar scheme. Therefore the study tests the following specific hypothesis:

H_{01}: Voluntary compliance has no significant effect on tax revenue generation in Nigeria.
H_{02}: Enforcement of Voluntary compliance has no significant effect on tax revenue generation in Nigeria.

2. LITERATURE REVIEW

Researches are of the view that voluntary tax compliance required a positive induced attitude of continuous cooperation, educating the taxpayer and transparency on the part of government in the utilization of resources at its disposal. However, Batrancea, Nichita, and Batrancea, (2012) identified social psychological issues, political, industry, business and economic among others as determinant of voluntary tax compliance. Sarker (2003) opines that tax counseling, establishing tax information management system, regular auditing and examination, penalty provisions and enforcement, and tax education are capable of ensuring voluntary tax compliance and improving the level of tax revenue generation in developing countries.

2.1 Conceptual Framework

Voluntary compliance refers to the principle that taxpayers will cooperate with the tax system by filing honest and accurate annual returns and pay the tax due thereon. Voluntary means that each taxpayer is expected to prepare and file returns without government involvement. (Investopedia.com), it further sees voluntary compliance as the expectation that taxpayers will be forthcoming in reporting income and calculating their individual income tax burden and payment of such, and all other taxes. The United States frivolous tax arguments section 1A to C and the internal revenue services, (2018) defined the word voluntary to mean the system of allowing taxpayers initially to determine the correct amount of tax and complete the appropriate returns, rather than have the government determine tax for them from the outset. Somorin (2012) put voluntary compliance as an assumption or principle that taxpayers will comply with tax laws and more importantly, accurately report their income and deductions honestly. Ariwodola (2001) states that self-assessment is synonymous to voluntary compliance since taxpayers are required to make return of the income plus self – assessment of what their tax liability should be, and forward same with their cheque for the tax due to the respective tax offices. Fowler (2017) states that if you allow self - assessment with no checks and balances and no consequences, then tax revenue generation won't be possible.

2.2 Empirical Review

Saad (2014) examined compliance based on taxpayer views so as to uncover the reason for non-compliance. A survey research design was used to obtain data for analysis with the aid of thematic statistical technique. The result revealed that tax payers have inadequate technical knowledge and perceive tax system as complex and therefore contributing to non – compliance attitude of tax payer.

Beesoon D., soondram H. and Jugurnath B. (2016) assessed the determinants of income tax compliance in Mauritius for individual taxpayers. The study adopted primary survey design to obtain data, which was analyzed with the aid of thematic statistical analysis. Their result suggests that tax knowledge impact significantly on tax compliance and that statutory audit, penalties personal financial constraints, perception of government expenditure influences compliance level.

Anyaduba, Eragbhe and Kennedy (2012) examined the effects of deterrent tax measures in tax compliance in Nigeria. The study used ordinary lead square (OLS) regression techniques, which were estimated using computer software (Microfit 4.1). The study result suggests inadequate deterrent measure capable of promoting tax compliance in Nigeria, and that tax compliance will be enhanced upon fostering voluntary compliance and enhancing taxpayers' morale. In concluding the study identified that Nigeria compliance strategy is inappropriate and responsible for the low tax revenue generation.

Appah and Ogbonna (2014) examined self-assessment scheme and revenue generation in Nigeria. The study adopted both primary and secondary research designs to obtain data for analysis with the aid of correlation coefficient statistical model. The study results suggested strong correlation between self –assessment compliance and revenue generation.

2.3 Theoretical Framework

This study is based on the following theories and principles of taxation. Equity and fairness, the theory requires a tax system that is fair and equitable devoid of discrimination among taxpayers, as taxpayers will normally seek to pay tax based on their income and ability, it is a clear justification of the principles of progressive taxation were the higher your income the higher the tax. This implies that all taxpayers sacrifice equally and according to their ability. The benefits seen and sustainability theory put it, that payment of tax should depend on the benefits that are physically seen of projects executed by governments in the interest of the taxpayers, these projects must be sustainable on a continuous basis and in different locations and areas within communities in order to motivate citizens to pay tax. Musgrave (1959) as cited in Akpu and Ohaka (2017) the benefits Principles of taxation plays a dual role working as a cumulative justice principle based on the contract of relationship between the state and the citizens on one hand and on the other hand it presents the principle of equity in taxation which makes citizens to pay taxes equivalent to the amount of benefits received by the state.

Theory of simplicity, certainty and clarity of tax payable, should be such that taxpayers can easily understand, be certain of the amount to pay and the procedure for the payment. Without this in place it often be difficult for taxpayers to voluntary comply. Anyaduba, Eragbhe and Kennedy (2012) states that revenue authority should always be to encourage voluntary compliance wherever possible and to facilitate such compliance by whatever means it can make available. The national tax policy (2017) requires government to apply all available resources and tools at their disposals to ensure that taxpayers voluntarily comply with their tax obligations. In order to improve voluntary compliance the relevant authorities should ensure; that the option for self – assessment is in place, and process and procedure are simple; development of frameworks for tax amnesty in order to expand the tax net; constant tax education and enlightenment; and the establishment of a system to recognize and honour compliant taxpayers.

3. METHODOLOGY

This study adopts correlational research design. The choice of this design is predicated upon the fact that it uses historical data to test hypothesis about the relationship between voluntary compliance and tax revenue generation. The population of the study comprises the staffs of the federal Inland Revenue service (FIRS), 50 businesses in the informal sector, 10 limited liability companies and 20 enterprises. The study used primary and secondary data because the variables under consideration are gotten from reports of tax revenue generation from the Federal Inland Revenue service (FIRS) and interviews conducted with some informal business owners. Ordinary least square regression was employed to estimate the parameters of variables in the model. The model is considered appropriate giving the objective of the study. Model of the study is mathematically expressed as follows:

$$TRG = a + \beta 1\, VTC + \beta 2\, EVTC$$

The variable were defined and measured as follows:

Table 1: Variable Definition and Measurement

Variable	Proxy(ies)	Measurement
Voluntary tax compliance	VTC	Tax revenue generated 2016 /2017 FIRS
Enforce voluntary compliance	EVTC	Tax revenue generated 2016/2017 FIRS
category of tax payers	Informal sector	Level of compliance 2016 / 2017
	Limited liability company	Level of compliance 2016 /2017
	Individual/ enterprises	Level of compliance 2016 /201

4. RESULTS AND DISCUSSION

The result of the study are presented and discussed in this section.

Table 1. Responses of Respondents on voluntary compliance as an alternative to boosting tax revenue generation

Respondent	Affirmation (%)	Negative (%)	Confidence Level
Informal sector	59.5	40.6	0.055
Limited Liability Company	68.6	38.8	0.059
Individual / Enterprises	60.0	39.9	0.601
Staff (FIRS)	95.5	5.5	0.823

Respondents significantly agree that voluntary compliance is capable of boosting tax revenue in Nigeria. Note that all the confidence level from the different respondents is above 50%. The informal sector suggested that voluntary tax compliance is possible if the government helps to provide enabling environment at all levels of business and a soft loan with low interest rate, minimum repayment period of not less than one year, to the sector operators, they have suggested mechanism for constant monitoring and evaluation of their performance by government, a central database as well as training and advisory services.

Table 2.

Do you comply with voluntary tax compliance (VTC) as an obligation of the law

		Min	Max	Mean	Std. Dev.
1.	**IS**	**-0.782**	**0.223**	**0.0218**	**0.0883**
2.	**LLC**	**0.008**	**7.200**	**0.6271**	**0.5200**
3.	**IE**	**0.009**	**8.815**	**0.6117**	**0.4524**

Table 2 shows that voluntary compliance by informal sector has a minimum of -0.782 and 0.223 as maximum value. The mean values of 2% with a standard deviation of 8.83% indicating low VTC among the informal sector, with an average compliance among the limited liability company of 52%, individual and enterprises has compliance rate of 45%.

Table 3.

Responses of Respondents on enforcing voluntary compliance as better way of boosting tax revenue generation

Respondent	Affirmation (%)	Negative (%)	Confidence Level
Informal sector	28.5	62.3	0.035
Limited Liability Company	60.5	35.8	0.052
Individual / Enterprises	52.8	48.5	0.054

Staff (FIRS)	90.00	9.5	0.855

Three (3) category of Respondents agree that enforcing voluntary compliance is capable of boosting tax revenue generation in the country, as their confidence level is above 50%, whereas the informal sector are not convinced that enforcing voluntary tax compliance will boost tax revenue generation as their confidence level is at 35% and their affirmation at 28.5% their position is based on the fact that only business or an individual that is thriving or making profit that can pay tax from earnings of the business, this position is in line with one of the principles or canons of taxation as propounded by Adam smith in 1929 as principle of convenient for payment.

Table 4.

In your opinion can you suggest a better way of boosting tax revenue generation in Nigeria?

	Recognition (%)	Enlightenment (%)	Sanctions (%)	Prudent Spending (%)
1. IS	60	50	30	55
2. LLC	40	50	58	60
3. IE	65	55	45	65
3. FIRS	45	60	55	58

Result of Table 4 indicate that the informal sector, individual and enterprises are of the opinion that establishing a system of reward and honors for taxpayers who are compliant with payment of their taxes on a regular basis should be honor with national awards like, Officer of the Order of Niger (OON), Officer of the Federal Republic (OFR) and Commander of the Order of Niger (CON). Such persons must have paid taxes consecutively for a period of not less than thirty to fifty years. The entire respondent agreed that public enlightenment is another better way of boosting tax revenue generation in the country with respondents having 50% and above in affirmation. Two categories of respondents are of the view that sanctions are equally another means of boosting tax revenue generation in the country with an affirmation of 50 -58%. As in Akpu and Ohaka (2016) prudent spending of resources by the government for the benefits of the governed is necessary in order to propel citizens to continue to pay tax, this position has being re-confirmed in this study with all the respondents affirming with about 50% - 65%.

4.1 Discussion and Findings

Findings have revealed that Voluntary tax compliance and enforcing voluntary compliance are both relevant in boosting tax revenue generation in Nigeria, although the continuous monitoring and creating of enabling environment for the informal sector in the country, is identified as means of boosting the tax revenue generation in the country, a more specific point have being put forward by the informal sector, for government to ensure the establishment of rewards and honors for deserving and regular taxpayers who have regularly pay their taxes for a period of not less than thirty years consecutively to feel or have sense of recognition and appreciation by government of their efforts in paying tax, this will not only make others to emulate but will bring about competition among the citizen in the country towards payment of income tax. These honors might include but not limited to the Nigeria national honors of; Officer of the order of Niger (OON); Officer of the Federal Republic (OFR), and; Commander of the Order of Niger (CON).

Government at all levels must on their part ensure accountability and prudence by providing records at all times of all tax revenue received and how they are being spend for the benefits of the citizens. Projects must be cited evenly among communities within the states, local and federals government jurisdiction. Again like in other research, public enlightenment has being emphasis as additional way of boosting tax revenue in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

This study investigated the effect of voluntary tax compliance as an alternative to boosting tax revenue generation in Nigeria, it comes to a conclusion that voluntary tax compliance work hand in hand with enforcement otherwise taxpayers will continue to evade tax. In line with the findings the following recommendations are made:

i. Government should establish a reward and honors award for deserving and regular taxpayers. For example the national honors such as OON, OFR and CON
ii. The creation of public enlightenment campaigns on the need to pay tax by citizens.
iii. Government must be accountable and prudent on every project they are embarking on, and ensure spread of such project evenly
iv. Government should ensure sanction in place for defulters.
v. Government is encouraged to provide financial, technical and advisory services to the informal sector, as well as monitor their performance.

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An Empirical Investigation into Economic Planning in Developing Economies: The Nigerian Experience

MILAM, G. Fukkatda

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail**:** milam.gomoer@binghamuni,edu.ng, Phone No: +2348065348833

Abstract

Economic planning is a term used to describe the long term plans of an incumbent government to manage the economy. Planning is defined as conceiving, initiating, regulating and controlling economic activity by the state according to set priorities with a view to achieving well-defined objectives within a given time. This study aims to examine critically various development plans in Nigeria and identify those problems that hinder successful implementation of development plans in Nigeria. The study relied on secondary data, as its source of information. Based on the findings that development plans have been accepted as a suitable strategy to address development challenges in Nigeria, this study concludes that the efficacy of our national development plans would be enhanced and serve as a viable instrument of sustainable development if the problems that confront the National Development plans are properly addressed. It is recommended that Nigeria policy makers should be economic plan implementation focused. The economic plan should be grass root design and implemented across the administration's life, it also suggested that the financial plan of the government should reflect the broad plan of the administration. It should also be made of long term period to be productive.

Keywords: Economic planning, Economic Growth, Development Plans, Developing Countries

1. INTRODUCTION

Economic planning has been the bedrock of achieving development objectives in many successful developing countries. Economic planning is a term used to describe the long term plans of an incumbent government to co-ordinate and develop the economy. Economic planning is commonly a feature of the government as it usually involves increased spending on things such as public work schemes and government programs. It is used by government to make economic decisions with respect to the use of resources .Economic planning is the control and direction of economic activity by a central public authority. The level and type of central planning in any economy is generally connected to the sort of political regime that dominates. In recent years, heavily structured economic programs have been associated in particular with socialism, communism, and fascism. Economic planning also became an important part of public policy in nations that did not adopt those doctrines, even in Western capitalist societies where the notion of a free market is a fundamental tenet. Central planning increases are importance during a recession, or any serious economic decline. Planning can involve the use of direct control such as rationing and price, rent and wage limits-or indirect controls, such as monetary and fiscal policy. Economic planning includes:

(i) Discussing the long term future of economic growth, and ways of achieving the growth.
(ii) Meeting social partners such as trade Union leaders to co-ordinate government planning in relation to these partners.
(iii) Organizing committees to create reports and offer recommendations for future economic expansion.
(iv) Ensuring income equity and even economic development.

Critics, who generally tend to be pro Free-market, argue that the only economic planning that government should engage in is providing a framework for the economy to operate, such as sufficient infrastructure and the maintenance of law and order. At the heart of such planning is effective coordination and integration of development policies, whether fiscal, monetary or social, across government. However, despite good intentions that always underpin development strategies, the development plans of many developing economies either fail outright or produce disappointingly average returns (Gumede, 2009). Most especially when the type of economy is a developing one like Nigeria. Over the years, in an attempt to reduce the level of poverty and increase the rate of economic development, Nigeria has embarked on several National Development Plans with feasible objectives: Proponents of economic planning for developing countries argue that the uncontrolled market economy can, and often does, subject these nations to economic dualism, unstable markets, low investment in key sectors, and low levels of employment. In particular, the proponents claim that the market economy is not geared to the principal operational task of poor countries: mobilizing limited resources in a way that will bring about the structural change necessary to stimulate a sustained and balanced growth of the entire economy. Planning came to be accepted, therefore, as an essential and pivotal means of guiding and accelerating economic growth in almost all developing countries (Todaro and Smith, 2011).

According to Todaro and Smith (2003), that traditionally, economic development connotes the capacity of a national economy, whose initial condition has been more or less static for a long time, to generate and sustain an annual increase in its gross national product (GNP) at rates of perhaps 5 per cent to 7 per cent or more. Then following Iwayemi (2012), Nigeria is one of the fastest-growing economies in the world in the past decade. The remarkable growth narrative is evident in an average annual real growth rate of GDP of over 6 per cent between 2004 and 2012. In 2011, the economy grew robustly at 7.45 per cent. Real per capita income which grew at over 3 per cent per annum in the last five years is also one of the fastest in the world. However, if going by Sen (1985, 1999), "Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with embracing the lives we lead and the freedom we enjoy." In the recent time in Nigeria, the robust and sustained economic growth has failed to translate into any net gain in productive employment for the majority of the labour force, especially for the millions of youth joining the labour market each year. The massive joblessness among the youth is increasingly swelling a social underclass which has often fuelled criminality, social tension and insecurity in the country. Also, there is declining well-being and rising poverty level as the impressive and sustained growth has failed to translate into poverty reduction, inclusive growth and development. This observation is substantiated by the significant deterioration in economic prosperity for much of the population based on poverty level and other human development indicators (Iwayemi, 2012).

The significance of this research stems from the necessity of Nigeria as a country to embrace the ideology of economic planning models in the formulation and implementation of its development plans so as to achieve meaningful growth and desired development. Also, due to the fact, as far as we know, that there is hardly a recognized study on planning models in Nigeria, the present work finds relevance in filling this gap by using historical method and quantitative techniques of analysis to examine the rationale for economic development planning model for the country. Essentially, this study is also premised on the desire of Nigeria to effectively combat poverty with a view to attaining the Millennium Development Goals (MDG) and VISION 2020 currently running. Thus, despite the various development strategies that have been introduced and implemented, the country needs a policy measure that will aim at improving the growth rate of per capita income necessary for poverty reduction. Also, since it is imperative that economic planning models are relevant in promoting economic growth and development along the thought of Todaro and Smith (2011), it is worthwhile to explore how planning models are relevant to economic development in Nigeria. Other objectives of economic planning as outlined by Pooja Mehta are as follows:

I. Better utilization of man power resources and increasing employment opportunities.
II. To promote labour welfare, economic development of backward classes and social welfare of the poor people.
III. To achieve economic stability and reducing economic inequalities.
IV. To promote social justice and increase the standard of living of the people.

Consequently, the study seeks to undertake an Empirical investigation into Economic planning in Developing Economies with emphases on Nigerian Experience.

2. LITERATURE REVIEW

2.1 Conceptual framework

According to Dickinson (2008), economic planning is the making of major economic decisions by a determinate authority on the basis of a comprehensive survey of the economy as a whole. Such decisions include what and how much to produce; how, when and where it is to be produced; and to whom it is to be allocated. With reference to underdeveloped countries, Subrata Ghatak defines economic planning as a conscious effort on the part of any government to follow a definite pattern of economic development in order to promote rapid and fundamental change in the economy and society. Osabuohien, Uchenna and Adeleke (2012) indicated that planning simply involves the process and actions taken to drive economic outcomes to expected levels and thus planning even from market oriented perspectives is essential.

According to Otokiti S.O (1999), planning as understood by economists implies centralized control, conscious and deliberate layout of the national resources with a definite end in view, incorporating all economic aspect which is well coordinated and integrated so as to eliminate duplication and wasteful competition. For example as a lay man, putting up a building requires a knowledge of the requirements like sand, gravel, cement, etc , how much it costs, the time it will take to build it and the number of labourers required. Hence proper planning is needed. In the economy, the macroeconomic decision of answering the basic economic problem questions of evenly distributed resources is the pure responsibility of the government which calls for careful strategic planning. Therefore, to plan is to act in the light of a definite predetermined objectives by designing and manipulating of factors which govern the achievement of the given targets so as to attain specific goals within the time limit which the planner sets to achieve. Otokiti (1999), define economic planning as a deliberate control and direction of the economy, by a central authority through various tools and sub-systems within the main system, for the purpose of achieving definite targets and objectives within a specified period of time. On the other hand, Todaro and Smith (2011), define economic planning as a deliberate and conscious attempt by the state to formulate decisions on how the factors of production shall be allocated among different users or industries, thereby determining how much of total goods and services shall be produced in one or more ensuing periods. Jhingan (2011), define economic planning as a deliberate control and direction of the economy by a central authority for the purpose of achieving definite targets and objectives within a specified period of time.

Countries like USA, UK, INDIA, MALAYSIA, and SINGAPORE, carefully took their economic planning formulation and implementation seriously which position them in the place they occupy now in the committee of nations in the world. However, this is not the case with the less developed countries of which Nigeria is one. This has contributed to the level of economic backwardness that is visible in their economies. It is also important to state that there are objectives of economic planning that are available to planners.
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2.1.1 Concept of Economic Plans

Since the end of World War II, it has become an accepted practice among the governments of the developing countries to publish their “development plans.” First and foremost, we have to know how economic plans are developed. Existing and subsisting are wide ranges of economic plans ranging from short-term plans, medium-term plans and long-term plans. Short-term economic plans are easier to achieve than long-term plans mainly because in the longer-term, different implementers will be faced by plans they haven’t initiated and hence lack commitment. The aim is to select a period long enough to include projects spanning a number of budget years but not so long as to delay periodic assessment of the development effort stretching over a series of plans. Political parties when in power usually come to design their own plans, sometimes just for the sake of changing. Usually current planning is based on the happenings of yesteryears. Issues that have been raised by citizens today are incorporated in tomorrow’s plans. Economic planning also emanates to instill discipline among the authorities; agents usually work towards the achievement of set goals and follow a defined path. National resources, whether abundant or not have to be distributed to the benefit of all. Efficient allocation of resources cannot be done discretionally, time has to be allocated and ways to achieve that be tactfully designed. Also to enhance stability in the economy a plan has to be in place. Left alone the economy will experience fluctuations and hence smoothening is appropriate through making a plan ahead. According to Ukertor (2012), the ultimate aim of governments worldwide is to achieve sustainable improvement in the quality of life of its citizenry. Hence, countries no matter their size or developmental status strive to achieve some level of consistency in development planning and good governance. However, Ukertor (2012) insisted that achieving the goals of governance requires that deliberate plan of action be set out to guide government throughout the process.

2.1.2 Essentials of Economic Planning

Policies are products of planning. Thus, the fundamental need for planning is to achieve the set of macroeconomic objectives, which includes rapid economic growth and development, price stability, maintaining favourable external balance, reduce unemployment and so on (Iyoha, 2004; Aigbokhan et al, 2007). The development plan attempts to promote economic development in four main ways:

(i) By assessing the current state of the economy and providing information about it;

(ii) By increasing the overall rate of investment;
(iii) By carrying out special types of investment designed to break bottlenecks in production in important sectors of the economy; and
(iv) By trying to improve the coordination between different parts of the economy.

According to Arthur Lewis, a development plan may consist of the following parts:

i, Survey of current economic conditions
ii. List of proposed public expenditures
iii. Discussion of likely development in private sector
iv. Macro economic projections of the economy
v. Review of government policies.

This shows that there is need for economic planing by any government for the smooth development of the nation. Issues of poverty and unemployment need to be addressed through good policies. Issues of food security, education and health also require attention through economic planning.

2.1.3 Assessing Economic Plans

Measuring performance in the private sector is straightforward, just simply subtract how much it costs you to make something from how much you sell it for and there's your profit, Burchett (2010). Measuring performance in the public sector will never be as straightforward as measuring that in the private; it's a far less exact science than reading the bottom line of a profit-and-loss sheet. But that's the subjective and emotionally-charged nature of the public sector's often crucial work in an ever changing world. Economic planning is done just to offer as a standard of measuring efficiency. An economic plan comprises of objectives, targets and ways of achieving the targets. Given that failure or attainment of what is in the plan results in an assessment. Surpassing target indicating efficiency and falling below the target indicate inefficiency. However, at this point, it is important to note that there is a possibility of making a plan that is easily achievable, and in that case surpassing target will no longer mean efficiency. A good economic plan should not be easily achieved, rather it should be challenging.

As supported by Burchett (2010), the bottom line for public sector performance is to empower and trust public servants to serve the pig some hearty portions and let government weigh it only at the village fete, thus public sector productivity as part of overall productivity. It is natural and unavoidable that measurement of public output and productivity, for this purpose, should take place within the well-developed framework of national accounting. The performance of government, and of the services that it finances, are a major contributors to societal wellbeing. Many governments adopt performance measurement precisely because the political governing body has demanded it as a means to strengthen accountability. The problems facing government today, and the programs we use to address them, are many and complex. Politicians are elected to make policy decisions. So in providing performance information to them, it is not enough simply to report work process output and efficiency data.

2.1.4 Reasons for failure of Economic Plans

An economic planning, especially made by the government involves cooperation with the private sector. If the private sector fails to cooperate whether deliberately, or in any way, the plans will not succeed. The issue of credibility of the government authorities will now matter in this case. The private sector and all economic players should have confidence with the government. Credibility can be regained through consistency in policy making and implementation. Poor timing of events is also a contributing factor to failure of economic plans. This mainly results from lags in the planning process. It takes time for government to act and this is caused by long bureaucratic channels of communication. Poor implementation of instruments can also be cited. Sometimes economic plans designed by government involve game theoretic approaches with the private sector. The success will then depend on the model used by the government to represent the behavior of economic players. However, in many cases the private sector is more informative and hence offering a great challenge to government authorities. Economic agents are rational, and hence have rational expectations rather than being adaptive or naïve. Natural disasters usually interrupt with economic planning offering great definite challenge, because it is difficult to predict natural disasters. Lack of information on the part of the government, may lead to the failing of economic plans. On the part of the government, information lags are highly present and hence implementation of plans is a great challenge. In many cases, economic plans are designed with no definite adequate resources to support the planning and implementation process. Hence the issue of blue print comes around. Good economic plans are designed but will never be achieved due to unavailability of resources.

Political influence is also a major factor to be considered, being noted by Krueger in the 1990s in his analysis of government failure in development. This involves the interruption of economic activities running smoothly by political interference for political benefit. This, in many cases, is not avoidable. If so, it will be very hard to prevent political interruption to economic plans. It has been noted that economic plans are not designed by economic experts, rather by politicians, despite consultative steps taken by politicians. Due to this fact, the plans will eventually fail, just because they lack economic principle behind. Fraud and corruption are also high in the government sector. According to Randal (2007), private plans are flexible and can be happily changed when new information arises. This is in contrast to government plans because as soon as a government plan is written, people who benefit from the plan form special interest groups to insure that the plan does not change no matter how costly it proves to be to society as a whole. Hence, the plans will lack support and eventually won't deliver to the desired results.

2.1.5 Ways to avoid failure of Economic Plans

An important tool to have successful projects is to have a well-functioning monitoring and evaluation device or strategy. In most governments monitoring and evaluation is very slow and very untimely. This on its own will channel available resources to informal sectors and hence making achievement of goals a challenge. Consultation is crucial in the planning process. However, having a wide coverage of consultation in the planning process will not necessarily result in having a better economic outcome, when the needed frameworks such as institutional quality are not in congruence. When the planning process involves low consultation and weak institutions, there will be 'shallow' planning with its resultant effect: poor economic outcomes. Therefore in this case, minimal coverage and low consultation in the planning process will not be adequate to support desired outcomes. This may also worsened by weak institutions. According to Birchall spending ignorance exist, implying that, without price and profit signals, there is little information for decisions, without the safeguard of competition better alternatives are not discovered, without individual choice the "common good" is an arrogant imposition benefiting vested interest groups and without the magic of private property, the discovery of successful technological and institutional innovation is not rewarded efficiently.

Hossein, Kirkpatrick and Parker (2006) indicated that building effective regulatory structures in developing countries is not simply an issue of the technical design of the most appropriate regulatory instruments; it is also concerned with the quality of supporting regulatory institutions and capacity. "Good performance management can help Departments improve their effectiveness and promote accountability to public and Parliament. - Sir John Bourn, (2001). Regulation can take many forms and the form of regulation policy adopted in developing countries has shifted over time (Minogue, 2005). From the 1960s to the 1980s, market failure was used to legitimize direct government involvement in productive activities in developing countries, by promoting industrialization through import substitution, investing directly in industry and agriculture, and by extending public ownership of enterprises. However, following the apparent success of market liberalization programs in some developed countries, and the evidence of the failure of state-led economic planning in developing ones (World Bank, 1995), the role of state regulation was redefined and narrowed to that of ensuring an undistorted policy environment in which efficient markets could operate.

2.1.6 Nigeria's Economic development plans

The Nigerian experience as regards development planning can be discussed in the light of Long, Medium, and Short term plan in the version of perspective, fixed and budgetary plans. Nigeria has embarked on several National Development Plans with feasible objectives: from the first plan (1962-1968) to the fifth (1988-1992) and then the rolling plans (1990-1992). Strategies like National Poverty Eradication Programme (NAPEP), National Economic Empowerment and Development Strategy (NEEDS), VISION 2010, millennium Deployment Gold (MDG) 2015, and the newly introduced

Financial System Strategy (FSS) 2020 and Subsidy Reinvestment Programme (Sure-P) were also introduced and implemented.
Proponents of economic planning for developing countries argue that the uncontrolled market economy can, and often does, subject these nations to economic dualism, unstable markets, low investment in key sectors, and low levels of employment. In particular, the proponents claim that the market economy is not geared to the principal operational task of poor countries: mobilizing limited resources in a way that will bring about the structural change necessary to stimulate a sustained and balanced growth of the entire economy. Planning came to be accepted, therefore, as an essential and pivotal means of guiding and accelerating economic growth in almost all developing countries (Todaro and Smith, 2011). If going by the words of Todaro and Smith (2003), that traditionally, economic development connotes the capacity of a national economy, whose initial condition has been more or less static for a long time, to generate and sustain an annual increase in its gross national product (GNP) at rates of perhaps 5 per cent to 7 per cent or more. Then following Iwayemi (2012), Nigeria is one of the fastest-growing economies in the world in the past decade. The remarkable growth narrative is evident in an average annual real growth rate of GDP of over 6 per cent between 2004 and 2012. In 2011, the economy grew robustly at 7.45 per cent. Real per capita income which grew at over 3 per cent per annum in the last five years is also one of the fastest in the world. However, if going by Sen (1985, 1999), “Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with embracing the lives we lead and the freedom we enjoy.” In the recent time in Nigeria, the robust and sustained economic growth has failed to translate into any net gain in productive employment for the majority of the labour force, especially for the millions of youth joining the labour market each year. The massive joblessness among the youth is increasingly swelling a social underclass which has often fuelled criminality, social tension and insecurity in the country. Also, there is declining well-being and rising poverty level as the impressive and sustained growth has failed to translate into poverty reduction, inclusive growth and development. This observation is substantiated by the significant deterioration in economic prosperity for much of the population based on poverty level and other human development indicators (Iwayemi, 2012). The significance of this research stems from the necessity of Nigeria as a country to embrace the ideology of economic planning models in the formulation and implementation of its development plans so as to achieve meaningful growth and desired development. Also, due to the fact, as far as we know, that there is hardly a recognized study on planning models in Nigeria, the present work finds relevance in filling this gap by using historical method and quantitative techniques of analysis to examine the rationale for economic development planning model for the country. Essentially, this study is also premised on the desire of Nigeria to effectively combat poverty with a view to attaining the Financial System Strategy (FSS) 2020. Thus, despite the various development strategies that have been introduced and implemented, the country needs a policy measure that will aim at improving the growth rate of per capita income necessary for poverty reduction. Also, since it is imperative that economic planning models are relevant in promoting economic growth and development along the thought of Todaro and Smith (2011), it is worthwhile to explore how planning models are relevant to economic development in Nigeria.

The Nigerian experience as regards development planning can be discussed in the light of Long, Medium, and Short term plan in the version of perspective, fixed and budgetary plans. Essentially, the recent epoch of national development plan in the country dates back to the period after the Structural Adjustment Programme (SAP). As an opportunity for revaluating the planning system, the government introduced a new planning proposal which consisted of a fifteen to twenty-year perspective or Long-term Plan, a three-year Rolling Plan, and an Annual Budget that was to draw from the Rolling Plan (Okojie, 2002). As a significant innovation, following from the criticism in the form of lack of administrative utility for the implementation of plans (Marcellus, 2009), vagueness (Okojie, 2002), and no constitutional significance (Abasili, 2004) in the previous plans, the Perspective Plan was conceived to be more specific and elaborate. Though scheduled to take effect from 1990 along with the Rolling Plan, the ideology of a perspective plan was actually implemented in 1996 as a result of the setting up of a committee for Vision 2010. The Vision was to provide, as a recommendation, the focus for all plans, including the rolling and annual plans. The country’s First national Rolling Plan (1990-1992) came into force in 1990 with the objective to afford the country the opportunity to revision in the midst of increasing socio-political and economic uncertainties. This supposedly medium-term plan, however, turned out to be an annual event which became almost undistinguishable from the annual budget.

According to Okojie (2002), Rolling Plans have been prepared yearly at all levels of government including the local government level. Such that, at the end of about ten Rolling Plans from 1990 to 1999, Nigerians are no better off than they were during the years of fixed medium-term planning. The fixed medium-term planning in Nigeria commenced with the First National Development Plan (1962-1968). It was followed, after the civil war, by the Second National Development Plan (1970-1974), the Third National Development Plan (1975-1980) and the Fourth National Development Plan (1981-1985). After a three-year brake which resulted from the Coup D'état that overthrew the country's second civilian administration in 1983 and a military government in 1985, the Fifth National Development Plan was rescheduled for the period 1988-1992.

However, in late 1989, the then military government, headed by General Ibrahim Babangida abandoned the concept of a fixed five-year plan with the introduction of a three-year rolling plan in the context of more comprehensive fifteen to twenty-year plans. Infact, national planning experience in Nigeria predates the 1960s. It was the period when planning activities were purely a function of the colonial administrators. Although not comprehensive in scope and depth, the foremost national plans in the country include the Ten-year Plan of Development and Welfare for the period 1946-1955, and the 1955-1960 Plan which, however, was extended to 1962. Nevertheless, as observed by the authors of the First National Development Plan (1962-1968), the pre-1960 plans were no plans in the true sense of the word. They were rather a series of projects which had been coordinated or related to any overall economic target. In essence, probably it was as a result of oversight or a deliberate action that all the planning documents thus far released in Nigeria have been silent on the Planning models employed or adopted. Thus, it has always been a difficult exercise to quantitatively assess the performance of any economic plan in Nigeria vis-à-vis the goals and objectives.

Currently, Nigerian economic planning of VISION 2020; Financial System Strategies (FSS) and the borrowing from China and World Bank loans are running to bring about infrastructural development and employment generation to unemployed. All these are geared toward economic growth and development. According to Prof. Nyaudoh Ndaeyo, It is worrisome that the debt profile of Nigeria by way of loans keeps on rising without corresponding benefits. The most unfortunate situation is that some of these loans so taken have not been translated into changes in terms of infrastructure or being used to enhance the welfare of the masses. I agree to the fact that one could take a loan to develop a facility that can change the lives of the citizenry, but ours does not seem to be so. That is why all well-meaning Nigerians should be worried about the issues of government taking loans from outside. But having said that, at times certain people may say we want to take loans like the one we are talking about from China. They may say, ok, we want to give you in kind or in cash or both, to the extent that they may say they want to send expatriates to come and do some work (maybe road construction or other infrastructure they want to develop), but before you know it, the very loan that has been so taken by the country may have to be taken away by way of bringing in the expatriates, amounting to giving with one hand and taking it with the other hand. So, if it is going to be so, I will not encourage it. Let me emphasise also that when we talk about loans, it shall not be a unilateral thing. There should be a committee, a platform where people discuss effectively on the merits and demerits of taking a given loan. So, for me, if they are going to put it right by developing infrastructure like the Ajaokuta Steel Complex or some other projects, good, but if it will also go down the drains as we had seen in some past administrations, then I will not encourage them to take the loan.

According to Enang Udah, This will all depend on where we are using the loans for. Getting a loan is not actually a problem, but where is it channeled to? Is it infrastructural development or services that can pay back for domestic consumption? Whether we get loan from the World Bank or the Chinese does not matter. In fact, Chinese loans attract lower interest rates, but we must be mindful of where we are putting the money. The money is not for politics or other frivolities, which of course will not yield any return. However, if the money is invested in structures that can guaranty returns and you calculate the payback period and the loan pays back itself, there is no problem. It is always difficult to see where they are investing it in. For instance, they keep telling you that they are investing in road construction, but it hardly translates to reality because we hardly see the roads. Where are the roads they have been constructing over the years? We have heard of billions of naira being spent on road construction year-in year-out, where are the roads? We drive to all parts of the country, so, you will always wonder where the so-called massive road constructions are. The only good road you can locate in the southern part of Nigeria is Onitsha-Benin-Ore and Benin-Effurun-Ughelli. We need to see where the money is going into.

According to Femi Dagunro, (a former President, Nigerian-German Business Group), It is healthy if well managed. The Chinese President said that the loan was not for frivolous projects. What the Chinese government is doing is to assist us develop our infrastructure. So, it is left for us and some other African countries not to waste the money on vanity projects. We should invest in projects that will give us lifetime development. If we could not achieve the Millennium Development Goals due to problems associated with funding and now we have funding, we should do something for this country. African leaders should begin to know that we hold ourselves responsible first for what we plan and for the future of our continent. To me, it is a welcome development, if it us well managed, and well spent. It should not be loan to be spent on projects that will not be accounted for. I think the Chinese will ask questions on how the fund will be spent. I know they will not just give you cash to start buying luxurious and frivolous things that are not geared towards development. I know that they will insist that the loan be well managed and spent. The loan is not for free.

2.1.7 Economic planning, Economic Growth and Development

The process of economic planning, growth and development and the various economic reforms in Nigeria had witness several plans by different successive government. Economic growth is measured in terms of increase in the Gross Domestic Product (GDP) or Gross National Product (GNP). Different theories for the process of economic growth are explained under the classical model and the Neo-classical models. Economic development involves a change in social attitudes, cultural set-up and institutional framework along with the economic growth. The scope of coverage of economic growth is narrow and economic development is more comprehensive. The major factors which influence the economic development of a country are natural resources, human resources, capital formation and technical knowledge. Economic planning has a significant role to play in economic growth and stability of a country. It helps an underdeveloped country to get out of the vicious circle of underdevelopment. For a developing economy like Nigeria, appropriate economic planning is very important for economic growth. The prominence and significance of economic planning for Nigeria was highlighted by the economic crisis in encountered by various administrations. As a measure to resolve the crisis, economic reforms were taken up by the Nigerian government. The major reforms were in the sectors of industrial, financial, trade, and public sectors.

The opening up of economy provided impetus to Nigeria to gain from the process of globalization. However, the future economic status of Nigeria depends a great deal on the changes on the fronts of population growth, foreign exchange reserves, the financial system in India, and the tackling of unemployment in the country. When economic plans are well articulated and developed, it will bring about rapid economic growth which will lead to economic development of a country in the area of: industrialization, agriculture, infrastructures and employment which will increase the standard of living of the Nation.

2.2 Empirical Review

A major factor in the development progress in the post Second World War (WWII) has been steady and has integrated the global economies. World Bank (1996) has estimated that the world GDP since then have grown by approximately 25 times. Other measures of globalization include the enormous expansion of international financial markets, the spread of new technologies that have revolutionized international communications and encouraged the development of transnational patterns of production and consumption. Also, foreign direct investment flowing to developing and transition economies was increased four-fold over the past decade (World Bank, 1996)

The Human Development Report (HDR) of UNDP 1997 showed that in developing countries as a whole, balanced economic growth has enabled giant strides in key indicators of human development since 1960: infant mortality rates have reduced by one half and adult illiteracy rates have increased by nearly one half. Since 1975, the rate of underweight children under 5 years of age declined by almost one half. In the midst of high growth rate of world economy, there existed wide variation among the countries. According to CIA World Fact book 2011, the world economy has increased by 3.7% in 2010-11. Among the countries, the highest growth rate was Qatar with 18.7%, while ten countries have exhibited negative growth, of which Greece has witnessed highest negative growth with -6%. Among the East Asian countries, Mongolia (world ranking - third) and China (world ranking - sixth) showed the highest growth rate with 11.5% and 9.5% respectively. In South Asia, the highest growth was Sri Lanka (world ranking - 8) with 8.3%, followed by Bhutan (world rank - 11) and India (world rank - 13) with 8.1% and 7.8% respectively. Tang et al (2008) conducted a study on how foreign direct investment has helped the growth of China's economy since the economic reforms in the country with time series data for 30 years since 1978. They have brought a conclusion that there has been tremendous economic growth since the country's economic reforms. It has grown at a considerable rate as compared to the rest of world. The economic growth of China since 1978 has increased exponentially at an annual average rate of 9%

Bhattacharya and Shikthivel (2004) in the study of regional growth and disparity in India have shown that the growth rate of GDP has accelerated since 1980s in the country. The average annual GDP growth rate in the first three decades (1950s to 1980s) was only 3.6%. Since then, the GDP growth rate accelerated to 5.6% during 1980s and after economic reforms in the 1990s, it has further accelerated to 6.0%. The reforms have led to a lot of structural changes in Indian economy, such as deregulation of investment - both domestic and foreign, liberalization of trade, exchange rate, interest rate, capital flows and prices. The post reform period too witnessed a sharp deceleration of public investment due to fiscal constraint, which declined from 45% to 33% in 1980s and 2000s respectively.

In a similar study, Kurian (2000), Showed that the growth of India economy, which was 3.6% in the first three decades ofindependence, was quite impressive as compared to other Asian economies. Since 1980, the growth of India's economy has been enormous during the sixth five year plan (1980-85) with 5.6%; in the seventh five year plan (1985-90), it was increased to 6%. But during two-year period 1990-92 in the wake of international payment crisis and the introduction of major economic reforms the growth was slashed down to 3.1% per annum. Since then, the growth has picked up at a faster rate that during eight five year plan (1992-97), the growth was at 7.5%.93 During ninth, tenth and eleventh five year plans, the growth rate was increased at 5.35%, 7.7% and 7.9% respectively.

In general, when economy progressed, the share of primary sector declined and that of the secondary sector increased. After industry gathered momentum, the secondary sector became the dominant sector in the economy. It is only at a later stage when the economy attained a fairly high level of development. Typically when it became a middle-income country, the tertiary sector overtook the secondary sector. This was the general pattern of development, especially in the East Asia countries. In China, for instance, the secondary sector now contributes almost 50% of GDP. However, the India experience showed a different pattern of sectoral growth that both at the national and regional levels. The tertiary sector became the largest sector even before the secondary sector predominated the economy. Gujarat is the only exception in this respect, where the secondary sector has become the largest sector with more than 40% share in SDP in 1999- 2000, for which the momentous was raised by 7.8% and 10.6% in 1980s and 1990s respectively (Bhattacharya and Mitra, 1990).95 According to Economic Survey of India 2011-12, the Indian economy is estimated to grow by 6.9% in 2011-12. The same report showed that the share of India in global merchandise exports has increased from about 0.5 per cent in 1990 to 1.5 per cent in 2010. Among the sectors, the services sector continued to be a star performer as its share in GDP has climbed from 58% in 2010-11 to 59% in 2011-12 with a growth rate of 9.4%. Similarly, agriculture and allied sectors are estimated to achieve a growth rate of 2.5% in 2011-12, while the industrial sector has performed poorly, retreating to a 27% share of the GDP.

Fedorov (2002) studied the regional inequality and regional polarisation in Russia of 1990s. The result has shown that the transition period due to economic reform has been characterised by rapid growth of economic inequality among regions. Similarly, in Ghana, Vanderpnye-Orgle (2002) showed that during the period of stabilisation and structural adjustment programmes (1987-1999), the trend of regional disparities witnessed the corrugated shape. The regional disparities has decreased in the first stage of reform period (during late 1980s) and then declined in the early 1990s before rising up in the late 1990s.

Antonyrajan (2003) also attempted to study whether the regional growth is convergent or divergent between prosperous and the depressed regions after economic liberalisation (1977) period in Sri Lanka. He took 39 indicators, disaggregated into five sectors such as education, health, industrial, agriculture and infrastructure. He observed that during pre-liberalisation period (1960-1980), 21 indicators have exhibited convergence, while in post-liberalisation period (1980-2000), only 10 indicators converged in regional disparities. Hence, in general, the regional disparities in Sri Lanka have widened during post-liberalisation era.113 In most of the countries, it is a common phenomenon that there is vast regional disparity within the country. For instance, Fukuda-Parr et. al. (2005) observed that there was significant disparity in Brazil. During 1970, they found that the South East's HDI (0.619) was more than double to that of North East (0.245). Again in 1990, it was 0.799 for the South, while the same for the Northeast was only 0.474.114 Also, in Uganda (2007), the HDI value for the states like Wakiso (0.660) and Kampala (0.644) have more than 3 (three) times higher than the state Moroto (0.216) and more than 2 (two) times the states of Kabong, Abim and Kotido (0.292 each)

2.3 Theoretical Framework

2.3.1 Economic Planning Models

According to Jhingan (2011), a model expresses the relationships among economic variables which explain and predict past and future events under a set of simplifying assumptions. In other words, a model consists of a series of equations each of which represents the association among certain variables. Planning Model therefore is a series of mathematical equations which help in the drawing up of a plan for economic development. Jhingan M.L (2011). On the otherhand, Otokiti S.O (1999) views an economic model as an organize set of relationships, that describes the functioning of an economic entity whether it concerns, the individual, house hold or firm, the local government system, the regional or national economies, or the world economy under a set of simplifying assumptions. He also posits that in the context of planning economic models provide a logically, systematic and internally consistent operational framework, based on structural inter-relationships of sets and participants in the economy under consideration. A planning model, in other words sets out the relationship between the crucial (key) variables in the process of planned economic development within the stipulated time horizon of the plan. You should also know that most planning models belong to the category of what are known as decision or policy models. In these models a set of plan objectives is specified, policy measures to achieve these objectives are isolated and their interrelationship worked out. It is imperative to let you know that model may have endogenous and exogenous variables. Endogenous variables are those whose values are determined from within the system, examples of such are national income, consumption, savings, investment etc. On the other hand, exogenous variable are determined from outside the system, Examples of such are prices, exports, imports, technological changes etc. The relationships between endogenous and exogenous variables are aim at ensuring the consistency of the proposed plan for economic development. It is also meant to yield an optimally balanced collection of measures known as Model Targets which can help the planning authority in the drawing of an actual plan.

2.3.1.1 Aggregate growth Macroeconomic (Simple Models)

The first category is the aggregate growth, macroeconomic or simple models which involves macroeconomics estimate of planned or required changes in principal economic variables. It deals with the entire economy in terms of a limited set of macroeconomic variables deemed most critical to be determined by levels and growth rates of national output; that is savings, investment, capital stock, exports, imports, foreign aid etc. The model provides a convenient method for forecasting output (and perhaps also employment) growth over a three to five year period. Harrod Domar and two gap models are of this type.

2.3.1.2 Multi-sector Models

The second category is the multi-sector models. Multi-sector include input-output, social accounting and computable general equilibrium (CGE) models which ascertain among other things, the production, resources, employment and foreign exchange implication of a given set of final demand targets within an internally consistent framework of inter-industry product flows. It is a sophisticated approach to development planning in which the activities of the major industrial sectors of the economy are interrelated by a means of a set of simultaneous algebraic equations expressing the specific production processes or technology of each industry. All industries are viewed both as producers of outputs and users of inputs from other industries. For example, the agricultural sector is both a producer of output e.g. (wheat) and a user of input from the manufacturing sector e.g. (machinery, fertilizer), therefore there is interdependence of industry which could lead to direct and indirect repercussions of planned changes in the demand for the products of any one industry on outputs, employment, and imports of all other industries can be traced throughout the entire economy in an intricate web of economic interdependent. This inter-industry model can be used to determine intermediate material, import, labour and capital requirements with the result that a comprehensive economic plan with mutually consistent production levels and resource requirements can in theory be achieved.

2.3.1.3 Decentralized models

The third stage or category of planning models is the decentralized models. It is the type that have sector of project level variables which are used to prepare models for individual sectors or projects. This type of models are useful in the early stages of a country's economic development when information is available for only individual sectors or projects, project evaluation or project appraisal and social cost benefit Analysis are techniques that fit into this category. The most important component of plan formulation is the detailed selection of specific investment projects within each sector through the decentralized models.

2.3.2 Classical Theories of Economic Development Planning

Some of the theories of development planning as applied by some economies of the world and its reflections as stated by Dang and Pheng Sui (2015) in their paper " Infrastructure Investments in Developing Economies".

2.3.2.1 The Linear Stages of Growth Theories

The first generation of economic development models was formulated in the early years after the World War II. These early models focused on the utility of massive injections of capital to achieve rapid GDP growth rates. The two famous models are Rostow's stages of growth model and the Harrod–Domar model (Todaro and Smith, 2009). Theorists of the 1950s and early 1960s viewed the process of development as a sequence of historical stages. This view was popularized by Rostow(1995). Building on the historical pattern of the then developed countries, Rostow (1960) claimed that the transition from underdevelopment to development would pass through five stages: the traditional society, the preconditions for take-off, the take-off, the drive to maturity and the age of high mass consumption. The decisive stage is the take-off, through which developing countries are expected to transit from an underdeveloped to a developed state. Increasing rate of investments is considered to be necessary to induce per-capita growth. Like Rostow's stages of growth model and the Harrod–Domar model emphasized that the prime mover of the economy is investments. Every country therefore needs capital to generate investments. The principal strategies of development from the stage approach were commonly used by developing countries in the early post-war years. With a target growth rate, the required saving rate can then be known. If domestic savings were not sufficient, foreign savings would be mobilized. Every economy is assumed to have the same necessary conditions and would pass through the same phasing, stage by stage. But that economic growth path, which historically had been followed by the more developed countries, is not the only one pathway. The development process is actually highly nonlinear according to Chenery (1960). Countries may pursue distinct development paths, economies may miss stages, or become locked in one particular stage, or even regress depending on many other complementary factors such as managerial capacities, and the availability of skilled labour for a wide range of development projects (Todaro and Smith, 2009)

2.3.2.2 Structural Change Theories

During most of the 1960s and early 1970s, economists generally described the development process as structural change by which the reallocation of labour from the Agricultural sector to the industrial sector was considered the key source for economic growth. Two well-known representatives of this approach are the two-sector model of Theories of Economic Development model Lewis. (1954) and the structural change and patterns of development (Chenery, 1960). In Lewis' (1954) two-sector model or theory of surplus labour, labour increasingly moves away from the agricultural sector to the industrial sector. However, with unlimited supply of labour from the traditional sector, these transferred workers continually received only subsistence wages. The excess of modern sector profits over wages and hence investments in the modern sector continued to expand and generate further economic growth on the assumption that all profits would be reinvested. Both labour transfer and modern sector employment growth were in turn brought about by output expansion in that sector. This process of modern sector self-sustaining growth and employment expansion facilitated the structural transformation from a traditional subsistence economy to a more modern developed economy to take place. Like the Harrod–Domar model, the Lewis model considered savings and investments to be the driving forces of economic development but in the context of the less developed countries. However, several Lewis' assumptions are not valid such as those relating to rural surplus labour, and the proportional rate of expansion in capital accumulation in the modern sector (Todaro and Smith, 2009).

Although promoting the roles of savings and investments, the structural change and patterns of development analysis extended in comparison with the Lewis model. The analysis identified that the steady accumulation of physical and human capital is among the conditions necessary for economic growth, apart from savings and investments. By focusing on the pattern of development rather than theory, the structural change models may mislead policy-makers. Since the reallocation of labour from the agricultural sector to the industrial sector is considered the engine of economic growth, many developing countries implemented policies that often promote the industry and neglect agriculture. But the negative effects of policies that turned against that vital sector have come to be widely recognized World Bank,(2000). Criticisms of these models were reinforced by the fact that in many developing countries, poverty was prevalent.

2.3.2.3 International Dependence Theories

The international dependence theory was very popular in the 1970s and early 1980s. The dependence theorists argued that underdevelopment exists because of the dominance of developed countries and multinational corporations over developing countries. The theory is considered an extension of Marxist theory Hein, (1992). The poor countries are said to be dependent on the developed countries for market and capital. However, developing countries received a very small portion of the benefits that the dependent relationship brought about. The unequal exchange, in terms of trade against poor countries, made free trade a convenient vehicle of "exploitation" for the developed countries. Developed countries can exploit national resources of developing countries through getting cheap supply of food and raw materials. Meanwhile, poor countries are unable to control the distribution of the value added to the products traded between themselves and the developed countries. The growth of international capitalism and multinational corporations caused poor countries to be further exploited and more dependent on the developed countries. Poor countries therefore could not expect sustained growth from that dependence. Following the international dependence theory, developing countries should therefore end the dependence by breaking up their relationships with the developed world, as well as by closing their doors on the developed countries (Elkan 1995; Ghatak 2003; Ferraro 2008). The models gained increasing support among the developing countries because of the limited results of the stages and structural change models. However, the failures of the model were clearly reflected in the developing countries that followed the autarky policy. These countries often experienced stagnant growth and finally decided to open their economies once again such as China, Tanzania and India (Ferraro 2008; Todaro and Smith, 2009). Meanwhile, the experience of the newly industrialized economies of East Asia, namely Hong Kong, Singapore, Malaysia, Taiwan and South Korea, during the 1970s and 1980s showed that their success had been the result of emphasizing trade with the advanced industrial countries. The negative impacts of the policy of autarky rendered the theory out of favour in the 1980s.

2.3.2.4 Neoclassical counter-revolution Theories

In the 1980s, neoclassical counter-revolution economists used three approaches, namely the free market approach, the new political economy approach and the market-friendly approach, to counter the international dependence model. In contrast with the international dependence model, these approaches mainly argued that underdevelopment is not the result of the predatory activities of the developed countries and the international agencies but was rather caused by the domestic issues arising from heavy state intervention such as poor resource allocation, government-induced price distortions and corruption Meier. (2000). As a response to public sector inefficiency, economists of the counter-revolution thinking, for example Bauer (1984), Lal (1983), Johnson (1971), and Little (1982), focused on promoting free markets, eliminating government-imposed distortions associated with protectionism, subsidies and public ownership. Neoclassical economists focused on the market to find a way out for the developing countries. Policies of liberalization, stabilization and privatization therefore become the central elements of the national development agenda. Foreign trade, private international investments and foreign aid flowing into the developing countries were expected to accelerate economic efficiency and economic growth of these countries. Empirically, the models, however, did not bring about the expected results. The growth rates per capita have diverged among countries Azariadis and Drazen (1990). Several African countries focusing on these issues achieved an average growth rate of only 0.5 % per year. With weak and inadequate legal and regulatory framework, not to mention the different institutional, cultural and historical context of the developing countries, free market in these countries failed to stimulate economic development (World Bank, 2000).

2.3.2.5 The new growth theory

Endogenous growth or the new growth theory emerged in the 1990s to explain the poor performance of many less developed countries, which have implemented policies as prescribed in neoclassical theories. Unlike the Solow model that considers technological change as an exogenous factor, the new growth model notes that technological change has not been equal nor has it been exogenously transmitted in most developing countries World Bank,(2000). New growth theorists (Romer 1986; Lucas 1988; Aghion and Howitt 1992) linked the technological change to the production of knowledge. The new growth theory emphasizes that economic growth results from increasing returns to the use of knowledge rather than labour and capital. The theory argues that the higher rate of returns as expected in the Solow model is greatly eroded by lower levels of complementary investments in human capital (education), infrastructure, or research and development (R&D). Meanwhile, knowledge is different from other economic goods because of its possibility to grow boundlessly. Knowledge or innovation can be reused at zero additional cost. Investments in knowledge creation therefore can bring about sustained growth. Moreover, the knowledge could create the spillover benefits to other firms once they obtained the knowledge. However, markets failed to produce enough knowledge because individuals cannot capture all of the gains associated with creating new knowledge by their own investments. Policy intervention is thus considered necessary to influence growth in the long term. The new growth models therefore promote the role of government and public policies in complementary investments in human capital formation and the encouragement of foreign private investments in knowledge-intensive industries such as computer software and telecommunications (Meier, 2000).

Although the new growth theory helps to explain the divergence in growth rates across economies, it was criticized for overlooking the importance of social and institutional structures (Skott and Auerbach, 1995). Its limited applicability lies in its assumptions. For example, it treats the economy as a single firm that does not permit the crucial growth-generating reallocation of labour and capital within the economy during the process of structural change. Moreover, there are many other factors which provide the incentives for economic growth that developing countries lack such as poor infrastructure, inadequate institutional structures and imperfect capital and goods markets (Cornwall and Cornwall, 1994). Policy-makers will therefore need to pay careful attention to all of the factors that determine the changes and their impacts on the aggregate growth rat**e.**

2.3.2.6 Theory of Coordination Failure

The foundation of the theory of coordination failure is the idea that the market may fail to achieve coordination among complementary activities. When complementary exist, that is when returns of one investment depend on the presence or extent of other investments, there exist two scenarios. On the one hand, optimally, all investors as a whole are better off with all investments to be achieved at the same time. On the other hand, it would not make sense for an investor to take similar actions when he believes that others may not do the same as well. The market is said to have failed to coordinate investors' actions in this way. Coordination failure therefore leads the market to an (equilibrium) outcome inferior to a potential situation in which resources would be optimally allocated and all agents would be better off. As a result, underdevelopment equilibrium is possible Hoff and Stiglitz, (2000). The theory of coordination failure became influential in the 1990s.

3. METHODOLOGY

The research adopted for this work is the non-experimental research design. The reason is that non- experimental research design combines the conceptual exposition with theoretical observation. The data for this research study were adequately sourced using the secondary methods of data collection basically from National planning publications, journals, magazines, newspapers, internets and other relevant publications. Basically, economic models are frequently used to construct economic planning and for the fact that such models should have the dual characteristics of clarity and consistency aside the property of being selective so that only the behaviour of the major variables is analysed, and quantified, two models are, therefore, selected for the main reasons of analysis of inter-industry relationship and efficient allocation of resources. The models are described as follows.

3.1 The Input-Output Model

The use of input-output technique in development planning has become quite noticeable as it delineates the general equilibrium analysis and the empirical side of the economic system of production of any country. It was developed by the work of Leontief (1951 & 1986). The assumption of the model requires that to produce one unit of the *j*th good the required *i*th input would be constant as, say, a_{ij} . That is, the production of each unit of the *j*th good would need a_{ij} of the first commodity, a_{2j} of the second commodity and a_{ni} of the *nth* input. The model is a short term predictive model which estimates the impact of growth or dynamic change in a particular industry on the entire economy. It follows the process whereby if there is uniform or balanced growth pattern across industries, and then technological innovation is not infused and changes are not expected in each industry's input and output coefficients. On the other hand, if technological or structural changes occur in one or more industries, there would be changes in the entire economy which can necessarily be estimated using the input-output model. The changes predicted by the model are, however, purely speculative such that without resource availability, the changes are not guaranteed.

If, on assumption, there are *n* industries in the economy, the input-output table in the form of the matrix
A = [a ij] would state the input coefficients. The table, essentially, shows the inter-industry flows where each column shows the necessary input(s) for producing one unit of the output of a certain industry. If, for whatever reason, any element in the matrix is zero, it shows that the input demand is zero. The input coefficients can be stated as

$$aij = \frac{Xij}{Xij} \quad i = 1, 2, \ldots, n \quad i = 1, 2, \ldots, n \qquad (1)$$

where Xj is the total output of the *j*th industry and xij is the number of units of the *i*th good used by the *j*th industry.
An input-output table is of the form given in the following matrix as

Output

Input	I	II	. . .	N
I	a_{11}	a_{12}	. . .	a_{1n}
II	a_{21}	a_{22}	. .. .	a_{2n}
.	.	.		.
.	.	.		.
.	.	.		.
N	a_{n1}	a_{n2}		a_{nn}

A=

The above form of the input-output table considers only inter-industry flows and ignores final demand. The table would be an open one when a final demand for the product of each industry is included along the corresponding supply of primary inputs. Obviously, due to the supply of labour inputs, the sum of the elements in each column of the matrix *A* will be less than one because in the absence of primary input costs the sum of such element in any column will be exactly equal to one. Thus:

$$\sum_{j=1}^{n} a_{ij} < 1 \; j = 1,2,\ldots . n (2)$$

such that

$$1 - \sum_{j=1}^{n} a_{ij} \qquad (3)$$

Equation (3) sates the value of primary input required to produce one unit of the *j*th good. Thus, for industry 1 to produce enough output to cater for the final demand plus the input demand of *n* industries, the following relations must hold as

$$x_1 = a_{11} x_1 + a_{12} x_2 + \ldots + a_{1n} x_n + ¿ D_1 \qquad (4)$$

or

$$(1-a¿¿11)x_1-a_{12}x_2-\ldots-a_{1n}x_n=D_1¿ \quad (5)$$

where D_1 is the final demand for the output of industry 1.

The system of equations can be stated in the following matrix form

$$[1-A]x=D\begin{pmatrix} 1-a_{11} a_{12} - a_{1n} \\ -a_{21} 1-a_{22}-a_{2n} \\ -a_{n1}-a_{n2} 1-a_{nn} \end{pmatrix}\begin{pmatrix} x_1 \\ x_2 \\ \cdot \\ \cdot \\ x_n \end{pmatrix}=\begin{pmatrix} D_1 \\ D_2 \\ \cdot \\ \cdot \\ D_n \end{pmatrix} \quad (6)$$

where the identity matrix *I* is of the form

$$I=\begin{pmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{pmatrix} \quad (7)$$

¿*obtaining t*he value for *x* will take the form

$$x = [1 - A]-1_D \quad (8)$$

thus, with the rule for matrix inversion, that is, [A] -1, it gives

$$A^{-1} = |\frac{1}{A}| A* \quad (9)$$

If by assumption, table 1 below represents a closed economy inter-industry analysis of some sectors in a developing country, then the actual total output of each sector and the values of the flows of goods and services among different sectors can be obtained. In essence, appendix 1 shows the framework with which 468.4 units, 634.6 units and 721 units of total output of the agricultural sector, industrial sector and the services sector are derived, respectively. Thus, the difference in the total output between the tabulated values and the calculated values in appendix 1 gives the actual values of part of each sector's output that goes to the final demand (final consumption) sector in the economy.

Table 1

Sector	Agriculture	Industry	Services	Final Demand	Total Output
Agriculture	50	150	200	100	500
Industry	100	200	150	200	650
Services	200	100	300	150	750
Value Added	150	200	100	0	450
Total Input	500	650	750	450	2350

3.2 The Linear Programming (Optimizing) Model

The main task of development strategy is to ensure that resources will be forthcoming to meet the goals of a development programme, and that the resources are allocated efficiently subject to certain constraints. The linear programming model can provide a simultaneous solution to the three basic purposes of development planning, which are the optimum allocation of resources, efficiency in the use of resources through the proper valuation of the resources, and the avoidance of social waste, and thirdly, the balance between different branches of the national economy. Linear programming can be considered as providing an operational method for dealing with economic relationships, which involve discontinuities. It is a specific approach within the general framework of economic theory (see Koutsoyiannis, 1989).

The optimizing model has proved useful in modeling diverse types of problems in planning, routing and design and can be applied to various fields of study. Basically, industries that use linear programming models include transportation, telecommunications, and manufacturing as it helps determine the techniques necessary to optimize output and cost at the plan formulation stage. Essentially, the basic assumptions upon which the model rests include proportionality, additively, divisibility and certainty.

Thus, if we assume that a country is putting up its national plan for economic development and that there are five sectors X1, X2, . . . , X5 with three main resources R1, R2, R3 in the economy. Let us assume further that the available quantities of the resources are R1 = 100 Units of Labour; R2 = 80 Units of Capital; and R3 = 150 Acres of Land; and that the unit contributions of the five sectors to the national output (Y) in the previous year are: $Y_1 = 4$, $Y_2 = 6$, $Y_3 = 3$, $Y_4 = 2$, and $Y_5 = 2$. If the known techniques of resources usage by each sector are as follows in table 2

Table 2	X1	X2	X3	X 4	X5
R_1	$1_1 = 1$	$1_2 = 2$	$1_3 = 2$	$1_4 = 2$	$1_5 = 2$
R_2	$K_1 = 1$	$K_2 = 2$	$K_3 = 0$	$K_4 = 1$	$K_5 = 0$
R_3	$S_1 = 2$	$S_2 = 2$	$S_3 = 1$	$S_4 = 1$	$S_5 = 1$

then the problem can be formulated in the linear programming form as stated below in order to determine the national output and the contribution of each sector to the national output in current year so as to formulate national plan for the next fiscal year.

Maximise $\quad Y = 4X_1 + 6X_2 + 3X_3 + 2X_4 + 2X_5$

Subject to

$$X_1 + 2X_2 + 2X_3 + 2X_4 + 2X_5 + S_1 = 100$$
$$X_1 + 2X_2 + 0X_3 + X_4 + 0X_5 + S_2 = 80$$
$$2X_1 + 2X_2 + X_3 + X_4 + X_5 + S_3 = 150$$
$$X_1 \geq 0,\ X_2 \geq 0,\ X_3 \geq 0,\ X_4 \geq 0,\ X_5 \geq 0$$

where the S_i represent slack variables on the assumption that each resource is underutilized by each sector. That is, the slack variable represents the difference between total quantity of available resource and the quantity of resource utilized by each sector. Thus, the inclusion of a slack variable in any of the constraint relationships automatically changes the inequality sign to equality. As such, given the iterations in appendix 2, the total optimum output in the economy is 330. By implication, only sectors X1, X2 and X3 are viable to be incorporated into the national development plan since these are the 3 sectors that contributed optimally to the national output

4. RESULT AND DISCUSSION

This study has analysed the efficacy of the linear programming (optimizing) model and the input-output model for economic planning in a developing economy. In the synopsis of the models, it is established that the input-output model would need massive amount of data on the economy's production interdependence especially where more than three industries are been considered simultaneously in the domestic scene or when the activity in the international arena is required. But then, this model can provide an accurate prediction of future production requirements if information on demand is made available given that the interdependence and interrelationships among industries are unraveled in the whole economy. It would also be effective for the analysis involving specialised industries where each industry produces a single product like the rubber plantation vis-à-vis tire manufacturing industry as available in Nigeria.

Also, it is inferred from the study that the linear-optimizing model is relevant when multi-sectoral or multi-regional analysis is involved in the economy. This model could be employed if efficient allocation of resources to sectors or regions is the main objective of the planning authorities in the economy. Prior to allocation, an analysis incorporating all sectors or regional usage of resources based on previous period allocation is carried out such that the contribution or sectoral or regional output to the central output is determined. As earlier explained, any sector or region that contributes to the central output would be incorporated in the national economic plan and resources also would be allocated based on the optimised usage

5. CONCLUTION AND RECOMMENDATION.

In conclusion, economic planning can be successful if appropriate economic models are used, if economic decisions are made by economists and not politicians or through effective consultation, if there is increased cooperation between various economic agents, if credibility is restored, commitment is improved (drawing from the Ottawa Commitment of 2002) and when decision lags are minimized. Evaluation and monitoring are components of a good planning model, which involves comparing the desired expectation with the actual. As a developing country, the non-availability of long-term data and the unreliability of the sources of the available ones, make the aggregative planning model unsuitable for Nigeria.

However, from the foregoing, the optimizing or linear programming model will be ideal and suitable for the country considering the unbalanced or heterogeneous growth pattern of development in the economy. Especially in the recent time when the Nigerian government proposes to incorporate each state's value of GDP in its national planning process, couple with the fact that the nation is structured and governed in a regional and sectorial or multi-sectorial type of political system, the optimizing model would be more relevant as a planning model. As such, it could be useful in the development planning process to project an increase in the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection. Yet, this does not imply a total condemnation of the input-output model because where inter-industry analyses are required at the micro or plan formulation stage the Leontief model cannot be ruled out. From the study it is recommended that for economic planning to be achievable it should be:

i. Economic planning as understood by the majority of economists implies deliberate control and direction of the economy by a central authority for the purpose of achieving definite targets and objectives within a specified period of time.
ii. Planning authorities must have clear economic plan objectives with definite time frame of achieving it.
iii. For a major rational of economic planning to take place, the necessity of removing the nation's poverty should be of priority.
iv. That development models are relevant to providing a framework for the actual setting of targets in economic planning.
v. The economic plan should be grass root design and implemented across the administration's life.
vi. The financial plan of the government should reflect the broad plan of the administration.

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Effect of Enabling Environment on Small and Medium Enterprises (SMEs) Growth in Makurdi Metropolis

AIKOR, Shirgba Timothy

Department of Business Administration,
Nasarawa State University,
Keffi, Nasarawa State.
E – Mail**:** shirgba@gmail.com, Phone No: +2348167966606

&

GBANDE, P. A, Cephas, Ph.D

Department of Business Administration,
Nasarawa State University,
Keffi, Nasarawa State.
E – Mail**:** cephasgbande@yahoo.com, Phone No: +2348167966606

Abstract

The study examined the relationship between investment climate and SME growth in Makurdi metropolis. The research design adopted for the study is descriptive survey with a population of 120 SMEs and a sample size of 120 SMEs was retained through census sampling technique. The primary data was collected via the researcher's designed questionnaire and administered purposively. The study uses regression analysis to test the hypotheses with the aid of Statistical Package for Social Sciences (SPSS). The study found that; investment climate (power supply and information and communication technology (ICT) have significant positive relationship with SME growth. This positive relationship influence SME growth by boosting the operations of Small and Medium Enterprises (SMEs) through increased productivity. A friendly investment climate boosts SMEs productivity. The study recommends that; the national policy on ICT should be strengthened to increase accessibility of ICT facilities by enterprises and government should carry out major power sector reform to address post privatization issues.

Keywords: Investment Climate, Power Supply, ICT, SMEs Growth

1. INTRODUCTION

It is an established fact globally that the Small and Medium Enterprises (SMEs) sector is a key engine to economic growth and development. This sector is responsible for most of the advances in new products and process, provides most of the employment opportunities and is also a key indicator of the overall performance of an economy (Asaju, 2010). Globally, SME growth can be realized by either boosting the top line revenue base of the business essentially with greater market sales or income from offer of services also known as service income or enhancing the ability of the firm to increase in profitability through minimization of product costs and others so associated therein. When a business sells more products, generate more revenue and cuts cost, then it is considered to be growing (Asaju, 2010). A proper enabling environment establishes the rights and assets(resources) of all stakeholders (individuals as well as public and private sector organizations and companies, women as well as men, the poor as well as the better off), while ensuring attainment of organisation goals. These goals can be defined by the use of: Policies; Legislative Frameworks; and Financing and Investment Structures (Samuel, 2011). The term investment climate, broadly defined, includes a country's unique attributes, or "geography" (climate, endowments of natural resources, distance from important markets, and so on), as well as the state of its infrastructure, economic and social policies, institutions, and governance stability (Clewett, 2015). A narrower definition of investment climate is that which focuses on the endogenous determinants of investment. For example, Clewett (2015) notes that it is "the policy, institutional, and behavioral environment, present and expected, that influences the returns, and risks, associated with investment." This definition, in its reduced form, can be further explained to include economic incentives, which are shaped by macroeconomic and regulatory policies and public administrative procedures and incentives embodied in institutional arrangements such as security of property rights and rule of law and governance stability (Okwelle & Wordu, 2016).

The absence of a friendly enabling environment negatively affects the economy and subsequently economic growth of a nation that eventually leads to underdevelopment. For example, China was facing a pronounced slowdown in her economic activities in the 19^{th}

and early 20thcentury but in the late 20th and the 21st century her investment climate factor reforms through privates sector driven initiatives coupled with government economic policies vigorously formulated and implemented with strict supervision made China today as one of the biggest economy with more than 80% (percent) workforce employed by the private sector. Available evidence show that over the past years, millions of naira has been invested in improving power supply and reforming ICT in Nigeria targeted towards private sector development and investment climate reforms, often with a focus on Small and Medium Enterprises (SME) development. However, the SME sector remains majorly challenged, hence the researchers were therefore motivated to carry out a study on the topic "investment climate and SME growth in Makurdi metropolis".

The main objective of the study is to examine the effect of enabling environment on SME growth in Makurdi metropolis. The specific objectives are; to look at the relationship between power supply and SME growth in Makurdi metropolis and to establish the relationship between ICT and SME growth. Consequently, the hypothesis associated with this study includes the following.

HO1- there is no significant relationship between power supply and SME growth
HO2- ICT does not have any significant effect on SME growth.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Enabling Environment

There is no set definition of the concept of enabling environment. Hampel-Milagrosa et al, (2015) define enabling environment as 'a country's business regulations and legal/regulatory framework to public infrastructure, national and private banks and government institutions, and support for the interrelationship and dialogue between public entities and firms, markets and entrepreneurs'. Aligning with Hampel-Milagrosa et al, Bowen (2012) agrees with the above definition but adds that enabling environment further 'includes infrastructure, education and health, and a broad concept of good governance and rule of law'. The term is also now used to refer to the international enabling environment for private sector development, meaning global trade and investment regimes and the macroeconomic environment (ODA, 2018). Lyons (2014) also defines the enabling environment for private sector as 'the conditions necessary for domestic business and entrepreneurs to operate and the conditions that facilitate international trade and private investment into a country'. From the above definitions, it is clear that enabling environment otherwise referred to as investment climate has two key levels; first *(*policy/institutional level) at the systemic or market level, and the second (market functioning level*)* is delivered at the firm level and involves direct enterprise support. This distinction is important given the different nature of these two approaches to private sector development support, including the different types of actors likely to be involved in delivering them. In addition, the definitions seek to capture the diverse challenges that developing countries face in relation to the more systemic and market-level aspects of private sector development.

The concept of enabling environment which is also referred to as "Investment Climate" has two key dimensions; the policy or regulatory framework and market functioning of firm performance. The policy or regulatory framework deals with the "business environment"(it spans international, national and sector/or industry level policies and institutions, including trade agreements and trade policy as well as domestic industrial policy reform), while the firm performance or market functioning level include areas key for the private sector to develop and operate. For example those aimed at facilitating production and distribution of goods and services, addressing market failures and imperfections and integrating all actors into markets, including small and medium-sized enterprises (SMEs). These ones are very common with developing countries and include, among others; Infrastructure - comprising physical infrastructure interventions directly related to private sector operations, such as building roads to facilitate market access and strengthening supply chains; access to finance – this include support to financial intermediaries, both formal and informal, such as support to expand access to financial services for micro, small and medium-sized enterprises (MSMEs) in rural areas and Labour force - comprising social infrastructure interventions directly related to private sector development, such as vocational training or managerial and technical capacity building aimed at increasing the skills and employability of the local labour force and the health care services for the labour force.

Providing the right enabling environment is critical for private sector growth and development and enhances the capacity of the private sector to generate employment. On a general level, Bowen (2012) identify nine features that are associated with sustainable, private sector-led growth and are present in dynamic and fast-growing economies: natural capital, infrastructure, human capital, macroeconomic stability, institutional and regulatory framework, access to markets, access to capital, competitive markets and firm performance. There has been a change over time in the accepted characteristics of an enabling environment. Indeed, while earlier research on private sector development recommended regulatory reform, reduced government intervention, and focused primarily on deregulation, property rights and the good functioning of markets, more recent work has criticised these approaches for not yielding the expected results (Altenburg and von Drachenfels, 2006; von Braun and Keyzer, 2006; Arrunada, 2007; Durand-Lasserve and Selod, 2007; UNIDO and GTZ, 2008; Otto, 2009; Lyons et al, 2014). One of the main criticisms is that they have tended to over-emphasise the importance of regulatory reform to remove inappropriate rules and regulations, neglect the importance of public intervention, in particular for providing services to support the development of businesses, and to minimise the importance of the specific characteristics of enterprises and in particular the internal shortcomings of micro, small and medium enterprises (Altenburg and von Drachenfels, 2006; OECD, 2007; UNIDO and GTZ, 2008; Lyons et al, 2014; Hampel-Milagrosa et al, 2015). The importance of the regulatory business environment has been overstated in past approaches with other constraints, including low technical and entrepreneurial skills, lack of access to investment capital and lack of access to market information, key to private sector and SME growth and development (Altenburg and von Drachenfels, 2006; UNIDO and GTZ, 2008). Many of these initiatives focusing on regulatory reform also failed to target, and thus benefit, informal as well as women-owned enterprises, despite the importance of these enterprises to the economic growth.

A growing literature is developing on the barriers that SMEs particularly in Sub Saharan Africa face to their operation and growth. In particular, there is evidence of a gap in the access to and use of finance by SMEs and this is seen as a major bottleneck for the emergence and growth of these enterprises in Africa (OECD, 2007; Stein et al, 2013; Beck and Cull, 2014). Beck and Cull (2014) found that more than 25% of firms in Africa rate the availability and cost of finance as their most important constraint, which is nearly twice as many as firms outside Africa. Deficient infrastructure - power, transportation, water and telecommunications - is another key constraint to the development and growth of both formal and informal SMEs in developing countries (AfDB, 2013b; APPG, 2015; Page and Soderbom, 2015). Indeed, the quality of service tends to be low, supplies are unreliable and power outages and disruptions are frequent and unpredictable (Page and Soderbom, 2015). Many SMEs also suffer from a lack of skilled labour force as well as low managerial and technical capacity and skills due to poor training. Improvements solely in the regulatory environment will not be sufficient to drive SME growth and development as firm characteristics play a key role (Hampel-Milagrosa et al, 2015).

2.1.2 Concept of Power supply

Infrastructure is conceptually perceived by Social Scientists from two interrelated dimensions. These are the social and economic dimensions; the economic infrastructural sub sector embraces a group of hard-core economic activities which are related to the provision of transportation, energy and power etc. (Ayodele and Falokun, 2013). Power is indeed a strategic sector. It represents the most important infrastructure requirement for moving the SMEs sector forward. Against the backdrop of the epileptic power supply and the desire of the companies to remain in the business, some manufacturing companies have devised other alternative sources of power generation. In the recent times quite a number of multinational companies operating in Nigeria generate own power through Independent Power Project (IPP) (Udeajah, 2016). Goods produced in Nigeria are uncompetitive because of the high cost of production which is caused by interrupted supply of electricity. The main thrust has been on the cost of spare parts for maintenance of generators and the rising cost of AGO (Diesel). Hence the power sector does not meet the needs of the average investor, thereby inhibiting investment and increasing the cost of doing business. These adversely affect the growth of private sector in the country (MAN, 2005). Energy plays an important role in economic growth as production should be seen as a function of capital, labour and energy (Stern, 2010). Traditionally it is only seen as a function of capital and labour. However, energy is required to power industrial processes and to produce goods, equipment and services in the majority of productive sectors within an economy. The provision of energy is also strongly associated with improved human development (Bergasse, 2013).

One of the pre-requisites of increased SMEs performance is abundance of energy i.e. electricity which is mainly utilized for driving machines for the production of various items. The private sector stakeholders have always emphasized in their public policy advocacy, the need for improvement in infrastructure, particularly, electricity which is the primary energy required for production. Power is a strategic sector, which represents the most important infrastructure requirement for driving the SMEs sector. A quick review show that, Libya with a population of only 5.5 million has generating capacity of 4,600 megawatts, approximately the same as Nigeria which has a population of about 180 million (Lohor and Ezeigbo 2016; Oloja and Oretade 2016). South Africa with a population of only 60million has a generating capacity of 45,000 megawatts, almost eleven times the generation capacity in Nigeria which has over three times the population of South Africa (Agbo 2017).

Power outages appear to be a more serious problem in Nigeria than in other countries, resulting in higher losses, and a larger proportion of firms with generators, and ultimately higher costs for electricity and fuel. The average firm in Nigeria is reported to incur losses due to power outages to about 17 percent of sales higher as compared to other countries. Only Ghana comes close, with losses equal to 15 percent of sales. Firms in China and Russia report losses of less than 0.5 percent due to power outages (World Bank, 2016). The alternative way that firms respond to frequent outages is to buy generators. Although generators reduce losses due to outages, they are expensive to purchase and operate, and therefore are an imperfect substitute for reliable infrastructure. Most of Nigerian firms use generators, as compared to other countries like Russia and China, or South Africa. The World Bank report (2016) on investment climate survey in Nigeria rank low power distribution in Nigeria as the main challenge to firms performance in the country when compared to other investment climate indicators like corruption, access to finance, transportation etc. Generally, Nigeria’s power system is so inadequate that it has held back economic progress and social wellbeing.

2.1.3 Information Communication and Technology (ICT)

Globalization and technological change processes that have accelerated in tandem over the past years have created a new global economy that is powered by technology, fueled by information and driven by knowledge. The emergence of this new global economy has serious implications for the nature and purpose of modernbusiness.The use of computers and technology today has become fundamental to the operation of organizations and society (Okwelle & Ayonmike, 2014). Today, information is carried at phenomenal speeds within and across various communication networks known as information and communication technology networks (ICT). ICT permeates many different industries and is responsible for the growth of production and revenue (Okwelle & Ayonmike, 2014). It is now a fact as evidenced by developments from other countries that ICT as a sector can contribute immensely to the national GDP of a nation and that ICT, acting as an enabler, can result in improved market competitiveness of a nation’s products and services. ICTs can impact positively on governance and other sectors of the economy. In turn ICT can effectively assist international economic integration, improve living standards, narrow the digital divide, and improve biodiversity utilisation and management (Okwelle & Ayonmike, 2014).

Information and Communication Technology (ICT) can therefore be regarded as any equipment or interconnected system or sub-system of equipment, which is used for automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission or reception of data or information. It is one of the forces that are responsible for changes in nations. It is also one of the great trends of the tail end of the last century. It is changing everything and will continue to change things in the present century. Furthermore, ICT enables improved business process efficiency and productivity. ICT can reduce operational costs by decreasing materials, procurement and transaction cost, resulting in lower prices for intermediate and finished goods, and they can also use more and better information to improve the value of their outputs (Shimer, 2012).

2.1.4 Concept of SME Growth

SME growth can be defined as the process of improving on the capacity and ability of a firm to succeed (Shimer, 2012). It can be realized by either boosting the top line revenue base of the business essentially with greater market sales or income from offer of services also known as service income. It can also be the ability of the firm to increase in profitability through minimization of product costs and others so associated therein. When a business sells more products, generate more revenue and cuts cost, then it is considered to be growing. The firm usually strategizes to achieve this since it cannot be realized by happenstance. The strategy so adopted must be aimed at winning larger market share, even at the expense of short term earnings. There are basically four strategies usually adopted; market development, market penetration, product development and business diversification (Altenburg & Von, 2006). When a firm is growing, it ensures the survival of the firm. Business survival therefore is the ability to manage and stay in business (Altenburg & Eckhardt, 2006). In other words, it is the act of continuing with day to day business activity without necessarily been overwhelmed by interruptions. Normally, a business undergoes several challenges which may include; intense competition; recession in the general economy; natural factors or even hostile government policy (Altenburg & Von, 2006). In business just like any aspect of life, you must use good times to plan for the bad day in order to stay in business. Business survival has direct correlation with the aims and objectives of setting up the business, including the expansion plan and business growth. Business survival entails not only managing to stay in business but stay and achieve the objectives of setting up the business and its plan (Adom, 2011).

2.2 Empirical Review

Page and Soderdom (2015) carried out a study on enabling environment adaptation in developing countries and semi-arid regions. The aim of the study was to address the gap in the adaptation literature by reviewing the key factors required to provide investment climate for the private sector, with a focus on adaptation by small and medium enterprises (SMEs) in the Semi-Arid Regions (SARs) of Kenya and Senegal. They focused on SMEs as they form a critical part of the economy including employment generation in the SARs of developing countries and are highly vulnerable to climate change. The study drew insights from a much larger, yet generally separate, literature on enabling environments for private sector development. The findings disaggregates the private sector and highlights key constraints to the development and growth of African SMEs, including deficient infrastructure and evidence of an African gap in access to and use of finance by SMEs. It combined both areas of scholarship to develop an assessment framework to better understand the key elements of an enabling environment for private sector adaptation and apply it to Senegal and Kenya to reveal where improvements are required to create conditions conducive to private sector and SME adaptation. This framework reveals that both Senegal and Kenya have taken action to provide an enabling environment for private sector and SME development and to strengthen the competitiveness of the private sector.

Pauw and Pagels (2013) carried out firm-level surveys in Bangladesh, China, India, and Pakistan, to investigate the relationship between investment climate and firm performance. These standardized surveys of large, random samples of firms in common sectors reveal that objective measures of the investment climate vary significantly across countries and across locations within these countries. The study focused primarily on measures of the time or monetary cost of different bottlenecks (e.g., days to clear goods through customs, days to get a telephone line, and sales lost to power outages). Findings from study reveal that trade obstacles are lower in China than in Bangladesh or India, which in turn are higher than in Pakistan. There is also systematic variation across cities within countries. Production function for garment firm's show that total factor productivity is systematically related to the investment climate indicators. Factor returns (wages for a given quality of human capital and rate of profit) are also higher where investment climate is better. These higher returns then have dynamic effects: accumulation and growth at the firm level are higher where the investment climate is better and hence multiplier effect of employment.

Milagrosa, Loewe and Reeg (2015) carried out a research using time series, autoregressive distributed lags (ARDL)-bound test approach and error correction model (ECM), the aim of the study was to analyze how private capital and enabling environment contribute to economic growth and employment in African countries: Cameroon, Côte d'Ivoire, Tunisia, South Africa and Zambia. The findings of the study show that in short-run there is a significant relationship between private capital, economic freedom, employment and economic growth in Cameroon, in Côte d'Ivoire, in South Africa and in Zambia. In long run, the study, established that a long term relationship exists between the variables. This implies that there is a long run co-integration relationship among the variables in some equations in Cameroon, Côte d'Ivoire, South Africa and Zambia. Employing the appropriate order of the ARDL specification and multidimensional economic freedom proxies to examine this linkage, the results obtained are not all significant.

Fjose, Grunfeld and Green (2010) carried out a study using firm level data on 70,000 enterprises in 107 countries; the study finds important effects of access to finance, business regulations, corruption, and to a lesser extent, infrastructure bottlenecks in explaining patterns of job creation at the firm level. The study focused on how the impact of the investment climate varies across sizes of firms. The differences across size categories come from two sources. First, objective conditions of the business environment do vary systematically by firm types. Micro and small firms have less access to formal finance, pay more in bribes than do larger firms, and face greater interruptions in infrastructure services. Larger firms spend significantly more time dealing with officials and red tape. Second, even controlling for these differences in objective conditions, there is evidence of significant non-linearity in their impact on employment growth. The results suggest strong composition effects: A weak business environment shifts downward the size distribution of firms. In the case of finance and business regulations this occurs by reducing the employment growth of all firms, particularly micro and small firms. On the other hand, corruption and poor access to infrastructure reduce employment growth by affecting the growth of medium size and large firms. With significant differences between firms with less than 10 employees and SMEs, these results indicate significant reforms are needed to spur micro firms to grow into the ranks of the SMEs.

Runyan (2006) carried out a study on firm productivity and investment climate in developing countries. The researcher assessed the firm productive performances in five Middle East and North African (MENA) economies and eight manufacturing industries are compared to those in 17 other developing countries. The findings of the study show that, although the broad picture hides some heterogeneity, enterprises in MENA often performed inadequately compared to MENA status of middle-income economies, with the exception of Morocco and, to some extent, Saudi Arabia. Firm competitiveness is a more constant constraint, with a unit labor cost higher than in most competitor countries, as well as investment climate (enabling environment) deficiencies. The empirical analysis also points out how Investment Climate matters for firm productivity through the quality of infrastructure, the experience and education of the labor force, the cost and access to financing, and different dimensions of the government-business relationship. These findings bear important policy implications by showing which dimensions of the Investment Climate in which 1industry could help manufacturing in MENA to be more competitive in the globalization context and generate jobs.

2.3 Theoretical Framework

2.3.1 The Neoclassical Approach

Proponents of the neoclassical approach to the business-enabling environment assume that most factor markets work reasonably well without government intervention if property rights and competition are guaranteed. Such interventions are in most cases considered less efficient than market-based solutions, and it is stressed that many government interventions in fact hamper private sector development. Measures to improve the business-enabling environment consequently focus on deregulation and the good functioning of markets, with only a limited role assigned to the public sector in a few areas where market failure is most obvious. Within the neoclassical approach a distinction could be drawn between “regulatory business environment” and the “investment climate”. Proponents of this approach do not take characteristics and motives of the entrepreneur into account. Instead, the distinguishing attribute of informal firms is non-registration. It is assumed that the informal economy is comprised of enterprises that operate informally because the costs, time and effort of formal registration are too high De-Soto 1989; and Palmade&Anayiotos 2005).

The “regulatory business environment” covers regulations that immediately affect businesses through the costs of compliance. These are composed of direct costs, such as license fees, and indirect costs resulting from, often unnecessary, transactions. The latter include transaction costs arising from the time that has to be spent in obtaining a licence as well as increasing costs stemming from inappropriate government regulations that make contract enforcement or the hiring and firing of workers unnecessarily complicated and costly. The costs of the regulatory business environment are most prominently analysed in the Doing Business series published by World Bank/IFC on an annual basis since 2004. The 2007 edition (World Bank/IFC 2007) measures the costs and time associated with complying with 10 types of regulations: starting a business, employing workers, getting credit, enforcing contracts, closing a business, registering property, dealing with licences, protecting investors, paying taxes, and trading across borders. The emphasis on easing regulations and providing property rights was inspired by the works of de Soto (1989, 2000) as well as by reform experiences in Eastern Europe. Some of the most influential proponents of the regulatory business environment claim that such reforms are not only appropriate to unleash private sector development and growth but that they immediately benefit the poor more than proportionally because “heavy regulation and weak property rights exclude the poor from doing business” (see World Bank/IFC 2005; Klein &Hadjimichael 2003; Klein 2006; and Klapper 2006). The theory anchored the research study because it covered the regulatory framework for investment climate and also emphasized business growth and development hence the theory is adopted for the study.

3. METHODOLOGY

The study examined the relationship between investment climate and SMEs growth in Makurdi metropolis of Benue State. The research design adopted for the study is descriptive survey with a population of 120 SMEs and a sample size of 120 SMEs was retained through census sampling technique and the primary data was collected via the researcher's designed questionnaire. The study uses regression analysis to test the hypotheses with the aid of Statistical Package for Social Sciences (SPSS). Content and face validity test were employed. The variables used for the study are; investment climate (power supply and information and communication technology) as an independent variable and SMEs growth as a dependent variable. The specification of the model used the following functional relationship;

SG = f (PS, ICT) explicitly, the relationship can be established as follows: $SG = \beta_0+\beta_1PS + \beta_2ICT_2 +Ue$
Where; SG = SME growth; PS = power supply, ICT = Information Communication and Technology, β_0 = Parameter constant and U_e = Error Term

Apriori Expectation
$\beta_{1>}0$, $\beta_{2>}0$

4. RESULT AND DISCUSSION

Data Analysis

Table1: Pearson Correlation

Correlations

		SME growth	Power supply	ICT
Pearson Correlation	SME growth	1.000	.880	.914
	Power Supply	.914	.752	1.000
	ICT	.880	1.000	.752
Sig. (1-tailed)	SME growth	.	.000	.000
	Power supply	.000	.002	.
	ICT	.000	.	.002
N	SME growth	85	85	85
	Power Supply	85	85	85
	ICT	85	85	85

As shown by the correlation coefficient above, a positive relationship exists between power supply and SME growth with a high correlation coefficient of 91.4%. Also there is a positive relationship between SME growth and ICT.

Table 2: Correlation Coefficients

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.

		B	Std. Error	Beta		
1	(Constant)	2.166	2.604	.	4.149	.003
	Power Supply	.849	.282	.713	5.802	.000
	ICT	.152	.009	.609	4.742	.001

a. Dependent Variable: SME growth

Interpretation of Regression Coefficients

Recall Equation Model in methodology above.

SG = 2.166 + 0.713 Power supply + 0.609 ICT
$S(a_1)$: [0.282] [0.009]

As shown by the result of the regression analysis above, a positive relationship exists between Power supply and SME growth and the relationship is statistically significant ($p<0.05$). This means that a unit increase in power supply will lead to a 71.3% increase in SME growth.

Finally the regression analysis reveals that a positive relationship exists between ICT and SME growth and the relationship is statistically significant ($p<0.05$). This indicates that a unit increase in ICT access will result in a 60.9% increase in SME growth. The hypotheses tested reviewed that; Using the standard error test, $S(a_1) < ½ a_1$ above, 0.282 < 0.3565. Thus, we reject the null hypothesis. That is, we accept that the estimate a_1 is statistically significant at the 5% level of significance. This implies that power supply has significant effect SME growth in Makurdi metropolis and also using the standard error test, $S(a_3) < ½ a_3$ above, 0.009 < 0.3045. Thus, we reject the null hypothesis. That is, we accept that the estimate a_3 is statistically significant at the 5% level of significance. This implies that there is significant effect of ICT on SME growth in Makurdi Metropolis

5. CONCLUSION AND RECOMMENDATIONS

Based on factual evidence, the study concluded that there is a significant statistical relationship between power supply and SME growth. Power supply and ICT significantly affects specific firm goals which have far reaching influence on SME growth. Power supply and ICT specifically and significantly influence firm productivity which can induce SME growth.
Given the foregoing, the study recommended that;

i. Government should as a matter of urgency improve ICT access through deliberate policy reforms particularily the National ICT policy such that more entrepreneurs can access ICT facilities affordably and reliably.

ii. Government should effectively regulate the power sector at post-privatisation as there are still lingering challenges with billings, tariffs and metering processes. Since the privatization of power supply was done, not much is known or understood about the progress or the existence of status reports on investment and time-lines toward significant development in the industry in the medium to long term. People should be made aware of their power supply environment through deliberate enlightenment programmes.

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Contemporary issues in Forensics Accounting and Forensics Audit

AKINTUNDE, Adewale

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: adegracious@yahoo.com, Phone No: +2348036234536

Abstract
Forensic and investigative accounting is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As a discipline, it encompasses fraud knowledge, financial expertise, and a sound knowledge and understanding of business reality and the working of the legal system. The failure of the major corporate governance mechanism to reduce financial fraud and the increasing sophisticated financial fraud has posed serious threat to investors, government, and general public. Corporate financial fraud could be drawn from recent bank failure in Nigeria where management has fraudulently given loans without board approval and yet such bank annual report has been unqualified. The use of forensic accounting is not yet common in Nigeria, the rate at which financial irregularities in Nigeria is spreading especially in the banking sector has put the focus on the need for forensic accounting techniques to be utilized. Forensic accounting is seen as encapsulating all other investigation related areas in uncovering financial fraud. The increasing sophistication of financial fraud requires that forensic accounting be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal activities. The broad objective of this study is to examine an Assessment of the Contemporary Issues in Forensic Accounting and Forensic Audit. The instrument used for data collection was a self – developed questionnaire. The data collected were analyzed using Frequencies and Percentages. The recommendations of the study indicated that Federal government through federal ministry of finance should implement policies formulated to address effective Forensic Accounting service in the public sector in Nigeria and Forensic Accounting service should focus on improving the performance of the public sector in Nigeria and financial system in Nigeria.

Keywords: Forensic Accounting, Forensic Audit, Financial Fraud, Detection, Organization

1. INTRODUCTION

Forensic and investigative accounting is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As a discipline, it encompasses fraud knowledge, financial expertise, and a sound knowledge and understanding of business reality and the working of the legal system (Anyaduba, 2013). Forensic accounting is the tripartite practice of utilizing accounting, auditing and investigative skills to assist in legal matter (Mukoro, 2013). It is a specialized field of accounting that describes engagements that result from litigation. Forensic accounting can, therefore be seen as an aspect of accounting that is suitable for legal review and offering the highest level of assurance (Apostolou, Hassell& Webber, 2012). Centre for Forensic Studies (2010) report in Nigeria states that forensic accounting could be used to reverse the leakages that cause corporate failures. This can be attributed to the fact that proactive forensic accounting practice look for errors, engage in operational vagaries and deviant transactions before they crystallize into fraud. Ojaide (2010) noted that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria, clamouring for the services of forensic accountants.

The failure of the major corporate governance mechanism to reduce financial fraud and the increasing sophisticated financial fraud has posed serious threat to investors, government, and general public (Bhasin 2012). More so, An instance of case of corporate financial statement audit fraud could be drawn from Enron and WorldCom which has capitalized expenses resulting to increased profit which is not in existence by their auditors Andersen and yet such companies audit was unqualified by their auditors resulting to corporate failure of two big companies in USA (Owojori 2012). Okunbor (2013), Rezaee (2010) and Mukoro (2013), acknowledge in their separate studies the increase incidence of fraud and fraudulent activities in Nigeria. The issue of forensic accounting and fraud continuingly being debated for the past few years as companies in developed countries such as Enron Corp, WorldCom Inc, and Kmart Corp have been detected and proved of fraudulent conduct (Modugu, 2013). These still an issue to be addressed in the business sector as fraud cases have only been detected after massive funds have disappeared from the coffer. Emeh (2013) states that the failure of statutory audit to prevent and reduce misappropriation of corporate fraud and increase in corporate crime has put pressure on the professional accountant and legal practitioner to find a better way of exposing fraud in business world.

Corporate financial fraud could be drawn from recent bank failure in Nigeria where management has fraudulently given loans without board approval and yet such bank annual report has been unqualified (Dada, 2013). Though, the use of forensic accounting is not yet common in Nigeria, the rate at which financial irregularities in Nigeria is spreading especially in the banking sector has put the focus on the need for forensic accounting techniques to be utilized. Change they say is constant; to response to these changing fraudulent activities that is going on in corporate entities and skills of forensic accountants which include investigators and legal experts to combat this corporate menace is paramount. In view of the above problems, this study examines the extent to which forensic accounting in combating fraudulent activities and impact on corporate governance of corporate organizations. Forensic accounting is perceived to have evolved in response to certain emerging fraud related cases. The scandals that recently rocked the corporate world with classical examples being the often cited Enron and WorldCom cases have also brought the field of forensic accounting to the forefront. Forensic accounting is seen as encapsulating all other investigation related areas in uncovering financial fraud. The increasing sophistication of financial fraud requires that forensic accounting be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal activities.

Forensic accounting is the tripartite practice of utilizing accounting, auditing and investigative skills to assist in legal matters. It is a specialized field of accountingthat describes engagements that result from actual or anticipated disputes or litigation. Forensic accounting can, therefore, be seen as an aspect of accounting that is suitable for legal review and offering the highest level of assurance (Apostolou, Hassell, & Webber; 2012). Ojaide (2011) notes that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria and this requires the visibility of forensic accounting services. According to the Centre for Forensic Studies (2010) report, the increasing need for forensic and investigative accounting in the banking sector results from the complexities of modern day banking with large volume of complex data. This makes it difficult to monitor transactions by applying manual audit processes. This in turn makes the control utility of auditing ineffective. Virtually all the weaknesses and challenges identified in the banking industry in Nigeria's post-consolidation, and criminal investigations and prosecutions arising from them, are issues for forensic accounting. The growing intricacy of financial fraud demand that forensic accounting be included in the apparatuses essential to bring about the successful investigation and prosecution of those individuals involved in criminal activities (Anyaduba&Modugu 2013). Financial irregularity or Fraud has become a tradition and a severe problem of global concern, with developing nations having their own large portion of it. It is so rampant that it is gradually becoming a norm and a way of life. The degree of boldness increases on a daily basis and in all sectors of the society, starting from the public sector to the private sector; from the presidential villa of the nation, down to the political office-holding ladder, to the ward councillors, the rich, the poor, the young and the elderly, the male and the female all are neck deep in fraud and fraud related activities that say a lot about our moral and family values. From the common man on the street to the politicians, from organisational directors/ executive to the floor cleaner, from the legal officers to the law enforcement personnel, from the civil servants to the school teacher, from the trader in the market to the hawkers on the street, the tendency for fraud and fraud related crimes is never-ending (Kasum, 2007).

According to the Centre for Forensic Studies (2010) report, the increasing need for forensic and investigative accounting in Nigerian firms' results from the complexities of modern day business environment with large volume of complex data. This makes it difficult to monitor transactions by applying manual audit processes. This in turn makes the control utility of auditing ineffective. Virtually all the weaknesses and challenges identified in Nigerian firms, and prosecutions arising from them are issues of forensic accounting. Forensic accounting is described as an integration of accounting and auditing knowledge with investigative skills that have been gained from years of practical experience. It is an avenue for forensic accountant to carry out critical review of instructions given by a client, usually through a solicitor, thoroughly investigating those instructions and the underlying circumstances, examine the financial information and any relevant contracts and other agreements, obtain appropriate evidence, prepare any appropriate calculations, form a conclusion and publish the whole in the form of a report suitable for presentation to the court (Eiya&Otalor, 2013). Forensic accounting is defined as the practice of rigorous data collection and analysis in the areas of litigation support consulting, expert witnessing, and fraud examination (Rezaee, Crumbly and Elmore, 2010). Forensic Accounting provides an accounting analysis suitable to the court and forms the basis for discussion, debate and ultimately dispute resolution (Zysman, 2012). Forensic accounting according to Crumbley (2013) 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. It utilizes accounting, auditing and investigative skills when conducting any kind of investigation. This study therefore examines the Impact of Fraud Investigation and Litigation Support on Fraud Detection in Quoted Deposit Money Banks in Nigeria. Oyejide (2011) summits that there is an increase in the number of fraud and fraudulent practices in Nigeria emphasizing the visibility of forensic accounting services. Okafor (2014), Owojori and Asaolu (2013), Izedonmi and Mgbame (2011), have all acknowledged in their work that there is a rapid growth in the occurrence of fraud and fraudulent practices in Nigeria. As Kasum (2009) notes, the continuance of corruption and financial fraud has become an area of specialization in both the public and private sectors as people now carry out corrupt and fraudulent activities in accordance to the ability of their position in the firm. It is a perception that forensic accounting will be able to curb financial wrongdoings present in most Nigeria companies.

Eiya and Otalor (2013) examined forensic accounting as a tool for fighting financial crime in Nigeria, Okoye, and Gbegi (2013) carried out an evaluation of forensic accountants to planning management fraud risk detection procedures, Mukoro (2013) examine forensic accounting and financial fraud in Nigeria: an empirical approach, Dada and Owolabi (2013) examine the application of forensic accounting technique in effective investigation and detection of embezzlement to combat corruption in Nigeria, Albrecht (2008) look at the Effectiveness of forensic auditing in detecting, investigating, and preventing bank frauds. However, regardless of the large amount of studies committed to this topic. The wavering nature of suggestion from each of them suggests that this area of research is far from conclusive. However to the best of the researcher's knowledge there has not been adequate emphasis, especially empirical evidence on the effectiveness of forensic accounting as panacea to fraud reduction in Nigeria firms. To this backdrop, this research effort addresses a number of questions. However stakeholders have been talking about corruption and fraudulent practices in Nigerian companies, but then is there any consciousness among these people to charge perpetrators of fraud to court and use forensic accounting and litigation support. Has there been any case of fraud in Nigeria whereby the perpetrators where charged to court and forensic accountants where called to testify (based on the facts they have established) as expert witness. This work seeks to investigate cases of fraud in the Nigerian banking sector that have occurred and were charged to court as well as to see if forensic accounting techniques were applied to these cases.

This research work has been guided by the following research questions; to what extent does Forensic Accounting enhances Financial Fraud Detection and Reduction of an Organization in Nigeria and what is the impact of Forensic Audit on Financial Performance of an Organization in Nigeria. The broad objective of this study is to examine an Assessment of the Contemporary Issues in Forensic Accounting and Forensic Audit. In order to achieve the objective, the following hypotheses are formulated as follows:

Ho1: Forensic Accounting does not enhance Financial Fraud Detection and Reduction of an Organization in Nigeria

Ho2: Forensic Auditdoes not have significant impact on Financial Performance of an Organization in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Forensic Accounting

Accounting today is called the language of business this is so because it is the vehicle for reporting financial information about a business entity to many different groups of people. There are different branches of accounting. The branch of accounting that concentrates on reporting to people inside the business entity is called management accounting. It is used to provide information to employees, managers, owner-managers and auditors. Management accounting is concerned primarily with providing a basis for making management or operating decisions. Accounting that provides information to people outside the business entity is called financial accounting. It provides information to present and potential shareholders, creditors such as banks or vendors, financial analysts, economists, and government agencies. Because these users have different needs, the presentation of financial accounts is very structured and subject to many more rules than management accounting. The body of rules that governs financial accounting is called Generally Accepted Accounting Principles (GAAP) (Friedlop, 2010).

Forensic accounting also called investigative accounting or fraud audit is a merger of forensic science and accounting (Kasum, 2009). Forensic science, as Crumbley (2013) put it may be defined as application of laws of nature to the laws of man. A forensic scientist is one who examines and interprets evidence and facts in legal cases and also offers expert opinions regarding their findings in the court of law. In the present context, the science is accounting, hence the examination and interpretation will be of economic financial information. According to Bologna (2007), forensic and investigative accounting is the use of financial skills and investigative mentality to unresolved issues, applied within the context of the rules of evidence. Zysman (2012) defined forensic accounting as integration of accounting, auditing and investigative skills. Other definitions have been given by Crumbley (2013). Cotton (2010) avers that forensic accounting uses accounting concepts and techniques in solving legal problems. Evazzadeh (2012) consider forensic accounting as a specialized field in accounting frequently concerned with legal problems and complaints.

Nevertheless, there is no generally acceptable definition of forensic accounting. There may be so many definitions of forensic accounting as there are authors. But the Association of Certified Fraud Examiners (2010) defined forensic accounting as the use of skills in potential or real civil or criminal disputes, including generally accepted accounting and auditing principles in establishing losses of profit, income, property or damage, estimations of internal controls, frauds and others that involve inclusion of accounting expertise into the legal system . Hence, forensic accounting involves the application of accounting concepts, auditing techniques and investigative procedures in solving legal problems. Be that as it may, it should be noted here that the responsibility of preventing and detecting fraud in financial statements lies not only in the hands of management of an enterprise, but also other control institutions and mechanisms. System of internal control, internal auditing and audit committee are the key elements for prevention and detection of frauds that are created through property misuse as well as those that use financial statements as instruments of frauds. But external auditing and forensic accounting perform retrospective control of financial data with the aim of detecting omissions, frauds and securing the reliability and credibility of financial statements. Dhar and Sarkar (2010) said forensic accounting is the application of accounting concepts and techniques to legal problems. It demands reporting where fraud, bribery or embezzlement is established and the report is considered as evidence in the court of law or in administrative proceedings. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor and Obaretin, 2010). Forensic accounting has also been defined as the science of gathering and presenting information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crime.Forensic Accounting is the study and practice of rigorous data collection and analysis in the areas of litigation support, consulting, expert witnessing, and fraud examination. It touches almost all disciplines especially, Accounting, Auditing, Investigation, Law and Psychology (Boleigha, 2011).

Centre for Forensic Studies (2010) report in Nigeria states that if well applied, forensic accounting could be used to reverse the leakages that cause corporate failures. This is because of the fact that forensic accounting is a technique that encapsulates accounting, auditing and investigative skills to address issues relating to financial fraud. The tripartite arrangement of accounting, auditing and investigation in forensic accounting makes it a form of accounting that suitable for legal review and offering the highest level of assurance (Apostolou, Hassell, and Webber, 2010). Krstić (2009) has noted that it is now being considered as a generally accepted objective for business activity to secure reliable financial information through disclosing financial statements. Numerous financial frauds have seriously disrupted the trust of many users of financial information contained in financial statements. Generally, forensic accounting demands reporting where accountability of fraud, is established and the report are considered as evidence in the court of law (Crumbley, 2013). It provides an accounting analysis that is suitable in the court, which will form the basis of discussion, debate and ultimately dispute resolution. As Cotton (2010) puts it, "forensic accounting is primarily focused on legal situations but it has the potential to reach beyond the legal focus into operating areas that could be of benefits to any organization", including the banking sector.

Forensic accounting is the integration of accounting, auditing and investigative skills (Zysman, 2010). Dhar and Sarkar (2010) define 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 (2012) 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 (2012), 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, 2013). 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. 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 (Lowe, 2014); tax evasion; bankruptcy and valuation studies; violation of accounting regulation (Dhar and 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 (2012) 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), and its effects-introduced into the accounting domain.
According to Bhasin (2012), 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 reported 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. In order to ascertain the future direction of an idea, event or academic field of study it is important to appreciate the past, on this basis Joshi (2012) ascribed the debut of forensic accounting to Kutilya some centuries ago. Kutilya was regarded as the first economist to openly recognize the need for the forensic accountant when he mentioned 40 ways of embezzlement. However according to Evazzadeh (2012) a Scottish by the name of Maurice E. Peloubet is credited to have coined the term forensic accounting in his 1946 essay "Forensic Accounting: Place in Today's Economy". Crumbley (2012) wrote on same when he opines that forensic accounting can be traced as far back as 1817 to a Canadian court decision of Meyer vsSefton.

Consequently it was opines that James McClelland offer forensic accounting services back in 1824 and this was captured by Oyejide (2011) as the earliest known evidence of forensic accounting and has been traced to an advertisement in a newspaper in Glasgow, Scotland, appearing in 1824. At that time, arbiters, courts, and counsels, used forensic accountants to investigate fraudulent activity. It's well noted that the place of forensic accounting in today's economy cannot be overemphasize as it help to strengthen the economic growth and development by eliminating leakages in form of fraud and corrupt practices by either private or public officers. By the late 1940s, according to (Rasey, 2009) as cited in Özkul(2013) forensic accounting had proven its worth during world war II; however formalized procedures were not put in place until the 1980s when major academic studies in the field were published. Forensic accounting is the combination of accounting, auditing and investigative skills in resolving litigation disputes. According to Jahirul (2011) Forensic accounting also known as investigative accounting is seen as the application of financial skills and investigative mentality conducted within the context of the rules of evidence to resolve or unresolved issues. According to the Webster's Dictionary, forensic accounting means belonging to, used in or suitable to courts of judicature or to public discussion and debate. The Association of Certified Fraud Examiners (ACFE) seen forensic accounting as the utilisation of skills in potential or real civil or criminal disputes in combination with generally accepted accounting and auditing standards or principles in establishing losses or profit, income, property or damage, estimations of internal controls, frauds and others relevant activities that involve using accounting knowledge into the legal system.

Several scholars have come with various definition of the term 'Forensic Accounting'. Dhar (2013) defined forensic accounting as the practice of rigorous data collection and analysis in the areas of litigation support consulting, expert witnessing, and fraud examination. Okoye (2013) believe 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 in order to expose all it's attending features and identifies the culprits. In view of Enyi (2013), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually in a court of law as an expert. Accounting, forensic accounting is sufficiently thorough and complete so that an accountant, in his considered independent professional judgment, can deliver a finding as to accounts, inventories, or the presentation thereof that is of such quality that it would be sustainable in some adversarial legal proceeding, or within some judicial or administrative review"

Forensic accounting is the integration of accounting, auditing and investigative skills (Zysman, 2010). Dhar and Sakar (2010) define forensic accounting as the application of accounting concepts and techniques to legal problems. It demands reporting, where fraud is established and the report is considered as evidence in the court of law or in administrative proceedings. According to Williams (2013), forensic accounting is recognized as a particular form of professional expertise and endowed with specific attributes. The recognition is ascertained by possessing a formal certification in forensic accounting which provides symbolic value. It concerns with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor&Obaretin, 2013). According to Bhasin (2012), 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 reported 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.

The AICPA defines forensic accounting as services that involve "the application of specialized knowledge and investigative skills possessed by CPAs". Forensic accounting services utilize the practitioner's specialized accounting, auditing, economic, tax, and other skills (AICPA 2010). Contributing to the definition of forensic accounting, Singleton and Singleton (2010), posit that forensic accounting is the comprehensive view of fraud investigation. It includes preventing frauds and analyzing antifraud controls It also includes the gathering of nonfinancial information. Izedomin (2011) distinguish forensic accounting from fraud auditing. A fraud auditor is an accountant especially skilled in auditing. A forensic accountant may take on fraud auditing engagements and may in fact be a fraud auditor, but he or she will also use other accounting, consulting, and legal skills in broader engagements. Milos (2012) state that forensic accounting is, the science of gathering and presenting information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crime. Howard (2012) defined forensic accounting as "the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law". Thus, forensic accounting includes no explicit reference to fraud, although fraud investigations are a part of forensic accounting.

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. Curtis (2008) argues that fraud can be subjected to forensic accounting, since fraud encompasses the acquisition of property or economic advantages by means of deception, through either a misrepresentation or concealment. Bhasin (2012) 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. As can be seen from this sample of definitions, not only do they vary, but in cases are contradictory, especially as it pertains to the inclusion of fraud. In his own contribution Joshi (2012), asserted that, term forensic accounting applies to evaluating accounting information without the constraints of GAAP. Herein lays possibly the most important factor to consider in answering the question, is forensic accounting in the United States becoming a profession. Only CPAs are allowed to express an opinion regarding whether financial statements are presented fairly according to GAAP. However, to the extent that forensic accounting is not constrained by GAAP requirements, then the necessity of having a CPA license in the performance of forensic accounting is rendered superfluous. As noted by Cotton (2010), public accounting has a statutory monopoly only over auditing. Public accounting has no monopoly power over non-auditing functions or services. The absence of monopoly power over non-auditing services opens the door for an entirely new profession to emerge separate and distinct from public accounting— forensic accounting. It thus remains only to determine whether forensic accounting fulfills a significant number of the criteria of a profession. The term forensic means "relating to the application of scientific knowledge to legal problems or usable in a court of law" (Karwai, 2013) Webster dictionary defines forensic as belonging to; used in, or suitable to courts of judicature or to public discussions and debate. Thus, from the above definition it could be said that forensic Auditors are experts in financial matters who are trained in detecting, investigating and deterring fraud and white collar crimes which are to be presented to court for legal action or to public discussion and debate.

2.1.2 The Concept of Financial Fraud

Financial fraud has been variously described in literature. No one description suffices. Wikipedia dictionary describes Fraud as crimes against property, involving the unlawful conversion of property belonging to another to one's own. Williams (2013) incorporates corruptions to his description of financial crimes. Other components of fraud cited in Williams (2013) 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 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 provision authors (William, 2013). At the level of corporate organizations, financial crimes were known to have led to the collapse of such organizations.

Cotton (2010) attributes the collapse of Enron, WorldCom, Tyco, Adelphia, to corporate fraud. $460 billion was said to have been lost. In Nigeria, Cadbury NigPlc whose books were criminally manipulated by management was credited to have lost 15 billion Naira. In the case of the nine collapsed commercial banks in Nigeria, about one trillion naira was reported to have been lost through different financial malpractice. This is still being investigated by EFCC under the EFCC Act (2004). Generally, financial fraud is varied and committed by individuals and institutions. Karwai (2013) are of the view that financial fraud in organizations vary widely in nature, character and method of operation in general. Fraud may be classified into two broad ways: nature of fraudsters and method employed in carrying out the fraud. On the basis of the nature of the fraudsters, fraud may be categorized into three groups, namely; internal, external and mixed frauds. Internal fraud relates to those committed by members of staff and directors of the organizations while external fraud is committed by persons not connected with the organization and mixed fraud involves outsiders colluding with the staff and directors of the organization. Karwai (2013) reported that the identification of the causes of fraud is very difficult. He stated that modern day organizations frauds usually involve a complex web of conspiracy and deception that often mask the actual cause. Ajie and Ezi (2010) are of the view that studies have shown that on the average out of every 10 staff would look for ways to steal if given the opportunity and thus only 4 could be normally honest.

Though financial fraud in Nigeria has witnessed highly publicized cases especially in the banking system, Houck (2012) 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. Financial fraud has been various definitions in the literature. According to Oxford Advanced Learner`s Dictionary, fraud can be defined as the crime of deceiving somebody in order to get money or goods illegally. Wikipedia dictionary describes fraud as crimes against property, involving the unlawful conversion of property belonging to another to one`s own. Williams (2013) describe fraud to 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 EFCC Act (2004) attempts to capture the variety of economic and financial crimes found either within or outside the organization. EFCC Act (2004) defines fraud as illegal act that violates existing legislation and these include any form of frauds, 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 good etc. This definition is all-embracing and conceivably includes financial crimes in corporate organization and those discussed by various authors (William, 2013 and Kasum, 2013).

Karwai (2013) and Ajie and Ezi (2010) are of the view that financial fraud in organizations vary widely in nature, character and method of operation in general. Fraud may be classified into two broad ways: nature of fraudsters and method employed in carrying out the fraud. On the basis of the nature of the fraudsters, fraud may be categorized into three groups, namely; internal, external and mixed frauds. Internal fraud relates to those committed by members of staff and directors of the organizations while the external fraud is committed by persons not connected with the organization and the mixed fraud involves the outsiders colluding with the staff and the directors of the organization. Karwai (2013) reports that the identification of causes of fraud are very difficult. He stated that modern day organizations frauds usually involve a complex web of conspiracy and deception that often mask the actual cause. Ajie and Ezi (2010) are of the opinion that on the average, out of every 10 staff would look for ways to steal if given the opportunity and thus only 4 could be honest.

2.2 Empirical Literature

There are several empirical studies examining the relationship between forensic accounting and fraud detection and prevention. Many of these studies draw evidence from developed economies like the United States of America, the United Kingdom and Canada. In Nigeria, few studies have also been conducted to investigate Forensic accounting and fraud prevention and detection, especially to examine their relevance to financial crimes in banks, public sector and private corporate organizations. Kasum (2009) examined the relevance of forensic accountant to financial crimes in third world economies. The study specifically investigated the extent of financial crimes in Nigeria and compares the private and public sector with the view of determining the sector where the service of forensic accountants is more required. The study employed both primary and secondary data and they were analyzed using the descriptive statistics and regression or sensitivity method of analysis. The result showed that forensic accountants and their services are required for fraud and corruption related issues in Nigeria. However, the results for private sector were not statistically significant. Based on findings, the study concluded that although forensic accountants have roles to play generally, but more in the public sector. The study therefore recommended the strengthening of forensic accounting institutions and utilization of their services in public sector of developing nation economies.

Arising from the increasing fraudulent practices across organizations, Okunbor and Obaretin (2010) examined the effectiveness of the application of forensic accounting services in deterring fraudulent activities among corporate organizations in Nigeria. To achieve the objective of this study, data was collected from the primary source. The primary data was collected through the administration of well-structured and tailored questionnaires to ten companies quoted on the Nigeria stock exchange ranging from banking, insurance, petroleum, food & beverages, and brewing subsectors of the economy. The simple regression method was used to analyze the data collected. Findings revealed that the application of forensic accounting services by corporate organizations in Nigeria is not effective in deterring fraudulent activities. The study therefore recommended that organizations should ensure o formulate good personnel and recruitment policies attracting high salary as the remedy for fraud. It was also recommended that the management should adopt better accounting systems sound in principle and practice.

Using the primary data collected through well structure questionnaires administered to twenty four banks in Port Harcourt, Rivers state of Nigeria, a linear model was estimated by Ebimobowei (2012) they examined the effect of forensic accounting services on fraud detection in Nigerian banks. To achieve the objective of this study, the data collected was analyzed using descriptive statistics, Augmented Dickey Fuller test, Ordinary least square regression analysis and Granger Causality test. Result showed that the application of forensic accounting services significantly affect the level of fraudulent activities of banks. Based on this finding, the study concluded that forensic accounting services offer banks the desired tools to deter fraudulent activities. The study therefore recommended that regulatory authorities should ensure to provide standard and guidelines to regulate forensic activities. Modugu and Anyaduba (2013) carried out a study to examine forensic accounting and financial fraud in Nigeria. The study specifically examined if there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in financial fraud control, financial reporting and internal control quality. The survey design was used in the study with a sample size of 143 consisting of accountants, management staffs, practicing auditors and shareholders. The simple random technique was utilized in selecting the sample size, while the binomial test was employed in the data analysis. The findings of the study indicated that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality.

Okoye and Gbegi (2013) carried out a study to examine forensic accounting as a tool for fraud detection and prevention in the public sector organizations with particular reference to Kogi State. Both primary and secondary sources of data were utilized for the purpose of the study. Tables and simple percentages were used to analyze the data. The statistical tool used to test hypotheses was Analysis Of Variance (ANOVA). Among the findings was that the use of Forensic Accounting do significantly reduces the occurrence of fraud cases in the public sector, and that there is significance difference between Professional Forensic Accountants and Traditional External Auditors and therefore the use of Forensic Accountants can help better in detecting and preventing fraud cases in the public sector organizations. Adegbite and Fakile (2012) carried out a study to evaluate forensic accounting as antidote to economic and financial crime in Nigeria. The population is the government parastatals. The sample representatives the following key government institutions: Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices Commission (ICPC), Lagos State Ministry of Finance, Power Holding Company of Nigeria(PHCN) and Federal Inland Revenue Service(FIRS). The statistical model applied is Chi-Square and Statistical Package for Social Statistics (SPSS) was applied to compute the data. The results show that Forensic Accounting is a financial strategy to curb and resolve economic and financial crimes in Nigerian economy. Emeh and Obi (2013) in a study examined the correlations of Presence of forensic accountant (PFA), Number of accountants with forensic accounting skills (NAFT) and Extent of forensic accounting practices with Extent of employee theft (EET), Extent of financial fraud (EFT) and extent of top management fraud (ETMF). The survey research design was utilized for the study. The population of the study comprises of management staffs of selected financial institutions. The choice of financial institutions is because the sector amongst others has been bedeviled with cases of financial fraud. A sample of one hundred and five (105) respondents was adopted. The sampling was done using simple random sampling. The data was generated using well-structured likert scale questionnaire. The study employed the spearman rank correlation as the data analysis method. Result from the study show that there is evidence of significant negative correlations between PFA, NAFT and EFAP with EFR.

2.3 Theoretical Framework

2.3.1 Agency Theory

Agency theory and the internal audit as propounded by Jensen (1976) is one of the theoretical framework that guided this study. Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors and financial consultants. He argued that, agency theory also provides a useful theoretical framework for the study of internal auditing function. He also proposed that agency theory not only helps to explain and predict the existence of internal audit but that is also helps to explain the role and responsibilities assigned to internal auditors by the organization and that agency theory predicts how the internal audit function is likely to be affected by organizational change. He concludes that agency theory provides a basis for rich research, which can benefit both the academic community and internal auditing profession. This theory no doubt relates to this study as it helps to explain the role and responsibilities of internal auditors which if methodically applied would help to improve financial performance in tertiary institutions in Nigeria. According to Ozkul (2012), Agency theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents. In order to harmonize the interest of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal; they further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent.

3. METHODOLOGY

The research design used in this study aims at evaluating the Impact of Fraud Investigation and Litigation Support on Fraud Detection in Quoted Deposit Money Banks in Nigeria. It is a Survey Research Study using questionnaires as the instrument of drawing information from the respondents. The population of this study comprised of the 5319 staff of Zenith Bank PLC, GT Bank PLC, Diamond Bank PLC, Enterprise Bank PLC and Unity Bank PLC FCT, Abuja branches. The population is made up of (1256) staff of Zenith Bank PLC, (1182) staff of GT Bank PLC, (1201) staff of Diamond Bank PLC, (783) staff of Enterprise Bank PLC and (897) staff of Unity Bank PLC in FCT,Abuja Branches. The methodology used to sample from a larger population would depend on the type of analysis being performed. A sample of

372 out of 5319 staff working in Zenith Bank PLC, GT Bank PLC, Diamond Bank PLC, Enterprise Bank PLC and Unity Bank PLC are selected for the investigation. The sample size (372) was taken from the 5319 staff of Zenith Bank PLC, GT Bank PLC, Diamond Bank PLC, Enterprise Bank PLC and Unity Bank PLC. The sample size was calculated using 95% confidence interval.

According to Taro Yamane (1967)

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

Where:

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

$$n = \frac{5319}{1 + 5319\ (0.0025)}$$

Sample size = 372

The Analysis of Research Instrument Administration Rate is stated below:

Organization	No of Questionnaires to be Administered
Zenith Bank PLC	88
GT Bank PLC	83
Diamond Bank PLC	84
Enterprise Bank PLC	55
Unity Bank PLC	62
Total	372

The study would employ both primary and secondary data to achieve its objectives. The secondary data is derived from library documents and relevant materials to be researched. The primary data will be obtained through questionnaires and interviews. The study incorporates both sources of data to enhance a balance between the research observation and available literature on the matter under consideration. This is always believed to promote objectivity. The plan, structure and strategy of investigation are conceived so as to obtain answers to research problems. It ensures that the required data are collected and they are accurate. However, the primary data used in this study is obtained from Zenith Bank PLC, GT Bank PLC, Diamond Bank PLC, Enterprise Bank PLC and Unity Bank PLC.
The gathering of relevant data, using appropriate instrument is the bedrock of any research. In this study questionnaire method will be employed in gathering the requisite data. The questionnaire serves as a major tool in the collection of data for the study. It is divided into two sections. Section A Which will provide Bio-data about the respondents and section B will provide information which will be used in the analysis and test of hypothesis formulated for the study. The

questionnaire of the study will be distributed to staff of Zenith Bank PLC, GT Bank PLC, Diamond Bank PLC, Enterprise Bank PLC and Unity Bank PLC and later collected for analysis.

Model Specification

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

$$X^2 = E\frac{(Fo - Fe)^2}{Fe}$$

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 less than the critical value of X^2 – Chi - Square at 5% level of significance, the null hypothesis (H_o) is accepted, while the alternative hypothesis (Hi) is rejected. 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. RESULT AND DISCUSSION

Table 1: The performance of forensic method of fraud investigation in Nigeria

	Frequency	Percent
Good	66	22
satisfactory	102	34
Fair	12	4
Poor	120	40
Total	300	100

Source: Field Survey, 2018

From the above table, 22 percent of the respondents indicated the performance of forensic method of fraud investigation in Nigeria is good, 34 percent of the respondents agree that the performance of forensic method of fraud investigation in Nigeria is satisfactory, 4 percent of the respondents said the performance of forensic method of fraud investigation in Nigeria is fair while 40 percent of the respondents said the performance of forensic method of fraud investigation in Nigeria is poor.

Table 2: The effectiveness and efficiency of forensic method of fraud investigation in Nigeria

	Frequency	Percent
Excellent	18	6
Good	48	16
Satisfactory	186	62
Fair	48	16
Total	300	100

Source: Field Survey, 2018

From the table above, 6 percent of the respondents opined that the effectiveness and efficiency of forensic method of fraud investigation in Nigeria is excellent, 16 percent of the respondents said the effectiveness and efficiency of forensic method of fraud investigation in Nigeria is good, 62 percent of the respondents indicated that the effectiveness and efficiency of forensic method of fraud investigation in Nigeria is satisfactory while 16 percent of the respondents said the effectiveness and efficiency of forensic method of fraud investigation in Nigeria is fair.

Table 3: Forensic Accountingis one of the measures applied by the accountants to curb fraud and mismanagement

	Frequency	**Percent**
Yes	**270**	**90**
No	**30**	**10**
Total	**300**	**100**

Source: Field Survey, 2018

The above analysis shows that 90 percent of the respondents argued that Forensic Accounting is one of the measures applied by the accountants to curb fraud and mismanagement while 10 percent of the respondents are of the opinion that Forensic Accounting is not one of the measures applied by the accountants to curb fraud and mismanagement.

Table 4: Effectiveness of Forensic accounting in the public sector in Nigeria

	Frequency	**Percent**
Effective	**240**	**80**
Ineffective	**60**	**20**
Total	**300**	**100**

Source: Field Survey, 2018

From the above analysis, 80 percent of the respondents said Forensic Accountingin the public sector in Nigeria is effective while 20 percent of the respondents said Forensic Accountingin the public sector in Nigeria is ineffective

Table 5: Forensic Accounting promotes transparency and accountability in Nigeria

	Frequency	**Percent**

Yes	**162**	**54**
No	**138**	**46**
Total	**300**	**100**

Source: Field Survey, 2018

The table above shows that 54 percent of the respondent said Forensic Accounting promotes transparency and accountability in Nigeria while 46 percent of the respondent said Forensic Accounting does not promote transparency and accountability in Nigeria

Table 6: Investigative forensic team rarely has access to all the relevant information related to auditing

	Frequency	**Percent**
Yes	**222**	**74**
No	**78**	**26**
Total	**300**	**100**

Source: Field Survey, 2018

The table above shows that 74 percent of the respondent said investigative forensic team rarely has access to all the relevant information related to auditingwhile 26 percent of the respondent said investigative forensic team does have access to all the relevant information related to auditing.

Table 7: Forensic Accounting have challenges

	Frequency	**Percent**
Yes	**216**	**72**
No	**84**	**28**
Total	**300**	**100**

Source: Field Survey, 2018

The table above shows that 72 percent of the respondent said Forensic Accounting is faced with challenges while 28 percent of the respondent said Forensic Accounting is not faced with challenges.

Table 8: The challenges facing forensic method of fraud investigation in Nigeria

	Frequency	Percent
Manipulation of records	12	4
Destruction of evidence	90	30
Time limitations on completing the investigation	18	6
Restrictions imposed by the litigation investigative process by the parties involved	180	60
Total	300	100

Source: Field Survey, 2018

The table above shows that 4 percent of the respondents said manipulation of records is the challenges facing forensic method of fraud investigation in Nigeria , 30 percent of the respondents said destruction of evidence is the challenges facing forensic method of fraud investigation in Nigeria , 6 percent of the respondents said time limitations on completing the investigation is the challenges facing forensic method of fraud investigation in Nigeria while 60 percent of the respondents said restriction imposed by the litigation investigative process by the parties involved is the challenges facing forensic method of fraud investigation in Nigeria

Table 9: Forensic Accounting has improved the quality, reliability, and transparency of financial reports

	Frequency	Percent
Yes	246	82
No	54	18
Total	300	100

Source: Field Survey, 2018

From the table, 82 percent of the respondents said Forensic Accounting has improved the quality, reliability, and transparency of financial reports while 18 of the respondents said Forensic Accounting has not improved the quality, reliability, and transparency of financial reports.

Table 10: The wave of financial scandals in the organizations is primarily caused by corporate malfeasance and fraudulent financial activities, eroded public trust and investor confidence in financial reports and audit services

	Frequency	**Percent**
Yes	**240**	**80**
No	**60**	**20**
Total	**300**	**100**

Source: Field Survey, 2018

From the table, 80 percent of the respondents said The wave of financial scandals in the organizations is primarily caused by corporate malfeasance and fraudulent financial activities, eroded public trust and investor confidence in financial reports and audit services while 20 of the respondents said The wave of financial scandals in the organizations is not primarily caused by corporate malfeasance and fraudulent financial activities, eroded public trust and investor confidence in financial reports and audit services.

Table 11: Forensic Accounting enhances Financial Fraud Detection and Reduction of an Organization in Nigeria

	Frequency	**Percent**
Yes	**258**	**86**
No	**42**	**14**
Total	**300**	**100**

Source: Field Survey, 2018

From the table, 86 percent of the respondents said Forensic Accounting enhancesFinancial Fraud Detection and Reduction of an Organization in Nigeria while 14 of the respondents said Forensic Accounting does not enhance Financial Fraud Detection and Reduction of an Organization in Nigeria.

Table 12: Forensic Audit does have significant impact on Financial Performance of an Organization in Nigeria

	Frequency	**Percent**
Yes	**264**	**88**
No	**36**	**12**
Total	**300**	**100**

Source: Field Survey, 2018

From the above table, 88 percent of the respondents said Forensic Auditdoes have significant impact on Financial Performance of an Organization in Nigeria while 12 percent of the respondent said Forensic Auditdoes not have significant impact on Financial Performance of an Organization in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

The objective of a Forensic Accounting engagement is related specifically to the issue defined by the party engaging the accountant. The forensic auditors' client identifies the specific goal. examples of such issues the client could ask the forensic auditor to look into include calculation of loss, calculation of royalties, calculation of pension plan etc. the forensic auditor could use certain examination techniques similar to those used in financial audits but the objectives of these procedures are quite different. The forensic auditor for example may examine a trail of paperwork to corroborate the calculations needed to meet the specific goals of engagement.

The wave of financial scandals at the turn of the century, primarily caused by corporate malfeasance and fraudulent financial activities, eroded public trust and investor confidence in financial reports and audit services. The investigative forensic team rarely has access to all of the relevant information related to a case. Therefore the ability of the team to respond with absolute certainty is not always possible. Manipulation of records, destruction of evidence, time limitations on completing the investigation and restrictions imposed by the litigation investigative process by the parties involved are some of the reasons that certain data cannot be found. With this in mind, the forensic team must utilize a number of skills and techniques to reconstruct or uncover the facts. As many damage calculations require construction of a theoretic reality "but for the event," the team must also be adept at working through the facts and a hypothetical situation as if no damage event occurred. Forensic or security auditing is not simply related to the detection of fraud and corruption within an organization. While the control of internal threats still plays a fundamental role in any auditing policy, external threats exist that can jeopardize the integrity of computer systems and information within an organization. Economic crime is an unpleasant fact and has escalated into a monster. It touches every country, every industry, and has no signs of stopping. During the past decade, the number of reported cases of fraud and corruption has continued to grow dramatically. Compounding this is the challenges faced by the criminal justice system and a general absence of the necessary skills to gather the proper audit evidence so vital to criminal investigations. Information from law enforcement and criminal justice agencies about corruption and fraud cases is that generally speaking, the success rate for convictions are not satisfactory - the reason being that prosecuting authorities lacked skills and knowledge to provide effective investigation and prosecution of corruption and fraud cases.

Internal threats can include employee fraud, mismanagement and corruption, while external threats include incidents of information theft, credit card fraud and hacking. Controls are not always effective, resulting in malicious users or programs gaining access to controlled systems. Employees who perform fraudulent activities might go to great lengths to hide their transgressions through data modification or creative accounting. Sometimes unauthorized external access to a system is easily detectable. However, the more dangerous hacker will attempt to leave no traces of the security breach.

Based on the findings of the study, the following recommendations are made:

1. Federal government through federal ministry of finance should implement policies formulated to address effective Forensic Accounting service in the public sector in Nigeria
2. Capacity building programme should be organized for the forensic external auditors for effective and efficient service delivery.
3. Forensic Accounting service should focus on improving the performance of the public sector in Nigeria and financial system in Nigeria
4. The public sector in Nigeria should establish, implement and apply effective risk and control elements of the overall corporate governance framework in their various organizations.
5. Forensic Accounting should focus on financial or accounting risk and all business risks which threaten the achievement of organizational objectives.
6. Federal Government should set up an agency to monitor the implementations of Forensic Accounting service in the public sector in Nigeria.

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Effect of Budgeting and Planning Control Process on Multinational Organization in Nigeria

JACOB, Jeremiah

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail**:** meetjj4real@yahoo.com, Phone No: +2348039498577

Abstract

The study assessed budgeting planning and control process in multinational organization in Nigeria. The study adopted descriptive survey design; while structured questionnaires were administered to 54 respondents to generate data meant for the empirical analysis. These data where analyzed using multiple regression analysis; while the hypotheses raised for the study where tested using t-values obtained in the regression results. Findings from the study showed that budget planning has a significant impact on multinational organization performance. In addition, monitoring and control have a positive and significant influence on multinational organization performance. Above all, findings from the study revealed that participative budgeting has a significant impact on multinational organization performance. Based on the findings, the study recommends that budgets/ budgetary control should be made the sole tool and mechanism for resource allocation and control to ensure multinational organizational growth. Lower level managers and staffs who are directly involved in the implementation of the budget should be co-opted into the budget setting process to make it more participatory in nature. This will help the organization meet its target and thereby eliminating undue variances. There is the need to adopt a budgetary system that enhances adequate planning with strict adherence to implementation, which cuts across the finance, production, administration and marketing.

Keywords: Budget, Budget control, Budget Planning and Multinational Organization

1. INTRODUCTION

The decision as to how to distribute limited financial and non-financial resources, in an effective and efficient manner, is an important challenge in all organisations. In most large and complex organisations, this task would be nearly impossible without budgeting. Without effective budget analysis and feedback about budgetary problems, many organisations would become bankrupt. Some of the problems arise from inadequate data to formulate and implement a proper budget; and nonexistence of well-defined structure, which leads to overlap-ping of duties. These deficiencies can therefore be ad-dressed through the use of budgeting technique. A budget tells where and how the organisation will spend money and where the money will come from to pay these expenses. Budgets also set limits. Imagine how chaotic an industry or country would be if everyone was allowed to spend as much as they wished on whatever they wanted. Besides setting limits, budgets also enable the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them (Andrews & Hill,2013). A budget has been defined by Chartered Institute of Management Accountants (CIMA), as "a financial or qualitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. It may include income, expenditure and the employment of capital". CIMA also defined budgetary control as "the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparisons of actual with budgeted results, either to secure by individual action the objectives of that policy or to provide a basis for its revision (Appleford, 2016).

Batty (2012), views budgetary control as a system which uses budgets as a means of planning and control-ling all aspects of producing and or selling commodities or services. This is true as we tend to prepare revenue and expenditure variance analysis to be able to deduce areas of divergencies for which the management needs to watch to avoid embarrassment as any adverse variance will translate into inability to meet the corporate objective which will eventually lead to disagreement with stakeholders. For any organisation to make progress or achieve its goals, it needs capital and to be able to make profit, it requires planning of its resources, which can only be achieved through budgeting, hence budgeting serves as a tool for financial planning. Pandy (2015) has observed that although many organisation complain about budget and its process, budgets are indispensable in a large modern organisation as the benefit that occurs from budgets and its control is much greater than the cost involved. In view of this, the fact that resources are scarce, coupled with high competition that permeate most businesses, budgets when rightly applied, would be an effective tool for planning and control, especially in large corporation. Therefore, it can be said that budget planning and control is a parameter which measures the actual achievement of people, departments, ministries and firms, while budgetary control ensures that actual results are positively or negatively in accordance with the overall financial and policy objectives of the establishment.

Despite the presence of budget office and budget monitoring teams in both private and public sector in Nigeria, the preparation and execution of budget in the has been seen in most cases as ineffective. It is based on the above that the author undertakes this study to asses budgeting planning and control process in multinational organization in Nigeria. The following objectives guide the paper:

- **i.** To examine the impact of budget planning on multinational organization performance
- **ii.** To analyse the influence of monitoring and control on multinational organization performance
- **iii.** To investigate the impact of participative budgeting on multinational organization performance

Inline with the objectives of this paper, the following hypotheses were tested:

H01: Budget planning has no significant impact on multinational organization performance
H02: Monitoring and control has no significant influence on multinational organization performance
H03: Participative budgeting has no significant impact on multinational organization performance

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concepts of Budget

Budgets are statements of estimated resources set apart for execution of planned works or activities over a specified period of time. It is a blue print of the outcome of the organisation's operation in a financial year. It indicates the qualitative parameters of an organisation's performance, while budgetary control, according to Terry, is a process of finding out what is being done and involves the act of comparing the actual result with the budget to verify accomplishment or remedy the differences. Dimock (2015) is of the view that budget is a financial plan summarising the financial experience of the past, stating the current plan and projecting it over a specified period of time in future". Therefore, a budget is a keystone of financial administration and the various operations in the field of public finance are correlated through the instrument of budget. A budget is a financial report of statement and proposals which are periodically placed before the legislature for its approval and sanction. It is the report of the entire financial operations of the government and gives us a glimpse of future fiscal policy.

2.1.2 Concept of Budgetary Controls

Budgeting and budgeting control occupy an important place among techniques used in planning and control functions of an organization. In budgeting, the focus is not only toprepare the budget but more importantly to have a follow-up operation for budgeting and act according to known data. In addition, budgets are also known as a financial expression of a country's plan for a period of time (Falk, 2014). Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done. The basic objectives of budgetary control are planning, coordination and control. It's difficult to discuss one without mentioning the other (Arora, 2015). According to Drury (2016), budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages: Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day. Monitoring actual revenue or cost data this is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers. This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action.

Briston (2011) says that financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work Programmes. Comparison is made between plans and actual performance, the difference between the two is reported to management for taking corrective action. This control process is not possible without planning (Lewis, 2016).By means of budgetary control that is, comparing actual results with planned results and reporting on the variations, a control frame is set for management. It helps expenditure to be kept within the planned limits (Alesina & Perotti, 2016). Carr (2010) argues that in order to achieve the expected output results, monitoring and evaluation is necessary. Monitoring and evaluation maintain stability under many competing forces, hence important to lower local government effectiveness (Hokal & Shaw, 1999). However, Hokal and Shaw continue to note that monitoring and evaluation requires only raw data to test and examine performance which is time consuming yet contributes little to Performance. An effective control system helps accomplish the purpose for which it is designed. Effective control systems rely on good information, are well communicated, well-coordinated, timely and economical to the organization (Arora, 2015).

2.1.3 Concept of Budget Planning

Planning as part of the Budgeting system involves a long range planning, strategic planning and short term planning.Further, he emphasizes that short term budgeting must accept the environment of today, and the physical human and financial resources at present available to the organization(Sizer, 2009). Planning involves selecting objectives and action to achieve them. It is looking ahead and preparing for it, which links it to budgeting. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. This comes from the information system (Lewis, 2016).

Sound planning mentions priorities and the planning control cycle. Since there are so many activities to be performed, it's imperative that they are listed in order of preference. Budgets are put in place in advance of the budget periods based on anticipated set of circumstances or environment. The major decisions are made as part of the long-term planning process (Selznick, 2008). Benefits of budgeting accrue to the whole organization if both the short- and long-term consequences of the budgets are considered (Otley, 2017). However, the annual budgeting process leads to the refinement of those plans, since managers must produce detailed plans for the implementation of the long-range plans. Without the annual budgeting process, the pressures of day-to-day operating problems may tempt managers not to plan for future operations (Scott, 2017).

2.1.4 Conceptual Multinational Corporation (MNCs)

There are myriads of definitions in connection with multinational corporations; it is sufficient to note a number of its characteristics. In the first place, multinational corporations make direct investments in foreign countries. MNCs are characterized by a parent firm and a cluster of subsidiaries or branches in various countries with a common pool of managerial, financial, and technical resources. The parent firm operates the whole in terms of a coordinated global strategy. Purchasing, production, marketing, research, etc., are organized and managed by the parent in order to achieve its long-term goal of corporate growth. Multinational Corporations have been broadly defined as business firms that uphold value added-holdings overseas. According to Spero and Hart (1999) a multinational corporation (MNC) is a business enterprise that maintains direct investments overseas and that upholds value-added holdings in more than one country. An enterprise is not truly multinational if it only operates in overseas or as a contractor to foreign firms. A multinational firm sends abroad a package of capital, technology, managerial talent, and marketing skills to carry out production in foreign countries. Dunning (2008) supports the same view and defined MNC as an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value added holdings in more than one country. Hennart (2008) defines MNC in a different way by envisaging it as a privately owned institution devised to organize, through employment contracts, interdependencies between individuals located in more than one country. Multinational Corporations according to Kogut and Zander (2013) are economic organizations that grow from its national origins to spanning across borders.

Hill (2015) views Multinational Enterprise as any business that has productive activities in two or more countries. According to him; certain characteristics of Multinational Corporations should be identified at the start since they serve, in part, as their defining features. Multinational Corporations are usually very large corporate entities that while having their base of operations in one nation—the "home nation"—carries out and conducts business in at least one other, but usually many nations, referred to as "host nations. Kim (2010) in agreement with this proposition envisages Multinational Corporations as very large entities having a global presence and reach. Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global commons Litvin (2012). According to Osuagwa and Ezie (2013) 'the principal objective of multinational corporations is to secure the least costly production of goods for world markets. This goal may be achieved through acquiring the most efficient locations for production facilities or obtaining taxation concession from host governments. This objective confirms the views of the Marxist who see the MNCs as progressive agents of capitalism. Multinational company lies in the fact that its managerial headquarter is located in one country while the company carries out operation in a number of other countries as well.

Okwandu and Jaja (2011) define it as a large enterprise with operations and divisions spread over several countries but controlled by a central headquarters. Multinational Corporation is an enterprise which possesses at least one unit of production in a foreign country Meier and Schier (2001). MNC is an organization owing or controlling enterprises or physical and financial assets in at least two countries of global economy and opting for a multi-domestic strategy founded on social-economic differences of these countries as a reply to specific local demand. The multinational corporation or enterprise generally consists of the parent company (the resident of one country) and at least one affiliate (resident of another country). Andreff (2013) defines the MNC in a more theoretical way as an enterprise whose capital is acquired in the process of international accumulation. Porter (1990) defined Multinational Company (MNC) as a company with operations in more than one country. It can also be referred to as an international corporation. The international Labor Organization (ILO) has defined a MNC as a corporation that has its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries. The operations outside the company's home country may be linked to the parent by merger, operated as subsidiaries, or have considerable autonomy.

2.2 Empirical Review

Carolyn (2017) examined the association between effects of budgetary control on performance, using a sample of large U.S. cities over 2013-14 timeframe. Within this context they examined whether the tightness of budgetary controls or effective level of budgetary control within the cities as measured by budget variance contribute to performance as measured by bond rating and found that effective level of budgetary control is significantly and positively related to bond rating. Silva & Jayamaha (2012) study sought to evaluate budgetary process of apparel industry in Sri Lanka and see whether budgetary process has significant impact on performance of such industry. The budgetary process of apparel industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of apparel industry in Sri Lanka was examined by using Return on Assets. Based on the data extracted from apparel industry's financial statements, correlation coefficients and regression analysis showed that budgetary process have significant associations with the organizational performance of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary process which contributes to higher levels of organizational performance hence a positive relationship.

Inadequate budgetary controls lead to objectives not being clear and performance not being achieved or satisfactory. This reduces output because employees do not know or are doubtful about what to do, when and how to do it. They spend a lot of time seeking clarifications from executives. Thus leading to delays in identification of deviations from plans, which lead to failure in goal achievement and hence poor performance (Phyrr, 2010).

Brownell (2012) suggests that when budgetary control is high, budgetary participation should increase accordingly. When budgeting control is riding subordinates would want to know assessment criteria in details. Therefore, as the budgetary control increases, budgetary participation of subordinates is also expected to increase. He advocates that budgetary participation is an important moderating variable in the relations between type of budgetary control and subordinates performance. In his findings, budget application that includes budgetary control has no direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation. Study by Brownell (2012) suggested that participation in the budgeting process moderates the effects of reliance on budget controls so that high (low) reliance on budget controls interacting with (low) budgetary participation is associated with higher performance.

Hirst (2017) though failed to replicate Brownell's findings and Dunk (2009) in an extension of these studies found contradictory results that high (low) reliance on budget controls interacting with high (low) budgetary participation leads to low performance. These studies are not entirely comparable, but they do indicate that the issue of the effectiveness of budget controls, and potential moderating factors, is far from settled.

Differing from Brownell &Dunk (2014), the study conducted by Otley & Pollanen (2015) reveals that budgetary participation, control and task ambiguity directly affects performance negatively but in situations where they combined interaction of variables, the effects differ. According to the study, while budgetary participation, control and task ambiguity affect performance negatively, in situations where budgetary control is high, participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively affected by budgetary control. Osoro (2011) in his study establishes how accurately budgets anticipate the level and direction of actual results. The analysis found out that budgetary practices in relief organization are clearly different from developmental organizations due the differences in donor funding and reporting requirements. It established that more stringent controls exist in relief programs than in developmental ones. It is established that more complex control techniques are required in developmental programs than in relief, programs due to close donor supervision and need for monthly accountability in the later as opposed to the former whose funding is not followed with strict reporting requirements. Several other factors were found to influence the lack of effective control in developmental organizations. Davis (2013) in his study of Fairview Park Hospital concludes that overall performance is not measured by the budgeting system in place, although it is a control method to maintain predetermined cost and spending limits for each department. It is also a control measure for shareholders to ensure decisions are made on full disclosure of knowledge within the hospitality facility system and to maintain guidelines for publicly traded corporations.

Gachithi (2010) also focussed on the factors that influence budget implementation in public institutions in Kenya, a case of University of Nairobi. He used descriptive method of study and concluded that there is ineffiency in the budget preparation procedures and that the budget process faces a lot of challenges. He concluded that budgets are strong planning tool for the future. Gacheru (2012) in her study on the effect of budgetary process on budget variances in NGOs in Kenya sought to determine the relationship between budgeting process and budget variances in Kenyan NGOs.Based on the population of 6,075 she used a sample of 20 to collect data and descriptive data analysis and concluded that budget preparation, control and implementation significantly influence budget variance. Obulemire (2016) conducted a survey of budgetary practices secondary schools where he found out that budget committee and interdepartmental discussions groups were the most used budgetary tools with less emphasis on brainstorming also found that failure to consider motivation of employees and participation by all staff in the budgetary process was a challenge. A survey conducted by Ambetsa (2014) of budgeting practices by commercial airlines, operating at Wilson airport, Nairobi indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in preparation of the budget together with lack of top management support. All enterprises make plans using budget, some in a systematic and formal way, while others in an informal manner, but still have some form of budgeting and budgetary control practice. Therefore the issue is not whether to prepare a budget, but rather how to do it effectively.

Muleri (2011) in his survey of budgeting practices among the major British Non Governmental development organizations have adopted budgetary approaches and philosophies that are modern and can act to reduce financial mismanagement. Budgets are used to achieve cost effectiveness, in planning, for operations, coordinating activities, motivating performance, communicating plans and operations and in evaluation and audits. The study revealed that budgets are normally prepared using such method as zero based or priority based budgeting. Adongo (2012) study sought to accomplish the following objectives; determine the salient features of budgetary controls in state corporations, establish the human factors within budgetary controls, establish the process of budgetary control in public organizations, and determine the challenges affecting budgetary control. The Relationship between budgetary control and financial performance was undertaken through carrying out a correlation analysis of the dependent and independent variables. Findings indicated that a positive relationship existed between budgetary control and financial performance of state corporations.

2.3 Theoretical Framework

2.3.1 Top down Theory of Budgeting

Top down Theory of budgeting emerged in 1990s as a response to fiscal crisis encountered in budget formulation. Under this theory, the central authority or top management echelon places ceiling on the resources to be made available to the units (Anderson, 1993). However, efforts are made to meet undiminished need of units so as to obtain a better performance from their operations Among the prerequisites for top down budget are willingness to defend fiscal rules and good monitoring by the budget office, ability to prioritize programmes by MDAs and adherence to rules and ceiling by legislature. Some of the benefits of this theory are; case of development, challenging the accounting officer of units to formulate efficient budget by setting optimal priorities, providing early guidance to budget planner thereby reducing or eliminating the need to cut budget. Top down theory arose mainly to cater for inefficient budget formulation arising from game playing between budget office and MDAS and the quest to attain effective fiscal consolidation of government programmes.

2.3.2 Bottom up Theory

Bottom up theory is a normative theory of budgeting propounded, according to Tucker (1985), by the early studies of Pyhrr in the early 1970s. It involves the collation of all the needs or requests of the different units of an organisation presented in form of estimates of fund required for their proposed activities which are summed up by the central authority to obtain the total budget for the coming fiscal year. In order words, the approach adopted in bottom up budget is best explain by Zero-Based-Budgeting method that starts with base of zero and calculate cost of running each programme from the scratch. While using the approach, each programme must be extensively reviewed to justify its inclusions in the budget. A distinguished feature of this theory is that it is applicable during prosperity. Bottom up theory permits extensive review of costs and benefits of programmes so as to prevent divisional heads from proposing weaker programmes and operating inefficiencies to the central authority. However, units of the organisation may be asking for what is actually not needed or more money than required.

3. METHODOLOGY

The study adopted a descriptive survey design. A descriptive study is concerned with determining the frequency with which something occurs or the relationship between variables. Thus, this approach was appropriate for this study, since the researcher intended to collect detailed information through descriptions and was useful for identifying variables and hypothetical constructs. This method provided descriptions of the variables in order to answer the research questions in the study. Survey design also allows comparisons between respondents giving the right perspective on their opinion towards the fringe benefits effects on performance. The choice of this technique was guided by the fact that the case study aims at generating findings, which would facilitate a general, understanding and interpretation of the problem. This study was carried out using top management, administrative and bursary staff of Nasco group, Jos, where the total population is 189. The researcher used stratified random sampling method of data collection since it is an unbiased sampling method of grouping heterogeneous populations into homogenous subsets then selecting within the individual subset to ensure representativeness. Thus, the sample size was estimated from the Smith (1984) sample size formula given as:

$$n = \frac{N}{3 + Ne^2}$$

Margin error = 5%

Where;

N = population size

3 = is constant

e = is Margin of error (5%)

$$n = \frac{189}{3 + 189(0.05)^2}$$

$$n = \frac{189}{3 + 189(0.0025)}$$

$$n = \frac{189}{3.4725}$$

n = 54

A self-administered questionnaire was used in gathering the data. A five-point Likert scale of agree to disagree (that is, agreed, Disagree, undecided, strongly agreed and Strongly Disagreed) was used to measure the extent to which the various respondents agreed or disagreed with the issues raised. After collecting data from the respondents, the researcher started the process of data analysis by editing it and coding it along the main thematic areas to identify inconsistencies and establish uniformity. Data was compiled to facilitate entry of the responses into the computer.Qualitative data was coded along some common thematic areas, based on the frequency of the responses on issues under investigation. In addition, the study was conducted by use of multiple regression analysis. The regression equation was:

$$MOP = \beta_0 + \beta_1 PL + \beta_2 MC + \beta_3 PB + \mu_t \text{ - - - - - - - - - - } 1$$

Where;

MOP = Multinational organization performance

PL = Planning

MC = Monitoring and control

PB = Participative Budgeting

β_0 = the autonomous parameter estimate (Intercept or constant)

β_1 to β_3 = Parameter coefficients of Planning, Monitoring and control; and Participative Budgeting

μ_t = error term

4. RESULTS AND DISCUSSION

The level of significance for the study is 5%, for a two-tailed test. The decision rule is that we shall accept the null hypothesis if the calculated t-value is less than the tabulated t-value of 1.96; otherwise reject the null hypothesis. More so, If the PV is less than 5% or 0.05 (that is PV < 0.05), it implies that the variable in question is statistically significant at 5% level; otherwise, it is not significant at that level.

Table 1: Regression Result on budgeting planning and control process in multinational organization

Summary Statistics	
Multiple R	0.8736
R Square	0.7631
Adjusted R Square	0.5225
Standard Error	2.6674
Durbin-Watson stat	1.9191
Observations	54
ANOVA	

	Df	*SS*	*MS*	*F**	*P-value*	
Regression	3	19041.20	19041.20	4.49	0.00010	
Residual	51	78497.3	2242.78			
Total	54	97538.5				
		Regression Output				
	Coefficients	*Standard Error*	*t-value*	*P-value*	*L-95%*	*U-95%*
Intercept	1.12321	2.0051	2.2441	0.0242	1.5883	5.4640
PL	1.41142	0.6478	2.1785	0.0113	1.2230	2.7089
MC	2.58744	0.2014	2.7541	0.0021	2.2522	2.5241
PB	0.28851	0.1255	1.99220	0.0044	1.1422	2.2235

Source: Authors Computation, 2018 (SPSS, 24)

The ANOVA F-statistic:The F-statistics which is used to examine the overall significance of regression model showed that the result is significant, as indicated by the value of the *F*-statistic, 4.49 and it is significant at the 5.0 per cent level. That is, the F-statistic P-value of 0.00010 is less than 0.05.

The R^2 (R-square): The coefficient of determination (R-square), used to measure the goodness of fit of the estimated model, indicates that the model is reasonably fit in prediction. The R^2 (R-square) value of 0.7631 shows that budgeting planning and control process have a very good impact on multinational organization performance. It indicates that about 76.31 per cent of the variation in multinational organization is explained jointly by budgeting planning and control process, while the remaining unaccounted variation of 23.69 percent is captured by the white noise error term.

Serial correlation: Durbin Watson (DW) statistic was used to test for the presence of serial correlation or autocorrelation among the error terms. The acceptable Durbin – Watson range is between 1.5 and 2.4. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.91. This shows that the estimates are unbiased and can be relied upon for managerial decisions.

Test of Hypotheses One:

H01: Budget planning has no significant impact on multinational organization performance

From the regression result in Table 1, it was observed that the calculated t-value budget planningis 2.17 and whilst the tabulated value is 1.96. Since the calculated t-value is greater than the t-tabulated (2.17 > 1.96) it thus falls in the rejection region and hence, we reject the first null hypothesis (**$H0_1$**). The conclusion here is that budget planning has a significant impact on multinational organization performance**.**

Test of Hypotheses Two:

H02: Monitoring and control has no significant influence on multinational organization performance

Mores so, from the regression result in Table 1 the calculated t-value for monitoring and controlis 2.75 and the critical value is 1.96 under 95% confidence level. Since the t-calculated is greater than the tabulated t-value (2.75> 1.96) it also falls in the rejection region and hence, we reject the second null hypothesis (**$H0_2$**) and concluded that monitoring and control has a significant influence on multinational organization performance.

Test of Hypotheses Three:

H03: Participative budgeting has no significant impact on multinational organization performance

Lastly, from the regression result in Table 1, it was observed that the calculated t-value for participative budgetingis 1.99 and whilst the tabulated value is 1.96. Since the t-calculated is greater than the t-tabulated (1.99> 1.96) it thus falls in the rejection region and hence, we reject the third null hypothesis (**$H0_3$**). The conclusion here is that participative budgeting has a significant impact on multinational organization performance

4.1 Discussion of Findings

Findings from the study showed that budget planning has a significant impact on multinational organization performance. This is in line with Gachithi (2010) which study showed that budgets are strong planning tool for the future and impacts positively on the performance of forward looking organisations. In addition, monitoring and control have a positive and significant influence on multinational organization performance**.** This is expected in situations where budgetary control is high; participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively affected by budgetary control. Most Previous research have shown a high positive relationship between budget controls and performance, for example, Silva & Jayamaha (2012) found that budgetary control process has significant impact on performance of industry. Others like Brownel (2012) showed that budgetary control have direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation. Above all, findings from the study revealed that participative budgeting has a significant impact on multinational organization performance. This finding agrees with Pollanen (2010) whose study reveals that budgetary participation, control and task ambiguity directly affects performance positively but in situations where they combined interaction of variables, the effect differ.

5. CONCLUSION AND RECOMMENDATIONS

From the research study findings, budgetary planning and controls are seen as important tools in planning and control of resources to enhance performance in many organizations. An effective system of budgetary control manages to plan and control the use of resource in a systematic and logical manner. Financial objectives and constraints should be communicated to heads of budget centers and regular monitoring keeps management informed of progress towards objectives. The process of budgetary control should not only consider sector needs in the planning stage but also parameters within implementing organizations in order to facilitate sound financial standing. It can thus be concluded that budgeting planning and control process has a significant impact on the performance of multinational organization. From the above findings and in order for the multinational organization to operate profitably, they must take the following critical steps.

i. Adopt a budgetary system of adequate planning with strict adherence to implementation, that cuts across the finance, production, administration, marketing etc;
ii. The finance department should review all existing standards and introduce measures that will tighten the internal control system to prevent leakages of financial resources. Budgets/ budgetary control should be made the sole tool and mechanism for resource allocation and control. All resources needed for a project should be authorized by the budget of the organization, as this will enhance greater accountability and transparency in the organization.
iii. Lower level managers and staffs who are directly involved in the implementation of thebudget should be co-opted into the budget setting process to make it more participatory in nature. This willhelp the organization meet its target and thereby eliminating undue variances.

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Restructuring the Stock Exchange for Nigeria's Economic Development

EDU, Gabriel Tobi

Department of Banking and Finance
Delta State Polytechnic,
Ogwashi-Uku, Delta State.
E – Mail**:** edutobi@yahoo.com, Phone No: +234803334287

&

SUBENO, O. Theresa

Department of Banking and Finance
Delta State Polytechnic,
Ogwashi-Uku, Delta State.
Phone No: +2348036745826

Abstract

The study examined the impact of the Nigerian stock exchange on Nigeria's economy. It attempts to ascertain the nexus between stock market variables which is the independent variables (such as stock market capitalization ratio, stock turnover ratio and the value of stock traded ratio) and the Nigerian economy for the period 1980-2010. Through the instrumentality of ex- post facto research design, the study made use of secondary data, while utilizing the Ordinary Least Square (OLS), multiple regression, correlation estimates and t-statistics to validate the hypothesis. Results from the study showed that the stock market positively impacts on the rate of economic development in Nigeria. Specific findings revealed that market capitalization and stock turnover ratios positively impact gross domestic product, but only stock turnover ratio is considered statistically significant at 5% level of significance. Value of stock however, has a significantly negative relationship with GDP. The study therefore recommends that that the economic environment in Nigeria must be an enabling one in order to realize its full potentials while based on the existence of a long run relationship between stock market development and economic growth, it is pertinent to that there should be sustained effort to stimulate productivity in both the public and private sectors.

Key Words: GDP, Stock Market Capitalization, Stock Turnover ratio, Value of Stock Traded

1. INTRODUCTION

The growth and development of any economy anchor on effective mobilization and allocation of funds. This will enable businesses manage their resources (human and material) for optimal output. Typical economic development is an outcome of any financial market as exemplified by the activities of the stock exchange. The market for financial resources comprises both the money and capital market. While the former is a market for short term funds, the latter is a market for long term funds and invariably harbors the stock markets (Akpan, 2009). Thus, the Nigerian Stock Exchange (NSE) is a subset of the Nigerian Capital Market. The stock exchange is an economic institution which promotes efficiency in capital formation and allocation. It enables governments and industries to raise long term capital for financing new projects, expanding and modernizing industrial/commercial concerns. In this manner, Alile (1984) observed that the performance of the economy is boosted when capital is supplied to productive economic units. If capital resources are not provided to those economic areas, the rate of expansion of the economy often suffers. Stock markets are a vital component for economic development as they provide listed companies with a platform to raise long term capital and also provide investors with a forum for investing their surplus funds. The stock market being a major component of the financial sector in most developing economies including Nigeria serves a pivotal role in contributing towards economic growth through diversification, mobilization and pooling of savings from different investors and availing them to companies for optimal utilization. In view of the need for rapid and sustainable economic development in Nigeria, it becomes imperative to study the operations of the Nigerian Stock Exchange. Thus, this research work is to critically examine the impact of the stock exchange on the Nigerian economy.

The theoretical relationship between stock market development and economic growth has been a subject of controversy with conflicting research findings on the subject. While, some studies maintain that stock market development promotes economic growth (Tachiwou (2010) and Bouzid (2012), others opine that stock market development could harm economic growth, Singh (2008), and Ake and Ognaligui (2010). The stock market is expected to accelerate economic growth by providing an avenue for growing companies to raise capital at lower cost, thereby making firms less dependent on bank financing. In this way, stock markets are able to positively influence economic growth and development by encouraging savings and providing avenues for firms financing. The results obtained from most empirical studies on developed countries point to the existence of this positive relationship. While, available studies for developing countries have not been clear. Enisan and Olufisayo (2009) assert that this apparent difference in the results obtained for developed and developing countries may be due to factors like the level of efficiency of the developing countries' stock markets or their relatively small sizes, as opposed to stock markets in developed countries. The differences in the structure of the economies and the general macroeconomic environment could also be responsible for the differences in the results obtained and suggested a country specific analysis to overcome the problem of inconsistency.

Thus, it is this disagreement in the research findings among scholars on developing economies, Nigeria in particular that has necessitated the need for further investigation to improve understanding of this link because of the importance of the stock market to investors. This is the research gap that is intended to be addressed in this study. This study also seeks to contribute to the on-going debate on the dynamic stock market- economic growth link. The main objective of this study is to examine the impact of the Nigerian Stock Exchange on economic development from 1980 to 2010, however, the specific objective is to ascertain the nexus between market capitalization, stock turnover ratio and the value of stock traded on the Nigerian Economy for the period stated above.

Given the foregoing, the hypothesis associated with this study is stated below:

H_o: There is no significant relationship between stock market capitalization, stock turnover ratio and the value of stock traded and Gross Domestic Product in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual and Empirical Literature

Stock markets are a vital component for economic development as they provide listed companies with a platform to raise long term capital and also provide investors with a forum for investing their surplus funds. The stock market being a major component of the financial sector in most developing economies including Nigeria serves a pivotal role in contributing towards economic growth through diversification, mobilization and pooling of savings from different investors and availing them to companies for optimal utilization. There have been growing controversies on the role of the stock exchanges on economic growth and development. For example, there is no consensus on results obtained from most empirical studies on both developed and developing economies on the existence of this relationship. While some studies opine that stock exchange development promotes economic growth, others assert that it does not.

Akinlo and Egbetunde (2010) examined the long-run, causal relationship between financial development and economic growth for ten countries in sub-Saharan Africa for the period1980-2005. Using a VECM, the study finds that financial development is co integrated with economic growth in the selected ten countries in sub-Saharan Africa. That is, there is a long run relationship between financial development and economic growth in the selected sub-Saharan African countries. The results indicate that financial development Granger-causes economic growth in Central African Republic, Congo Republic, Gabon, and Nigeria while economic growth Granger-causes financial development in Zambia. However, bidirectional relationship between financial development and economic growth was found in Kenya, Chad, South Africa, Sierra Leone and Swaziland.

Demiurgic – Kunt and Levine (1996) using data from 44 countries for the period 1986 to 1993 found that different measures of stock exchange size are strongly correlated to other indicators of activity levels of financial institutions (banking and non-banking) as well as insurance companies and pension funds. They concluded that countries with well-developed stock markets tend to also have well developed financial intermediaries. Similarly, Rajan and Sharma (2008) conducted a microeconomic study where they utilised industry level data to investigate causality issues as well as the mechanism of transmission of the relationship between financial development and economic growth. Their results demonstrate that financial development has a positive impact on firm growth as well as in the creation of new firms by helping the flow of external finance. The findings of the study show that industries with a high reliance on external finance do so well in countries that have well-developed financial sectors. Okodua and Ewetan (2013) also, examined the relationship between stock market performance and economic growth in Nigeria, using the autoregressive distributed lag estimation, and some key stock market indicators and some macro-economic variables. While acknowledging a relationship between some of the variables used and the economy, they found that overall output in the Nigerian economy is less sensitive to changes in stock market capitalization as well as the average dividend yield in the long run. Also, the study found that the Nigerian economy is highly sensitive to marginal variations in interest rate, suggesting that macro-economic variables in the country are very useful in showing the long run growth direction of the Nigerian economy.

Nyong (1997) developed an aggregate index of capital market development and used it to determine its relationship with long – run economic growth in Nigeria, the study employed a time series data from 1970 to 1994. Four measures of capital development ratio of market capitalization to GDP (in %), ratio of total values of transactions on the main stock exchange to GDP (in %), the value of equities transactions relative to GDP and listing were used. The four measures were combined into one overall composite index of capital market development using principal component analysis. The financial market depth was included as control. It was found that the capital market development is negatively and significantly correlated with the long – run growth in Nigeria. Ewah (2009) appraised the impact of the capital market efficiency on the economic growth of Nigeria using time series data from 1961 to 2004. They found that the capital market in Nigeria has the potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, illiquidity, misappropriation of funds, among others. Harris (1997) did not find hard evidence that stock market activity affects the level of economic growth.

Thus, whichever school of thought, either for or against stock market as a sine-qua-non for economic growth and development all depends on the particular situation the nation is passing through and prevailing economic indices and determinants.

2.2 Theoretical Review

Economic growth is generally agreed to indicate development in an economy because it transforms an economy. Thus, it is argued that for capital market to contribute to economic growth and development in Nigeria, it must operate efficiently (Osho, 2014). Most often, where the market operates efficiently, confidence will be generated in the minds of the public and investors will be willing to part with hard earned funds and invest the securities with the hope that in future, they will recoup their investment (Nagayasu, 2003).

The theoretical explanation on the nexus between capital stock market and economic development is further expatiated using Efficient Market Hypothesis (EMH) developed by Fama in 1965. According to EMH, financial markets are efficient if prices on traded assets have already reflected all known information and therefore are unbiased because they represent the collective beliefs of all investors about future prospects. It shows past information have been found to be useful in improving predictive accuracy. This assertion tends to invalidate the EMH in most developing countries where equity prices would tend to exhibit long memory or long range dependence, because of the narrowness of their market arising from immature regulatory and institutional arrangement (Nagayasu 2003 & Nyong 2003). Note, where the market is highly speculative, investors will be discouraged from parting with their funds for fear of incurring financial losses. Situations like this will have a detrimental effect on economic growth of any country, meaning investors will refuse to invest in financial assets. The implication is that companies cannot raise additional capital for expansion. Thus, it suffices to say that efficiency of the stock market is a necessary condition for growth and development in Nigeria.

3. METHODOLOGY

This study adopts the ex-post facto research design. Ex-post facto implies after the event, which means that the event under investigation had already taken place. Therefore, the data used are already in existence. The time series – based secondary data were used for this research. Secondary data are figures, records and observations collected by other people for entirely different purpose but found useful for research needs at hand. Such secondary data as adopted in this study include Gross Domestic Product, Stock Market Capitalization, Turn-Over Ratio and Value of Stock Traded from 1980 to 2010. Particularly, data for this study were collected from archives of the Nigeria Stock Exchange Annual Report and Accounts, Central Bank of Nigeria Statistical bulletin and National Bureau of Statistics.

Two inferential statistical methods were adopted to test the formulated hypotheses – correlation and multiple regression models. All statistical tests were carried out at 5% level of significance to explore the nature of relationship and reveal implicit direction of the causation between dependent variable (the Gross Domestic Product) and the Independent Variables – Market Capitalization, Stock Turn-Over Ratio and Value of Stock Traded. Correlation Coefficient shows the degree of relationship in a range of values that vary between –1 and +1, but does not reveal causation. Multiple regression analysis was thus adopted to study the causation and establish the nexus impact of the various independent variables on the dependent. +/ –0.50 value of correlation coefficient has been chosen as a benchmark for relationship between variables.

3.1 Model Specification

We specify our model in this form. $Y_1 = f(X_1, X_2. . . X_n, e)$ ………………………. (1)

Where: Y = Dependent variable,

X_1 …. X_n = Independent variable,

e = Random variable or error term.

A two relationship usually exists between the economic growth and the financial system, this implies that either the growth of the economy can be driven by the financial system development or the development of the financial system can induce the growth of the economy. There is also a strong inter-relationship between the development of capital market and the growth of the economy. Thus, the following multiple regression model is formulated as:

GDPt = f(MCT, TRt, VOt) ……………………………………… (2)

Where: GDPt = Gross Domestic Product,

MCt = Market Capitalization of Nigerian Stock Exchange,

TRt = Turn-Over Ratio,

VOt = Value of Stock Traded.

The dependent variable is economic development represented by Gross Domestic Product (GDP) and the independent variables or explanatory variables include: Market Capitalization, Turn-Over Ratio and Value of Stock Traded. Apriori expectation affirms that a positive relationship exists between Economic Development (i.e GDP) and each of the three independent variables – Market Capitalization, Turn-Over Ratio and Value of Stock Traded. The models can be explicitly stated as:

$GDPt = \beta_0 + \beta_1 MCt + \beta_2 TRt + \beta_3 VOt + et$ . . . . ….. (3)

Where:

et = the error term, β_0 = the intercept, β_1 –β_3 = coefficient of the independent variables, and other variables remain the same.

3.2 Techniques of Estimation

To determine the direction of casual relationship between the various variables, the Ordinary Least Square (OLS) technique was be used to estimate above equations. According to Gujarati (1995), the reasons for using OLS are many. Firstly, the parameter estimates obtained by OLS are optimal in nature. Secondly, the computation procedure is fairly simple as compared with other econometrics techniques. Thirdly, the OLS has been used in a wide range of economic relationship with fairly satisfactory results. Lastly, the technique is simpler to understand

4. RESULT AND DISCUSSION

4.1 Hypothesis Testing

The research hypothesis earlier stated will be tested using a multiple regression analysis.

H_o: There is no significant relationship between stock market capitalization, stock turnover ratio, and the value of shares traded on Gross Domestic Product of Nigeria.

Below is a presentation of the result of the regression analysis conducted on GDP and the explanatory variables. Where R-squared is the coefficient of determination; R-Bar-Square is the adjusted coefficient of determination; F is the F-statistic or the calculated F associated with the result.

Table 4.1: Dependent Variables

Regression Statistics				
R Square			0.899015629	
Adjusted R Square			0.887795143	
Standard Error			2912583.351	
Observations			31	
	Coefficient	Standard Error	T Stat	P-value
Intercept	166585.0049	706345.8583	0.235840563	0.815336214
MC	0.461219602	0.49478836	0.93215532	0.359517392
TR	19.76469008	4.120114916	4.797121071	5.25411E-05
VO	28.14786778	8.057581188	-3.49333964	0.001661697

Source: Statistical Analysis Software (SAS) Computation Output

4.2 Analysis of the Estimate Co-efficient

The regression result presented in table 4.2 above has an intercept of 166585.0049 which is the value of Gross Domestic Product when all other explanatory variables in the regression model is assumed to be zero. The results further reveal that both Market Capitalization and Turn-Over Ratio have a positive relationship with GDP while Value of Stock Traded has a negative relationship. Thus, a unit increase in the value of MC and TR would bring about 0.461219602 and 19.76469008 increase respectively on the GDP. A unit decrease in VO however will result to a -28.14786778 reduction in GDP. Using the values of the intercept, multiple regression model equation for this research can be written as:

GDP = 166565.0049 + 0.461219602MC + 19.76469008TR – 28.14786778VO

4.3 Analysis of the co-efficient of Multiple Determination (R^2)

The R^2 measures the goodness of a model. The regression result revealed an R^2 value of 0.899015629 which implies that about 89% of the systematic variation in Stock Market Capitalization, Stock Turn-Over Ratio and Value of Stock Traded is explained by the model. This is fairly a good fit.

4.4 Analysis of the t-statistics (T-Test)

The t-test, which is the ratio of a co-efficient to its standard error is carried out to test for significance of the individual estimates of the parameters in the model. Using the 5% level of significance, decision is to reject null hypothesis if P-value is less than 0.05; otherwise do not reject.

H_o: Xi = 0

H_1: Xi ≠ 0.

Degrees of freedom = n – k = 31 – 3 = 28.

Decision Rule: Reject H_o if p-value is less than 0.05.

Table 4.2: Summary of T-Test of Hypothesis

Variable	T-statistics	P-value	Decision
MC	0.93215532	0.359517	Accept H_0
TR	4.797121071	5.25E-05	Reject H_o
VO	-3.49333964	0.001662	Reject H_o

Source: Researcher's Computation

As a summary of the T-test above, while both Market Capitalization and Turn-Over Ratio is considered statistically significant at 5% level of significance. Value of Stock Traded (VO) has negative relationship with GDP with a significant impact.

4.5 Correlation analysis

R	GDP	MC	TR	VO
GDP	1			
MC	0.895836	1		
TR	0.920748	0.946799	1	
VO	-0.869522	0.928232	0.985177	1

With correlation coefficients of r = 0.89 and 0.92 as shown in table (4.3.4) above; Market Capitalization (MC) and Turn-Over Ratio (TR) respectively have positive impacts on the Gross Domestic Product and can be seen to impact on economic development within the study period. However, Value of Stock Traded has a negative but significance impact on the Gross Domestic Product. It is further observed that the independent variables also have positive correlation with one another.

The findings from the research work, has pointed out that stock market positively impacts the rate of economic development in Nigeria. Theoretically, a unit increase in stock market indicators brings about a more than proportionate increase in the GDP because of its capacity to mobilize capital needed by the deficit units of the economy for productive purposes. There is a positive relationship between the Market Capitalization and the Gross Domestic Product of the economy. A positive relationship exists between the Turn-Over Ratio and the Gross Domestic Product while a negative relationship exists between the Value of Stock Traded and the Gross Domestic Product. This may not be unconnected with the yet shallow nature of the Nigerian stock Exchange even though value of stock traded tends to have improved remarkably since the banking consolidation in 2005. The major implication of these findings is that stock market is vital to the economic growth of Nigeria and as such all hands must be on deck to make the Nigerian Stock Market a force to be reckoned with. Thus, the economic potentials of the country will be enhanced.

5. CONCLUSION AND RECOMMENDATIONS

The study examined whether stock market promotes economic development in Nigeria or not from the period 1980 – 2010. The results reveal a positive relationship between the stock market and economic growth. Though the stock market has been greatly criticized, this study has helped promote a greater depth to the workings of, and need for an efficient capital market.

The stock market operates in a macroeconomic environment, it is therefore necessary that the environment must be an enabling one in order to realize its full potentials. With the existence of a long run relationship between stock market development and economic growth, it is pertinent to recommend that there should be sustained effort to stimulate productivity in both the public and private sectors.

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APPENDIX

Summary of Gross Domestic Product, Stock Market Capitalization, Turn-Over Ratio and Value of Stocks Traded in Nigeria from 1980 to 2010.

Years (t)	GDP	MC	TR	VO
1980	49632.30	4461.200	7138.000	388.7000
1981	47619.70	4970.800	10199.00	304.8000
1982	49069.30	5025.700	10014.00	215.0000
1983	53107.40	5768.000	11925.00	397.9000
1984	59622.50	5514.900	17444.00	256.5000
1985	67908.60	6670.700	23571.00	316.6000
1986	69147.00	6794.800	27718.00	497.9000
1987	105222.8	8297.600	20525.00	382.4000
1988	139085.3	10020.80	21560.00	850.3000
1989	216797.5	12848.70	33444.00	610.3000
1990	267550.0	16358.40	39270.00	225.4000
1991	312139.7	23125.00	49029.00	491.7000
1992	532613.8	31272.60	49029.00	491.7000
1993	683869.8	37463.10	40398.00	804.4000
1994	899863.2	66368.90	42074.00	985.9000
1995	1933212	180305.1	49564.00	1838.800

1996	2702719	258820.0	49564.00	1838.800
1997	2801973	281960.0	78089.00	10330.50
1998	2798431	262520.0	84935.00	13571.10
1999	3194015	269980.0	123509.9	14072.00
2000	4582127	429000.0	256523.0	28153.10
2001	4725086	662000.0	426163.0	57683.80
2002	6912381	763000.0	451850.0	59406.70
2003	8487032	1360000	621717.0	120402.6
2004	11411067	2110000	973526.0	225820.0
2005	14572239	2900000	1021967	262935.8
2006	18564595	5121000	1367954	470253.4
2007	20657318	13294000	2615020	1076020
2008	24296329	9561000	3535631	1679144
2009	24794239	8484000	1739365	685717.3
2010	29205783	6656000	1925478	799910.9

Source: *Nigerian Stock Exchange Annual Report: Central Bank of Nigeria Statistical bulletin (various issues).*

Influencing Factors on Capital Market Development: The Nigeria Experience

BAKO, Isaac

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: aladebi1971@gmail.com, Phone No: +2348064739844

Abstract

This paper examines the factors affecting the development of the capital markets in Nigeria, the study also looked at the performance indicators which show a relatively poor performance of the Nigeria Stock Exchange despite different measure put in place by the government. The study covered a period of ten years ranging from 2007 to 2017. In the course of the study several literatures were reviewed and secondary source of data was relied upon. The secondary data were obtained from the fact book and periodic publications of the Nigerian Stock Exchange, as well as the Securities and Exchange Commission, Central Bank of Nigeria, while descriptive and regression approve was used in data analysis. The study establishes both the external (macroeconomic and social cultural factors) and market (legal, regulatory and institutional) factors which have constrained the development of the Stock Market. However, there are some variables which did not clearly show the above relationship, namely macroeconomic stability-inflation and private capital inflows. It can therefore be concluded that stock market development is determined by stock market liquidity, institutional quality, and income per capital, domestic savings and bank development. Using the regression analysis, the study established that 85% of stock market development is determined by: stock market liquidity, institutional quality, income per capital, macroeconomic stability-inflation, domestic savings and private capital flows and bank development. The study recommends NSE needs to be developed further to enhance domestic resource mobilization. Various policies and programs that affect stock market development such as regulation of institutional investor and privatization need to be addressed. The policy makers SEC should consider reducing impediments to stock market development by easing restriction on international capital flows. NSE should play an increasing educational role and they should also change the approach from heavy handed type to more productive.

Keyword: Capital Market, Nigeria Stock Exchange, Securities and Exchange Commission

1. INTRODUCTION

Emerging capital markets are financial markets that reside in the low or middle income economies or where the ratio of investable market capitalization to group to Gross National Product is low. The economies of many developing countries have been characterized by declining commodity prices, disequilibrium in the balance of payments, reduced foreign aid and declining economic growth. Thus inflow of foreign investment is crucial in their efforts to restore macroeconomic stability (Killick & Martin; 1990). New theoretical research work show that capital market development might boost economic growth and empirical evidence tends to provide some support to this question Levine and Zervos (1998), for instance, find that stock market development plays an important role in predicting future economic growth. A stock market is a financial institution where securities are bought and sold. As Pardy (1992) observes security markets have an important role to play in financial liberalization and deepening. The development of African stock exchanges is growing in importance because of the important role they play in facilitating higher savings rate of the working population, offering of variety of securities to as many people as possible, flow of foreign direct investment into long established or recently introduced companies distribution on capital in the most productive sectors of the economy redistribution of wealth in the economy and improved corporate governance through increased transparency. The stock market plays significant role in any economy, according to Stijn (1995) and Munga (1974) a stock market acts as a vehicle for raising capital for firms and it takes on a large role in developing countries, where privatization of state corporations is taking place. Most companies and governments of the developing countries have turned to the stock market as an Avenue raising capital to finance various projects. Secondly African stock exchange promotes high standards of accounting, resource management and transparency in the management of business. This is due to the fact that people who have money may not necessarily have the best business ideas and vice risk between the two groups (NSE 2000) organized capital market can serve as a medium for transferring part of the business ownership of foreign corporations to the citizens. Central to the efficient functioning of a capital market is the development of the stock market. The emerging capital markets of Southeast Asia move successfully used the stock market to mobilize savings and channeled such savings to appropriate investment (IFC emerging market Data base 1990). Nigeria's capital market has been described as narrow and shallow. The stock market and private bond market have been raising less than 1% of growth financing. The vision 2030 development plan aims to achieve an annual economic growth of 10% with an investment rate of 30% to be financed mainly from mobilization of domestic resources. There has been significant focus on capital market development with special emphasis on the institutional development of the stock market and the introduction of new instruments in the bonds market. Long term capital is teemed. NSE is used as an instrument of privatization and also as an avenue of liberalization of sectors previously dominated by the government.

Kibuthu (2005) in studying capital markets in emerging economies observed that prior to the late 1980's,international donors and governments in developing countries held the notion that entrepreneurial functions could be served better by the state through state ownership of the means of production, taxation, licensing and regulation. Poor performance of the public sector, misallocation of resources, market distortion and negative economic growth influence a re-evaluation of the state-led development strategy. In the past 15 years, liberalization and privatization have become dominant themes in development strategies particularly in Africa. Donors, governments and development practitioners have exhibited changing attitudes towards the role of the private sector in the development of African economies and acknowledged the need to facilitate private sector development. Promotion of economic growth led by the private sectors requires an enabling environment which the private sector can flourish. A key factor is the healthy growth of a nation's financial sector, which in turn improves the private sectors' access to services such as bank credit, equity capital, payments and risk management services (The World Bank 2002, paper 14).Odundo (2004), while examining the overview and evolution of investments in sub-Saharan Africa with special reference to Nigeria, observed that financial markets typically comprise of several institutions including banks, insurance, mortgage funds, finance companies and stock markets. It was also observed that, in developing countries, financial markets are dominated by commercial banks, which have not been reliable sources of long- term financing. The non-bank sources of medium and long term are generally underdeveloped. Heavy reliance on banks increases vulnerability of financial systems as exemplified by the Asian financial crisis in the 1990s'.This has led to the development of programs by World Bank, IMF and ADB for the development of the emerging capital markets in developing countries. In a study by Morland (1995) he observed that despite the positive and encouraging development in the restructuring of African financial systems, stock market development in Africa is grossly incomplete. With exception of South Africa the emerging stock market in Africa are by far the smallest of any region, both in terms of numbers of listed companies and market capitalization. Only four companies were trading in Swaziland in 1995, twelve in Botswana, fifty six in Kenya and one hundred eighty one in Nigeria compared to over seven thousand in the U.S. Moreover the listed companies consist mostly of foreign firms a reflection. of the weak, private system in these countries. The capital market now comprise of; the trading debt and equity over the Nigeria Stock Exchange (NSE);debt capital markets(bonds);development financial institutions (DFI's) and pension funds. The financial sector plays a crucial role in financial sector development and the realization of value. In particular, the market assists in price discovery, liquidity provision and proper allocation of risk between various participants on a more macro-economic level, the capital market is positively correlated to a country's economic growth. Notwithstanding the above, Kenya's capital market is faced with challenges.

The financial sector is inordinately skewed towards banking institutions that are yet to provide long-term capital on adequate basis. Furthermore equity and debt market are struggling to gain momentum, partly due to the fact that only 56 companies are listed on NSE, with only a small proportion of shares attracting significant trading volumes. The experience of the recent Kengen and Safaricom LPO's which were well oversubscribed by Kenyan savers and institutions serves as a clear indication that there is appetite amongst Kenyan market participants for a more diversified financial asset risk (Mara 2009).The government of Kenya, in realizing the importance of the stock market, instituted various measures including the establishment of a regulatory body called Capital Market Authority (CMA) in the late 1980s.However,despite various measures instituted by the government at different times, performance indicators show a relative poor performance of the NSE compared to other emerging stock markets. These include: low turnover ratio,low market capitalization to GDP ratio and low value of stock traded to GDP ratio (IFC,2000).However, as foreign aid to Nigeria is declining, the stock market has become an important avenue for accessing and competing for foreign funds(G.O.K 1994). In the light of these developments, it is necessary to identify and analyze all the factors that limit the development of the capital market in emerging markets (Nigeria) and to suggest necessary policy recommendation. Thus this study sought to answer the question; what are the factors affecting the development of Capital market in Nigeria? The main objective of the study is to determine the factors that affect the development of emerging capital market -The case of Nigeria financial market. The findings of this study will be important to the following groups the policy makers with an opportunity of understanding the issues and constraints that affect the development of the capital market in Nigeria and in other emerging capital markets. It also helps the regulators to determine good regulatory framework which will facilitate the faster development of the capital market through policies and regulations which will create and enhance an enabling environment. The regulators include Securities and Exchange Commission,(SEC) Nigeria Stock Exchange (NSE) and the government. The investors will have the opportunity of knowing the constraints facing the market and its future prospects. The academicians will have information regarding the performance of our capital market and particularly constraints facing it. It will also provide insight and act as a base for future research concerning the capital market.

2. LITERATURE REVIEW

This presents the literature review of the study; the objective of the study is to investigate factors affecting the development of emerging capital markets. This explores the theoretical models of stock markets, empirical findings of other research studies on the same subject. The empirical studies reviews that Market Information and Efficiency, Legal and Regulatory Framework, Political Climate, Market Transparency, Operating Cost, Tax Policy, Level of Countries Economic Growth and Transaction Processing System.

2.1 Conceptual Framework

Ellefsen, (2004) noted that emerging capital markets show the following characteristics which distinguish them from developed Capital market. First, market size in emerging markets is far smaller than developed markets. The overall size of their economies and the size of their financial market in relation to their economies as a whole is relatively small compared to developed countries. Secondly the market is not open to all. Foreign investors are restricted. There is an ownership restriction. Thirdly, there is market inefficiency in emerging market. New information is not quickly reflected in the securities prices. Fourthly, the policy enrolments in many emerging markets are very unstable. Fifthly, market liquidity in emerging markets is illiquid. Investors in merging market are particularly concern about the case of capital movement owing to emerging markets spotty liquidity. Other characteristics include low market activities (few companies keep the market active) few market intermediaries lack of electronic trading, no qualified personnel of emerging capital markets. The term emerging capital market may be used to mean the same as “emerging stock market. However the term “capital” could involve various combinations of debt and equity securities. Barry and Lockwood (1995) observe on the definition provided by IFC that the World Bank’s guide line is that a developing country is one with low-to-middle income which in 1992 meant a per capita GNP (Gross National Product) of less than US $8,356(Washington OC; IFC August 1998).

There has been consideration interest in the development of capital market in many developing countries in the last twenty years or so and evidence of the role of financial markets in economic development is well documented. Goldsmith (1969) in a study of 36 countries drawn from both developed and developing countries, over a 100 year’s institution’ assets to GNP and output per person also lent his voice to the issue in question. Gold Smith presented data showing that (with some exceptions) periods of more rapid growth in the economy have been accompanied by an above average rate of financial development. Levine (1990) shows that stock markets accelerate growth by facilitating the ability to trade ownership of firms without disrupting the productive process occurring within firms and allowing investors to hold diversified portfolios. The stock exchange helps to mobilize domestic savings thereby bringing about the reallocation of financial resources from dormant to active agents. Long term investments are made liquid as the transfer of securities between shareholders is facilitated (Masinde and Kibua 2004). The capital markets facilitates the mobilization and allocation of medium and long term funds for productive investment by; providing a simple mechanism for the transfer of funds, facilitating companies access to a large number of local and foreign investors. Widening the array of financial instrument available to savers and investors; increasing diversity and competition in the financial systems and lastly providing market signals on current situations and future expectations (Wambui Kibuthu, 2005). Generally, the effective functioning of capital market requires the following; existence of an exchange clearing and settlement system, existence of a legal system to enforce contracts and the availability of information on financial soundness and future prospects of companies and governance of corporations in a manner that gives investors confidence

There has been a considerable development in the African Capital Market since early 1990s.Prior to 1989; there were just five stock exchanges in the sub-Saharan and three in North Africa. Today there are nineteen stock exchanges ranging from startups like Uganda and Mozambique stock exchanges to the Nigeria and Johannesburg stock exchanges with the exception of South Africa, most African stock markets doubled their market Capitalization between 1992 and 2002.The rapid development of stock markets in Africa does not mean that even the most advanced African stock markets are mature. In most of these stock markets, trading occurs in only a few stocks which account for a considerable part of the total market capitalization. Beyond these actively traded shares, there are serious information and disclosure deficiencies for other stocks. Further supervision by regulatory authorities is often far adequate. Indicators of stock market development show that Africa markets are small with few listed companies and low market Capitalization. Demirguc-Kunt and Levine (1993) indicated traits of characteristics of stock market development as: market capitalization, the number of listed companies, new capital raised through offering, information disclosure, transparency rules, trading costs and market efficiency. Many of Africa Stock exchanges are small, underdeveloped, and illiquid. They tend to operate in isolation from other markets, have low trading volumes are sheltered from competition by national regulations and face barriers to capital mobility. Low liquidity means that it will be harder to support a local market with its own trading system, market analysis, brokers and the like because the business volumes would simply be too low. Institutional and Infrastructural indicators, like the existence of a strict market regulator, governing law and nature of trading systems have discouraged local entrepreneurs and indigenous enterprises that wish to raise funds from capital market. These barriers facilitate stock exchange to operate like closed membership organization (Asea, 2003). According to Sheehan and Zavala (2005), it is difficult to create an efficient regulating system, lack of trained manpower and experience to adequately police the modern regulatory schemes (Asea, 2003).

Pardy (1992) contends that there are two building blocks necessary for thriving a security market; First a macroeconomic and fiscal environment conducive to the supply of good quality securities and sufficient demand for them. Secondly, market infrastructure capable of supporting efficient operations of the securities market. The market infrastructure include; institutional infrastructure which provides the operational basis for the market, relates to intermediaries that provide trading investment, management and financial advisory services; Secondly, the regulator relates not only to the government body has the power and responsibility to supervise the market, but also include self regulatory organizations such as Stock exchange, Accounting Standards Boards and Accounting and Auditing Professional Association and Thirdly; the legal framework. Poor savings culture in Africa has constrained demand and supply of equity in the stock market due to the diverse reasons; poverty, war., unrest and diseases. Kofi (1998) found the following factors to have constrained the development of Ghana Stock Exchange; Lack of effective educational Campaign, manual clearing System, lack of Central Depository Control System, low level of public awareness, restriction of foreign investors, inappropriate regulatory factors and Macro economic and fiscal factors. In most emerging economies there is a large number of relatively small-family owned businesses, where there is little or no effective division of ownership and control. This type of business structure conduces to internal shareholding, the bequeathing of shares to family members and use of own funds and bank credit rather than capital market financing.

2.2 Empirical Studies

Lack of awareness is a major factor and information on the role, functions and operations of the stock exchange. For companies, the question is not so much lack of knowledge but a concern that the risks associated with additional disclosure are not adequately compensated by additional returns. Public disclosure of relevant information about securities is important for both pricing efficiency and market confidence. Chupe and Atkin (1992) contend that information asymmetries abound in financial markets. Disclosure requirements for Public companies must ensure that financial information is available to investors in way that facilitates intercompany comparisons. Pardy (1992) and Pagano (1993) reaffirmed the need of adequate disclosure of sufficient information by companies who desire to raise funds from the public. This disclosure will facilitate increased investors' confidence in the stock markets. Those companies issuing securities should be subjected to additional disclosure as imposed by the listing rules. In emerging markets, there are many barriers to the dissemination of information and information asymmetries are profoundly found in these markets. Trading on insider Information is common and tends to destabilize the stock market particularly where the financial system is controlled (Kumar and Feldman, 1995; Chuppe and Atkins, 1992).

Also a study by Cheung and Krinsky, (1994) confirmed under-pricing of securities by investment banks in an environment of information asymmetry. In addition, banks tend to indirectly discourage the stock exchange as a means of raising capital since they play the dual role of being investment advisors as well as lenders. For the stock exchange itself, there is both inadequate marketing of itself as well as lack of a sufficient number of products to attract the investing public. Legal and broader institutional environment plays an important role in the development of the financial markets. Laws and enforcement mechanisms that protect investors, clearly define property rights and support private contractual arrangements are crucial for adequate functioning of financial markets. Empirical evidence shows that regulations that protect creditors and minority investors are associated with deeper and more active financial markets, increased valuations, lower concentration of ownership and control, greater dividends payout. Beck (2000), an empirical study done in Brazil observed that legal environment is the first impediment to financial system development. Beck found a strong relationship between the financial development and legal environment. Levine (1999) also found a strong link between legal environment and financial development. In order to facilitate capital development in the emerging market, the legal environment should be favorable. The environment should prove laws and regulations which not prohibitive in nature. In Kenya, CMA has been mandated to regulate the capital market. Currently, there are multiplicity of regulators and regulations in Kenya governing the capital market. They include the Central Bank of Kenya, Capital Markets Authority, Retirement Benefits Authority and Commissioner of Insurance. All these bodies enact policies that affect the development of the stock Market. The Capital Markets Authority as the regulatory agency must alter its approach from the sometimes heavy-handed type of control to a more proactive, creative and supportive role in order to assist in the creation of a more vibrant and forward looking capital market environment. This it can do by seeing itself as a catalyst in development rather than as a traditional regulator of what is a very small market. The political climate prevailing at any given time in the country will affect the development of the stock market. Political instabilities like wars, coups, insecurity, uncertainty of general elections etc affect investment decisions (Levine and Zervos 1996).

Analyzing the amount of information available in the emerging markets raises the notion of the accuracy of the information. The degrees to which markets are transparent and competitive affect investors' ability to gain information and develop performance expectations. Though all markets exhibit varying degrees of transparency, emerging markets are likely to be less transparent than developed market. Transparency in dealings will enhance the market confidence. In NSE most of the dealings are done through brokers who can enhance limited disclosure of some vital information which can lead to of market manipulation (Ossei, 1998). The operating-transaction costs should be within acceptable limits aimed at minimizing returns. These costs include: brokerage fees, cost of printing, legal & accounting expenses and fees for NSE. Market can be open or closed to foreign investors. Excessive barriers especially to foreign investors hamper the development of any stock exchange. Bruner et al (2003) studied 33 developing countries to ascertain the extent of market openness in those countries. However, they noted that only 18 out of 33 listed as emerging markets are 100% open to foreign investment and the remaining 15 markets are either closed to foreign investment or having varying restrictions on foreign ownership. The most common restriction include; special classes of shares for foreign owners; limits on foreign ownership; limits on ownership held by a single foreign shareholder; company imposed limits that differ from national law; and national limits on aggregate foreign ownership. Demirgug & Levine (1996) finds that he restriction placed on foreign investors on the above restrictions constrain the performance of the capital market. However the restrictions vary from one country to the other. If the fiscal policies are not favorable then the market will be drastically affected. Different rates influence how investors will invest their funds and in which security which has high net margins (Wagacha, 2004) Demirgug-Kunt and Huizinga (1992) study has implication for the design of tax policy related to foreign portfolio investment in developing countries. They indicate that the existence of foreign tax credits for dividends paid suggests that a country should tax capital gains lightly in comparison with repatriated dividends.

Lyon (1992) finds that differing tax treatment of equity and debt can create divergent costs in the used of retained earnings, new share issue and debt finance. The empirical evidence clearly shows that more developed countries have deeper and more efficient financial systems, including capital markets(Beck et al.2003).Monetary and fiscal policies, as well as economic stability are also positively related to capital market development. The reason is that the financial contracting becomes more difficult in high inflation environment. Income levels affect the performance of the markets. Countries with high income are more developed compared to low income countries (Beck, Levine and Laoyza, 1999, Cull 1998). Pardy, (1992) noted two variables which are necessary for the faster development of capital market: macroeconomic and fiscal environment and market infrastructure. The macroeconomic factors include; inflation, interest rate; foreign exchange rates; government expenditure. The size of the economy may affect capital market development. Security market may gain efficiency by expanding their volumes and number of participants through both supply and demand .Also, larger economies tend to have larger firms, which are likely to have minimum threshold necessary to achieve adequate liquidity. The transaction clearance and settlement systems, securities transfer, registration and custody will affect the development of the stock market. This challenge is being addressed in Nigeria by the introduction of the CDS system.

From the literature review, capital market development appears to be a function of macroeconomic and Institutional factors. These are Market Information and Efficiency, Legal and Regulatory Framework, Political Climate, Market Transparency, Operating Cost, Tax Policy, Level of Countries Economic Growth and Transaction Processing System. Levine and Zarvos (1998) find a strong relationship between strong market liquidity and capital market development .Pagano (1993) finds a strong relationship between regulatory and institutional factors and stock market development. Levine (1996) finds that countries with well developed stock markets also have better developed financial intermediaries. Yartey (2009) finds that macroeconomic factors such as income level, gross domestic investments, banking sector development, private capital flows, and stock market liquidity are important factors affecting the development of capital market in emerging market. Political factors, law and order are also factors which affect capital market development in emerging market

2.3 Theoretical Framework

2.3.1 The Efficient Market Hypothesis

Capital market development is an important component of financial sector development and supplements the role of the banking systems in economic development. Specifically, capital markets assist in price discovery, liquidity provision, reduction in transaction costs and risk transfer. They reduce information cost through generation and dissemination of information on firms leading to efficient markets in which prices incorporate all available information{Yartey and Adjasi (2007),Garcia and Lieu(1999)}.Overall, stock markets provide market liquidity that enables implementation of long term projects with long term payoffs thereby promoting a country's economic growth endeavor. Moreover, efficient markets not only avail resources to investors, they also facilitate inflow of foreign financial resources into the domestic economy. The fact that debt and equity markets are not thriving has seen the credit market play a significant role in financing investment while deposits form a significant proportion of the financial asset basket (Ngugi et al 2009).The efficient Market Hypothesis is the basic theory describing the behavior of a perfect market in which securities are typically in equilibrium, security prices fully reflect all public information available and react swiftly to new information; because stocks are fully and fairly priced, investors need not waste time looking for mispriced securities. There are three major versions of market Efficiency; weak, semi-strong and strong. Weak EMH states that prices on traded assets already reflect all past publicly available information. Semi-Strong EMH claims that both that prices reflect all publicly available information and that prices instantly reflect new public information. Strong EMH claims that prices instantly reflect every hidden information about the stock price (Burton, 1996).

2.3.2 The behavioral Theory

The efficient Market theory concept was later challenged by academicians although there is sufficient evidence of the relevance of the theory. Academicians and other practitioners recognize that emotions and other subjective factors play a role in investment decisions which has resulted in a significant research which is referred to as behavioral finance (Gitman, 2006).Behavioral finance hold the view that, in practice, markets are far from perfect and investors are not rational but are motivated by greed, fear and other emotions. According to the behavioral lists, many investors let their emotions overrule rational analysis. They say even the most rational investor cannot totally eliminate emotion. Emotion is an important aspect of human condition can influence decision making (Gitman, 2006).The emotional state of investors was no doubt the most important factors causing historical market dip in the NSE during the post election violence in 2008.

2.3.3 The Agency Theory

Agency theory has provided a useful tool for detailed analysis of the determinants of the complex contractual arrangement called the modern corporation. A survey of the application of this theory to the conflicts of interest between corporate managers, stockholders, and creditors find that the analysis of these conflicts and their resolutions increases the understanding of the survival of many contractual practices that therefore have been taken for granted or viewed with great suspicion. It also illustrates the often close relation between financial and organizational practices (Smith and Jensen, 2000). Under the theoretical model, the value of Institutions to shareholders results from their regulation of transactions and agency costs. Governance indicators are a reflection of the ability of institutions to effectively support the minimization of these costs, ultimately born by shareholders. These indicators compose measure of the stability of governments, the proper regulation of markets, and the degree of corruption. These factors shape the ability of institutions to govern the financial markets. Better governance environments can increase returns to shareholders by reducing both transaction costs and agency costs (Hooper et al, 2005).

2.3.4 The Capital Asset Pricing Model

This was a theory developed separately by William Shape (1964) and John Linter (1965) and used to identify the adequate cost of capital in project valuation (Brounen et al. 2004). Ball (2001 defines it as 'a method of estimating expected returns which passive investors would otherwise have earned in the absence of information being tested .The CAPM equation looks like this: E(R)=Rf + b(Rm-Rf)(I).Stock's expected return (E(R) is equal to a riskless rate (Rf) plus risk premium compound by b and the amount of a stock of average risk (Rm) is expected to earn above riskless rate (Rf).CAPM was developed to explain the behavior of security prices and provide a mechanism whereby investors could assess the impact of the proposed security investment on portfolio overall risk and return, CAPM provides a useful conceptual framework for evaluating and linking risk and return. An awareness of this trade-off and an attempt to consider risk as well as returns in financial decision making should help managers achieve their goals (Gitman, 2006). Over the past few decades the world stock market has surged and emerging markets have accounted for large amount of this boom. The speed and extent of stock market development in developing countries have been unprecedented and have led to fundamental shift both in financial structures of less developed countries and in the capital flows from developed nations.

A key indicator of stock market development, the capitalization ratio (market capitalization as proportion to GDP) rose at an unprecedented rate in leading developing economies during 1980s and the 1990s climbing from to 10 the over 84 percent in countries such as Chile in the course of two decades. New theoretical research works show that market development might boost economic growth and empirical evidence tends to provide some support to this assertion. Levine and Zervos (1998) for instance, find that stock market development plays an important role in predicting future economic growth. Capital markets are an essential part of the financial sectors of modern economies, providing alternative savings posts tools and nonbank sources for financing for enterprises, the markets promote economic growth through improved efficiency in savings mobilization (Schmidt –Hebbal et al, 1996).

3. METHODOLOGY

This discussed the methodology used in gathering data, analyzing it and reporting the results.A descriptive research design was used at finding out the factors affecting the development of an emerging Capital market. A descriptive research design is a technique for answering who, why and how questions Yin (1994) defines a case study as empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and the context are not clearly evident, and in which the multiple source of evidence are used. The descriptive research design aimed at identifying factors that affect the development of capital market in emerging economies. The population comprised of the listed companies in NSE for the period 2007-2017. The listed companies highlighted the role and benefits accrued in being listed and challenges encountered. The central Bank of Nigeria provided the economic growth data from the period 2007-2017 through their monthly and annual economic review publications. The focus of the study was on the emerging market development. NSE provided more information considering the empirical evidence as stated above. Empirical evidence shows that there is a perfect correlation between well developed stock market and economic growth (Corporale et al, 2004).

The study used secondary data in ascertaining the factors which highlighted both the macroeconomic and institutional factors on the development of the capital market. The central bank of Kenya provided details of GDP for the period 2007-2017. Both NSE and Central bank provided details of both macroeconomic and institutional factors which include; stock market liquidity, macroeconomic stability; savings and investments; income levels; private capital flows; law and order and political risk. The period covered will be 2007-2017.

3.1 Measurement of Variables

Stock Market Liquidity (SML): The study measured stock market liquidity using value traded as percentage of GDP. This data was provided by NSE.

Macroeconomic Stability (MS): According to Garcia and Liu (1999), inflation can be used as a measure of macroeconomic stability through data from Central Bank of Nigeria (CBN).

Income Levels (IL): This study used GDP per capita in Naira to measure the income level per capita income. This explained the critical factors influencing the growth of the stock market. This data was obtained from National Bureau of Statistics (NBSN).

Private Capital Flows (PC): This study measured foreign investment as percentage of GDP and net Capital flow as a percentage of GDP. Data on this variable was obtained from NSE.

3.2 Data Analysis

Since secondary data was used, descriptive statistics analysis was used: measures of central tendency, measures of variability, and measures of frequency among others such as frequencies, mean scores, regression analysis and the standard deviations. On the other hand qualitative data was analyzed using factor analysis. Factor analysis was preferred because it allows for both quantitative and qualitative operations. The quantitative data was coded and thereafter analyzed using SPSS package (Eviews- Version 3.1). The study used regression analysis to determine the relationship between the variables of the study. Studies by Yartey (2008) and Lazaridis and Trofornidis (2006) have used regression analysis while researching on relationship among variables. The variables: income levels, banking sector development, savings and investment, and stock market liquidity all use GDP as the measurement variable upon which the stated variable is measured. However the independent variables will be market capitalization, trading volumes and change in stock prices. Market capitalization was calculated using annual share price and shares issued. The study was also analyzed using multivariate regression model and SPSS which aided the analysis. The following is regression model was used in determining the impact of each stated variable in the Stock Market Development.

V= a (IL) + b(BSD) + c(SI) + d(SML) + e(MS) +f(PC) + g(IQ)
Where:
V Stock Market Development
BSD Banking Sector Development
SML Stock Market Liquidity
PC private Capital flows
IL Income Levels
SI Savings and Investments
MS Macro Economic Stability
IQ Institutional Quality

However, the coefficients a, b, c, d, e, f and g represents the constants variables to the respective independent variables and shows the existing relationship between each of the independent variables and the dependable variable.

4. RESULT AND DISCUSSION

This section essentially discuses the data analysis, findings, interpretations and presentation. The objective of this study was to study factors affecting the development of capital markets in Nigeria-The case of Nigeria Stock Exchange. The section starts with data analyzed using descriptive statistics, then regression analysis. The dependable variable of interest is stock market development .We measure stock market development using market capitalization as a proportion of GDP. This measure equals the value of listed shares divided by GDP. The assumption behind this measure is that the overall market size is positively correlated with the ability to mobilize capital and diversify risk on an economy wide basis. The primary role of stock market is to provide a market where financial instruments can be traded in a regulated environment without constraints. Stock Market Development expanded from 2005- 2008, contracted in 2009 then expanded in 2010. Market capitalization ratioThis measure equals the value of listed Shares divided by GDP. The assumption behind this measure is that overall market size is positively correlated with the ability to mobilize capital and diversify risk on economy wide basis. The total value traded ratio measures the organized trading. Flow of foreign direct investment to and from the country is used as a control variable since we believe that foreign direct investment is an important determinant of economic growth. Real income has been found to be highly correlated with the size of the stock market. The study utilized the log of GDP per capita in Naira. to measure the income level. According to demand driven hypothesis, the expansion of an economy will create new demand for financial services, such increase in demand will exert pressure to establish larger and more sophisticated financial institutions to satisfy the new demand for their services.

It is also observed that liquidity is crucial for growth. In principle a well-developed stock market should increase savings and efficiently allocate capital to productive investments which leads to an increase in the rate of economic growth. In this study, it is evident through the regression analysis that stock market development is strongly correlated with the growth rates of real GDP per capita. More importantly, both stock market liquidity and banking development predict the future growth rate of the economy when they both enter the growth regression. This study was to identify factors that affect the development of capital markets in emerging markets-The case of Nigeria Stock Exchange. However, descriptive and regression approach was used in data analysis and secondary data collection method was used. This research provides a simple correlation between stock market variables and investment in order to evaluate the impact on stock market development. A secondary data was collected for all listed companies in NSE from 2007-2017 suggest that stock market development is determined by the level of: stock market liquidity and Institutional quality as shown be the regression analysis. The results also suggest that the value of shares traded ratio is not an effective measure of stock market liquidity. This may be especially so in the contest of Nigeria where stock market is highly volatile causing the turnover ratio to be misleading indicators of liquidity. However, much work remains to be done to better understand the relationship between market development and economic growth. In view of the above results, we can say that stock market development is positively correlated to economic growth through the following factors: banking sector development, stock market liquidity, per capita income, Foreign Direct Investments, Income levels, Macroeconomic Stability, Institutional Quality and Savings and Investments.

Hence this study suggests that the government should play a more positive role in order to foster stock markets. Even though, having recognized the importance of financial market for economic growth, many developing countries have increased their efforts towards improving the financial systems of their countries to stimulate economic growth, they have mainly focused on banking system reforms-removing interest rates controls, reducing government involvement in credit allocation, minimizing of taxation of financial intermediaries, managing bank insolvency, now they need to focus on stock markets. Policy matters should encourage stock market development. They should remove impediments to stock market such as tax, legal and regulatory barriers. The findings of this study indicate that stock market development does indeed influence economic growth. The findings of the study are : the size of the stock as indicated by market capitalization ratio positively affect economic growth significantly, while the liquidity of the stock market as captured by total value of shares traded and turnover ratio and volatility significantly affect stock market development negatively. The study recommends that NSE needs to be developed further to enhance domestic resource mobilization. The findings also indicate that market development is determined by stock market liquidity and institutional quality, showing high relationship between them. Stock market development is determined by stock market liquidity and institutional quality. This is because Pearson correlation coefficient between stock Market Development and stock market liquidity and institutional quality indicated high relationship among them. However, over the study period income per capita, macroeconomic stability (inflation), domestic savings and private capital flows, bank development seem not influence stock market development.

5. CONCLUSION AND RECOMMENDATIONS

In analyzing the collected data, the results revealed that there is a relationship between stock market development and market liquidity, institutional quality, income per capita, domestic savings and bank development. However, there are some variables which didn't clearly show the above relationship, namely macroeconomic stability-inflation and private capital inflows. It can therefore be concluded that stock market development is determined by stock market liquidity, institutional quality, income per capita, domestic savings and bank development. In the empirical analysis the study found four interesting results: Firstly, income levels, domestic investments, banking sector development, private capital flows and stock market liquidity are important determinants of stock market development in emerging markets, Secondly, the relationship between banking sector development and stock market development in emerging countries to be non-monotonic. This finding suggests at early stages of its development, the banking sector is a compliment to the stock market in financing investment. However, as the both develop, banks and stock market begin to compete with each other as vehicles for financing investments, Thirdly, institutional factors such as political, risk, law and order democratic accountability and bureaucratic quality are important determinants of stock market development in the emerging markets.This result suggests that the resolution of political risk can encourage investors' confidence and propel the growth of the stock market. Lastly, the main factors affect the development of capital markets in emerging market countries can also help us understand the determinants of stock market development in Kenya.

The study recommends NSE needs to be developed further to enhance domestic resource mobilization. Various policies and programs that affect stock market development such as regulation of institutional investor and privatization need to be addressed. The policy makers should consider reducing impediments to stock market development by easing restrictions on international capital flows. NSE should play an increasingly educational role and CMA should also change its approach from heavy handed type to more productive, they should see themselves as catalyst in the stock market development. However, the findings in this study have important policy implications for emerging countries. Firstly, economic growth plays an important role in stock market development .It is important to initiate policies to foster growth and development as countries liberalize their financial systems. Second, the development of a well-developed banking sector is important for stock market development in emerging markets. Developing the banking sector can promote stock market development as demonstrated by the experiences of many Asian countries. Support services from the banking system contribute significantly to the development of the stock markets. However, when stock markets are sufficiently developed they tend to compete with banking sector as shown by the study. Third, domestic investment is an important determinant of stock market development in emerging stock market. To promote stock market development, emerging markets countries can encourage investments by appropriate policies. Fourthly, stock market liquidity has a positive effect on stock market development. Improving stock market liquidity in emerging markets can be another approach of promoting stock market development. Finally, good quality institutions are important determinants of stock market development. Well establish institutions reduce political risk an important factor in investment decisions. The development of good quality institutions such as law and order, efficient bureaucracy and democratic accountability is therefore critical for stock market development. A number of research recommendations spring from the findings of the study, ranging from awareness of the role of stock market plays in an economy to sound macroeconomic policies. These include: a continuous education program for all parties involved in the investment environment, Provide Tax Incentives including provision of tax differential in favor of listed companies, establish Good Macroeconomic Policies, ensure the provision of a sound Banking system which will enhance rapid development of the financial market and encourage cross-listings (International) and international integration with other stock markets.

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Achieving Optimal Macro-Economic Management of Public Fund in Nigeria

OBAFEMI, O. Benjamin

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: obben4real@yahoo.co.uk, Phone No: +2348034583330

Abstract

This study seeks to examine the ways of achieving optimal macro-economic management of public funds in Nigeria. The study employed the survey design simply because the design is more suitable for the study of this nature. The population of the study comprises of the account operating department of the office of the accountant general of the federation and that of the central bank of Nigeria (CBN). This population was two hundred and twenty (220) and the sample size of one hundred was obtained using non-probability sampling techniques. The study adopted conveniences stratify sampling technique by selecting 50 each from the office of the accountant general of Nigeria and the central bank of Nigeria respectively. The data used were primary data, sourced through the questionnaire method. Data collected were presented via table description. The study further used chi-square to make comparison and estimated by the special package call SPSS. Analysis from the study shows no lapses exist in the procedure used by the officers in fund management section of CBN and the Accountant General of Federation. The study therefore recommends that there should be legislative reforms to enforce compliance, probity, and prudence in the management of public funds in Nigeria.

Keywords: Optimal Macroeconomic, Management, Public Funds, Public Financial Management.

1. INTRODUCTION

Public sector is mainly established to provide services to the general public; these services cannot be efficiently and effectively provided without management strategies. The focus of optimal macroeconomic management of public accounting is the determination of how much money was received and the sources of such receipts, how much money was spent and for what purposes and what remains after meeting the financial obligations. In line with this statement, Public finance and particularly the fund management and accounting of government institutions have become fundamentally important: Public finance has been described as the collection and disbursement of funds for public use (Corbally, 1962, Osuntokun, 2003). It has also been regarded as the financial activities of public authorities in terms of taxing, spending, borrowing and lending and it involves the means of providing for the expenditure involved in the staffing, equipment and maintenance of educational institutions (Adesua, 1981, Charles, 2002).

As a result of more interest in receipts and payments account, the government accounting practice that evolved over the years focused on cash receipts and disbursements on the basis of budgetary headings to reveal the balances available at a given time under various heads and sub-heads of votes. This therefore means that the basis of accounting in government is normally the cash basis (or modified cash) rather than the accrual basis of the private sector. Under the cash basis, the government revenue is recorded and accounted for when cash is received and expenditure is incurred when cash is paid irrespective of the accounting period in which the benefit irrespective of the accounting period in which the benefit is received or the service rendered. The role of fund management is vested on the central bank of Nigeria and also the Accountant-General being the chief accounting officer of receipts and payments is also concerned with efficient management of public resources and to also give evidence of accountability of those resources. Okoh and Ohwoyibo (2009) opine that accountability reflects the need for government and its agencies to serve the public effectively in accordance with the laws of the land. Appah (2010) point out that with eth number and monetary value of public sector activities has increased substantially. This increase in activities has brought with it an increased demand for accountability of public officers who manage these activities of the public. The efforts towards ensuring effective management of public funds in the midst of unqualified personnel, lead to loopholes for embezzlement and financial misappropriation. Secondly, keeping adequate records of collections and disbursements which is essential to management of public funds is very difficult. Thirdly, proper accountability is not ensured towards collection and disbursement of public funds and fourthly, Public officers saddled with eth responsibility of managing and ensuring effective public funds are the same officers that misuse the advantage of their offices to misappropriate funds thereby eroding the confidence in the minds of tax payers. And as such, substantial development in the society will be hindered. Availability of adequate fund, coupled with efficient financial management constitutes the required catalyst necessary for timely execution and completion of development projects and other activities.

The procedure for managing public funds in Nigeria and the effectiveness of the strategies employed as long been in doubt with several insinuation arising because of the prevalence of fund mismanaged that pave way for financial indiscipline in the like of fund misappropriation, embezzlement, fraud and outright theft. The challenges against achievement optimal macroeconomic management of public funds therefore call for empirical investigation as to identify the existing loopholes in the methodology, strategy, procedure and managerial resources that has plague the role of institution and office that are vested with the role of funds management. Several legislative efforts have been made by the federal government of Nigeria to curb fund mismanagement in recent times such efforts include the creation of Economic and Financial Crimes Commission (EFCC) and the passage of several anti money laundry including weasel blowing act. All these effort could not prevent funds management. It was on this notion that investigation study attempted an indebt investigation in ways of achieving an optimal macroeconomic management of fund in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Literatures

2.1.1 Concept of Public Finance

Public finance involves the government raising money or revenue and spending the money in eth provision of services to the public at different arms of government. Public finance has been describes as the collection and disbursement of funds for public use (Corbally, 1962, Osuntokun, 2003). It has also been regarded as the financial activities of public authorities in terms of taxing, spending, borrowing and lending and it involves the means of providing for the expenditure involved in the staffing, equipment and maintenance of educational institutions (Adesua, 1981, Charles, 2002).

2.1.2 Concept of Public Financial Management

In public financial management, every decision is based on equity and efficiency back-up by public policy (not on sentiment and personal aggrandizement). This is so to ensure efficient employment of resources in production but also that both real and nominal benefits accruing to society in the form of income and wealth are equitably distributed. Thus, public financial management deals with judicious use of funds and also ensures accountability and financial control. Ola and Offiong (2008) defined public financial management as “the measures put in place to control the people’s money or funds”. You will note that the word public means the people while finance means funds or money. The management of the public funds is known as public financial management. Public financial management is defined by the Chartered Institute of Public Finance and Accountancy (CIPEA, 2010) AS “the system by which financial management resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals”. CIPEA describes public financial management in terms of a “whole system approach”. IFAC supports a whole system approach to public sector, financial management, and recognizes the critical importance of the foundations of the system-stakeholder consultation, the demand for services and projects, and governance- which, along with eth key process elements, aims to deliver public, community, and individual value as part of the overall objective to deliver sustainable social benefit.

Ekpung (2001), Public Financial Management is defined as the management of the flows of money or financial resources through and organization (public), whether it is a company, a school, bank, or government agency. The actual flow of money or financial resources are well are claims against money in a judicious way is its concern. Public financial management is concerned with the planning, organizing, procurement and utilization of government financial resources as well as the formulation of appropriate policies in order to achieve the aspirations of members of that society. Premchand (1999) sees public financial management as the link between the community’s aspirations with resources, and the present with future. It lies at the very heart of the operations and fiscal policy of government. Consequently, the stages of public financial management include the following.

(1) **Policy Formulation**:-
Policy formulation is one of the most important stages in public financial management structure. Premchand (1999), “the transformation of the society’s aspirations into feasible policies with well-recognized financial implications is at

the heart of financial management. Issues not addressed during policy formulation tend to grow in magnitude during implementation and many frequently contribute to major reversals in eth pursuit of policies or major slippages that may lead to contrary results". Public financial management should be designed to achieve certain micro and macro-economic policies. It entails a clearly defined structured and articulated system that moves to promote cost-consciousness in the use of resources. The government needs to have an estimate of revenue and expenditure to achieve the policy objective of government.

(2) Budget Formulation

The budget formulation is the step that involves the allocation fo resources before the submission to the legislature for review and final approval. Appah (2009), in Nigeria the budget formulation involves the articulation of the fiscal, monetary, political, economic, social and welfare objectives of the government by the President; based on these (i) the department issues policies and guidelines which form the basis of circulars to Ministries/Departments requesting for inputs and their needs for the ensuring fiscal periods; (ii) accounting officers of responsibility units are required to obtain and collate the needs of their units; and (iii) accounting officers of ministries, in this case the Permanent Secretaries, are required to collate these proposals which would be defended by unit head before the supervising minister.

(3) Budget Structures

Anyanwu (1997), budget structure addresses the question of how the budget is or should be composed. In Nigeria, budgets have revenues and expenditure sides. Premchand (1999), many governments have yet to put in place cash management systems, which would pave way for coordinated domestic management. The practice of limiting outlays to collected revenues has exacerbated this problem. He, further argued that there is a massive underfunding of programs and projects provided for in the budget.

(4) Payments System

This involves the operational procedures for receiving monies for the public and for making payments to them.
In Nigeria, governments make payments using a variety of procedures. These include book adjustments, issues of cheques, payment authorities and electronic payment systems.

(5) Government Accounting and Financial Reporting

Government accounting and financial reporting is a very important component of the public sector financial management process in Nigeria. As Adams (2001) noted that government accounting entails the recording, communicating, summarizing, analyzing and interpreting financial statement in aggregate and in details. In the same vein, Premchand (1999) argues that government accounts have the dual purpose of meeting internal management requirements while providing the public with a window on government operations. Government financial reports should be prepared with the objective in mind of providing full disclosure on a timely basis of all material facts relating to government financial position and operations (Achua, 2009). Financial reports on their own do not mean accountability but they are an indispensible part of accountability.

(6) Audit

One of the fundamental aspects of public sector financial management in Nigeria is the issue of audit of government financial reports. Audit is the process carried out by suitably qualified Auditors during the accounting records and the financial statements of enterprises are subjected to examination by the independent Auditors with the main purpose of expressing an opinion in accordance with the terms of appointment. The high level of corruption in the public sector of Nigeria is basically as a result of the failure of auditing. As Premchand (1999) puts it "many audit agencies are legally prevented from reviewing policies. Most of them cannot follow the trail of money, as they do not have the right to look into books of contractors, and autonomous agencies". One fundamental failure of audit is the absence of value for money in the Nigerian public sector.

(7) Legislative Control

The legislative (House of Representative and Senate) in Nigeria is expected to perform this very important task of controlling and regulating the revenue and expenditure estimates in any fiscal year. It is the responsibility of the members of the National Assembly to ensure that the budget estimates are properly scrutinized to ensure accuracy, effectiveness and efficiency of government revenue and expenditure.

(8) Treasury Control of Public Funds

Treasury is an office headed by the Accountant-General and is usually part of the ministry of finance. Terbia and Oji (1973) explain that treasury control takes the form of overall supervision of the spending of ministries and departments. The objective is to ensure that they conform to the approved estimates and that adequate attention is paid to efficiency in the spending of funds allocated by Parliament. Where spending departments wish to deviate from the policies and programs approved by Parliament or wish to exceed their votes, they need to secure the approval of finance for the new policies or changes. Treasury control is exercised by the office of the Accountant-General.

2.2 Empirical Literature

Elmaude& salihu 2016 assessed the role of Accountant general in the management of public fund in Taraba State. Nigeria. The study use survey research, data collected was analyzed using chi-square. The study reveals that check and balances which is the primary aim of enhancing transparency and accountability was not effective. Philips critically analyzed the Nigerian fiscal policy between 1960 and 1997 with a view to suggesting workable ways for the effective implementation of vision 2010. He observed that budget deficit have been an abiding feature in Nigeria for decades. He noted that except for the period 1971 to 1974, and 1979, there has been an overall deficit in eth federal government budgets each year since 1960 to date. The chronic budget deficits and their financing largely by borrowing, he asserts, have resulted in excessive money supply, worsened inflationary pressures, and complicated macroeconomic instability, resulting in negative impact on external balance, investment, employment and growth. He however, contends that fiscal policy will be an effective tool for moving Nigeria towards the desired state in 2010 only if it is substantially cured of the chronic budget deficit syndrome it has suffered for decades. Loto investigated the growth effects of government expenditure in Nigeria over the period of 1980 to 2008, with a particular focus on sectorial expenditure. Five key sectors were chosen (security, health, education, transportation, communication and agriculture). A linear ordinary least square (OLS) regression analysis was done. The variables were tested for stationary and co-integration analysis was also carried out using the Johansen co-integration technique. Also error correction test was performed. The result showed that in the short-run, expenditures on education and agriculture were found to be relatively related to economic growth. While the impact of education was not significant, that of agriculture was found to be significant. Expenditure on health, national security, transportation and communication were found to be insignificant, Loto opined that it is possible that in the long run expenditure on education could be positive if brain is checked.

Egwaikhide appraised the implication of Nigeria budget deficit profile for inflation and the current account balance. Evidence indicates that fiscal indiscipline in terms of lack of control over expenditure is the major determinant of budget deficit in Nigeria. While its mode of financing has aggravated inflation in the country, most importantly, it revealed that budget deficit correlates highly with current account deficit, implying that external disequilibrium is partly attributable to endogenous factors. Akpan used a disaggregated approach to determine the components (that include capital, recurrent, administrative, economic services, social and community service and transfers) of government expenditure that enhances growth and those that do not. The author concluded that there was no significant association between most components of government expenditure and economic growth in Nigeria. Koman and Bratimasrene, studies the economy of Thailand, they made use of the Granger causality tests. Their findings were that government expenditures and economic growth are not co-integrated but indicated a one-dimensional relationship. This is because causality runs from government expenditure to growth; also their results indicated a significant positive effect of the government spending on economic growth.

Bader and Quarn, employed multivariate co-integration and variance decomposition approach to examine the causal relationship between fiscal policy and economic growth for Egypt, Israel and Syria. In the bi-variate framework, the authors observed a bi-directional (feedback) and long run negative relationship between fiscal policy and economic growth. A study by Ekperiware and Oladeji (2012) examined the effect of external debt relief on economic growth in Nigeria using regression technique on quarterly time series of external debt, external debt service and real gross domestic product. Applying chow-test to the regression result they found that there was a structural break in the relationship between economic growth and external debt in Nigeria during the period 1975 to 2005. The study concluded that the external debt relief made more resources available for economic growth in Nigeria and recommended a shift towards discretional concessional borrowing. It also identified external debt relief as a good option for poor unsustainable indebted countries as a way of making resources available for economic growth with the real sector being the focal point where value is created rather than impeding it with mismanagement and servicing debt. Obademi (2012) used the ordinary least squares (OLS) technique in an augmented Cobb Douglas model in analyzing the impact of public debt on economic growth in Nigeria. The variables used were the external debt domestic debt, total debt and budget deficit. He found that the impact of debt on economic growth was negative and quite significant in the long-run though in eth short-run the impact was useful. He concluded that though the impact of borrowed funds on the Nigerian economy was positive in eth short-run, its impact in the long-run depressed the economy as a result of inefficient debt management.

In another attempt to study the impact of external debt management on macro-economic performance in Nigeria, Ezike and Mojekwu (2011) applied the OLS technique on real GDP, total external debt stock and debt service ratio. Their results revealed that foreign capital inflow was positive as expected while debt service/export ratio was negative as expected. This was because debt capital adds to capital formation and positively impacted on economic growth. On the other hand, debt-service ratio reflects capital outflow and consequently deteriorates the performance of a country and thus reduces real GDP. It also confirms the theoretical expectations that debt service/export ratio diverts resources away from eth debtor country. Since total debt stock depicts a positive relationship in the results instead of a negative relationship and statistically significant at all the levels, they therefore concluded that total debt stock, less debt service, still leaves a robust positive balance, to enhance capital accumulation that positively impacts economic growth. Udoka and Ogege (2012) examined the extent of public debt crisis and its consequences on economic development using data on the Nigerian economy for the period 1970 to 2010. They employed the error correction modeling framework with co-integration techniques to test the relationship between per-capita (GDP and other macroeconomic variables (foreign reserve, debt stock, investment, debt service payment). The test revealed that political instability may reduce the rate of development and other independent variables were responsible for the underdevelopment of the country. Hence, they recommended that, to avoid the crisis of economic development in Nigeria, public debt should be reduced to minimal level.

Faraglia et al (2012) examined the impact of government debt maturity on inflation using dynamic stochastic general equilibrium (DSGE) model. They used the following variables: Fiscal Insurance, Fiscal Sustainability, Government Debt, Inflation, Interest Rates and Maturity. The result showed that the persistence and volatility of inflation depends on the sign, size and maturity structure of government debt and remains significantly incomplete even with long bonds and inflation which plays a minor role in achieving debt sustainability. They concluded that issuing long term debt does enable governments to use inflation more to achieve fiscal sustainability. The longer the maturity of debt, eth more volatile and persistent is inflation. However, the relative impact on inflation is modest and the relative importance of inflation in achieving fiscal sustainability is modest whatever the length of maturity. A more substantial contribution to debt stabilization comes from twigging interest rates. Traum and Yang (2010) estimated the crowding out effects of government debt for the U.S. economy using a New Keynesian model which includes the following variables: real aggregate consumption, investment, labor, wages, nominal interest rate, gross inflation rate, and fiscal variables such as capital, labor, consumption tax revenues, real government consumption and investment, and transfers. The result of the estimates revealed that whether private investment is crowded in or out in the short term depends on the fiscal shock that triggers debt accumulation.
Higher debt can crowd in investment despite a higher real interest rate for a reduction in capital tax rates or an increase in productive government investment. Distortionary financing to retire debt also showed that the degree of crowding out depends on the monetary authority's responses to inflation and output fluctuations.

2.3 Theoretical Framework

2.3.1 The Keynesian Hypothesis

Fiscal policy gained its supremacy during the 1950's economic depression especially at the wake of Keynesian economics.
Specifically, it came into popular use when it became clear that the market economy can no longer check economic depression that was not foreseen in the periods of the classical economists. Keynes therefore argued that the deficiencies that surround demand and the subsequent decline in production and employment could be eliminated through government intervention. This can be done by way of government expenditures on public works that will stimulate the economy to further activities through the multiplier and the accelerator. This new turn in economic event by Keynes formed the new era in economic thinking and policies. The use of fiscal policy therefore, brought into focus the government's active participation in the regulation and manipulation of aggregate economic activities. To this effect, Keynes believed that changes in saving

and investment are responsible for changes in business activity and employment in an economy. He therefore, advocated for the use of fiscal policy by the government through deficit financing to tackle economic depression.

Since 1939, the most popular method of controlling business fluctuations or maintaining economic stability had been the deliberate use of fiscal policy. To Keynes, the fiscal policy of the Government involving taxation, debt and expenditure has to be anti-cyclical in behavior. The Government will therefore spend more of its income during the period of depression and less in prosperity through fiscal policy. The intended objective is to ensure economic stability. In both developed and developing countries, the Government has a vital role to play in stimulating business activities. This objective can be achieved by using fiscal policy. It is designed to ensure adequate stabilization of income and employment levels of the economy, distribution of justice and optimum allocation of productive resources. It also aims at bringing about a reduction in inequalities in income and wealth.

3. METHODOLOGY

The researcher employed the survey design. This is because the design is more suitable for the study of this nature. The population of the study comprises of the account operating department of the office of the accountant general of the federation and that of the central bank of Nigeria (CBN). These population woe two hundred and twenty (220) and the sample size of one hundred were obtained using non-probability sampling techniques. The study adopted conveniences stratify sampling technique by selecting 50 each from the office of the accountant general of Nigeria and the central bank of Nigeria respectively. The data used were primary data, sourced through the questionnaire method. Data collected were presented via table description. The study further used chi-square to make comparison and estimated by the special package call SPSS.

4. RESULTS AND DISCUSSIONS

This section deals with presentation and analysis of data. Data collected via the questionnaires were analyzed using SPSS version 22.

Table 1 Descriptive statistical data collected for analysis.

	N	Minimum	Maximum	Mean	Std. Deviation
Quality of staff	100	1.00	4.00	2.9000	1.04929
Adequacy of Staff	100	1.00	4.00	3.4000	0.72474
Suitability of fund management strategies	100	1.00	4.00	3.2300	0.86287
Availability of lapses in strategy	100	1.00	4.00	1.8700	0.87219
Valid N (listwise)	100				

Source: Field survey 2018

The above table shows the response and deviation from the expected means on the expected issues of quality of staff the means score were 2.9000 with standard deviation of 1.04929 showing that staff were not good enough for the accepted standard. On adequacy of staff the means 3.4000 with showing that the staffs were adequate.

Table 2: Test Statistics

	Quality of staff	Adequacy of Staff	Suitability of fund management strategies	Availability of lapses in strategy
Chi-Square	16.520[a]	24.157[a]	20.603[a]	14.258[a]
Df	9	9	7	8
AsympSig.	0.0000	0.0014	0.0107	0.000

Table 2, as presented above showed that the staff in charge of the fund management in the CBN and the Office of the Accountant General of the Federation are all qualified and sufficient in number to manage public fund efficiently, as well as with suitable management strategy without lapses. The chi-square (x^2=16520), 24.157, 20.603, 14258 were statistically significant at 5%

Test of Hypothesis One: Fund management strategies are not sufficient to ensure optimal fund management in Nigeria

Table 3: Test of Hypothesis

	N	Minimum	Maximum	Mean	Std. Deviation
Dynamic in the Strategies	100	1.00	4.00	2.7800	1.10627
Acceptance of the strategies	100	2.00	4.00	3.4600	0.64228
Adherence to the Strategies	100	1.00	4.00	3.1500	0.93609
Failure/Challenges in the Strategies	100	2.00	4.00	2.3800	0.59933
Valid N (listwise)	100				

Table 3 showed that the strategies involved were not absolutely dynamic judging from mean response of 2.7800 and standard deviation of 1.10627. The strategy were accepted and adhered to without challenges evidence from the respective deviations from the means.

Table 4 Test Statistics

	Dynamic in the Strategies	Acceptance of the strategies	Adherence to the Strategies	Failure/Challenges in the Strategies
Chi-Square	26.470[a]	28.149[a]	15.403[a]	18.150[a]
Df	9	8	7	7
AsympSig.	0.0000	0.0000	0.0000	0.0000

Table represents the chi-square test showing that fund management strategies are sufficient to ensure optimal funds management. The respective chi-square of 26.270, 28.149, 15.403, 18.150 were statistically significant at 5% hence the rejection of Null hypothesis. There exist no lapses in the procedure used to achieve optimal microeconomic fund management in Nigeria.

Test of Hypothesis Two:

Table 5: Test of Hypothesis two

	N	Minimum	Maximum	Mean	Std. Deviation
Compliances of top management with Procedure	100	2.00	4.00	3.9849	1.51637
Compliances of middle level management with procedure	100	2.00	4.00	3.6600	0.84627
Effectiveness of the Procedure	100	2.00	4.00	4.1700	1.43615
Consistency of the Procedure	100	2.00	4.00	4.3600	0.92473
Valid N (listwise)	100				

Table 5 reveals that judging from standard deviation from the mean that there was questionable level of compliance with procedure of funds management by top level managers, also the effectiveness of the procedure deviated from the means.

Table 6: Test Statistic for Hypothesis Two

	Compliances of top management with Procedure	Compliances of middle level management with procedure	Effectiveness of the Procedure	Consistent of the Procedure
Chi-Square	32.440[a]	20.149[a]	18.405[a]	16.250[a]
Df	8	8	9	7
AsympSig.	0.0000	0.0010	0.0000	0.000

The chi-square test shown above showed the significance of the entire variable at 5% with the obtained value of 32.440, 20149, 18.405, 16.250. Thus the Null hypothesis is rejected while the alternative hypothesis accepted which says there exist no lapses in the procedure used by the officers in fund management section of CBN and the a Accountant General of Federation.

5. CONCLUSION AND RECOMMENDATION

Given the foregoing, the following recommendations are put forward with respect to the issues in question:

i. There should be legislative reforms to enforce compliance, probity, and prudence in the management of public funds in Nigeria.

ii. There should be division of labour so that those that prepare voucher will not be the one to approve and those that approve would not check it and those checking will not be the ones to keep it. In addition, there should be regular checking by superior officer.

iii. The management should take all measures in ensuring that records are being kept, sustained, and maintained.

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Corporate Entrepreneurship and Performance of Some Selected Manufacturing Firms in Nigeria

ISICHEI Ejikeme Emmanuel

Department of of Business Administration
Federal University,
Wukari
E – Mail: isichei_ejike@yahoo.com

. HASSAN Umar Umar

Department of of Business Administration
Nasarawa State University,
Keffi, Nasarawa State
E – Mail: yerimaazores@gmail.com, Phone No: +2348038345027

&

AGU, Monica

Department of of Entrepreneurship
Nasarawa State University,
Keffi, Nasarawa State
E – Mail: drmonicaagu@gmail.com

Abstract

The fact that at every slight shake in both the local and global economy the manufacturing industry is faced with a near collapse state was the problem that motivated this paper. This paper was on the effect of corporate entrepreneurship on performance of some selected manufacturing firms in Nigeria. The paper relied on relevant literatures for it conceptual, empirical and theoretical underpinning. The study adopted a quantitative approach to the research problem using a survey research design. The population of this study comprised 85 managers drawn from: Royal Noodles and Chuck Nyong manufacturing industries, Maraba Nasarawa state. The sample size is 70 and was determined using Taro Yamane formula. The study adopted a stratified random sampling technique. The study used a primary data source. The method of collection was using a questionnaire. The instrument was a 20 scale item designed using a five point likert scale. The researcher adopted a content validity to measure validity. Further, the study carried out a reliability analysis with cronbach alpha method of internal consistency and a reliability index between 0.72 -0.87 were obtained. Multiple regression technique was used to test the hypotheses formulated at 0.05 level of significance with the aid of SPSSv23. The study concludes that corporate entrepreneurship has significant effect on performance of manufacturing firms in Nasarawa State. The study recommends among others that manufacturing firms should be proactive, however, cautious in been proactive, as the positive relationship does not necessarily translate to benefit.

Keywords: Corporate Entrepreneurship, Manufacturing firms, Performance, Nigeria

1. Introduction

The quest for improved performance and satisfying consumers changing need has set the competition drive for most manufacturing firms globally. This immense competition has led to the closure of some firms that have not been able to compete and the once which have are also required to continually engage in activities that will improve their products; as the market forces are often not in the hands of the firms but the consumers whose quest remains insatiable (Peccei, 2004). This has prompted firms to engage in activities that will further ensure they remain in business and not just make profit. However, owing to global changing phenomenon and cost implications, firms are encouraged to look inwards, most especially large firms; several studies have shown that most large firms have the capacity to internally generate idea, convert the idea and market same for improved performance (Peccei, 2004, Jordaan, 2014; Aktan & Bulut, 2008). This is what Lumpkin and Dess, (2001) referred to as corporate entrepreneurship. Corporate entrepreneurship are established strategies adopted by existing large firms to improve the overall outlook of their organization (Sharma & Chrisman, 1999). Corporate entrepreneurship is a vital field of study that has far-reaching implications. Firms face the challenge of continuously growing their bottom line and often resort to corporate entrepreneurship as one way to improve profitability. In lieu of corporate entrepreneurship, which often takes time to show results, many firms attempt to accomplish improved performance over the shorter term by cutting costs (Peccei, 2004). The existence of corporate entrepreneurship in a firm is the result of organizational processes, methods and styles implemented by the firm in the pursuit of acting entrepreneurially (Aktan & Bulut, 2008). Corporate entrepreneurship constructs intends towards determining a measure that indicates the extent to which an organisation can be perceived to be entrepreneurial in their process and operations (Jordaan, 2014). According to Lumpkin and Dess, (2001) it is the combined presence of innovation, proactiveness and risk-taking in a firm that leads to the organization having an entrepreneurial orientation.

In 2016, Nigeria experienced its worst economic recession that affected virtually every critical sectors of the economy (NBS, 2017). The manufacturing industry was the worst hit with the purchasing manufacturing index generally contracting below 50 point (CBN, 2016) coupled with winding-up of some firms that could not survive the challenges. It has also been observed that it has become a trend that every shock whether global or local sends the industry back to near collapse point as exemplified with the drop in the purchasing manufacturing index in the 2009 global economic crisis and the 1987 economic recession. Despite, quick intervention that resulted in the country exiting the crisis within the second quarter of 2017, there were high expectations that the industry will drive the country's post recession exit, improve employment and contribute immensely to the entire economic outlook. However, that has not been the case as there has rather been marginal observable improvement in the sector prompting the need to assess the level of innovation, risk taking and proactiveness in the industry and ascertain how they will be influential to help accelerate improvement and appropriately guide the industry against future shock.

Further, there has been poor demand for the sectors products and low export despite government intervention and contribution to help drive local product improvement. The sector is characterised with high preference for foreign goods, as consumers are better enlightened coupled with changing taste and need. The competition demands that for the Nigerian manufacturing to remains competitive and relevant there is need to understand organisational processes that assist entrepreneurial attitudes, thinking and behaviour. This is only attainable when there is a proper understanding of the possible challenges to innovative creation of new product and services, proactiveness in identifying possible future consumers need and ability to take the risk to get it produced and marketed for consumers utilization, thereby improving their performance.

In addition, several studies on corporate entrepreneurship has been approached from the top-down line of command in the organisation, thereby making corporate entrepreneurship seem like a direct command approach that cannot be multifaceted (Ejimabo, 2014). This has however, created a gap that this study seeks to explore by taking cognizance of employees-employers sharing of entrepreneurial ideas and its influence on organisation performance. It is on this premise that this study seeks to examine the effect of corporate entrepreneurship on performance of the Nigerian manufacturing industry. This study generally aims at examining corporate entrepreneurship effect of the performance of some selected manufacturing firms in Nigeria. The following hypothesis was tested in order to determine corporate entrepreneurship effect on the performance of some selected manufacturing firms in Nigeria.

H_o: Innovation has no significant effect on the performance of manufacturing firms.
H_o: Proactiveness has no significant effect on the performance of manufacturing firms.
H_o: Risk taking has no significant effect on the performance of manufacturing firms.

This study is limited to two manufacturing industries in Nasarawa State and both are manufacturing different products. Further, the study is limited to a small sample size therefore making generalization of the findings should be done with caution. The study given the findings that corporate entrepreneurship has significant influence on performance, this study therefore recommends that further study should be carried out to evaluate the influence of external environment in moderating/mediating corporate entrepreneurship and performance of the manufacturing industry in Nigeria. In addition, a comparative analysis between industries can be carried out with a larger sample size.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Corporate Entrepreneurship

Corporate entrepreneurship is the continuous development of new ideas and opportunities within already existing businesses, usually large ones (John, 2016). This usually helps to enhance profitability and competitive advantage of a business. Zahra and Garvis (2000) defined corporate entrepreneurship as a set of activities that enhance the capacity of a company to take risks and take advantage of opportunities in a specific market. The dimensions of corporate entrepreneurship are the soul of its operation (Lumpkin & Dess, (2001). Corporate entrepreneurship is an increase in competitiveness in a hostile market (Zahra & Covin, 1995; Zahra & Garvis, 2000). The study of Zahra and Covin further defined corporate entrepreneurship as an organisation tool that helps drive sustained efficiency most especially for those operating in unfriendly business environment. Corporate entrepreneurship is featured as a win factor in an antagonistic condition (Zahra and Garvis, 2000). According to Lumpkin and Dess, (2001) the dimensions of corporate entrepreneurship are innovativeness, risk taking, proactiveness.

According to Lumpkin and Dess (1996) innovativeness is demonstrated as an inclination for an organisation to take part in and bolster new thoughts, curiosity, experimentation, and innovative procedures that may result in new items, administrations, or mechanical procedures. Innovation is a vital way of going after opportunities and so is a vital component of an entrepreneurial orientation (Lumpkin & Dess, 1996). Lumpkin and Dess (1996) supported the use of innovativeness as a dimension of an entrepreneurial orientation in that it "reflects a vital means by which firms pursue new opportunities". This is congruent with the fundamental view held in this study: that the pursuit of opportunity is a notion at the hub of entrepreneurship as Stevenson and Jarillo (1990) argued. Entrepreneurial innovation is viewed as the representation of dimensions associated with organisations learned behaviours reflected in the processes carried out by individuals that are essentially vital key rudiments in the pursuit of opportunity.

Proactiveness is connected to ideas and first-mover advantages and to "taking initiative by anticipating and pushing for new opportunities" (Lumpkin & Dess, 1996). Lumpkin and Dess (1996) argue that proactiveness may be "crucial to an entrepreneurial orientation because it suggests a direct-looking viewpoint that is accompanied by innovative" and entrepreneurial bustle. In terms of this, proactiveness is considered, according to range of conceptions, and the implications according to expected associations outlined. Proactiveness is associated with leadership, and not following, as a proactive organisation "has the will and foresight to take emerging opportunities, even when they are not the first to carry it out" (Cahill, 1996). However, being the first entrant into a market does not confer guarantee of a pioneer competitive advantage, however, it is associated with mixed results. According to the conception of Cahill (1996), increased earnings might not necessarily be surprisingly associated with increased proactiveness. This would rely upon whether this particular setting is suitable to proactiveness as a measurement of corporate entrepreneurship (Lumpkin & Dess, 1996).

Management associated with risk taking are a clue of corporate entrepreneurship (Lumpkin & Dess, 1996). Baron and Ward (2004) stated that the psychological theories of locus of control and need for achievement both theoretically bestow the entrepreneur with some degree of risk acceptance, yet the apparent risk from the specific view of a confident manager might be lower than the level of risk professed by others. This help to indicate that a degree of risk taking predisposition would be associated with a greater degree of performance. However, in varying opinions, the impact of corporate entrepreneurship, including risk-taking propensity, are expected to differ in terms of their impact on performance base on some specific context (Lumpkin & Dess, 1996). According to Lumpkin and Dess (1996) cited in Wang (2008) a challenge that has been suggested by previous studies are that entrepreneurs do not see the risks that others see, or, alternatively, they see non-entrepreneurial actions as dangerous or more risky. All events may be understood to entail some extent of risk, ranging from low risk actions such as investing in money deposit banks shares to high-risk actions such as engaging in a high financial investment (Lumpkin & Dess, 1996). The following have been identified as the benefits of corporate entrepreneurship.

i. Corporate entrepreneurship help improve the financial performance of an organisation. This is evident in the fact that innovation drives new product creation that meets, satisfy a waiting market and further ensure that the organisation make sales and improve profit (Zahra, 1995).

ii. It allows sharing of knowledge, therefore improving the employees and getting them to actively participate in the attainment of organisational goals and objectives (Dushnitsky and Shaver, 2009). Corporate entrepreneurship allows for easy organizational learning and knowledge creation, and drive a broad range of knowledge creation that stand as foundation for improved competencies.

iii. Corporate entrepreneurship helps in the improvement of innovative performance. Innovative performance is as a result of corporate entrepreneurship mediated by process (Lekmat & Chelliah 2014).

2.1.2 Concept of Performance

According to Boyne (2003), performance and effectiveness has been a recurring research theme in management and business. Organizational performance is multidimensional and multifaceted, thereby making it difficult to dimensionalize (Simmons, 2000). Performance assessment involves a number of performance method used to systematically measure the performance of the organization in order to maintain activities (Simmons, 2000). There has been immense discussion on what method are suitable when investigating performance and they have often evolved around the use of financial or non-financial indicators (Johnson & Kaplan, 1987). The financial indicators includes the assets, liability ratios, return on investment, return on assets, return on equity and share size. These measures are observable and measurable and define the operational existence of the organisation. However, some outstanding actions and innovations of entrepreneurs are not measurable numerically but they describe the organization and give meaning to its diverse operations (Lumpkin & Lichtenstein, 2005) and this are what makes the non-financial performance. The non-financial outcomes include keeping the organizations best employee's (Lumpkin & Lichtenstein, 2005); creating value for a variety of stakeholders (Janney, and Paul, 2001) innovative process (Wiklund & Shepherd, 2003); and change management.

2.2 Empirical Review

A substantial number of studies such Zahra and Garvis (2000), Wang (2008), Linyiru (2015) have extensively elaborated the effects of corporate entrepreneurship. The effects are varied and complex. While the effect is believed to have started brewing from business inceptions, the major igniting spark was the Nigerian family business that peaked in the earlier ninety century**.** Linyiru (2015) study was on corporate entrepreneurship effect on performance Kenya state corporations. The study carried out an exploratory research study, consisting of a study population of 187 state corporations in Kenya and sample of 55 commercial state corporations selected purposively. The study adopted regression and correlation for data analysis and the findings indicated that firm performance improved when measured with corporate entrepreneurship. The result indicated that the dimensions of corporate entrepreneurship (proactiveness, risk taking and innovation) are positively correlated with performance and entrepreneurs can be ahead of competitors by introducing fresh ideas or products and identifying new markets to sell the products.

Zahra and Garvis (2000) examined the moderating effect of international environmental resentment on the relationship between corporate entrepreneurship and firm performance. The examination utilized optional information that was accumulated from a sample of ninety-eight American organizations and the study uncovered that worldwide corporate business enterprise was decidedly connected with a company's benefit and development. The study demonstrated that as threatening vibe in the inner condition expanded, return on assests (ROA) expanded and hack down as organizations expanded their corporate business enterprise exercises. This implies that despite the need for improved corporate entrepreneurship it must be done with caution, as it will get to point of decline in a challenging business environment, thereby been unfavourable for the business. Lastly, Wang (2008) studied the moderating effect of learning orientation on corporate entrepreneurial and firm performance in the United Kingdom. Using secondary data collected from two hundred and thirteen UK firms, the findings of the study indicated that learning orientation must be in place to maximize the effect of corporate entrepreneurial on performance.

2.3 Theoretical Discussions

There is theory that seeks to explain the underlying philosophy of corporate entrepreneur such as contingency. The theory on which this study was underpinned is the contingency as it provided the theoretical lens in examining corporate entrepreneurship. Contingency theory holds that no organization has an optimal structure for operation, thus ensuring that the optimal strategy is a combination of different contingency factors in an environment, industry, and strategy (Donaldson, 1996). Following this thought, organizations can be highly effectual by determining the appropriate fit between the business strategic approach and its internal and external environment where it operates. Dess and Lumpkin (2001) proposed the use of a multivariate contingency framework in the assessment of corporate entrepreneurship and performance relationship. Further, Dess et al. (1999) suggested that the combination of varying organisational strategies, structures, and process with the proxies of corporate entrepreneurship would assist to proffer a dynamic understanding of performance influence of an organisations corporate entrepreneurship.

Expanding on the same view, Linyiru, (2015) provide a different, and more effective, approach to the multivariate contingency perspective. He suggested that it is best to use configuration approach to ensure a better understanding of more multifaceted relationships that requires the analysis of multiple proxies (e.g., innovativeness, proactiveness and risk-taking) on the performance of a firm. The application of this method (configurationally approach) is an extension of contingency model and it is required when there are composite interrelationships existing between variables of a study (Dess et al., 1999).

3. METHODOLOGY

This paper adopted a quantitative approach to the research problem using a survey research design. The choice of the research design is due to the nature of the research problem and the variables of study. The population of this study comprised 85 managers drawn from: Royal Noodles and Chuck Nyong manufacturing industries, Maraba Nasarawa state (See Appendix B for breakdown of population). The sample size is 70 and was determined using Taro Yamane formula. The study adopted stratified random sampling technique and the choice of this technique is because it allows the researcher break down the population into strata and given each member equal chance of representation. The study used a primary data source.

The method of collection was using a questionnaire and the choice of a questionnaire was because questionnaire serves as the foundation for both empirical and behavioural research in social sciences. The study adapted the instrument of Hornsby, et al. (1992) on Corporate Entrepreneurship. The instrument was a 15 scale item designed using a five point likert scale ranging from strongly agree (1), agree (2), undecided (3), disagree (4) and strongly disagree (5). For measuring performance, a subjective approach developed by Dess and Robinson (1984) and Gupta and Goyindarajan (1984) was adapted. The questionnaire had five items designed in a likert scale ranging from much lower (1) to much higher (5). An average performance measure for 5 years was used in order to reduce the decision variation as suggested by (Covin, Slevin & Heeley, 2001). The choice of these instruments is because of their high reliability index of 0.94 and 0.812. In order to determine the suitability of this instrument for this study, the researcher adopted a content validity to measure validity. This is because content validity allows for evaluating subjectively measure of how appropriate the items seem to various reviewers with some knowledge of the subject matter. Further, the study carried out a reliability analysis with cronbach alpha method of internal consistency. Inferential statistics was used for data analysis. Multiple regression technique was used to test the hypotheses formulated at 0.05 level of significance with the aid of SPSSv23. The nature of the statistical data gathered informed the choice of statistical tool used. To arrive at a decision, the p-value was used and hypothesis was accepted if less than 0.05 and vice versa.

3.1 Model Specification

Taking inferences from literatures, the model specifications here are formulated to test the four hypotheses and they are as follows:

$$\boldsymbol{PF = \beta_0 + \beta_1 I + \beta_2 P + \beta_3 RT + \varepsilon_t}$$

Where:

PF	=	Performance
I	=	Innovation
PA	=	Proactiveness
RT	=	Risk taking
ε_t	=	Error Term

Multiple regression can be used to predict a dependent variable based on independent variables. Further, it helps assess interaction effects; and to understand the effect of covariate control variables. Therefore, since the focus of this study is examining effect and relationship the method is the most appropriate.

4. RESULT AND DISCUSSION

As earlier stressed under methodology, the study employed Multiple regression model to test the overall effects of corporate entrepreneurship. The summary of the statistical results is provided in the table below:

Table 1 Reliability Result

Variables	Reliability index	No of item
Innovation	0.72	5
Proactiveness	0.79	5
Risk taking	0.86	5
Performance	0.87	5

Source: SPSSv23

Table 1 Descriptive Statistics result on corporate entrepreneurship and performance of Manufacturing firms in Nasarawa State

	Mean	Std. Deviation	N
Performance	4.0429	1.08261	70
Risk taking	4.5714	.71366	70
Innovation	4.0429	1.14760	70
Pro-active	3.9714	.94748	70

Source: SPSSv21

Table 2 Model Summary result on corporate entrepreneurship and performance of Manufacturing firms in Nasarawa State

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750[a]	.562	.542	.73228

a. Predictors: (Constant), Pro-active, Risk taking, Innovation

Source: SPSSv21

Table 3 ANOVA result on corporate entrepreneurship and performance of Manufacturing firms in Nasarawa State

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	45.480	3	15.160	28.271	.000[b]
1	Residual	35.391	66	.536		
	Total	80.871	69			

a. Dependent Variable: Performance
b. Predictors: (Constant), Pro-active, Risk taking, Innovation
Source: SPSSv21

Table 4 Coefficients result on corporate entrepreneurship and performance of Manufacturing firms in Nasarawa State

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.822	.685		-1.201	.234		
	Risk taking	.546	.127	.360	4.285	.000	.941	1.063
	Innovation	.534	.082	.566	6.501	.000	.873	1.145
	Pro-active	.053	.097	.046	.546	.587	.925	1.082

a. Dependent Variable: Performance
Source: SPSSv21

The multiple regression result on the overall model was evaluated in terms of its ability to predict performance of manufacturing firms in Nasarawa State. Table 1 shows the mean and standard deviation of the variables and it indicates that the variables are above the benchmark of 3.5 as suggest by Uma and Sekaran (2010). Table 2 show that R= .750, R^2= .562, adjusted R^2=.542, SD = .7323. The multiple correlation coefficient between the predictors and the criterion variable was .750; the predictors accounted for .562 of the variance in performance of manufacturing firms in Nasarawa State. This means that the independent variable (risk taking, innovation and proactiveness) accounts for 56.2% of variance in the dependent variable (performance of manufacturing firms in Nasarawa State). The adjusted R square shows a better estimate of the true population to be .542. The significant F-test shows that the relationship (28.271, p<.000) indicates the overall prediction of independent variable risk taking, innovation and proactiveness) to the dependent variable (performance of manufacturing firms in Nasarawa State) is statistically significant and the model is fit.

Further, the relative contribution of each independent variable is shown in table 4, under the standardised coefficient (risk taking β=.360, innovation β=.566 and proactiveness β=.046). The largest beta coefficient is innovation (β=.556), which means that innovation makes the strongest unique contribution to explaining performance of manufacturing firms in Nasarawa State; when the variance explained by all other variable in the model are controlled; while proactiveness makes the least contribution in the model in explaining performance of manufacturing firms in Nasarawa State.

Hypothesis One
H_o: Innovation has significant effect on the performance of manufacturing firms.
As shown in table 4, the t-statistics for innovation is 6.501 (p-value <0.05) and beta is .566. Therefore, there is sufficient evidence to conclude that innovation has significant effect on the performance of manufacturing firms. Hence, Ho is rejected. This finding agrees with the study of Hashi (2012).

Hypothesis Two
H_o: Proactiveness has no significant effect on the performance of manufacturing firms.
As shown in table 4, the t-statistics for proactiveness is .546 (p-value >0.05) and beta is .046. Therefore, there is sufficient evidence to conclude that proactiveness has no significant effect on the performance of manufacturing firms. Hence, Ho is accepted. This finding is similar to the study of Huang (2014).

Hypothesis Three
H_o: Risk taking has significant effect on the performance of manufacturing firms.
As shown in table 4, the t-statistics for risk taking is 4.285 (p-value <0.05) and beta is .360. Therefore, there is sufficient evidence to conclude that risk taking has significant effect on the performance of manufacturing firms. Hence, Ho is rejected. Collaborating this finding is the study of Olaniran, Namusonge, and Muturi (2016).

5. CONCLUSION AND RECOMMENDATIONS

The study concludes that corporate entrepreneurship has significant effect on performance of manufacturing firms in Nasarawa State. The study concludes that innovation as a dimension of corporate entrepreneurship has significant effect of performance of manufacturing firms in Nasarawa State. In addition, the study concludes that proactiveness has no significant effect of performance of manufacturing firms while also concluding that risk taking has significant effect of performance of manufacturing firms in Nasarawa State.

The following recommendations are stated for both firm and industry use based on the findings of the study.

i. The study recommends that organisations should engage in innovative activities that will help improve the performance of the firm.
ii. It is worthy to state that been risk aversive will not help the organisation improve performance and attain expected goal and objectives.
iii. There is need for manufacturing firms to be cautious in been proactive, however, ensuring that consumers needs are anticipated and meet timely.

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Perspectives on South-South Cooperation: A Critical Analysis

IJE, O. Jarius, Ph.D

Department of Political Science
Bingham University,
Karu, Nasarawa State.
E – Mail: Jairusije37@gmail.com, Phone No: +2348110264338

Abstract

Revolutions in Africa and elsewhere for liberation and independence spurred by hope for change is characterized by the failure to turn independence to prosperity and sustain economic growth. The imperative to transform the economic and political culture of the nations and peoples of the third world to accelerate the end of poverty and underdevelopment found a common theme in the formation of South-South cooperation and other regional organizations as a response to the unequal economic relations between third world countries and the developed countries which has been an outgrowth of colonialism and neo colonialism. This paper attempts to examine the conceptual and historical matrix of South-South cooperation, its relevance in the promotion and growth of sub regional organizations such as the African Union (AU), the Economic Community of West African States (ECOWAS), Group of 77 (G 77), etc. This paper further exposes the underlining perspectives in which South-South cooperation may be studied. The methodology adopted for this work links historical background of South-South cooperation with its challenges, perspectives, framework of analysis, the growth of some regional organizations and their aims that help us to conclude and suggest ways forward for South-South to achieve set objectives. So far South-South Cooperation has achieved to some extent objectives for which it was formed but more needs to be done to sustain them in the face of contemporary realities.

Keywords: South-South Cooperation, Regional Organizations, Critical Analysis.

1. INTRODUCTION

The uneven and unequal nature of the present world order has increasingly manifested in the fast-growing gap between the world's rich and poor people and between developed and the developing countries and in the huge differences among nations in the distribution of wealth or resources (Khor 2003; Kolodko 2003). The United Nations Development Programme (UNDP) Human Report 1992 estimated that, the 20 percent of the world's population in the developing countries received 82.7 percent of total world income, while 20 percent of people in the poorest countries receive only 1.4 percent (UNDP, 1992 cited in Khor 2003). In 1992, the average income of the 20 percent of people living in the richest countries was 60 times higher than that of the 20% living in the poorest countries. The Human Development Report 1996 further shows that over the past three decades only 15 countries (mostly the developed countries of Europe and America) have enjoyed high growth, while 89 countries were worse off economically than they were 10 or more years earlier. In 70 developing countries, the present income levels were less than in the 1960s and 1970s. What this means is that economic decline for most parts of the developing world has lasted far longer and gone deeper than during the Great Depression of the 1930s. While the rich countries mostly rebounded from the depression within four to five years, the last decade of the 1980s is in effect still continuing for hundreds of millions of people in many developing countries of Asia, Latin America and Africa (Doyle 1997).

In some cases, countries are poorer than thirty years ago, with little hope of rapid improvement. Whereas in 1965 the average per capita income of the Group of Seven (G7) leading industrial countries was 20 times that of the world's poorest countries, by 1995 it was 35 times as much (Kolodko 2003). Polarization among countries has not only been accompanied by increasing income inequalities, but access to social services (education, water supply, health and security, etc) and overall development. The fact is that development has become an integral part of the struggle for a new global order (Ake 1992). If the new world order (where peace, democracy and stability are seen as essential elements) is to be achieved, greater priority and attention must be given on the diffusion of development. No peaceful and secured world is going to be possible without solving the problem of uneven development and the abject poverty of the majority of the world's population. It is the result of uneven development that the world has been divided into two contrasting regions: the north and the south (Nyongo 2004). The North is highly developed in all aspects of life - economic, political and social progress (Ake 1992) while the South stagnates. Therefore, the gap between the North and the South widens amidst growing immersation and alienation. Worried by the tragic and debilitating scenario of development in the South (growing poverty, increase in inequality, low incomes, riots and misery, etc) countries of the South have seen the need to come together to work for progress towards promoting development and pressing for a new world order in which their interests would be accommodated. This entire process of interactions, debates, solidarity and common concern for progress informs the ideological and philosophical basis of south-south cooperation (Ake, 1992).

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

According to Shively (2005) the meaning of the south originates from the categorization of the world into three broad regions during the cold war era: the West, East and the South. What is often referred to as the Third World is a compilation of varied states from Latin America, Africa and Asia with uniquely nothing in common except for the significant roles they played in taking sides either with the United States or Soviet Union which differentiated them from belonging neither to the West or East. Shively further defines the south as a term that reflects the north- south conflict which contends issues of trade and natural resources that has divided less industrialized states into the southern region while the industrialized states comprise North America, Western Europe, New Zealand and Japan. The East region includes the erstwhile Soviet Union and its former eastern European satellites. It must be understood therefore that the south or third world is a region of quite varied states inhabited with over two third of the world's population. The states of the south have mixed political ideologies ranging from communist states such as Cuba to monarchical governments (Saudi Arabia, Morocco, Jordan, etc), totalitarian states (such as North Korea, Singapore) and new democratic states (such as Nigeria).

One significant attribute of the countries or states of the south is that they are poor and have a dearth of governmental directions in their economies. Only a small handful of them like Saudi Arabia, Brazil, South Korea, Argentina, Singapore, Nigeria, etc possess great mineral wealth with potentials of achieving industrialization and development. While most of the states of the south depend largely on exports of raw materials or agricultural products, political participation is skewed to a small part of their population and their political stmctures are also new (Mearsheimer 2001, Shively 2005). The global south is thus home to 80% of the world's people but commands less than 20% of its wealth (Jones 1985). Remarkable straits that ushered the inception of south-south cooperation into the world arena was preceded with an awakening of self- reliant ideas that emanated during the cold war era with the inclination of newly independent states not to be entangled in the ideological controversy that ensued between the West and East based on capitalist and socialist countries. A loose formation of economically weak states unified by bonds of newness, poverty and colonial heritage collided into a group in the 1950s known as the Non-Aligned States (NAM) or the less developed countries (LDC). In contrast to the first major conflict that threatened world peace and security based on the hostile rivalry that was founded on ideological and military crisis between the Soviet World and the West; the second global conflict with such potential was the crisis between the North and South engendered primarily over economic issues and later over political and human rights issues (Jones 1985).

Developing countries and those in anticipation of independence began to question the very manner in which international economic relations was administered and the global division of labour that had salient effects on the development of the peoples and nations of the south. A number of joint proposals were thus advanced on how the international economic system, its structures be redirected and to possibly get assistance from multilateral institutions and the economically advance countries of the North to overcome poverty and sustain economic growth. South-South cooperation evolved in the 1950s and 1960s. It has been a goal of developing countries foreign policy which has become a global strategy to achieve development and growth in the south. The Afro-Asian conference at Bandung in 1955 was the first significant mark of collective action that signaled the formation of several institutions that served as tools of efficacy to contribute to the yearnings and aspirations of the LDC. It is at this period that G-77, the non-aligned movement (NAM), United Nations Conference on Trade and Development (UNCTAD) and other institutions of the United Nations (UN) system were established. Economic and political institutions at regional and sub-regional levels created to enhance development opportunities were also founded. The Latin American Free Trade Association (LAFTA) composed by Latin America and the Caribbean; the East African Economic Community (EAEC), the Maghreb Customs and Economic Union, Organization of African Unity (OAU) 1963, the South East Asian Nations (ASEAN), the League of Arab States and several others designed for economic, political and social cooperation emerged (Nyerere 1993).

The saliency of the radical dichotomy of the world into two extremes of rich and poor nations is implicit in the asymmetric as is distinct in power, economic, technology and military relations. The disparity of means and power is conspicuously glaring. Reports by UNDP (1992) indicate the incomes of the riches 20 percent of the world's population was 30 times that of the poorest 20 percent in 1960. By 1990, it was 60 times more. It is explicit why the gap remains and grows wider. According to this report, per capita, the North has 9 times the number of scientists, technology personnel in the south and 24 times more investment in technological research.

The expectation of south-south cooperation to serve as a diplomatic voice where the interests and concerns of the south world are articulated to reach development objectives is expressed in various efforts such as: The aspiration to be able to integrate into the world economy and influence the processes that will shape the new international economic relations in the first declarations. Through south-south cooperation, they should be able to conduct their own policies to address the challenges of the world economy. Increase the participation of developing countries in the global economic governance to facilitate countries of the south to benefit from globalization and enhance a coordinated approach to address the negative consequences of cyclical financial crisis. Cooperation of donor countries and the international institutions to adopt effective comprehensive and equitable solutions to the debt crisis in a time bound fashion. A higher display of unity and solidarity within the south among other expectations (Marrakech Declaration 2000).

The composition of more than 110 nations with broad differences among other reasons own largely to the gradual, conservative and slow progress of third world politics since its evolution though founded on a common theme of struggle for development. Solidarity within the south is still rudimentary and easily divided because of the numerous complex diverse natures that constitute the south and the heavy dependence of the south on the north. Most societies of the south are plural and in grip of strong centrifugal forces, including secessionism. Religious differences are politicized, struggle for natural resources and territorial disputes render the south prone to violent conflicts. In comparison, the north amidst differences that exist amongst them, solidarity is more pronounced and explicit in their consensus on north - south issues. Though southern solidarity appreciated from the 1970s, attempts to establish a new international economic order , further efforts by the south to be more assertive was muted by economic crisis by the early 1980s.

2.2 Empirical Discussions

The revival of NAM and its new posture that was expressed in the speeches of Mr. Alo Alatas, Indonesian minister of external affairs, and the chief host of its 30th meeting in Ghana (Accra September 2-8 1991), Flight Lieutenant Jerry Rawlings, Ghana's head of state, that the south should rather address the issue of north-south polarization which is still unresolved. According to Rawlings, the new world order is suspiciously a revised version of super power monopoly. The conference emphasized solidarity as necessary steps in building a truly new world order that cooperation replaces conflict, through the democratization of the international political system especially the UN systems by shifting of decision making from the Security Council to the General Assembly and trade negotiations from the General Agreement on Trade and Tariffs (GATT) to UNCTAD (Ake 1992). Secondly, the successful resistance of the industrialized states inspite of major declarations of solidarity at Bandung (1955), Cairo (1962) and the first three meetings of UNCTAD (1964, 1968 and 1996) was also a serious setback.

Progressive development in the economic and political experience of third world countries occurred in 1973 at the summit conference of NAM in Algiers where development issue was politicized and concerted efforts to bring to fruition the economic agenda of UNCTAD, a specific programme of action for developing a new international economic order was also launched. The renewed Arab-Israeli warfare engendered an oil embargo on supporters of Israel, signifying the economic and political powers of the third world and the resultant control of world oil prices by OPEC enhanced the third world to force its economic agenda upon the United Nations. Conclusively, it is to be recognized that despite these challenges, third world evolution as a political force was able to assert its unified position on international economic issues in respect to the unfavourable terms of North and South relations and the successful determination to transform this unified focus and the third world's perceived collective economic power as an instrument of political pressure for the implementation of a new international economic order (Jones 1985).

Liberalism may be defined as a doctrine and a set of principles for organizing and managing a market economy in order to achieve maximum efficiency, economic growth and individual welfare (Gilpin 1987). Liberalism emerged around the 17th and 18th centuries after the revolution in economic thought initiated by Adam Smith and others (David Ricardo, Jeremy Bentham, J.S. Mills, etc) and it became very popular in most developed countries. Generally liberalism refers to a set of ideas or theories of government which consider the liberty of the individual to be the most important political goal (Coady: 1995). Liberalism has different schools of thoughts and different conceptions of human rights but all liberals are unified by some common principles; All liberals support extensive freedom of thought and speech; They accept limitations on the power of governments; They uphold the rule of law; Liberals emphasize free exchange of ideas, a market or mixed economy and a transparent system. They strongly support liberal democracy as the ideal form of government with open and fair elections and the equal rights of citizens by law; greater emphasis is laid on the right to life, liberty and property. (Oxford Manifesto: 1997).

Forms of Liberalism

Classical Liberalism: Classical liberals have their concepts on free private enterprise, individual rights to poverty, "laissez faire" capitalism (Baptiste and Tracy), economic policy and freedom of contract (Jean Jacques Rousseau 1762). They argue that these rights are significant and without these rights it will be impossible to attain other liberal rights. They accept economic inequality that results from competition in the free market, so long as coercion is not used to influence it. The liberals also oppose the welfare state and do not justify wealth redistribution by government that may arise from such relations.

Anarcho (anarchism - no state at all) and miniarchism (a minimal state) are forms of capitalism that emerged out of classical liberalism with Frederic Bastiat, Gustave de Molinary, Herbert Spencer and Auberon as advocates.
Anarchism is a doctrine that is opposed to all kinds of government and perceives as unnecessary all forms of political authority. The state is regarded as evil and they propose its abolishment (Molinary 1841; Adam Smith 1723-1790). Individuals could structure both moral and economic life without direction from the state and nations would do better when their citizens are allowed to follow their own initiatives.

Miniarchist (also known as the night watchman) limit government functions to state institutions such as the courts, police and defense against foreign invasion. This form of capitalism is also known as libertarianism.

Social Liberalism (John Dewey and Mortimer Adler) support that all individuals should have access to basic necessities. This thought arose in the 19 century and was influenced by Jeremy Bentham and John Stuart Mill. Social liberals support free trade and a market based economy where the needs of all individuals are met. They advocate a greater degree of government influence to protect individual rights such as anti discriminatory laws. They are also in support of universal education, the provision of welfare state with emphasis on benefits for the employed, housing for the homeless, care for the sick, disabled, the mental and old supported by progressive taxation (Oxford Manifesto 1947).

Political Liberalism stresses the social contract in which citizens make the laws and agree to abide by those laws because they know what is best for them. Therefore the basis of society and its institutions exist to enhance the ends of individuals without discrimination and preference to the highly ranked in society. Political liberalism enfranchises all adult citizens regardless of race, sex and economic status. According to John Rauls "the state has no right to determine a particular conception of the good life". These liberal values are also expressed in the United States Independence Declaration as the right to the pursuit of happiness.

Cultural Liberalism directs its focus on the rights of individuals' conscience and life style and issues of sexual and religious freedom, cognitive freedom and protection from government intrusion into private life. Government intervention in some areas such as regulation of literature, arts, academics, terminal illness, gambling, sex, prostitution, abortion, birth control, alcohol and other controlled substances is highly opposed by cultural liberals.

Conservative Liberalism is concerned more with economic issues in combination with some conservative elements.
Liberal International Relations theory allows for plurality in state actions in contrast to realism which sees the state as a unitary actor. State preferences are upheld as determinant of state behaviour rather than capabilities. These preferences vary from state to state and factors that influence these choices could be the culture, economic system or type of government. Theories of this thought do not limit interaction of states' high politics (political, security) but also consider the economic and cultural aspects of a state through commercial firms, organizations or individuals. In summary, they see plenty of opportunities for cooperation and broader notions of power such as cultural capital to replace an anarchic state.
Modern Liberalism is the mixture of these forms of liberalism found in developed countries.

Neo Liberalism refers to a programme of reducing trade barriers and international market restrictions through government power to enforce opening of foreign markets. Some level of government involvement in the domestic economy, especially government responsibility to print fiat money is accepted but strongly opposed by libertarians (Oxford Manifesto 1997).
As a political ideology, liberalism emerged to challenge absolutism and totalitarianism. It has promoted a free world of ideas, governance, leadership and self freedom. It has been the propelling ideology used by most countries of the south to call for equity, representation, justice, fair play and participation in the global order. It has helped to foster the spirit of interaction, cooperation and integration among countries of the south in such organizations as the Group of 77 (G77), the African Union, Non- Align Movements, Economic Community of West African States, etc. In the final analysis, liberalism has been the driving force of globalization in which ideas, knowledge, business, development, governance and security have become unified issues of global concern. Liberalism has thus reawakened the consciousness of most peoples in the straggle to bridge the gap of development between the north and the south (Khor 2003).
Rights guaranteed by liberalism are abstract and not concrete. In the case of Africa, liberal ideas have been more of a lip service as its tenets of technology transfer, exchange of ideas, rule of law, etc has not been practically extended to the south. Obi clearly concludes that the phenomenon of the HIV/AIDS pandemic in developing countries for instance has been exploited by developed countries who have been reluctant in transferring technology, training and skills to these countries for the production of generic drugs for treatment of the disease and have made the production and marketing of the drags an exclusive reserve of firms from the developed countries. Efforts at research and discovery of these drugs in developing countries is also frustrated (Obi 2003).

2.3 Theoretical Perspectives

Realism as a theoretical tool for understanding the behaviour of states in the international system, it is as old as the advent of Nicholo Machiavelli (1469 - 1527). Other scholars who have propelled the intellectual driving shaft of realism include Hans Morgenthau, Walter Lipman, E.H. Carr, Robert Gilpin, Arnold Wolfers, Hedley Bull, etc. Realism is founded on the following assumptions. The first is that the international system is anarchic. There is no authority above states capable of regulating their interactions. As such, states must arrive at relations with other states on their own, rather than being dictated by some higher controlling entity. Secondly, sovereign states are the principal actors in the international system. International institutions, non-govemmental organizations, multi-national corporations and other sub-state or trans-state actors are viewed as having little independent influence. Thirdly, states are rational unitary actors each moving towards their own national interest. There is a general distrust of long term cooperation or alliance. The overriding national interest of each state is its national security and survival. Fourthly, relations between states are determined by their comparative level of power derived primarily from their military and economic capabilities.
Realists believe that mankind is not inherently benevolent but rather self centred and competitive. This hobbesian realism or perspective contrasts with the approach of liberalism in international relations which views human nature selfish and conflictal unless given appropriate conditions under which to cooperate (Ajene: 1987). Realists further explain international relations in various views:

Neo Realism founded by Kenneth Waltz proposes a systemic approach or international structure to act as a constraint on state behaviour. Liberal Realism, a branch of political realism also known as the "English School of International Theory" stipulates the existence of a 'society of states' despite the condition of international anarchy. Defensive Realism is a variant of realism that maintains that states are rational players and the primary actors in world affairs. Stephen Waltz argues that the increase of anarchy also increases instability. For instance the proliferation of weapons of mass destruction and the conventional force level of countries of the South: Egypt, Israel, India, Pakistan, Iran, and South Africa is perceived as a threat to the North. This also explains the current invasion of Iraq by the US and the hostile relations between the US and Iran (Ake 1992). Offensive Realism posits that anarchy on the world stage gives opportunities for expansion by states. Regional conflicts have been encouraged by the US, Soviet Union, France, Britain, Italy and West Germany who are the principal supplier of arms to the third world. The main reason is that the third world continues to be a foreign policy option of the major powers' interest in expansion (Jones 1985). Democratic Realism is a foreign policy strategy advanced by Charles Krauthammer in 2004, calling for the US to spread democracy by force to strategically vital areas throughout the globe especially in the Middle East. Subaltern Realism emphasizes the divergence of third world conditions from those of industrialized core states and proposes an alternative conceptualization of security to that proposed by neo realism. Legal Realism believes that all law is made by human being and is therefore subject to human frailties and imperfections (Mearsheimer 2001).

Marxism is a theory and political practice derived from the work of Karl Max and Friedrich Engels. There are other variant thoughts that have emerged out of this theory known as the neo Marxists but have some tenets which are common to them. The Marxist perspective is anchored on certain essential elements. The first is the dialectical approach to knowledge and society that defines the nature of reality as dynamic and conflictal. The second element is a materialist approach to history which recognizes material production as being central to historical change. Above all, the Marxist perspective focuses attention on the material conditions of people, and social relations among them. It argues that relations or interactions among people or groups of people or states are usually based on exploitation and differential power relationships. It is on this basis that the international order today evinces unequal relations built on the dominance of the strong over the weak (Ake 1992). In applying Marxism to third world countries, peculiar situations of underdevelopment, neo Marxist writers such as Claude Ake, Gunder Frank, Walter Rodney (Dependency theory), Samir Amin, Emmanuel Wallestein (world systems theory), etc argue that the international system must be understood within the rich north as being made possible by the exploitation of the poor south (Ayres 1995).

3. METHODOLOGY

This study is anchored on the realist perspective. It is the conviction of this paper that, the international system is defined/characterized by anarchy in the distribution of power and resources. Inspite of the anarchical nature of the international system, it is decentralized with states having interests to protect. States therefore enter into cooperation on the logic of self help to seek and protect their own interests and will not subordinate their interests to others because they can never be certain of other states' future intentions, there is lack of trust between states which requires state to be on guard against relative losses of power which could enable other states to threaten their survival. This lack of trust but the need to ensure survival informs the basis of cooperation among states. It is from this point that south-south cooperation can be studied and understood.

4. RESULT AND DISCUSSION

The Group of 77 (G-77)

The G-77 was founded on 15 June 1964 by signatories of seventy seven developing countries in a joint declaration issued at the end of the first session of UNCTAD meeting in Geneva. It is the largest intergovernmental organization of developing states in the UN with a current membership of 130 countries but still retains the original name G- 77 because of its historic significance. The first ministerial meeting of the G-77 held on 10 - 25th October 1967 adopted the charter that created chapters of the group with liaison offices in Geneva (UNCTAD). Nairobi (UNEP), Paris (UNESCO), Rome (FAO/IFAO), Vienna (UNIDO), the Group of 24 (G-24) in Washington Dc (IMF and World Bank). The organization creates forum for the following aims and activities; Provides the means for articulation and promotion of the collective economic interests of the south; Enhance the joint negotiating capacity of countries of the south on all major international economic issues within the United Nations system; Make joint declarations, actions, programmes and agreements on development issues; Promote south-south cooperation for development.

Several declarations/documents have been adopted by G-77 since its first ministerial meeting in 1967. This includes:
The charter of Algiers, Algiers (10 - 25th 1967); The Marrakech declaration on south-south cooperation at the Marrakech framework of the implementation of south-south cooperation, Morocco (16 - 19 December 2003); Agreement on a Global System of Trade Preferences (GSTP) among developing countries Belgrade (11-13 April 1988); High level conference on sub regional and regional economic cooperation among developing countries, Bali, Indonesia (1998); High level forum on trade and investment, Doha, Qatar (2004) and many others. (Ahmia 2006).

African Union (AU)

Efforts to unite African states have found historic origins in an early confederation, the Union of Africa States established in the 1960s by Kwame Nkrumah and other subsequent attempts that established the organization of African Unity (OAU) and the African Economic Community (AEC) founded in 1963 and 1981 respectively. The union is a successor to the OAU that critics argue failed to protect the rights and liberties of African citizens from their political leaders. The revival of the idea to create AU was under the leadership of Libyan head of state, Muammar Al Gaddafi in the mid 1960s, with the issuance of the Sirte Declaration by the government of OAU and the heads of state on September 1999, demanding for the establishment of an African Union. The Union was eventually launched in Durban on July 9, 2002 by its first president, South African leader Thabo Mbeki at the first session of the assembly of the AU (BBC News 2002).
The AU is a supranational union with a membership strength that covers the entire African continent except for Morocco who withdrew from OAU in 1984 prior to the creation of AU, when member states supported the admission of Sahrawi Arab Democratic

Republic into OAU. The initiative to create the New Partnership for Africa's Development was also launched at this period (BBC News 2001).

The Aims are to; To have a single currency (the Afro); To integrate a single force; Create institutions for states and a cabinet for the AU heads of state; To help secure Africa's democracy, human rights and a sustainable economy by bringing an end to intra African conflict and create a common market; Promotes African languages. The Union since inception is faced with issues in the following areas: Health issues such as combating malaria which rates as a top killer disease in Africa and curbing the rapid spread of HIV/AIDS pandemic, one of the most serious threat facing Africa and claiming lives in millions especially in sub-Saharan Africa. The Union has been confronting undemocratic regimes and mediating in many civil wars. The political situation in Zimbabwe reports human rights abuses. It has been a focal issue since the early 2000s. The AU suspended Mauritania from all organizational activities due to the coup of 3 August 2005. In support of interventions for democracy, on 5th February 2005, AU leaders criticized the naming of Gnassingbe Gyadema's son as his successor after the death of his father as president of Togo. The creation of Union government was principally debated at the AU summit in July 2007 with the aim of moving towards a United States of Africa. There are divisions among African states on the proposal. Some suggest a common government with an AU army, others support the strengthening of the existing structures with reforms to deal with the administrative and political challenges in military to make the AU commission tmly effective (January 2007).

The impoverished conditions of Africans and low rate of education are issues that challenge an improvement of the living standards of the people. Ecological issues such as recurring famines, desertification and lack of ecological systems are major problems facing AU and the African continent. The AU has responded in the ongoing Darfur conflict by deployment of 7000 peace keepers from Nigeria and Rwanda. Other current issues are the Casamance conflict in Senegal, the Niger Delta crisis in Southern Nigeria.The AU has adopted a number of new important documents establishing norms at continental level to supplement those already in power. The African convention on preventing and combating corruption (2003), the African Charter on democracy, elections and governance (2007) and the New Partnership on Africa's Development (NEPAD) and its associated declaration on democracy (January 2007).

Economic Community of West African States (ECOWAS)

The ECOWAS is a regional organization of fifteen West African countries founded on 28 May, 1975 with the signing of the Lagos Treaty. The members include Benin, Cote d'Ivoire, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo (Egbepu, 1995). It aims to achieve collective self sufficiency through the following channels. The West African Monetary Zone (WAMZ) plans to introduce a new common currency on 1st December 2009 to replace the CFA Franc which has been in use by six former French colonies and Guinea Bissau (Portuguese colony). The goal is to unite WAMZ which consist of Anglophone countries and UEMOA to form a single currency with the proposed name 'Eco' (ECOWAS 2004). ECOWAS Travel Certificates has been entered into circulation in Burkina Faso, Gambia, Ghana, Guinea, Niger and Nigeria. ECOWAS passport is now operational in Benin, Mali and Senegal. These efforts are targeted to enhance easy access and create a common market for the region. The establishment of ECOMOG was derived fro the violent conflict in the state of Liberia and such violence have spread across the region necessitating the sustenance of ECOMOG. The phenomenon of the proliferation of violent conflicts has been a worrying feature of contemporary Africa. By 1990, Africa was host to over 15 violent conflicts with horrifying consequences in both human and material losses. The effect is the dislocation of the economies of affected states in the region. West Africa hosted 8 out of the 15 conflicts. They include political bloodshed in Togo, the Liberian civil war, Sierra Leone civil war, ethnic cleansing in Ghana, secession attempt in Casamance Senegal, destabilizing Tureg nationalism in Mali and Niger (Mouzalas 1995).

5. CONCLUSION AND RECOMMENDATION

Countries of the South therefore face a very crisis of development: low capacity utilization in their economies, low capital formation, capital flight, unemployment, crunching excruciating debt burden, balance of payment problems, unequal terms of trade, food shortages and insecurity, riots, misery and retrogression. Cooperation and integrations among countries of the south is therefore needed to enable them to be strong enough to deal with problems of development. Cooperation and integration will ensure a process of political and economic decisions to be accepted by their governments/countries in such a manner that common policies would be articulated to deal with their overall interests. The formation of various organizations such as the AU, G77, ECOWAS, OPEC, should be encouraged to protect and pull development to their frontiers on terms favourable to them.

As a way forward, the researcher is inclined to share the views of Ake and Alkali (Ake 1981, Alkali 1997) that there is the need for countries of the South to press home for a new international or world order defined as the restructuring of economic and political relations in such a way as to make it feasible for developing countries to initiate and accelerate autonomous processes of growth and development in their economies thereby eliminating poverty, inequalities, and ensuring equitable resource transfer, distribution and allocation. Above all, the new international economic order is hoped will among other things restructure economic relations, promote greater security, stability and transfer of resources from the developed to developing countries to enhance growth and development all in the best interest of South – South.

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Ricardian Hypothesis and Irrelevance of Financing Mode: Evidence from Nigeria

MAHMUD, Elems Umar, Ph.D

Department of Public Administration
Nasarawa State University
Keffi, Nasarawa State
E – Mail: elemsumarmahmud@gmail.com, Phone No: +2347061919291

&

OGWUZEBE, Abdullahi Yusuf, Ph.D

Department of Public Administration
Nasarawa State University
Keffi, Nasarawa State
E – Mail: wambai@yahoo.com, Phone No: +2348039777032

Abstract

One of the cardinal objectives of macroeconomic policy of government is rapid economic growth, without which the welfare of the citizenry is threatened. It is therefore of importance that government should provide infrastructure, prerequisite for development. Unfortunately, in Nigeria, as in other emerging economies, domestic resources are inadequate to generate the level of fiscal capacity required to fund developmental programmes. Recourse is therefore often made to external sources, to augment the available revenue generated from taxation and sundry sources. The choice between taxation and public debt is discretionary, because both financing options are theoretically equivalent in their effects on growth, as posited by the classical David Ricardo, in his "Equivalence Hypothesis". Tests conducted in the advanced countries: United States and Canada, reported interesting results. The objective of this study therefore is to test the "Ricardian Equivalence Hypothesis" on Nigeria, given the observed inclination of government to debt financing, and dearth of empirical enquiries. Using time series data on aggregate capital expenditure as dependent variable, tax revenue and public debt as independent variables for period 2000-2016, a multiple regression analysis was performed, to determine the predictive nature of the variables. Also used was the correlation analysis to explain the degree of association between the dependent and independent variables. In all, the E-Views statistical package was employed in data processing. The major finding largely confirmed the hypothesised position of equivalence, following which it was concluded that preference by government for debt financing may be underpinned by reasons beyond economic expedience. The study therefore recommended fiscal reforms that will return Nigeria largely to taxation-based financing, in order to moderate the prevalence of debt crisis and its attendant implications for socio-economic well-being.

Keywords: Macroeconomic Policy, Equivalence Hypothesis, Public Debt, Debt Financing, Fiscal Reforms

1. INTRODUCTION

The welfare of the citizenry of any state is a key desire of the government, irrespective of the economic or political ideology. The pursuit of welfare is often actualised through economic growth, around which the macroeconomic objectives are centred. Without doubt, effects are given to the pursuit and realisation of government's macroeconomic objectives through the design and implementation of the appropriate mix of fiscal (and monetary) policies. Fiscal policy is the policy government targeted at raising revenue through taxation, public debt and other means, and other decisions regarding the pattern of expenditure, in order to attain the desired macroeconomic goals, including economic growth and welfare, reduction in inequalities, exchange rate stability, favourable balance of payments position and full employment, among others (Okoduwa, 1997). There have been contending views about the efficacy of the use of fiscal policy in stimulating economic growth and welfare. Lewis (1976) and Maddison (1971) support the accelerated growth approach which favours the effectiveness of fiscal policy in propelling economic growth that narrows income inequalities among regions or states. Similarly, Myrdal (1968) and Ohiwerei (1998) posit that the performance of an economy is better under conditions of narrower income disparity. This position aligns with the earlier views by Colman and Nixon (1985).The capacity of a government to provide the needed services to the citizens, against the required cost, defines her fiscal position. Thus, the fiscal position is strong when the capacity to generate taxable revenue is higher than the cost of providing the services, and vice versa, Olaniyi and Abiola (2008). In the latter situation, a weak fiscal position presents with symptoms of economic sickness attributable to deficits or financing gaps which must be funded either by raising the tax base and rate or through external financing arrangement, usually public debt. Traditionally, two sources are considered by government when financing developmental projects in social infrastructure. The sources are taxation and debt. Because of the high component of foreign materials involved in prosecuting capital projects, much need and emphasis are placed on external loans, since proceeds are available in foreign currencies. In the context of public debt therefore, reference is more often made to external debt than domestic debt in discourses involving infrastructural financing for development. In this study therefore, public debt is proxied by external debt. Interestingly, available literature align with the hypothesis which posit that in financing public social infrastructure for development, the mode (taxation or public debt) is immaterial, since both options have equivalent or same effects. Testing this position, otherwise known as the Ricardian Equivalence Hypothesis, on Nigerian is the motivation for this Study.

The objective of this study is to determine whether in financing public infrastructure by government in Nigeria, tax revenue and public debt have equivalent effects, as hypothesised by Ricardo. Hence, or otherwise, the study aims at examining the justification for the preferred financing mode. The position which holds a wider appeal in public finance literature is that government should finance social infrastructure largely through taxation. For this reason, there is need to develop a large tax base capable of supporting a strong fiscal position: Olaniyi and Abiola (2008); Anyanwu and Oiakhenan (1995). This position is favoured against public debt, particularly when borrowing is externally contracted, in view of the usually draconian conditionalities often attached to such financing option. Inspite of the reported "superiority" of tax to debt financing, successive governments in Nigeria exhibited preference for the latter option. The central problem of this study therefore is that a dearth exists in empirical studies in search of the answer to the question: "why does government prefer debt to tax revenue financing in Nigeria, given that the effects of the options are equivalent?" The following research questions provide the guide in this study:

1. What is the relationship between public infrastructural development financing (proxied by aggregate capital expenditure) and the financing mode, namely tax revenue or public external debt in Nigeria?

2. What is the relative contribution or importance of tax revenue in financing social infrastructure in Nigeria?

3. What is the relative contribution or importance of public external debt in financing social infrastructure in Nigeria?

Given the theoretical link between aggregate capital expenditure and the financing mode, the following hypotheses are formulated:

Ho_1: There is no statistically significant relationship between aggregate capital expenditure and tax and external debt cumulatively, in financing public infrastructure in Nigeria.

Ho_2: There is no statistically significant relationship between aggregate capital expenditure and tax revenue in Nigeria.

Ho_3: There is no statistically significant relationship between aggregate capital expenditure and public debt.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Public expenditure has gained a topical position in public finance discourses, particularly since the 1980s. This is because the conduct of public expenditure in an irresponsible manner by governments has been largely blamed for the fiscal and economic challenges which less developed countries (LDCs) faced in the decade. Overspending by LDCs produced unwanted domino effects which gravitated from excess indebtedness to serious debt crises commencing in 1982. In response, runaway inflationary pressures and low investment stunted economic growth. To address the challenges, LDCs, Nigeria inclusive, embarked on massive structural adjustment programmes. In Nigeria, the Structural Adjustment Programme (SAP) initiatives of General Ibrahim Babangida, Military President, are noteworthy.

Conceptually, public expenditure is the absorption of resources by the public sector (Anyanwu, 1997). Thus, all expenditure incurred by the federal, state and local governments in Nigeria qualify for this expenditure type. The expenditure may be recurrent or capital funded directly from the budget or otherwise funded via extra-budgetary accounts. Public expenditure encompasses all expenses incurred by government, for the purpose of running the affairs of the state, and for providing social infrastructure, for the overall benefit or growth of the economy and the improved welfare of the citizenry (Seddon, 1977). In this study, public expenditure is taken to be a pointer to the direction of economic growth and development, as proxies. Efficient conduct of good public expenditure practice requires a programme of policy measures crafted to achieve the desired set of macroeconomic objectives of government. Such goals include, cardinally, the maintenance of equilibrium position, without which imbalances in payments and the associated problems arise, as noted by IMF Institute (1993).

Irrespective of the categorisation of public expenditure, considerable benefits accrue from their application. For instance, recurrent expenditure assists in determining and controlling revenue allocation, motivating employees and determining the levels of taxation, particularly where social services are taxation-financed. Capital expenditure, on the other hand, assists government in achieving its fundamental growth objective, through the provision of social infrastructure. To be successful in this bid, due consideration should be given to thorough capital expenditure planning, in order to avoid a situation of cost overrun. In a nutshell, Musgrave (1989) notes that public expenditure serves allocation, stabilisation, distribution and assists in shaping the overall trajectory of economic development. To be sure, the real benefits of public expenditure are derived by the final consumers of public goods which are thus financed. The expenditure therefore reflects the community's welfare, in the views of (Anyanwu, 1997). Since public expenditure aims to balance the use of public financial resources, appropriate measurement must be adopted in gauging the impact or benefits of every amount incurred, in order to achieve efficient macroeconomic management (Blejer and Cheasty, (1992). Achieving the desired macroeconomic management is premised on adoption of the right fiscal policy framework.

2.2 Empirical Literature

An important aspect of fiscal policy is the management of fiscal deficits, defined by the World Bank (1988) as the excess of public sector spending over its revenue. Undoubtedly, protracted fiscal deficits in Nigeria had been blamed on indiscipline. Inspite of the excess of revenues over the budget estimates, extra-budgetary expenditure sustained the rising deficits and resultant external debt crisis, particularly since 1992 (Anyanwu, 1992). Ball and Mankiv (1995) and Chirinko and Morris (1994) observed that fiscal deficits deplete savings and reduce private capital formation. It is of interest therefore that fiscal deficit should be reduced. In any case, care should be taken in the choice of method, because the way a fiscal deficit is retrenched may exact more service effects than the fiscal deficit cut itself, as noted by Meltzer (1995).

When fiscal deficits occur, they must be covered either through enhanced tax-financing mechanism or through public borrowing. Because finances for infrastructural development require funds with long gestation periods, recourse is more often to external borrowing, against bank domestic sources, which provide short-term funding. In Nigeria, the situation is exacerbated by the shallow and narrow domestic capital market, which lacks the capacity and efficiency required to play the role of a long term financial provider (Nnamdi and Mahmud, 2017).

2.3 Theoretical Underpinning

Literature and empirical studies are replete with fascinating theoretical considerations in support of government's preference for debt financing, vis-à-vis the tax option. The theoretical expedience of financing public infrastructure for development through public debt is underpinned by the position that it is immaterial whether financing is by raising public debt or raising tax revenue, because both have equivalent effects on economic growth. This position of irrelevance of financing options, otherwise known as the Ricardian Equivalence Hypothesis, was proposed by the classical David Ricardo, but popularised in the work of Barro in 1974. Also known as Irrelevance of Financing Mode Hypothesis, the Ricardian Equivalence theorem posits that given the options of raising public revenue to finance development, the mode (whether tax or debt) is irrelevant, because both options have equivalent effects on development (Anyanwu, 1997). Experience shows that the policy preference by governments in LDCs, Nigeria inclusive, is for procurement of external debt, because the burden is shiftable to a future date and generation. Besides, the option is less offending to the citizenry.

Studies in the USA: O'Driscoll (1977) and Canada: Kormendi (1983) attempted to test the theorem on the advanced countries and reported interesting insights. As noted, democratically elected governments prefer public debt option for three reasons: first, the incidence of the option is indirect and less excruciating on the citizens; second, the burden can be deferred to a future period for the contentment of that generation; and third, raising the tax rate is offending to the tax payers whose ultimate reactions at the next polls often express their dissatisfaction. The rationale for preference for public debt notwithstanding, experience from Asian, Latin American and African countries strongly support the option. The justification for the easy recourse to borrowing by governments in Nigeria, as in other LDCs, may therefore be understandable. Thus, the relevance of the Ricardian theorem to this study derives from its guide in understanding the preponderance of debt option for public infrastructure financing in Nigeria.

3. METHODOLOGY

The variables employed include government aggregate capital expenditure, tax revenue and public external debt, for the period 2000-2016. The time series data on the variables are presented at the appendix. While capital expenditure is the dependent variable, tax revenue and external debt provide the independent variables. The independent variables provide explanations for the link between government capital expenditure and taxation and public debt as financing modes, following Anyanwu and Oaikhenan (1995) and Anyanwu (1997). Several tools are employed, to evaluate the objectives of the study, as presented below. In all, the E-Views 10 statistical package was used in processing the data.

Being time series, it is important to establish the stationary attributes of the data, in order to determine their suitability for further employment, and to minimize the error of spurious estimates. In this regard, following Maddala (2007) and Brooks (2009), the Augmented Dicker-Fuller (ADF) test is employed. For decision, the value of the ADF test statistics for the respective variables should (in absolute terms), be more than the corresponding Mackinnon critical value at 1%, 5% and 10% levels of significance, for the null hypothesis of non-stationarity to be rejected. OLS is employed to determine the short-run estimate of the predictive regression equation. The coefficient of determination (R^2) provides an explanation of the percentage variation in the dependent variable that is accounted for by the independent variable. Conversely, the coefficient of non-determination (K^2) is the ratio of the unexplained variation to the total variation. While the R^2 provides the combined effect of the independent variables, the co- variation between the dependent variable and each of the independent variables is explained by the correlation coefficient, (r). Thus, r defines the closeness of the relationship between two variables; it is non-predictive, unlike the regression coefficient. The value of r lies between -1 and + 1 (Gupta, 2013, Spiegel and Stephen, 2008)

3.1 Model Specification

The implicit relationship between government's capital expenditure and revenue (tax revenue and borrowed external funds) can be expressed in the following equation:

CAP = f(TRV, DRV)………(1)

Where:

CAP = Government Aggregate Capital Expenditure

TRV = Tax Revenue

DRV = Debt Revenue (or Borrowed Funds)

Equation (1) can be restated in its explicit form thus:

$CAP = \beta0 + \beta1TRV + \beta2DRV$………(2)

where:

CAP = Government Aggregate Capital Expenditure

$\beta0$ = Constant Term

$\beta1$ and $\beta2$ = Coefficients of TRV and DRV.

The specified critical value is 0.05 (5%).

Theoretically, enhanced tax revenue and increased proceeds from external debt, if prudently invested in growth-enhancing projects, are expected to substantially increase economic growth. The expectation therefore is that the sensitivity of government capital expenditure (economic growth) to increased revenue from taxation and public borrowing will be greater than zero. In this wise, it is expected that: $\beta1 > 0$; and $\beta2 > 0$.

4. RESULT AND DISCUSSION

The output for the stationarity tests for study variables is presentated in table 1 below.

Table 1: Results of the Stationarity (Unit Root) Tests

Null Hypothesis: CAP has a unit root
Exogenous: Constant
Lag Length: 17 (Automatic - based on SIC, max lag=17)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.934408	0.0682
Test critical values:	1% level	-4.057910	
	5% level	-3.119910	
	10% level	-2.701103	

*MacKinnon (1996) one-sided p-values.
Warning: Probabilities and critical values calculated for 20 observations
and may not be accurate for a sample size of 13

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(CAP)
Method: Least Squares
Date: 10/12/18 Time: 23:41
Sample (adjusted): 5 17
Included observations: 13 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAP(-1)	-0.843619	0.287492	-2.934408	0.0189
D(CAP(TRV))	0.586260	0.293813	1.995351	0.0811
D(CAP(EXD))	0.522219	0.304209	1.716642	0.1244
`				
C	495654.7	185872.6	2.666637	0.0285

R-squared	0.547505	Mean dependent var	-18542.58
Adjusted R-squared	0.321258	S.D. dependent var	288092.3
S.E. of regression	237347.1	Akaike info criterion	27.87616
Sum squared resid	4.51E+11	Schwarz criterion	28.09345
Log likelihood	-176.1950	Hannan-Quinn criter.	27.83150
F-statistic	2.419943	Durbin-Watson stat	2.363918
Prob(F-statistic)	0.133736		

Source: Extracts from E-Views

The outputs of the stationarity tests as shown in Table 1 above indicate that the absolute value of the ADF test statistic at 1%, 5% and 10% level of significance is greater than the corresponding Mackinnon probability value. The data are thus ascertained as suitable for employment in further analysis, without risk of significant spurious effects.

Table 2 below presents the results of the short run regression tests of the employed time series variables.

Table 2: Results of Multiple Regression (OLS) Tests

Null Hypothesis: CAP has a unit root
Exogenous: Constant
Lag Length: 17 (Automatic - based on SIC, max lag=17)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.934408	0.0682
Test critical values:	1% level	-4.057910	
	5% level	-3.119910	
	10% level	-2.701103	

*MacKinnon (1996) one-sided p-values.
Warning: Probabilities and critical values calculated for 20 observations
and may not be accurate for a sample size of 13
Augmented Dickey-Fuller Test Equation
Dependent Variable: D(CAP)
Method: Least Squares
Date: 10/12/18 Time: 23:41
Sample (adjusted): 5 17
Included observations: 13 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAP(-1)	-0.843619	0.287492	-2.934408	0.0189
D(CAP(TRV))	0.586260	0.293813	1.995351	0.0811
D(CAP(EXD))	0.522219	0.304209	1.716642	0.1244
`				
C	495654.7	185872.6	2.666637	0.0285

R-squared	0.547505	Mean dependent var	-18542.58
Adjusted R-squared	0.321258	S.D. dependent var	288092.3
S.E. of regression	237347.1	Akaike info criterion	27.87616
Sum squared resid	4.51E+11	Schwarz criterion	28.09345
Log likelihood	-176.1950	Hannan-Quinn criter.	27.83150
F-statistic	2.419943	Durbin-Watson stat	2.363918
Prob(F-statistic)	0.133736		

Source: Extracts from E-Views

From Table 2 above, it is observable that the variations in revenue and public external debt accounted for 54.75 percent of the variations in government aggregate capital expenditure during the study period. The probability (F-statistic) value of 0.133736 and the Durbin-Watson Statistic value of 2.363918, are within the acceptable ranges, implying that no cases of significant autocorrelation existed.

Table 3 below presents a summary of the results of the correlation analysis.

Table 3: Results of the Correlation Analysis

Correlations

		TRV	EXD	CAP
	Pearson Correlation	1	.123	.051
TRV	Sig. (2-tailed)		.638	.847
	N	17	17	17

EXD	Pearson Correlation	.123	1	-.596*
	Sig. (2-tailed)	.638		.012
	N	17	17	17
CAP	Pearson Correlation	.051	-.596*	1
	Sig. (2-tailed)	.847	.012	
	N	17	17	17

*. Correlation is significant at the 0.05 level (2-tailed).
Source: Extracts from E-Views

From Table 3 above, the correlation coefficients of tax revenue and external debt are 0.638 and 0.638 respectively, indicating that each of government revenue and external debt exhibited equal degree of association or co-movement with aggregate capital expenditure during the study period.

Results of the Hypothesis Testing

The results of the test of hypothesis show significant evidence to reject the null hypothesis and to instead conclude that statistically significant relationships existed between the dependent variable and the explanatory variables. Besides, the null hypothesis of non-equivalence of the effects of tax and external debt on aggregate capital expenditure is also rejected at the level of significance.

5. CONCLUSION AND RECOMMENDATIONS

The results of the data analysis confirm the valuable nature of the relationships between aggregate government capital expenditure and the explanatory variables. The short-run evaluation reveals that the explanatory variables were statistically significant in explaining the variations in capital expenditure, given that the value of the coefficient of determination (R^2) was 54.75 percent. Similarly, the short-run association or co-movement between aggregate capital expenditure and each of the explanatory variables was 0.638, indicating a 63.8 percent degree of association or co-movement between the dependent and each of the independent variables. The results of the correlation analysis thus, provide significant evidence to confirm that each of the explanatory variables exhibited equivalent or same degree of association with aggregate capital expenditure. Thus, the effect of co-movement between aggregate capital expenditure and revenue is same as the effect of co-movements between aggregate capital expenditure and external debt. The results therefore align with the position of the Ricardian Equivalence Hypothesis. In this respect, it is expedient to assert that irrespective of the financing mode, the effect of the financing decision on economic development is same in Nigeria.

In the light of the foregoing discussion, it is concluded that:

i. Huge financial resources are required to prosecute developmental programmes of government in Nigeria.

ii. Because of the enormity of the funding requirements, gaps often exist in budgetary estimates, indicating deficits. Such deficits can be funded by raising additional revenues either internally through taxation, or by procuring public external debt.

iii. Irrespective of the financing mode, the effect on economic growth is same or equivalent.

iv. The choice of the policy option may therefore be more whimsical than technical. It has been suggested in literature that the frequent resort to debt financing is underpinned by factors which include (i) desire not to offend tax payer-electorates who often react "violently" against increased tax rates at the polls; (ii) the relative ease with which procuring public debt is accomplished, compared to pushing a higher tax rate; and (iii) the certainty of loan proceeds, as against unassured tax proceeds.

Arising from the conclusion, the following policy options are proposed:

1. Government should return substantially to taxation, as the traditional source of public revenue for developmental financing. In this wise, steps should be taken to grow the tax base through public-private partnership (public enlightenment, tax incentives, tax reforms, strengthening of collection machinery, etc). Certainly, the journey is tortuous, but it is inevitable.

2. Borrowing should be considered only in unavoidable circumstance; for example, when the security of Nigeria is threatened, or when the loan is self-repaying. Otherwise, budgetary adjustments should be considered, to reflect the prudent deployment of available resources.

3. As a sine qua non, government should intensify the effort at substantially reducing corruption. This will strengthen the willingness and enthusiasm of tax payers to remain steadfast in discharging their civic responsibility of tax payment. Corruption erodes tax payers' confidence and capacity, a situation that is counterproductive to the advocated paradigm shift.

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