Effect of Board Size on Real Earnings Management of Financial Institutions in Nigeria

DANIEL, Emmanuel Kayode

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: emmyfordaniel@yahoo.com, Phone No: +234 8186498043

AMEH, Jacob, Ph.D

Department of Accounting,
Nasarawa State University,
Keffi, Nasarawa State

AZA, Solomon, Ph.D

Department of Accounting,
Nasarawa State University,
Keffi, Nasarawa State

Abstract

The study is an assessment of the effect of Board Size on Real Earnings Management of listed firms in Nigeria. The expo-facto research design was adopted with reliance on secondary data from annual report of listed firms. The simple random sampling technique was employed in selecting the 31 firms out of 57 firms for 2009-2018 financial years. To carry out this objective three method of panel regression estimation was used which are pool, fixed effect and random effect by Hausman test which was analyzed using E-views 10. The finding showS that board size has no significant impact on real earning management. The study concludes that the board is corporate governance mechanism that reduces earnings manipulation. The study therefore recommends that there is need for effective corporate governance practices in financial institution in Nigeria to contribute to reduce real earnings management and avert possible collapse of financial institution in Nigeria. Finally the regulatory authorities like Security and Exchange Commission (SEC) and Nigerian Stock Exchange (NSE) should enforce strict compliance with corporate governance best practices.

Keywords: Board Size, Board Independence, Real Earning Management, Financial Institution

1. INTRODUCTION

The separation of ownership from management raises the issue of monitoring managerial activities to ensure investor confidence. Following a spate of well-publish corporate scandals that took its toll with the collapse of once prestigious companies such as Enron and Worldcom reiterated the need for an investigation into the quality of financial reports and increased the clamoring for a better governance mechanism worldwide. It has been observed by accountants and financial economists that central to these corporate failures are systematic deficiencies in accounting standards and governance system that generate financial information (Bowen, Rajgopal & Yenkatachalam; 2003). In a bid to prevent such future failure of companies, most nations across the global introduced new code of best governance practices to align managers interest with the wealth maximization objective of the shareholders and ensure that corporate reports communicate economic measurements of and information about the resources and performance of the reporting entity useful to those having reasonable rights to such information.

Bhuiyan (2009) states that, users of accounting information, such as investors, government agencies, auditors and financial analysts, have focused alomost exclusively on monitoring corporate governance systems. This has led to increased disclosures about corporate governance, demands for the regulation of systems of corporate governance, and consequentially, enhanced internal controls system. Regulators, academics and practitioners around the world now evaluate corporate governance compliance from inception to the implementation of suitable and sustainable system that takes account of the socio-economic environment relevant to any particular company. The integrity of financial disclosure has been an issue of constant concern among regulators, financial analyst and accounting practitioners; especially after the series of high-profile accounting scandals and frauds involving well-known firms such as Worldcom and Enron (US) and One Tel (Australia), Nortel (Canada), Parmalat (Italy) and Transmile Group Berhad (Malaysia), Oceanic bank, Intercontinental bank, Afribank and Cadbury (Nigeria). For firms in Nigeria, poor corporate governance practice have been cited as one of the causes of the corporate collapses noticed among firms in the financial sector (Adeyemi & Fagbemi; 2010). This phenomenon have waned the public confidence, most especially those in the accounting circle. It has consistently raised severe concerns about corporate governance practices in a broad-spectrum. More so, it has also brought to spotlight issues relating to quality of financial reporting and the weak internal control systems among firms, Bello, 2011; Ebrahim, 2007; Kanchanapoomi, 2005.

According to Uwuigbe (2014), the corporate failures of such large organizations in the past have highlighted the intentional misconduct of managers in a wider-spectrum. In addition, there are apprehensions about the weaknesses of corporate governance in the past, as it was not effective enough to protect investors from expropriation. The management of firms' earnings has also been an issue of continuous concern for several years for regulatory bodies and accounting practitioners (Levitt, 1998). They are seen as an important summary statistic of a firm's financial performance and are often used in firm valuation. According to Leuz, Nanda and Wysocki(2003), earnings management is basically described as the alteration of a firms' reported economic performance by insiders either to mislead stakeholders or to influence contractual outcomes. In essence, it basically covers the true financial results and position of businesses and obscures facts that stakeholders ought to know (Loomis, 1999). However, earnings management basically occurs when managers use personal opinion in reporting financial information and in structuring accounting transactions to alter financial reports to either mislead stakeholders on the original economic performance of the company or to manipulate contractual outcomes that depend on reported accounting numbers (Healy & Wahlen; 1999). Thus, the very nature of accounting accruals gives managers a great deal of discretion in determining the earnings a firm reports in any given period because of the information asymmetry relationship that exist between managers and owners. Managers can manipulate or influence earnings in order to maximize their own interests or to signal their private information, thus influencing the informativeness of earnings.

Real earnings management is primarily accomplished through accounting transactions that are designed to achieve desired earnings level. Prior research suggests that managers have both personal and business motivations to display impressive or at the very least satisfactory performance in their reports on a consistent basis (DeFond & Park; 1997; Greenfield, Carolyn, Norman, & Wier; 2008). However, due to a variety of reason, the sustainability of such a performance is sometimes impossible. In these circumstances, managers may decide to use their discretions in the application of accounting principles and procedures which can result in altering the business operations to a more favorable outcome. In the Nigerian corporate environment, the presence and negative effect of earnings management on credibility of financial reporting and corporate failure has also been experienced. For example, a report of creative accounting scandal in African Petroleum PLC showed that the financial statements of the company did not fairly present the company's financial position (Oyejide & Soyibo; 2001). In November 2006, an accounting scandal in Cadbury Nigeria Plc also raised more questions than answer about creative accounting (Itsueli, 2006). Also, earnings management practice has been increasing in recent years in the Nigerian banking industry to attract unsuspecting investors, or obtain undeserved accounting-based rewards by presenting an exaggerated misleading or deceptive state of bank financial affairs.In an environment characterized by imperfect information, a variance in the interest between management and shareholders can lead to sub-optimal management decisions. Such decisions are possible because the actions of managers are largely unobservable and the goals of the managers and their shareholders are not necessarily aligned. Managers are posited to opportunistically manage earnings to maximize their utility at the expense of other stakeholders. The question is to what extent do boards as corporate governanism constraint real earnings management? The objective of this study is to examine effect of board size on real earning management of financial institution in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Real earnings management

Real earnings management occurs when managers intentionally make operating decisions that have actual cash flow consequences with the goal of altering reported earnings. For example, a firm may offer price discounts and offer more flexible credit terms to customers to boost sales revenues temporarily. In addition, managers may opportunistically reduce research and development expenditures in order to reduce expenses in the income statement (Dechow & Skinner; 2000). Furthermore, managers can delay maintenance expenditures to increase reported earnings. Zang (2012) explains this type of earnings management behaviour as purposeful action taken in order to alter reported earnings in a certain direction by means of changing the timing or structuring of an investment, operation, or financing transaction. This definition aligns with that of Healy and Wahlen (1999).

To obtain the desired earnings level, firms could choose to manage earnings through deviating from the normal business activities although this may affect the future economic performance of the firm negatively (Rowchowdhury, 2006). Previous studies such as those of Bange and De Bondt (1998), Rowchowdhury (2006) and Pincus and Rajgopal (2002) have identified several methods to manage earnings through deviations from normal business activities. These methods can either be divided into deviations from operating and investing activities, and deviations from financing activities. Firms could deviate from operating and investing activities by, for example, altering the level of discretionary expenditures, such as research and development expenditures (R&D) and selling, general and administrative expenditures (SG&A). Under IFRS research and advertising costs are expensed in the period in which they are incurred. Therefore, by reducing these costs reported income is immediately affected. Developments cost are, in first instance, expensed rather than capitalized due to uncertainty issues regarding the developing product or service (IASB 1998, IAS No. 38, para. 57). Therefore, postponing development projects can increase earnings as well. Furthermore, operating and investing activities can be deviated from if firms overproduce, provide price reductions to boost sales volume and build up inventory to lower the cost of goods sold which influence earnings (Rowchowdhury, 2006). If firms overproduce, costs of goods sold per product decrease since the fixed overhead costs will then be spread over a larger number of products. Moreover, firms can also sell fixed assets to manage earnings if the assets are sold with a gain. The last option that researchers identify to alter the operating and investing activities is by restructuring them. For example, firms might enter in business acquisitions or engage either in operational or capital leases with the main objective of increasing reported income (Xu. 2007; Dye, 2002).

Firms might also choose to manipulate earnings by deviating from financial activities. Stock options are granted if actual earnings are just below the earnings target as compensation through stock options does not involve cash (Matsunaga, 1995). Granting these options results in a decrease of earnings per share (EPS). To avoid this decrease or dilution of EPS, stocks are repurchased which then leads to increase in EPS. Firms also acquire financial instruments to hedge themselves from earnings decreases. Debt-to-equity swaps are used as well so that the swap gain increases reported income (Hand, 1989). Several possibilities exist to alter the level of earnings through influencing the cash flow from operations. Moreover, earnings can be manipulated as well by changing the level of accruals. However, there is evidence that firms engage in real earnings management (Daniel, Cohen, Aiyesha, Dey, & Thomas Z-Lys, 2008; Cohen & Zarowin, 2010; Graham, Harvey, & Rajgopal, 2005; Katherine, Ann, Gunny, 2005;

Roychowdhury, 2006; Zang, 2011; Zhang, 2008; Zhu, Lu, Shan, & Zhang) and real earnings management may have greater effects than accrual earnings management because it alters firms' behavior and not just their accounting records.

2.1.2 Real Earnings Management Techniques

There are three broad techniques used to manage earnings: (i) accruals-based earnings management by changing estimates and accounting policies; (ii) real activities-based earnings management that has direct cash flow consequences; and (iii) classification shifting-based earnings management such as shifting the classification of core expenses to special items in the income statement.

2.1.2.1 Accruals-Based Earnings Management

Accruals are the difference between earnings and cash flows and are a standard component of a firm's transactions. As an illustration, if a firm makes a sale on credit, the sale is recognized as earnings regardless of whether cash has been received or not. This leads to the creation of a receivable which is cancelled when cash is received in the future (McVay, 2006). Accounting practices allow discretion for managers in the financial information provided. Managers can exploit this by recognizing revenues before they are earned or delaying the recognition of expenses which have been incurred, which results in accruals. Accruals-based earnings management occurs when managers intervene in the financial reporting process by exercising discretion and judgment to change reported earnings without any cash flow consequences. Firms can be aggressive with their accounting choices by bringing forward earnings from a future period, through the acceleration of revenues or deceleration of expenses, thereby increasing earnings in the current period. This creates what is called discretionary accruals in the literature. Since accruals reverse over time, earnings will be lowered automatically by the amount of earnings that was brought forward in the previous period.

2.1.2.2 Real Activities-Based Earnings Management

Cohen and Zarowin (2010) explain real activities-based earnings management as the actions managers take that deviate from normal business practices, and that these actions are manipulations that affect cash flows. The commonality between these different explanations is clearly the fact that real activities-based earnings management is purposeful in nature and has actual cash flow consequences. Real earnings management occurs when managers intentionally make operating decisions that have actual cash flow consequences with the goal of altering reported earnings. For example, a firm may offer price discounts and offer more flexible credit terms to customers to boost sales revenues temporarily. In addition, managers may opportunistically reduce research and development expenditures in order to reduce expenses in the income statement (Dechow and Skinner, 2000). Further, managers can delay maintenance expenditures to increase reported earning. Zang (2012) explains this type of earnings management behaviour as purposeful action taken in order to alter reported earnings in a certain direction by means of changing the timing or structuring of an investment, operation, or financing transaction, which is consistent with the definition of earnings management presented by Healy and Wahlen (1999).

2.1.2.3 Classification-Based Earnings Management

Classification-based earnings management is an earnings management technique whereby core expenses such as general and administrative expenses are shifted to specific accounts in the income statement (McVay, 2006). While this does not change bottom line net income, it does increase core earnings (i.e. earnings from the firm's main business activities less all expenses and revenues from non-core activities) since core expenses will be shifted to the special items section of the income statement and will not reduce core earnings. While this may not seem effective since bottom line net income remains unaffected, it can in fact mislead users of financial statements interested in the core earnings of a firm since recurring income is the focus of analysts and equity investors.

2.1.2.4 The Substitutability of Earnings Management Techniques

The extant literature demonstrates that both accruals-based earnings management and real activities-based earnings management methods may be employed by firms as substitutes or complements, that is, earnings management is not restricted to being either accruals-based or real activities-based, and scholars document evidence of both occurring simultaneously in firms (Roychowdhury, 2006; Zang, 2012; Cohen and Zarowin, 2010; Doukakis, 2014; and Zhu *et al.,* 2015). Cohen and Zarowin (2010) find that firms use both accruals-based and real activities-based earnings management methods around seasoned equity offerings and that the choice between the two alternative strategies varies predictably as a function of their ability to use accruals manipulation as well as the costs of doing so in a study of US firms over the period 1987-2006. They explain that the costs of using accruals-based earnings management include potential litigation penalties and the scrutiny of regulators and auditors. Similarly, Doukakis (2014) argues that accounting choices are subject to auditor scrutiny.

2.1.3 Concept of Board Size

Board size is viewed as another important element in board characteristics that may have an effect on earnings management. The optimum number of board members should be appropriately determined by the whole board to ensure that there are enough members to discharge responsibilities and perform various functions. Heninger (2001) argued that smaller boards, between four to six members might be more effective since they are able to make timely strategic decisions, while larger boards are capable of monitoring the actions of top management. Large board members with varied expertise could increase the synergetic monitoring of the board in reducing the incidence of earnings management. A reasonable size of the board is expected to be effective in monitoring the activities of firms management (Sanda, Mikailu & Garba 2008). A large size board of directors can improve monitoring mechanism effectively and prevent managers from engage in earnings restatements (Feng & Shiao 2009). Larger boards with competent directors having diverse educational and technical knowhow, have multiple perspectives to improve the quality of firm's value and more likely to represent the interests of shareholders thereby preventing managers from earnings management (Jian & Ken, 2004). On the contrary Jensen (1993) stated that streamlined boards can operate more effectively in maintaining management.

2.2 Empirical Literature

Heung & Hyun-Min (2017), examined the effect of board characteristics on real earnings management in firm of Korea, which is measured by using three proxies including abnormal cash flows from operations, abnormal discretionary expenses, and abnormal production costs. Specifically, the study investigates how board independence (or board size) affects real earnings management. Additionally, the study investigated the relation between the board characteristics and real earnings management according to before K-IFRS mandatory adoption or after K-IFRS mandatory adoption. The empirical results of this show as follows. First, the relation between board independence (board size) and the absolute value of abnormal cash flows from operations is statistically significant and positive. Second, the relation between board independence (board size) and the absolute value of abnormal production costs is statistically significant and positive. Third, the relation between board independence (board size) and the absolute value of abnormal discretionary expenses is statistically significant and positive. These findings present that the board independence (or board size) does not constrain real earnings management. Thus, these mean that board independence (or board size) does not work as a mechanism to reduce real earnings management. This study contributes to accounting research as it directly tests the relation between the board characteristics and real earnings management in Korea, providing empirical support that a board independence (board size) does not constrain real earnings management as effectively as it constrains accrual earnings management. Country settings of Korea and Nigeria are different and it might likely be difficult to generalize the findings across nations.

Imoleayo, Eddy and Olamide (2016), examine earnings management and board structure: Evidence from Nigeria; the study evaluate the role of board structure plays in curtailing earnings management practices in Nigeriancompanies. This study sampled the data of 137 quoted companies for a period of 8 years (2003-2010). Earningsmanagement was measured using the magnitude of the discretionary accruals as estimated by the performance matchedmodified Jones model. The ordinary least squares (OLS) regression technique was used to measure the research model aswell as the Pearson moment correlation coefficient. The study shows that there is a significant relationship between boardstructure and earnings management practices in Nigeria. The study shows that there is a negative significant relationshipbetween board size, gender, and board composition with earnings management; also, there is a positive significant relationshipbetween board meeting and earnings management practices in Nigeria. There is a positive nonsignificant relationship betweenthe presence of a remuneration committee and the dualization of CEO and chairman positions with earnings managementpractices in Nigeria. This study recommends that regulators at all levels should enforce the preparation and publication of financial reports by companies operating in Nigeria.

Manukaji & Ijeoma (2018) examined corporate governance mechanism and income smoothing on deposit money banks in Nigeria. This study became necessary following the increasing failures of deposit money banks in Nigeria upon the clean bill of health given to them by both internal and external auditors. The study aimed to examine the relationship corporate governance mechanism (CEO duality, board size, ownership concentration and audit committee) and income smoothing. Firm size and leverage were introduced as control variables. This study is anchored on agency theory. The study adopted ex post facto research design. Four deposit money banks were studied for the period ranging from 2012 to 2016. Eckel (1981) index was employed in determining income smoothing. Multiple regression analysis was employed in analyzing the data. The study suggests that income smoothing of deposit money banks largely depends on the corporate governance mechanisms, particularly in the form CEO duality, ownership concentration and the existence of audit committee. Banks with ownership concentration may have higher propensity to smooth income. The empirical results also demonstrate that board size is not effective in monitoring income smoothing. The study concludes that corporate governance has significant relationship with income smoothing in Nigeria deposit money banks. The study contends that corporate governance mechanism should be strictly adhered to by the banks in order to reduce the incidence of artificial income smoothing. This will help to improve the quality and reliability of accounting information in deposit money banks in Nigeria. The study is however limited to one sector of the economy- banking. A study of listed companies could provide greater understanding on the relationship between board size and earnings management in Nigeria.

Atu,Favour, Enegbe and Efosa (2016) also examined the determinants of earnings management using selected quoted companies in Nigeria. The study adopts a cross-sectional research design with an extensive reliance on secondary data from the financial statement of quoted company's annual report. The simple random sampling technique was employed in selecting the 30 companies for 2007-2014 financial years. Secondary data sourced from financial statements of quoted companies retrieved from the Nigeria Stock Exchange and websites of the sampled companies will be utilized for the study. The study will make use of ordinary least squares (OLS) regression analysis as the data analysis method. In this study we adopted OLS regression techniques to examine how the explanatory variables (Corporate governance, firm size, audit firm type and financial performance) impact on earnings management using discretionary accruals measure. The study finding indicates the existence of negative significant relationship between board size, audit firm type and earnings management In addition, they study also found the existence of a non-significant relationship between firm size, ROA and earnings management. The recommendation is that there is the need for companies to consider the need to increase their board independence. Again companies must ensure that the auditors' they engage are credible and have a track record of delivering reports that show the actual state of affairs of a company. Finally, Financial Reporting Council should have stiffer penalty for companies caught engaging in the act of earnings management. The study limited it corporate governance of board independence but the size of the board could influence management earnings manipulation potentials.

Huy (2016) assessed he impact of board of directors and ownership characteristics on earnings management of publicly listed firms in VietnamThis study investigates the extent whether board of directors and ownership characteristics are related to earnings management in Vietnamese context. Based on sample of 570 non-financial listed firms from 2010 to 2014, the study find a non-linear association between state ownership and earnings management. Furthermore, firms with higher proportion of foreign ownership are more likely to constrain the manipulative practices exercised by managers. Additional test on interaction between corporate governance and leverage indicate CEO holding the position of chairman is more likely to distort financial reports in a highly geared firm. Higher managerial ownership marginally reduces earnings manipulation in firms subject to considerate debt level. On the other hand, board with higher percentage of non-executive directors and concentrated ownership might not have any effect on earnings management. The association between board size and earnings management is inconclusive due to the fact that the constraining effect of board size on earnings management is only evident in the model with discretionary accruals rather than accruals quality. The study is based on Vietnamese data and Nigeria data can provide evidence that can make one generalize findings across countries.

2.3 Theoretical Review

2.3.1 Stakeholders Theory

Stakeholder theory is considered an extension for the agency theory. The agency theory states that there is an agency relationship between the principal (shareholders) and the agent (management) and that the agent should work on behalf of the principal for their best interest to avoid any conflict that might cause an agency problem (Jensen & Meckling 1976). However, that is a narrow focus that has now developed so managers are now expected to take into account the interests of many different stakeholder groups, like interest groups linked to social, environmental and ethical considerations (Freeman, 1984; Freeman; 2004). So a broader view is created expecting the management to care for the interests of different stakeholders group not only the shareholders in specific (Donaldson and Preston 1995). The stakeholder theory is defined by Freeman (1984) as any group or individual who can influence or is influenced by the achievement of the organization's objectives. So Carroll (1993), add that the term stakeholder may, therefore, include a large group of participants, in fact anyone who has a direct or indirect stake in the business. Examples for direct stakeholders are the shareholders, employees, investors, customers and suppliers, all whose interests are aligned with the interests of the firm, on the other side, the indirect stakeholders are those who are indirectly affected by the functions of the firm and an example for the is the government (Kiel & Nicholson 2003).

2.3.2 Signaling Theory

Signals are considered as observable characteristics of an object that can be manipulated by a signaler to alter and control the perceptions of a receiver (Spence 1973). The Signaling theory is a framework for understanding how two parties deal with the asymmetric information in pre-contractual contexts based on (Wells2011). The theory is further explained as one party; (the signaler) must choose the quantity and method of communicating information, while the second party (the receiver) must interpret the signal (Connelly 2011). The roots of the Signaling theory goes back to the writings of (Veblen 1899) in his book titled “The Theory of the Leisure Class” suggesting that conspicuous consumption and wasteful spending of the wealthy served as a signal of their status as elite. Moreover, in the 1970s, signaling theory was used in evolutionary biology to explain certain behaviors of animals. In addition, (Spence 1973) used signaling theory in the field of economics to explain the role of education as a signal in employer employee relationships. Signaling is based on signals, that serve as indicators of hidden qualities or any kind of information that are either deliberately communicative or have evolved with the intention of communicating the signaler's qualities. The purpose of the Signals is to alter the receiver's beliefs and behavior in ways that benefit the signaler (Donath, 2007).

2.3.3 Information Asymmetry Theory

The effects of information asymmetries have important implications for the decision makers. The main concept of the information asymmetry theory goes back to 1970 that was introduced by (Akerlof) in a paper with a title: "The Market for "Lemons": Quality Uncertainty and the Market Mechanism "that develops asymmetric information with the example case of automobile market the basic argument is that in many markets the buyer uses certain statistics to measure the value of the goods. Thus the buyer sees the average of the whole market while the seller has more intimate knowledge and information. Akerlof argues that this information asymmetry gives the seller an incentive to sell goods of less than the average market quality and so this creates the information asymmetry problem. Based on this example, Information asymmetry theory can be referred to as the disproportionate amount of information that two different parties have during the transaction, and the theory is based on the fact that the party that has more information might behave opportunistically and choose what kind information to provide to a second party and what information to hide (Kirmani & Rao; 2000). Corporate managers are therefore more likely to engage in earnings management to prevent a rosy picture of the operation of the company.

3. METHODOLOGY

The methodology employed is the expo-facto research design. Ex post facto design is a quasi-experimental study examining how an independent variable, present prior to the study, affects a dependent variable. The target population of the study composed fifty seven (57) selected financial institutions in Nigeria between the years 2009-2018, however thirty one (31) firm were randomly selected. The study employed secondary data collection. The study variables were obtained from published audited financial report of these institutions on the internet, for the financial periods stated.

Two method of data analysis were used in this study. The first method is descriptive analysis; the second method is inferential statistics analysis. This analysis involves; correlation analysis which was conducted to determine the strength of the linear association between board sizes on real earnings management (REM) of quoted firms in Nigeria. The major reason for using regression and correlation analysis is to be able to model, examine and identify the relationship between the hypotheses. Statistics Panel Regression Analysis; was used due to the nature of the data. Diagnostic econometrics tests were conducted before and after the regression analysis. This include: unit root test to ascertain the stationarity of the time series data, statistical test (first-order), goodness of fit-test, the F-test and autocorrelation test. The tests also include: residual normality test, autocorrelation LM test, Heteroscedasticity test, and Ramsey's RESET stability test. The multiple regression modelwhich is consistent with Abubakar, Rokiah and Sitraselvi, (2017) was adopted

4. RESULT AND DISCUSSION

Regression Model

$$REM_{it} = \alpha_0 + \alpha_1 BS_{it,} + \alpha_2 BEX_{it,} + \alpha_3\ BMF_{it,} + \alpha_4 FD_{it} + \mu_{it}$$

Where:

REM = Real Earning Management
BS = Board Size
BEX = Board Expertise
BMF = Board Meeting Frequency
FD = Female Director
$i = 1, 2, \ldots, 31$ i.e. the *i*th cross-sectional unit (the number of financial company)
$t = 1, 2, \ldots, 10$ i.e *t*th time period (the number of years). Hence, this is a longitudinal panel as the number of cross section exceed the time period
u_{it} = Error term.

Measurement of variables

REM	=	measured using discretionary accruals (DACC)
Board Size	=	measured by number of directors in the company
Board Expertise	=	measured by proportion of directors with accounting and finance qualifications to board size.
Board Meeting Frequency	=	the number of meetings attended by the board members
Female Director	=	measured by the proportion of females on board of director

Table 1: Descriptive Statistics

The analysis continued in this section with the descriptive statistics for board attributes variables. Here the variables are described for the firm combined i.e. the stacked data are analysed as single variable. Thus the heterogeneity of the firms is not considered

Date: 08/15/19
Time: 08:47
Sample: 2009 2018

	REMs	BS	BEX	BMF	FD
Mean	1.36E-10	11.69677	8.880645	5.290323	1.909677
Median	-0.703258	11.00000	8.000000	5.000000	2.000000
Maximum	111.6312	25.00000	31.00000	12.00000	8.000000
Minimum	-95.24745	4.000000	1.000000	2.000000	0.000000
Std. Dev.	10.22352	3.863989	5.263474	1.939098	1.474125
Skewness	2.911724	0.413392	1.449634	1.371271	0.848154
Kurtosis	84.44584	2.597381	5.949031	4.624991	4.196790
Jarque-Bera	77507.80	10.92329	220.9078	131.2609	55.66785
Probability	0.000000	0.004247	0.000000	0.000000	0.000000
Observations	279	310	310	310	310

Source: Computed by the Researcher (2019) Employing E-views 10

From table 1 after stacking the observation for 31 firms in 10 years period the total observation is now 310. However the Real Earning Management (REM), that is the dependent variable has 279 observations. This is as a result of lagging revenue one period in REM derivation. Average real earnings management of Nigerian financial institutions is 1.36. This implies that on the average the institutions manage real earnings management upward. The maximum value of real earnings management is 111.63 and minimum value of -95.24

Correlation Matrix

In this section we discuss correlation analysis, which is used to quantify the association between two continuous variables (e.g., between an independent and a dependent variable or between two independent variables). In correlation analysis, we estimate a sample correlation coefficient, more specifically the Pearson Product Moment correlation coefficient. The sample correlation coefficient, denoted r, ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. The correlation between two variables can be positive (i.e., higher levels of one variable are associated with higher levels of the other) or negative (i.e., higher levels of one variable are associated with lower levels of the other). The sign of the correlation coefficient indicates the direction of the association. The magnitude of the correlation coefficient indicates the strength of the association. The analysis continues in this section in determining the degree of linear association between the boards attributes variables in pairs employing E-views 10 Statistical package. The result of the correlation analysis is presented in table 2.

Table 2: Correlation Matrix between the Boards Attributes Variables

Covariance Analysis: Ordinary
Date: 08/15/19 Time: 08:48
Sample: 2009 2018
Included observations: 279
Balanced sample (listwise missing value deletion)

Correlation Probability	REM	BS	BEX	BMF	FD
REM	1.000000				

BS	0.068152	1.000000			
	0.2566	-----			
BEX	0.232763	0.566885	1.000000		
	0.0001	0.0000	-----		
BMF	0.063965	0.443983	0.234952	1.000000	
	0.2870	0.0000	0.0001	-----	
FD	0.069673	0.526086	0.329664	0.272481	1.000000
	0.2461	0.0000	0.0000	0.0000	-----

Source: Computed by the Researcher (2019) Employing E-views 10

The result presented in table 2 confirms that board expertise has a strong, positive and significant correlation with real earnings management. Likewise, board size, board meeting frequency and number of female director are found to have a positive association with real earning management but neither strong nor significant. Therefore, this means that an increase in board size, board meeting, board expertise and female director will result to an increase in real earnings management. In addition, analysis of the result from the correlation as represented in table 2 demonstrate that a positive relationship exist between board meeting, board expertise, female director and board size at 1 percent significant level.

Table 3 : Regression Analysis Results

The first objective of this study is to determine the effect of board size on real earnings management of listed firms in Nigeria during the period of the study. To carry out this objective the three method of Panel regression estimation, that is, Pool, Fixed Effect and Random Effect were estimated and the summary of results presented in table 3 and the detail results is presented in the appendix.

The Effect of Board Attributes on Real Earnings Management			
Variables	**Pooled**	**Fixed Effect**	**Random Effect**
BS	-0.342307 (0.1185)	-0.254634 (0.4746)	-0.240519 (0.3197)
BEX	0.605912 (0.0001)	0.128294 (0.6136)	0.51176 (0.0027)
BMF	0.250592 (0.4785)	-0.012235 (0.9789)	0.171907 (0.6508)
FD	0.226708 (0.6445)	-0.464099 (0.4791)	0.033064 (0.9504)
C	-2.814509 (0.1861)	2.824074 (0.5546)	-2.443946 (0.3359)
R-square	0.62753	0.222598	0.34297
Adjusted R-squared	0.4907	0.125029	0.20199
F-statistics	4.586359	2.281451	2.432791
F-Stat (p-value)	0.001337	0.00027	0.04779
Durbin- Watson stat	1.763022	2.100858	1.892725
Hausman Chi Sq. and (p-value)	6.840267 (0.1446)		

Note: Numbers in bracket are P-values. Source: Computed by the Researcher (2019) employing E-Views10

Examining the results of the pooled regression**,** and applying the conventional criteria, it can be seen that the coefficients of only one of the regressors, that is board expertise (BEX) is statistically significant at 1 percent level of significance and BEX coefficient also has a positive relationship between the regressors and the regressand. The other slope coefficients also have positive signs except for board size which have a negative relationship. The R^2 value of 0.62 is reasonably high and indicates that about 62 percent variation in the regressand is accounted for by the regressors according to this model. In addition the F-Statistic and its associated probability of 4.58 and 0.001 respectively, show that the overall regression is statistically significant. The estimated Durbin–Watson statistic is also in the neighborhood of 2, suggesting that there is no autocorrelation problem in the data. One way to take into account the "individuality" of each company or each cross-sectional unit is to let the intercept vary for each company but still assume that the slope coefficients are constant across firms. Hence the FEM or LSDV was estimated. From the FEM or LSDV results, the estimated coefficients of the regressors are not statistically significant, as the *p values* of the estimated coefficients are very high. In addition the Durbin–Watson statistic and the F-statistic are all plausible indicating that overall the regression is statistically significant at 1 percent level of significance and no serial correlation problem, however the R^2 is low.

4.1 Discussion of Findings

The finding revealed board size has no significant impact on real earning management in Nigeria. From regression result in Table 3, the p-value computed is -0.3197. Since the p-value is less than 5 percent level of significance. The results of the Random Effect Model (REM) or Error Component Model (ECM) follow same pattern as the pool regression It also indicates that the coefficients of only one of the regressors, that is board size is statistically significant at 1 percent level of significance and board size coefficient also shows a negative relationship between the regressor and the regressand, the slope coefficients the other variables also have positive signs except for board size which have a negative relationship. The result of the study show board size does not reduce real earning management which is similar to empirical findings of Atu, Favour, Enegbe and Efosa (2016) and Manukaji and Ijeoma (2018) which suggest that real earning cannot be fully reduced by board size.

5. CONCLUSION AND RECOMMENDATIONS

The widespread failure in the financial disclosure has created the need to improve the financial information quality. Consequently, the factors influencing the occurrence of real earning management have been an intense and inconclusive area of research and an interesting issue of discourse. The factors have been identified to be both exogenous and endogenous to the firm. The exogenous factors have been highlighted to include the reporting standards and institutional environment, economic and financial policies and the board spectrum of variables outside of the firm's control. These factors have also not attracted considerable empirical research attention as controlling for the factors to make them amenable for empirical analysis is as a challenge especially in developing economies. The endogenous factors with the propensity to influence occurrence of real earnings management have been identified also in the literature and these factors are generally regarded as being within the locus of control of the firm. The findings show that board size has no significant impact on real earning management. The study concludes that the board is corporate governance mechanism that reduces earnings manipulation. The study therefore recommends that there is need for effective corporate governance practices in financial institution in Nigeria to contribute to reduce real earnings management and avert possible collapse of financial institution in Nigeria. Finally the regulatory authorities like Security and Exchange Commission (SEC) and Nigerian Stock Exchange (NSE) should enforce strict compliance with corporate governance best practices.

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Impact of Petroleum Profit Tax (PPT) on the Growth of the Agricultural Sector of Nigerian Economy

TION, Williams Aende

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: tawilliamsassociates2009@yahoo.com, Phone No: +234 7038933502

ORBUNDE, Bemshima Benjamin, Ph.D

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: orbundebenshima@yahoo.com, Phone No: +234 8065318098

AROMONA, Jonah Okpe, Ph.D

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: aromonajonah@yahoo.com, Phone No: +234 7034684686

JACOB, Ame, Ph.D

Department of Accounting,
Nasarawa State University,
Keffi, Nasarawa State
E – Mail: amejay2@gmail.com, Phone No: +234 8038965411

Abstract

The aim of this study was to examine the impact of Petroleum Profit Tax (PPT) on the growth of the Agricultural sector of Nigerian economy with special consideration on Agricultural sector, while looking at the specific objective which examines if there is a significant impact of Petroleum Profit Tax (PPT) on Agricultural Sub-Sector of Nigerian economy. The study runs from 1981 through 2018. The research design for the study is ex-post facto research designs. The tool of data analysis is ordinary least square regression methods. Findings from the study reveal that Petroleum Profit Tax shows a significant positive relationship with the Agricultural Sector (β_1= 0.333550). This shows that the tax which the relevant Tax Authorities collected from companies operating in the petroleum sector is highly germane to the growth of the Agricultural sector. The study recommended that Government customs and excise duties on agricultural exports should be stream-lined and more incentives should be given to rural farmers since they covered the larger population in agricultural sector and also Government should increase her budgetary allocation to this sector in a consistent manner because of its importance to the national economy, hoping that with proper monitoring of fund, it would contribute more significantly to the economy of the country. An effective utilization of such funds is also advocated and all areas of wastage blocked. All organs of the Government should exhibit good corporate governance and transparency.

Keywords: Petroleum Profit Tax, Agricultural Sector, Government, Nigeria.

1. INTRODUCTION

In Nigeria, petroleum profit tax is a major source of revenue to the federal government (Jerry, 2012). The PPT collected by the federal government enables the government to carry out its planned budget and expenditure, thus translating into economic growth. Generally in any developing economy, an increase in government revenue, favour a large expenditure, which may serve as a boost to economic growth, since it puts money into circulation, increases the demand for labour, relieve the poor by giving them employment, and consequently remove the objection to taxes when the state can return much to its citizens (Aruwa, 2008).The major investors in the petroleum industry are the international oil companies

(IOCs), the principal legislation governing petroleum operations in Nigeria is the Petroleum Profit Tax (PPT) of 2007. Its main fiscal instrument is the Petroleum Profit Tax (PPT).

According to Bawa and Mohammed (2012), the Petroleum Industry is the largest and main generator of tax revenue in Nigeria (which is the most populous in African nations). Since the British discovered oil in the Niger Delta in the late 1950s; the oil industry has become the main stay of the oil and gas firms in Nigeria. This was however not the case prior to the 1950s. Available literature on the Nigeria's Economy has it that Nigeria was primarily an agrarian economy, whose revenue generation was based on agriculture. Statistics from the Federal Bureau of Statistics indicates that between 1958-1969, the contribution of agriculture at current factor cost was 52 percent while that of oil was just 0.007 percent. Agriculture formed the main stay of the country's economy accounting for hiigher percentage of Profits of the firm (Anyanwu, 2010). It is against this background the research is carried out to examine the impact of Petroleum Profit Tax (PPT) on the growth of the Agricultural Sector of Nigerian Economy with special focus on Agricultural Sector. In view of the foregoing, the oil and gas sector in Nigeria does play a critical role in the overall economic value chain. This critical role cannot be overemphasized and this account for the need to evaluate the impact of Petroleum Profit Tax (PPT) on the growth of the Agricultural Sector of Nigerian Economy.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Some conceptual frame works associated with this paper are enumerated below and subsequently reviewed.

2.1.1 Concept of Tax

According to Azubike (2009), tax is a major player in every society of the world. The tax system is an opportunity for government to collect additional revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic growth. Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society (Appah, 2010, Appah and Ebiringa 2010). Anyanwu (2010) defined taxation as the compulsory transfer or payment (or occasionally of goods and services) from private individuals, institutions or groups to the government. Afuberoh (2014), Anyanwu (2010) stated that tax are imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities etc. The main purpose of tax is to raise revenue to meet government expenditure and to redistribute wealth and management of the economy (Okafor, 2012; Bhartia, 2009).

However, Anyanwu (2010) pointed out that there are three basic objectives of taxation. These are to raise revenue for the government, to regulate the economy and economic activities and to control income and employment. According to Udabah (2012), tax is an obligatory transfer from tax payers to the public authority. He argued that taxation was originally formulated to raise revenue so as to cover the state expenditure. Today however, it has been assumed to play a more far reaching role which includes curtailing the consumption of harmful commodities, to regulate the production of certain commodities. It is used as an instrument of economic policy, to control monopoly, curb inflation, to protect infant industries, etc. The Institute of Chartered Accountants of Nigeria (2014) and the Chartered Institute of Taxation of Nigeria (2002) defined tax as an enforced contribution of money to government pursuant to a defined authorized legislation. Similarly it is also defines as a charge imposed by government authority upon property, individuals or transactions to raise money for public purposes.

2.1.2 Concept of Petroleum Profit Tax (PPT)

According to Odusola (2010), petroleum profit tax (PPT) is a tax applicable to upstream operations in the oil industry. It is particularly related to rents, royalties, margins and profit sharing elements associated with oil mining, prospecting and exploration leases. It is the most important tax in Nigeria in terms of its share of total revenue contributing 95 and 70 percent of foreign exchange earnings and government revenue, respectively. Section 8 of Petroleum Profit Tax Act (PPT) states that every industry engaged in petroleum operations is under an obligation to render return, together with properly annual audited accounts and computations, within a specified time after the end of its accounting period. Petroleum profit tax involves the charging of tax on the incomes accruing from petroleum operations (Nwezeaku 2015). He noted that the importance of petroleum to the Profitability of oil and gas firms in Nigeria gave rise to the enactment of a different law regulating the taxation of incomes from petroleum operations.

2.1.3 Agricultural Sector and Economy Growth in Nigeria

Originally an agriculture dependent country, Nigeria shifted focus to oil exports in the 1970s and decades of slow economic growth later; there is a need to refocus on agriculture. With the pressure to attain the MGDs, it is important to ascertain the contribution of the sector to Nigeria's economic growth. Agriculture contributes 40% of the Gross Domestic Product (GDP) and employs about 70% of the working population in Nigeria (CIA, 2013). Agriculture is also the largest economic activity in the rural area where almost 50% of the population lives. The agriculture sector has been the mainstay of the economy since independence and despite several bottlenecks; it remains a resilient sustainer of the populace. In the 1960s, Nigeria was the world's largest exporter of groundnut, the second largest exporter of cocoa and palm produce and an important exporter of rubber, cotton (Sekunmade, 2009). More recently, agriculture employs about two-thirds of Nigeria's labour force, contributes significantly to the GDP and provides a large proportion of non-oil earnings (CIA, 2013, Sekunmade, 2009).

2.1.4 Concept of Gross Domestic Product (GDP) in Nigeria

It is a key concept in the national income and the Gross domestic product (GDP) is the total market value at current prices of all final goods and services produced within a year by the factors of production located within a country" Soludo (2009). The labour and capital of a country working on its natural resources produce a certain aggregate of commodities, material and non-material every year. In addition to this, there may be foreign firms producing goods in the various sectors of the economy like mining, electricity, manufacturing among others.

2.2 Empirical Framework

Some researchers have directed the focus of their studies on the relationship between taxation and Nigerian economy. For instance, Onaolapo, Fasina, and Adegbite (2013), empirically examined the effect of petroleum tax (PPT) the objectives of the study are to examine the effect of PPT on exchange rate in Nigeria and to investigate the effect of PPT on inflation rate in Nigerian economy using multiple regressions on such variables GDP, PPT, inflation and exchange rate. The estimated results suggest that PPT impacts strongly upon inflation, exchange rate and gross domestic product. However, the study excluded Crude oil production which is an important variable that determines the PPT. Ogbonna and Appah (2012) investigated the effect of petroleum income on the Nigerian economy for the period 2000-2009 using Gross domestic product (GDP), per capita income and inflation as the explained variables, and oil revenue, petroleum profit tax and licensing fees as the explanatory variables. Result showed that oil revenue has a positive and significant relationship with gross domestic product and per capita income, but a positive and insignificant relationship with inflation. Similarly, petroleum profit tax/revenue has a positive significant relationship with GDP and Per Capital Income, but a negative and insignificant relationship with inflation. It was also found that LF has a positive and insignificant relationship with GDP, PCI and inflation respectively.

A negative relationship of petroleum profit tax and inflation was obtained in the works of Ogbonna and Appah (2012).The study revealed the impact of petroleum revenue on the economy of Nigeria for the period 1970-2009. Methodology used were Pearson product correlation coefficient, ordinary least squares regression and descriptive statistics. Finding suggested petroleum revenue affects the gross domestic product and per capita income of Nigeria positively. However the relationship between petroleum revenue and inflation rate was negative. Hence results shows that revenue generated from petroleum exploration in Nigeria contributes to the Gross Domestic product and per capita income. The effect of petroleum tax was also analysed taking into account other forms of taxes and studying their effect on the economy. Some results indicated that petroleum tax had a very positive and significant relationship with economic growth; another showed it was in between, while also another showed a negative relationship. Such works on tax are; Okafor (2012) which explored the impact of income tax revenue on the economic growth of Nigeria as proxy by the gross domestic product (GDP). Ordinary least squares regression analysis was adopted to explore the relationship over the period 1981-2007. The regression result indicated a very positive and significant relationship with petroleum profit tax contributing most to gross domestic product, however actual tax revenue generated in most years fell below the level expected.

This study identifies some gaps in the literature reviewed, which it proposes to address. For instance, though some of the earlier researchers study the effect of PPT on Nigerian economy (Onaolapo, Fasina, and Adegbite (2013); Ogbonna and Ebimobowei, (2012); Okafor (2012); and Ebiringa, 2012), however, their studies never consider Crude oil production, Domestic consumption of crude oil and Government policies as important variables in determine the impact of PPT on economic growth. Hence, this study proposes to address these gaps. Applying OLS in the context of simultaneous equation model, this study consider Petroleum Profit Tax as an important variable that affect economic growth in Nigeria. Akinlo (2012), carried out a study on how Important is Oil in Nigeria's Economic Growth? The study assessed the importance of oil in the development of the Nigerian economy over the period 1960-2009. The study used secondary data. The multivariate cointegration VAR model enveloped by Johansen (1988) and Johansen & Juselius (1990; 1992) was used. Quarterly time series data of GDP indices of the five sectors over the 1960-2009 were used in setting up the VAR model namely: agriculture (agr), manufacturing (man), building & construction (buc), oil (oil) and trade & services. The study found that the five subsectors were cointegrated and that the oil caused other non-oil sectors to grow. However, oil had adverse effect on the Agricultural Sector. Granger causality test found bi-directional causality between oil and manufacturing, oil and building/construction, manufacturing and building/construction, manufacturing and trade/services, and agriculture and building/construction. It also confirmed unidirectional causality from manufacturing to agriculture and trade/services to oil. No causality was found between agriculture and oil, likewise between trade/services and building/construction.

The study of Akinlo (2012) consider important of oil on Nigeria's economic growth using agriculture (agr), manufacturing (man), building & construction (buc), oil (oil) and trade & services as proxy. In his study he found out that oil had adverse effect on the realsector of the economy. However, this study considers PPT as an important variable with special focus on agricultural sector of the Nigeria economy. Eravwoke, Alobari and Ukavwe (2014) carried out a study titled Crude Oil Export and its Impact in Developing Countries: A Case of Nigeria. The objectives of the study centered on an empirical investigation of crude oil export and it impact on growth of the Nigerian economy. The study used ordinary least squares regression method, Augmented Dickey Fuller unit root, co-integration test and the short run dynamics. Data was collected from secondary sources, such as central bank of Nigeria bulletin, Bureau of statistics, Journals and Textbook. The framework for the study has its basis on the Keynesian and endogenous growth models. The study found that there was an inverse relationship between crude oil exports on economic growth in the Nigerian economy, given the coefficient of - 2.115947, which is statistically significant with a t-value of -3.623380. This implies that crude oil exports are a significant factor that can transform the growth of an economy. The study also found that there was a significant relationship between crude oil exports of the Nigeria economy.

Baghebo and Atima (2013) carried out a study on the Impact of Petroleum on Economic Growth in Nigeria and data covering the period 1980-2011 was collected from the Central Bank of Nigerika Statistical Bulletin and transparency international Agency annual publications. The research work made use of the econometric approach in estimating the relationship between oil export, foreign direct investment, corruption index, external debt and the Nigerian economic growth. The stationary status of the time series data was examined using Augmented Dickey Fuller test. The Johansen cointegration test was conducted to ascertain the long run equilibrium condition of the variables in the model. The variables were cointegrated because four cointegrating equations were found. The study found that FDI impacted positively and significantly on Real GDP with a coefficient of 50.15043. This implies that a unit change in FDI results to 50.15043 increased in GDP. The Parsimonious model was established to account for the short run dynamic adjustments required for stable long run equilibrium. Oil revenue on the other hand impacted negatively and significantly on Real GDP. A unit change in Oil revenue brings about a fall in GDP. The results indicate that a unit change in oil revenue result to 1.362996 reductions in GDP. This means that the Dutch disease phenomenon exist in Nigeria. Auwal and Mamman (2012), conducted a study on the Downstream Sector: An Assessment of Petroleum Products Supply in Nigeria. The study was necessitated by files of petroleum product scarcity and higher prices confronting the Nigerian economy. Paradoxical is the fact that Nigeria is a nation heavily endowed with oil and yet wallows in scarcity of its products. The main objective of the study was to provide an assessment of the supply of petroleum products (P.P.) in Nigeria, with emphasis on the short and long run effects of petroleum products prices, imports, local refineries output and the sales on its distribution. The study utilized monthly data ranging from 2005 to 2010 and investigated the impact of the petroleum products supply and domestic prices on the domestic distribution using Vector Auto regression (VAR) model and Ordinary Least Square (OLS) estimation to observe the interdependence as well as the impact of the variables on one another. The study found that because of their non-zero coefficients, the independent variables are responsible for the variations in petroleum products distributed. Based on the lagged and dynamic long-run equilibrium, domestically refined and prices of petroleum products remained insensitive to the quantity distributed, while the imported quantity, though with a low coefficient and weak correlation, remained the key mode of supply that is currently sustaining the economy.

Abdul-Rahamoh and Adejare (2013) examined the effect of taxation on the macroeconomic performance in Nigeria using ordinary least squares regression method from 2002 to 2011 and found that revenue generation from taxation has a positive effect on the macroeconomic performance of the Nigerian economy. The study concluded that change in taxation will lead to high standard of living, provision of employment and reduction in interest rate. Karshenas and Hakimian (2013) examined the impact of oil revenues on the Iranian economy for the period 1908 to 2010 and found that although oil has been produced in Iran over a long period, its importance in the Iranian economy was relatively small up until early 1960s. The data were analyzed using the Ordinary Least Squares Regression Analysis. It was concluded that oil income has been both a blessing and a curse. In terms of maintaining and sustaining GDP growth, oil income has been a blessing. But it has also been a curse in inducing excess inflation, exchange rate volatility and macroeconomic inefficiencies, with adverse political and institutional implications and recommendation were made that appropriate policy responses are needed to deal with the large swings in oil revenues that Iran has been facing, particularly over the past three decades. Abdullahi, Madu and Abdullahi (2015) examined the evidence of petroleum resources on Nigeria economic using simple linear regression model from 2000 to 2009 and found that petroleum has a direct and positive significant relationship with the Nigeria economy and therefore concluded that petroleum has been the mainstay of Nigeria economy since it discovery and it constitutes the major source of our foreign reserves and main source of development capital. They showed no evidence of whether a unit root was conducted, and as such one would not be inclined to affirm a generalized statement as claimed by them.

Adegbite (2015) examined the effects of corporate income tax on revenue profile; it also determined the impact of corporate tax revenue Nigerian Oil and Gas Sector using multiple regression analysis method from 1993 to 2013 and found that there is a positive significant impact of corporate tax on revenue in Nigeria. The study concluded that government should reduce corporate income tax rather than eliminate corporate tax in Nigeria; lower corporate tax will increase the demand for labour which will in turn raises wages and increases consumption. Afuberoh and Okoye (2014) also studied the impact of taxation on revenue generation in Nigeria for the period 1994 to 2004. Using petroleum profit tax, education tax and personal income tax as proxy for taxation (independent variables) and gross domestic product as the dependent variable, regression analysis was employed by the researcher to analyse the data used in the study, and discovered that taxation has a significant contribution to revenue generation and that taxation has a significant contribution on Gross Domestic Product (GDP). Naomi and Sule (2015) studied the company income tax in the light for alternative financing for sustainable development in Nigeria. The study employed Ordinary Least Square (OLS) method and Co integration Test over the period 1987 – 2013 to analyse the long run relationship between company income tax and revenue generation in Nigeria. The study concluded that there is a positive and significant relationship between company income tax and revenue generation in Nigeria. It has been identified that none of the existing studies relate the petroleum profit tax and company income tax to Nigeria economic growth in terms of the ability of the government to meet its capital and recurrent expenditures which will in turn increase gross domestic product.

Odularu (2008) carried out a study titled Crude Oil and the Nigerian Economic Performance. The aim of the study was to ascertain the impact of crude oil on the Nigerian economy. The study analysed the relationship between the crude oil sector and the Nigerian economic performance using the Ordinary Least Square regression method. The study found that crude oil consumption and export have contributed to the improvement of the Nigerian economy. The study conclude that the production of crude oil (domestic consumption and export) despite its positive effect on the growth of the Nigerian economy has not significantly improved the growth of the economy, due to many factors like misappropriation of public funds (corruption) and poor administration. Usman, Madu and Abdullahi (2015) carried out a study titled Evidence of Petroleum Resources on Nigerian Economic Development (2000-2009). The main objective of the study was to examine the impact of petroleum on Nigeria's economic development. The variables were two, that is, crude oil Revenue and the Gross Domestic Product GDP. The study was based on secondary data. Data was sourced from the Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics. The data used was a ten years record of GDP and Oil Revenue, 2000-2009. The tool of analysis used was simple linear regression model with the aid of Statistical Packages for Social Sciences (SPSS). The study found that petroleum has a direct and positive significant relationship with the economy. Orbunde (2012), investigates the impact of oil and Gas industry on the development of the Nigerian economy. The research aimed at critically assessing the contribution of the industry since, its discovery over fifty years despite problems and challenges the industry is facing. The study adopt secondary source of data collection from CBN statistical bulletin and NNPC publications, the study tested one hypothesis and employed spearman rank order correlation as tool of data analysis and test of hypothesis. The results reveals 8.0926 positive correlation and t 8.829 tables value of 2.160 at the df 13 and critical values for T is 0.05. Ho was rejected Ha was accepted implying that crude oil production has impacted positively to GDP as measure of economic development. The study recommends that government should invest more in the industry by way of expansion and development of the industry to provide employment, infrastructure such as good roads, pipe borne water and electricity to enhance the country's profile at OPEC, foreign exchange revenue generation and accelerate economic growth and development in general.

The research work empirically examines the impact of petroleum profit tax (PPT) on the growth of the Agricultural sector of Nigeria economy (1981-2018). We acknowledge that similar study has been conducted in other parts of the world and even in Nigeria. However, the outcome among various researchers from the empirical studies has not been unanimous and cannot be universally applicable to all countries. Many of the empirical studies reviewed dealt largely on effects of tax revenue using Petroleum profit Tax (PPT), company Income Tax (CIT) and Custom and excise duties as measures against Gross Domestic product (GDP) in Nigeria and not inculcating agricultural sector of the economy which is the focused point for this research study. The different methodologies used by the different authors, the environments or settings under which the studies were carried out, the nature of data and sources in different jurisdictions and the policy thrust, among others could account for these differences besides, the proxy and concept of economic growth used by a number of the authors was the inflation-unadjusted GDP. In a setting, like Nigeria, where inflation is relatively uncontrolled, the use of the unadjusted GDP is not good enough. In this study, real GDP is used as an inflation-adjusted measure that reflects the true value of all goods and services produced in a given year. Besides, unlike many authors reviewed above, a concentration is made on agricultural sector of the Nigeria economy.

2.3 Theoretical Discussion

2.3.1 Theory of Taxation

Theory of taxation was propounded by Adam Smith in the year 1776. Smith in His approach stated that a tax is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by the state or the functional equivalent of a state, such that failure to pay is punishable by law (Ogbonna and Appah, 2012). Four key issues however must be understood for taxation to play its functions in the society: a tax is a compulsory contribution made by the citizens to the government and this contribution is for general common use; also there is the presumption that the contribution to the public revenue by the tax payer may not be equivalent to the benefits received; a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family; and finally, a tax imposes a general obligation on the tax payer (Nwachukwu, 2012). Thus it is evident that a good tax structure plays a multiple role in the process of economic development of any nation including Nigeria (Appah, 2010). Therefore Government at all levels (national, regional and local) need to raise revenue from a variety of sources to finance public sector expenditures.

2.3.2 Socio Political Theory

This theory was propounded by Adam smith in 1776. This theory of taxation states that social and political objectives should be the major factors in selecting taxes. The theory advocated that a tax system should not be designed to serve individuals, but should be used to cure the ills of society as a whole. Adolph Wagner advocated that social and political objectives should be the deciding factors in choosing taxes. Wagner did not believe in individualist approach to a problem. He wanted that each economic problem should be looked at in its social and political context and an appropriate solution found thereof. The society consisted of individuals, but was more than the sum total of its individual members. It had an existence and entity of its own which needed preservation and taking care of. Accordingly, a tax system should not be designed to serve individual members of the society, but should be used to cure the ills of society as a whole. Wagner, in other words, was advocating a modern welfare approach in evolving and adopting a tax policy. He was specifically in favour of using taxation for reducing income inequalities. He maintained that private property and inheritance were the result of state policies and not because of any God-given rights. The State, therefore, had the right to control the ownership of property and its inheritance in the interests of the society as a whole. Wagner’s ideas, though much criticized at that time, are now the hall-mark of fiscal policies of modern state.

2.3.3 Benefit Received Theory

This theory proceeds on the assumption that there is basically an exchange or contractual relationship between tax-payers and the state. The state provides certain goods and services to the members of the society and they contribute to the cost of these supplies in proportion to the benefits received. In this quid pro quo set up, there is no place for issues like equitable distribution of income and wealth. Instead, the benefits received are taken to represent the basis for distributing the tax burden in a specific manner. This theory overlooks the possible use of the tax policy for bringing about economic growth or economic stabilization in the country. Bhartia, (2009); Abdullahi (2015) argues that taxes should be allocated on the basis of benefits received from government expenditure.

2.3.4 Responsive Regulation Theory

Responsive regulation theory in modern tax administration connotes the establishment and implementation of regulatory framework capable of influencing the whole body of tax community’s commitment to voluntary tax payment through respectful treatment, identifying non-compliant behaviour, reforming faulty processes and fairly but firmly directing disapproval of non-compliant behaviour while recognizing the limitations and peculiarity of individual firm or organization. Paying taxes is contestable in terms of the amount, method of collection, modalities of enforcement and how well it serves the general public interest (Braithwaite, 2007). Responsive regulation entails responsive measures put in place by tax administrators capable of responding to various needs of those they regulate with a view to removing impediments to paying their taxes as at when due (Braithwaite 2003).The reasoning is that democratic governments do not need coercion for tax community to buy-in the policies and regulatory provisions of tax administration. According to Braithwaite (2003), responsive regulation requires five critical elements for its effective implementation, these are: Influencing the flow of events;Systematic, fairly directed and fully explained disapproval; Respectful treatment of regulations, assist in filling information gaps and attentive to dissenting opinions or arguments; Fair and firm implementation of sanctions as necessary; and Strategies that will escalate in intensity proportionately to the absence of genuine efforts by regulates to comply with established rules and regulations.

Basically Responsive theory focuses on the reasons for non- compliance with a view to eliminate them and entrench a culture of tax compliance. It is a process that seeks to anticipate resistance or limitations to compliant behaviours and develop tools and strategies to overcome them. It clearly and purposefully engages tax payers to eliminate impediments to rendering their obligations and arouse a consciousness and directs them towards a sense of duty and commitment to pay their taxes. The psychology of responsive regulation practice recognizes impediments to full tax compliance and evolves strategies and tools to overcome them while deliberate noncompliance is isolated and firmly discouraged. The compliance model shown below was adopted by Australian tax authorities in 1998 with tremendous impressive result. The model proactively identifies obstacles and develops strategies to mitigate its impact. The Braitwaite model of 2003 to depict the mood or Attitude to regulate is given as:

Figure 2.1 Compliance Model

Source: Braithwaite (2003)

This model provides the tools for voluptuary and systematic compliance strategy with the availability of counter measures which may escalate with the degree of resistance in other to ensure strict compliance. It marks a radical departure from the usual practice of rule following which has failed to yield the expected result and focuses on the recognition of genuine efforts on the part of the tax payers and encourage them. This study pitches its tents on this theory.

3. METHODOLOGY

From the discussion so far, the Petroleum Profit Tax is an important contributor towards economic growth. On this premise, based on the endogenous growth theory which is a three sector model, to analyse the effect of Petroleum profit tax, the model would be expressed in terms of production function and consumption function. The following econometric models are adopted in this study. The models adopted were adopted by similar studies in the past such as William, and Andrew (2014), Ezu and Okoh (2016), Ofoegbu, and Akwu,(2016). Therefore, the model is specified as:

AgriSec, = f (PPT) . . . .(i)

Where:

***AgriSec** = Agricultural Sub-Sector*
***PPT=** Petroleum profit tax*

Re-writing equation (1) in a linear form, we have the equation as:
In order to minimize spurious results due to large values of AgSec, and PPT. The study therefore, converted the data of the parameters above into their natural log form. Therefore, the new equation is of the form;

$L_{og}AgriSec = \beta_0 + \beta_1 LogPPT + ei$ ***. . . . .(ii)***

Where:

β_0 represent constant or intercept
β_1 represents Parameter estimates or coefficient of the independent variable
e_i represents stochastic or error term
L_{og} represents Natural log.

Technique for Result Interpretation Results will be interpreted using probability (P-value,) R^2 (Coefficient of determination) and F-Statistics.

Decision Rule: Accept the Null Hypothesis if the P-value is > statistical level of significance (5%), if not reject null hypothesis and accept the alternate hypothesis.

4. RESULTS AND INTERPRETATION

The descriptive analysis of the time series data obtained, is done in four folds, namely: descriptive analysis of the raw data obtained in Billion naira shown as Table 1.1; Table 1.2 shows the contribution of Petroleum profit tax revenue to AGSEC; Table 1.1 shows the mean, maximum, minimum and standard deviations of Petroleum Profit Tax (PPT) and the proxies of the dependent variables which is Agricultural sector AGESC). The summary statistics of the time series data are shown in Table 1.1.Table 1.1 shows the summary statistics of all the variables under study in their raw form. Specifically, the mean value of Petroleum Profit Tax (PPT), stood at ₦884.57Billion, while the mean of AGRISec stood at ₦16,019.44 Billion. This shows the average values of PPT and the agricultural sector of Nigeria for the 38 years under study. These average values were used in the determination of the contribution of Petroleum Profit Tax revenue to the agricultural sector as shown on Table 1.2.

Their respective minimum and maximum values are equally shown indicating variations over the years for respective series. This is further shown in the trends of the agricultural sector and the independent variable provided in the Figures 1.1 and 1.2. The standard deviation values shown on Table 1.1 indicate the dispersion or spread in the data series. The higher the value of the standard deviation, the wider the deviation of the series from its mean.Similarly, the smaller the value, the lower the deviation of the series from its mean. The variable with a highest degree of dispersion from the mean is the Agricultural Sector which further explains its variations over the years. Table 1.2 shows that on the average, PPT contributed about 5.3% to the Agricultural Sector and the sum of the revenue contributed by PPT to the entire agricultural sector is about 28.6% during the thirty eight years under study.

TABLE 1.1: Descriptive Analysis of the raw data of variables in Naira (₦' Billion)

```
. summarize ppt agric mining manftg
```

Variable	Obs	Mean	Std. Dev.	Min	Max
ppt	38	844.5746	1006.098	3.747	3201.319
agric	38	16019.44	38398.98	2303.51	179546.9
mining	38	9504.536	2588.355	5264.88	13821.13
manftg	38	5860.67	14498.18	1018.91	69346.77

.

Source: STATA- 13 RESULT

Table 1.2: Contribution of Petroleum Profit Tax to the Agricultural Sector

AgSec	MinSec	ManSec	Total
5.3%	8.9%	14.4%	28.6%

Source: Researcher's Study, 2019

4.1 Correlation Analysis

This study began the empirical analysis by establishing the nature and extent of the relationship between petroleum profit tax Revenue collected by the Federal Government of Nigeria and the agricultural sector of the economy with the agricultural, mining and manufacturing sectors as surrogates. This gives insight into evaluation of the estimated models. The time series data of Petroleum Profit Tax (PPT), Agricultural sector (AgriSec), Mining sector (MinSec) and Manufacturing sector (ManSec) in their transformed state were correlated. The results obtained are given in

Table 1.3 Pearson's Correlation Result

	logppt	logagric	logmin~g	logman~g
logppt	1.0000			
	38			
logagric	0.9429*	1.0000		
	38	38		
	0.0000			
logmining	0.9453*	0.9606*	1.0000	
	38	38	38	
	0.0000	0.0000		
logmanftg	0.8274*	0.8690*	0.8913*	1.0000
	38	38	38	38
	0.0000	0.0000	0.0000	

Source

: STATA- 13 RESULT

The result on Table 1.3 reveals a significant positive relationship between each of the Petroleum profit tax (PPT) collected and the surrogates of the agricultural sector measured by Log(PPT), Log(Agric) for the period under study. With an R- value of +0.94, for Log(Agric), we deduce that a strong positive relationship exist between the Agric sector and the Petroleum Profit tax (PPT). It implies also that on the aggregate, the petroleum tax revenue collected by the Federal Government of Nigeria has a positive relationship on Economic Growth of the country. The regression analysis results below give explanations to this relationship, particularly the individual and specific effects of the explanatory variable.

4.2. Hypotheses Testing

The hypotheses were tested using the models earlier stated in the study. The apriori is such that:

$\beta_1 > 0$. The implication of this is that a positive relationship is expected between the independent variable ($\beta_1 PPT_{it}$) and the dependent variables represented by LogAgriSec. The size of the coefficient of correlation will help us explain various levels of relationship between the explanatory variables.

4.2.1 Test of Hypothesis

Ho1: Petroleum Profit Tax (PPT) has no significant impact on Agricultural Sub-Sector of the Nigerian economy.

From the null hypothesis above, we postulate that Petroleum profit tax has no significant effect on the Agricultural sector of the Nigerian economy. The model earlier defined in the previous chapter is restated as;

$$L_{og}AgriSec = \beta_0 + \beta_1 \, Log(PPT) + ei \, ... (i)$$

LogAgriSec = 4.097045 + 0.3335504Log (PPT)

Table 1.4: Regression Result of Model One

```
. regress logagric logppt
```

Source	SS	df	MS
Model	4.30818745	1	4.30818745
Residual	2.78071034	36	.077241954
Total	7.08889779	37	.191591832

Number of obs	= 38
F(1, 36)	= 55.78
Prob > F	= 0.0000
R-squared	= 0.6077
Adj R-squared	= 0.5968
Root MSE	= .27792

logagric	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
logppt	.3335504	.0446623	7.47	0.000	.2429711	.4241296
_cons	4.097045	.0567833	72.15	0.000	3.981883	4.212207

Source: STATA-13 RESULT

The simple linear regression estimate of model 1 shows that Petroleum Profit Tax (PPT) measured by Log (PPT) has a positive effect on the Agricultural sector (AgriSec) measured by Log(AgriSec). This is indicated by the sign of the coefficients, that is $\beta_1 = 0.3335504 > 0$. This result is consistent with the a priori expectations.

From Table 1.4, the size of the coefficient of the independent variable (β_1) shows that a 1% increase in PPT will cause a 33% increase in the Agricultural sector. Also, the R-squared showed that about 61% variations in Agricultural sector can be attributed to PPT, while the remaining 39% variations in Agricultural sector are caused by other factors not included in this model. This shows a strong explanatory power of the model. This is further emphasized by the T-statistic p-value of 0.00 which shows that the regression result is statistically significant because this is less than 5%, the level of significance adopted for this study.Therefore, the model is adequate and the null hypothesis one that Petroleum Profit tax has no significant impact on the agricultural sector of the economy of Nigeria is rejected. Hence, Petroleum profit tax has a positive significant relationship and impact on the agricultural sector growth of Nigeria.

4.3 Discussion of Findings

The purpose of this study was to examine the effect of Petroleum profit tax revenue on the agricultural sector growth in Nigeria with special focus on Agricultural Sector. Secondary data was used for the analysis. From the descriptive and empirical analyses, the following are the findings:

The summary statistics of all the variables under study were described in their raw form and transformed series. This was done in order to be able to describe the data in naira and to determine the normality of the series. Specifically, the mean values of the Petroleum Profit Tax (PPT) stood at about ₦844.57Billion, while the mean values of the surrogates for the agricultural sector are Agricultural sector ₦16,019.44Billion. These mean values were used in determining the petroleum profit tax revenue contribution to the Agricultural sector. Furthermore, the average contribution of petroleum profit tax revenue to the agricultural sector was computed, which indicates that on the overall petroleum profit tax revenue has contributed to about 28.6% of the agricultural sector in the thirty-eight years of study. This result is in agreement with the research of Onaolopo, Fasina and Adegbite (2013) who affirmed that the hypothesized link among Petroleum Profit Tax and Real sector and by extension the agricultural sector and economic growth, indeed exist in the Nigerian context and offers undeniable evidence that taxation is an instrument of economic growth in Nigeria. Other researchers such as Jibrin, Blessing and Ifurueze (2012) are also in consonance with this result they concluded that petroleum income (oil revenue and PPT/R) has positively and significantly impacted the Nigerian economy when measured by GDP.

The variable with the highest degree of dispersion from the mean is the Agricultural sector; this further explains its variations over the years under study. Their respective minimum and maximum values are equally shown indicating variations over the years for the respective series. This is further shown in the trends of the surrogates of the agricultural sector and the independent variable provided in the Figures 1.1 and 1.2. The trend analyses further indicate that for the period under study, there has been consistent growth in the agricultural sector and petroleum tax revenue. The empirical analysis was done in two parts, firstly, correlation analysis and secondly regression analysis. The correlation analysis shows that the petroleum profit tax revenue has a positive significant relationship with each of the measures of the agricultural sector. The regression analysis in Table 1.4 shows that 0.6077 representing 61% of the variations in the Agricultural sector can be explained by Petroleum Profit Tax. This indicates that 61% of changes in the Agricultural Sector growth can be explained by changes in the Petroleum Profit Tax.

Petroleum Profit Tax shows a significant positive relationship with the Agricultural Sector (β_1= 0.333550). This shows that the tax which the Relevant Tax Authorities collected from companies operating in the petroleum sector is highly germane to the growth of the Agricultural sector. Hence, in relation to the responsive regulation theory adopted in this study, it becomes paramount to rely on self-regulation or attempting to coax compliance by persuasion initially, which will work with the majority, and then moving on to greater levels of enforcement culminating in criminal penalties for the most recalcitrant minority. This is in line with prior studies such as Ogbonna and Ebimobowei (2012); who affirm that an understanding of the reasoning behind a planned behaviour will enable tax authorities to choose the best strategy to treat such behaviour. This will equally mitigate occurrence of poor performance on the part of tax authorities as a porous, corrupt and inefficient system will automatically lead to deluge of non-compliance resulting in revenue loss. The probability of t-stat of Petroleum Profit Tax shown in Table 4.2.2.1 reveals that the probability of this result occurring by chance was less than 0.05 (0.000) and hence PPT is statistically significant at $P < 0.05$ level. This means that Petroleum Profit tax which is a federal government tax generation technique, has a positive impact on the growth of the agricultural sector and by extension, the Nigerian economy. This result is in line with the works of Ariyo, Akinlo, Leyira, and Chukwuma, (2012) concluded that the petroleum tax is a major means of government revenue and that the agricultural sector growth will always move in consonance with the Petroleum Profit.

5. CONCLUSION AND RECOMMENDATION

Petroleum Profit tax has over the years become an indispensable means of government revenue as the main stay of the Nigerian economy. It becomes paramount that the interplay of carrot and stick approach which the responsive regulation theory suggests is adopted in order for the tax administration of the country to fully harness the revenue that should accrue from the PPT. Legally enforceable safeguards are required to maintain the rule of law and provide a clear framework of objectives, due to the sensitivity of taxation and the complex relationship between the tax collector and taxpayer. Suffice to say that the government should be governed by known rules and that the law must be capable of guiding the behaviour of its subjects to create a relationship that is mutual. In conclusion, Petroleum Profit tax which is a federal government tax generation technique has a positive impact on the growth of the agricultural sector and by extension, the Nigerian economy. Hence, the theory of responsive regulation which forms the pivot and fulcrum of this research becomes necessary and applicable. This theory posits that if tax law cannot be certain (and it is unlikely that it can be) then it must at least be ascertainable within an equitable system. This may be better achieved through a system based on principles than on one attempting the futile aim of achieving comprehensive rules. The use of some discretion will always be necessary; the consequences for taxpayers who disagree with interpretations and applications made by revenue authorities need to be as limited as possible, transparent, and open to scrutiny and challenge. Based on the findings and conclusions of this study, the following recommendations are made:

To achieve the economic goals and objectives of the development of Nigerian nation, to continue to become relevant in the global economy and enhance the welfare of Nigerian population the following recommendations become imperative;

i. Professional training for the tax inspectors and officials to improve the tax administration system. Many tax officials are corrupt, ineffective and inefficient because of poor professional training. There is the for off-shore training for the tax officials and inspectors in countries where there tax structures are perfect and effective like United Kingdom, United States of America, Canada ,Japan etc. Lack of professional training gives room to poor assessment of tax payers; inability to carry out back-duty audit effectively makes the system to lose income tax generation; the attitude to help the tax payers reduce their tax liability has given room to corruption. Good professional training and good remuneration will encourage good and effective tax administration which will enhance tax income generation.
ii. Government customs and excise duties on agricultural exports should be stream-lined and more incentives should be given to rural farmers since they covered the larger population in agricultural sector.
iii. Government should increase her budgetary allocation to this sector in a consistent manner because of its importance to the national economy, hoping that with proper monitoring of fund, it would contribute more significantly to the economy of the country. An effective utilization of such funds is also advocated and all areas of wastage blocked. All organs of the Government should exhibit good corporate governance and transparency.

The implementation of all these recommendations and commitment of the operation companies and Federal Government tax agencies will improve and enhance the contribution of petroleum tax to Nigerian economic development.

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Effect of Ownership Structure and Audit Quality on Quoted Oil and Gas Companies in Nigeria

IDOKO, Olive Ojodunwene

Department of Accounting,
Nasarawa State University,
Keffi, Nasarawa State
E-Mail: blessedojima2014@yahoo.com, Phone No: +234 8064469164

Abstract

This study examined the effects of ownership structure on audit quality of listed Oil and Gas companies in Nigeria. Ex-post facto research design was adopted and a sample of seven Oil and Gas companies was selected covering a period of ten years (2008-2017). Secondary sources of data were obtained from the annual reports and accounts of listed Oil and Gas companies in Nigeria. Ordinary Least Square regression technique was used. Managerial ownership, institutional ownership and ownership concentration were used to proxy independent variables while audit quality was used to proxy dependent variable. The result revealed that, managerial ownership and institutional ownership have significant effect on audit quality. The findings also revealed that ownership concentration does not have significant relation with audit quality of Oil and Gas companies in Nigeria. The study recommended thatManagerial ownership and institutional ownership structure of quoted Oil and Gas companies be sustained and encourage. This is based on the finding that ownership structure has significant positive effect on audit quality.

Keywords: Audit quality, Institutional ownership, Ownership concentration, managerial Ownership

1. INTRODUTION

Audit quality is viewed as the joint probability that an auditor will both detect and report a material misstatement. Audit quality viewed from this perspective is seen as a function of both auditor competence (in discovering misstatement) and auditor independence (in reporting them) before now; businesses were owned and managed by owners and as such self-accountability waseminent. But as businesses kept growing in an ever changing environment, there was a need to separate ownership from management. This gave rise to principal–agent relationship, where owners (principals) entrusted the duty of running the day-to-day affairs of their businesses into the hands of professional managers (agents).There then came a need for business owners to look for an intermediary whose duty was to supervise the work performed by management who holds little or no interests in the businesses and assure them of fair performance. This by implication ushered in auditing which is an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they relate (DeAngelo, 1981)

Audit quality is very important because it will affect the credibility and reliability of the audit opinion. If the auditors perform a poor audit, the opinion rendered on the audited financial statement could be misleading and in turn affect the user's economic decision. Audit quality is essential for the protection of economic interest of the owners and other interested parties of an enterprise by enhancing the value of the financial statement prepared by the manager. Corporate scandals like Enron debacle and Andersen collapse confirmed a requirement for high quality audit and considerable attention to different factors that may have effect on audit quality (Abiahu and Amahalu, 2017). One of the key tasks of financial reporting system is to limit the decisions made by top managers because top managers are motivated to protect either the interest of major shareholders (Johnson & Macling 1996; Watts 1978) or overall strategic shareholders interest (Melis 2002). Since good financial reporting is very vital, audit quality is also an important player to the development of good financial reporting. High quality auditing seems to improve the confidence of investors in financial reporting and increase fund raising possibilities (Lin & Liu, 2009). The external auditors have also played an important role in improving the credibility of financial information (Mautz & Sharafi, 1961; Wallance,1980).

To improve the composition of ownership structure of a company and to produce a better decisions made by those who own or would own shares of a company, the client must comply with the generally accepted auditing standard(GAAS) and the generally accepted accounting principles (GAAPS) in order to achieve a high audit quality reports.(Bedard, Johnstone & Smith; 2010). Despite the compliance of most companies with GAAS and GAAPS, the financial statement of some companies does not at all times reflect the true and fair view of the companies, following the corporate scandals like Cadbury Nigeria limited, Savanna bank plc, Lever brothers, Wema bank plc and others, as all this companies financial statement prepared in the same year of their collapse, revealed that they were all healthy. The inability of companies to always reflect the true and fair view based on the ownership structure of the companies is the problem this current research intends to find out. From the foregoing; the general objective of this study is to ascertain the effect of ownership structure characteristics on audit quality of listed Oil and Gas companies in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of Audit Quality

There is no doubt that audit quality is not a new concept in accounting literature, but till today it has no single universally accepted definition.The most widely used definition of audit quality is the one by DeAngelo (1981) which states that "the quality of audit services is the market-assessed joint probability that a given auditor will both (a) discover a breach in theclient'sa ccounting system, and (b) report the breach." This definition is anchored on the competence and independence of the external auditor.Competence is associated with the auditor's ability to detect violations of accounting principles in the accounting system of a client. Independence on the other hand entails the ability of the auditor to report observed breaches in the accounting system of a client. Other definitions equate audit quality to the reliability of financial statements information. Heralding this argument is Titman and Trueman (1986) who asserted that audit quality improves the reliability of financial statements information and enables investors to make more precise estimates of the firm's value.This definition suggests that audit quality enhances the accuracy of reported accounting information. Thus, financial statements audited by high quality external auditors are expected to rarely contain material misstatements.

In another definition, Bedard, Johnstone and Smith (2010) associated audit quality with the auditors'compliance with generally accepted auditing standards (GAAS). They asserted that high quality audit is conducted in accordance with GAAS in order to provide reasonable assurance that the audited financial statements, and related disclosures are fairly presented in accordance with generally accepted accounting principles (GAAP). This definition suggests that high quality audit is more likely to comply with GAAS than low quality audit in the conduct of audit assignments. Similarly, Francis, Michas and Seavey (2011) associated audit quality with the issuance of appropriate audit report on the compliance of the client with GAAP. They argued that though audit quality is a complex concept that is difficult to reduce to a simple definition, it basically entails that the auditor issues an appropriate audit report concerning the level of compliance of the client with GAAP. They also contended that high quality audit complies with relevant auditing tandards and issues an accurate opinion on theclient's financial statements at an appropriate level of risk.The definitions of Bedard, Johnstone and Smith (2010) and Francis, Michas and Seavey (2011), suggested two major characteristics of high quality audit. Firstly, the auditor must issue an appropriate audit opinion on the financial statements of the client concerning its compliance with GAAP. Secondly, the audit must reasonably comply with GAAS in carrying out the independent examination of the client's financial statements.

2.1.2 Concept of Ownership Structure Characteristics

Ownership structure is seen as the classes or group of owners that exercise control over activities of a firm. Various scholars have different definition for ownership structure. According to Demstz and Lehn (1983), ownership structure is regarded as the fraction of shares owned by a firm's most significant shareholders, with much attention given to the fraction owned by thefive largest shareholders. Demstz and Lehn (1985) also saw Ownership structure as the fraction of shares owned by firm's management, which include shares owned by members of the corporate board, chief executive officer (CEO) and top management. The works of Chiara (1997), viewed ownership structure as a combination of concentrated ownership and large stockholdings by institutional owners for productivity. Ram and Camela (1998) defined ownership structure as directors'equity which could be summed up as the percentage stake owned by beneficiary and non-beneficiary directors. Beni and Alexander (1999) defined ownership structure as the composition of diffused ownership and non-owner managed firms. Demsetz and Belen (2001) defined ownership structure as the combination of the fraction of shares owned by important shareholding families and the fractions owned by management. Khalil, Syed, and Zahid, (2012) viewed Ownership structure as the composition of managerial ownership and concentrated ownership. Uwalomwa and Olamide (2012) viewed ownership structure as decisions made by those who own or who would own shares. They measured ownership structure as the composition of Board ownership, Institutional ownership and foreign ownership.

2.2 Empirical Review

Alzeaideen and Al-Rawash (2018) investigates the effect of different ownership structure - (concentration, foreign, and institutional ownership) - and corporate debt on audit quality of listed companies in Amman stock exchange. The research has four hypotheses. To test each hypothesis; a model was defined based on dependent variables employed to measure audit quality. The sample study consists of 132 companies from 2005 to 2016. The analysis of logistic regression was used to investigate the relationship between the audit quality measured based on the audit firms size as a dependent variable, ownership structure and corporate debt as independent variables. The results provide evidence of positive statistically significant relationship between the audit quality and that of companies both with foreign and institutional ownership. Also, the results reveal a positive significant relationship between the corporate debt and audit quality. In addition, ownership concentration was shown to have a positive relationship with quality, that relationship was not significant. These results are consistent with prior empirical studies. Also, these results indicate that foreign and institutional investors tend to hire high quality auditors. This study helps academicians, regulators, investors, and auditors to have insight into the nature of ownership structure and is it possible for companies' ownership structures and corporate debt to influence audit quality.

Khasharmeh and Joseph (2017) examine the effect of ownership structure upon the audit quality in a developing country, the case of Bahrain. To achieve this objective, annual reports of listed companies in Bahrain Burse for 2015 and unlisted companies registered by Central bank of Bahrainat September, 2016 were used in the analysis. Logistic regression was used to test the hypotheses. The results indicated that foreign ownership variable has a significant relationship at $p \leq 0.05$ with audit quality-measured by using a proxy of audit firm size. This result confirms that the null hypothesisis rejected and the alternative hypothesis is accepted. On the other hand, institutional ownership and ownership concentration factors have positive relationship but not significant with the audit firm size. The study recommended that companies in Bahrain, both listed and unlisted, must continue to maintain supporting and encouraging foreign investments in Bahrain. Also, the study recommended the necessity to adopt new instructions that raise the percentage of institutional investments that will improve audit quality which leads to high quality financial statements, and to follow a clear and rigid process of selecting auditors with high experience of accounting and auditing process.

Rad, Salehi and Pour (2016) conducted a research on the effect of interaction of audit quality and ownership for structure on earnings management of listed firms on Tehran Stock Exchange is studied.The variables examined are auditor reputation, audit or tenure; ownership concentration and institutional ownership as an indicator of audit quality and ownershipstructure have been used. Also, the absolute value ofdiscretionary accruals model of Modified Jones (1995) as a direct indicator of earnings management has been used. In order to respond the questions of this study, four hypotheses wre developed and 100 firms from listed firms on Tehran Stock Exchange for 5 years (2009-2013) has been tested. This study is descriptive of correlation type and to test the hypotheses, multiple line regression model with panel data and fixed effects isused. The results of research hypotheses show that, ownership concentration weaken the negative impact of auditor reputation and auditor tenure on earnings management. Also, institutional ownership amplifies the negative impact of auditor reputation and auditor tenure on earnings management. The results of this study could be argued that, the establishment of an effective corporate governance system in Shadow of the interaction between the measures of auditor reputation, auditor tenure and institutional ownership, earnings management will reduced.

Pangaribuan and Pranta (2015), examine the effects of managerial ownership, institutional ownership and firm size on audit quality. The study use audit quality proxied by going –concern audit opinion using a partial least square/ variance based statistical method, with descriptive analytical research method and found out that it was found that institutional ownership did not have significant effect on audit quality. Adam and Bala (2015) examine the effects of ownership structure and quality of DMB in Nigeria. The population of the study is 24 DMB in Nigeria Stock Exchange. The sample size was 14 DMB purposively selected out of the twenty four Bank quoted at the the date of the study. The period of study was 2007- 2011. Ordinary Least square regression analysis was employed to test the hypotheses. The result revealed there a positive relationship between managerial ownership, institutional ownership and audit quality. Kasai (2014) examine ownership structure, audit fees, and audit quality in Japan which provides empirical evidence on how ownership structure moderates the association between accounting accruals (measured by accrual quality) and abnormal audit fees. A unique feature of Japanese company ownership structure is that stable shareholdings exist, such as financial institution’s shareholdings and cross – shareholdings (corporate shareholdings). The results demonstrate that financial institutions shareholdings are negatively associated with accrual quality.

Kheirollahi, Behshour and Azadi (2014) assess the effect of ownership structure on audit quality. The variables examined are audit tenure and audit firm size. The studies apply logistic regression analysis to test the research hypothesis. The control variables examined were leverage and firm size. The results indicate that the institutional ownership has positive and significant effect on audit quality. Juhmani (2013) conducted a study to investigate the relationship between ownership structure variables and the level of voluntary information disclosures of companies listed on the Bahraini Stock Exchange. The study shows that “there is a significant negative association between block holder ownership and voluntarily disclosure”. Also, the study revealed that there is a significant positive association between size and leverage of firms on one side and the level of voluntary disclosures. However, “profitability of a firm is not significantly associated with voluntarydisclosure”. Zuriegat (2011) investigated the effect of ownership structure among Jordanian listed firms based on their audit quality. Using the sample study that consists of one hundred ninety eighty (198) companies out of the two hundred and sixty two (262) listed companies on the Amman Stock Exchange. The study analysis result using logistic regression in other to investigate the relationship between the audit qualities measured based on the audit firm size as a dependent variable, and ownership structure as independent variables. The results show a significant positive relationship between the audit quality and that of company’s institutional ownership and concluded that institutional investors tend to hire quality auditors. Ndubuisi, Okeke and Chinyere (2017) examined the determinants of audit quality with a focus on healthcare firms listed in the Nigerian Stock Exchange from 2010-2016. Their study made use of secondary data obtained from fact books, annual reports and account of selected healthcare firms understudy. The relevant data were subjected to statistical analysi susing Pearson coefficient of correlation, Ordinary LeastSquare (OLS) and Granger causality test with the aid of E-view 9.0. The result of their study revealed that there is a positive and statistically significant relationship between audit independence; audit tenure, audit firm size and audit quality of healthcare firms listed on the floor of Nigerian Stock Exchange at 5% level of significance. The study recommended among others that Audit firms should ensure that their staffs are independent as this is likely to enhance audit quality.

2.3 Theoritical Discussion

2.3.1 Theory of Inspired Confidence

Developed by the Limperg Institute in Netherlands in 1985, the theory of inspired confidence states that the auditor, as a confidential agent, derives his broad function in society from the need for expert and independent examination as well as the need for an expert and independent judgements upported by the examinations. Thus, accountants and auditors are expected to know and realize that the public continues to expect a low rate of audit failures. This requires that the auditors must plan and perform their audit in a manner that will minimize the risk of undetected material misstatements. The accountant is under a duty to conduct his work in a manner that does not betray the confidence which he commands (Limperg Institute, 1985).

The importance of the theory of inspired confidence is that the duties and responsibilities of the auditors are a derivation from the confidence that are bestowed by the public on the success of the audit process and the assurance which the opinion of the accountant conveys. Since this confidence determines the existence of the process, a betrayal of the confidence logically means a termination of the process or function. Carmichael (2004) in discussing the social significance of the audit stated that when the confidence that society has in the effectiveness of the audit process and the audit report is misplaced, the value relevance of that audit is destroyed.Therefore, auditors are expected to maintain reasonable quality assurance especially given that an audit failure is effectively a career-ending event. Audit provides assurance to the owners and management of companies and to investors and stakeholders, and along with financial reporting, corporate governance and regulations, supports confidence in the capital markets. This theory relates to the current study in that when a society loses confidence in the effectiveness of the audit report, this will in turn destroys the usefulness of the auditing process. The stakeholder's demands accountability from the management in returns for their contribution to the firm. Thus this theory communicates the community's needs for the reliability of financial information with the best audit techniques to meet these needs.

3. METHODOLOGY

This study makes use of Ex-post factor research design which will group variables that are not randomly assigned. Expo-factor research design has the ability of explaining the expected relationship between two or more variables which is the focus of this study. Also, the adoption of this research design is based on the reason that the study relied on historic data obtained from the annual financial statements and accounts of sample companies that are quoted on the Nigerian Stock Exchange, from 2008 –2017.

The general empirical model to be used in this studyis definedas follows:

$$QTY=\beta_0+\beta_{1it}MAOWN+\beta_{2it}INSTOWN+\beta_{3it}+\beta_{4it}OWCON+ €_{it} \text{ ---------}$$

Variable	Specification	Measurement
Audit Quality	AQ	A dummy value of 1 will be used if the audit report expresses a going concern opinion and 0 if otherwise.(Ruiz- Barbadillo, Gomez-Aguilar & Carrera,2009

Managerial Ownership	MANOWN	Measured as the total number ofshares owned byDirectors to total Number ofissued ordinaryshares
Institutional Ownership	INSTOWN	Measured as proportion of shares held by institutional investors to total Number of issued ordinaryshares
Ownership concentration	OWCONS	Measured as proportion of shares held by individuals with at least 5% of the equity shares to total shares issued.

4. RESULTS AND DISCUSSION

Table 2: Descriptive Statistics

	AQ	MAOWN	INSTOWN	OWNCON
Mean	0.745763	-0.750458	0.395763	0.158305
Median	1.000000	-1.130000	0.350000	0.390000
Maximum	1.000000	9.850000	0.980000	9.850000
Minimum	0.000000	-3.900000	0.010000	-3.820000
Std. Dev.	0.439169	3.056830	0.267138	1.710953
Skewness	-1.128823	2.254127	0.584255	2.373760
Kurtosis	2.274242	8.117618	2.562509	19.61340
Jarque-Bera	13.82491	114.3478	3.827170	733.9206
Probability	0.000995	0.000000	0.147550	0.000000
Sum	44.00000	-44.27700	23.35000	9.340000
Sum Sq. Dev.	11.18644	541.9641	4.139041	169.7868
Observations	60	60	60	60

Source: E- view Output 2019

Table 4.2 shows the descriptive statistics of the variables in the study. The result revealed that the mean of audit quality is 0.740 representing average across the Oil and Gas companies in Nigeria. It is also observed from the table that the difference the mean and standard deviation across the Oil and Gas is 0.44 indicating low variability around the means. The table also showed the minimum and the maximum of audit quality are 0.00 and 1.00 indicating a very close range.

Table 4.3 Regression Result

Dependent Variable: AQ
Method: Least Squares
Date: 11/08/19 Time: 10:54
Sample (adjusted): 1 60
Included observations: 59 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.544805	0.089257	6.103781	0.0000
MAOWN	0.058057	0.016881	3.439291	0.0011
INSTOWN	0.615179	0.185457	3.317096	0.0016

OWCON	0.006711	0.030163	0.222494	0.8248

R-squared	0.770311	Mean dependent var	0.745763
Adjusted R-squared	0.722147	S.D. dependent var	0.439169
S.E. of regression	0.377239	Akaike info criterion	0.953515
Sum squared resid	7.827026	Schwarz criterion	1.094365
Log likelihood	-24.12870	Hannan-Quinn criter.	1.008498
F-statistic	7.868797	Durbin-Watson stat	0.944860
Prob(F-statistic)	0.000186		

Source: E- view Output 2019

The regression line for quoted oil and Gas companies in Nigeria(AQ1.0.54+0.58MAOWN+0.615INSTOWN+0.007OWCON indicates that audit quality will increase by 0.058 for 1% increase in managerial ownership, increase by 00.615 and 0.007 respectively for every 1% increase in the institutional ownership and ownership concentration respectively. The significant value of the p- value of 0.000000 is less than the t-value of 0.05, therefore, the study accept the Null hypothesis and reject the alternative hypothesis that the effect of ownership structure on audit quality has significant relationship with audit quality. The correlation coefficient (r) of 0.77% shows a strong relationship and the coefficient of determination (r^2) of 0. 72% indicates that about 72% of the variation in the audit quality can be explained by the independent variables examined or the ability of the regression line to predict the dependent variable is about 65%. The remaining 28% is explained by variables not captured by this study. The Durbin Watson statistic a measure of detecting the presence or absence of autocorrelation stood at 1.87. This demonstrates that if the value of Durbin Watson is less than1.8, there is an indication of the presence of autocorrelation in model. Along this line, the study Durbin Watson statistics signals the absence of auto correlation.

Correlation matrix

	AQ	C	MAOWN	INSTOWN	OWCON
AQ	1.000000	NA	0.399973	0.377169	-0.093973
C	NA	NA	NA	NA	NA
MAOWN	0.399973	NA	1.000000	0.008535	-0.280174
INSTOWN	0.377169	NA	0.008535	1.000000	-0.018436
OWCON	-0.093973	NA	-0.280174	-0.018436	1.000000

Source: E- view Output 2019

From the table above, audit quality is positively correlated with managerial ownership and institutional ownership (0.40, and 0.378) and negatively correlated with ownership concentration. This signifies that companies with higher institutional ownership and managerial ownership have more audit quality. Also, the correlation between managerial ownership and institutional ownership on audit quality were is positive and significant at 0.05. Also, the ownership concentration is negative and not significant since the significance value of 0.8248 is more than the t- value of 0.05.

5. CONCLUSION AND RECOMMENDATIONS

Based on the findings of this study, the following conclusion has become imperative: Managerialownership hasapositivesignificanteffect on theaudit qualityof quoted Oil and Gas companies in Nigeria. This finding is in line with Lin & Liu (2009); Kasai (2014), Zuriagat (2011) and not in line with Azadi (2014). The result also revealed that institutional ownership has a positive significant effect on audit quality. A positive relationship indicates that firms with higher institutional ownership are likely to have high quality report. Also, with respect to ownership concentration the result revealed that it is not significant at 0.05.

In view of the foregoing, the following recommendations are being put forward:

i. Ownership structure of quoted Oil and Gas companies be sustained and encourage. This is based on the finding that ownership structure has significant positive effect on audit quality.
ii. That more room should be given to institutional investors to own shares in the oil and gas companies since institutional investors has a positive significant effect on audit quality.
iii. The director's holdings inability to constrain audit quality may be as a result of poor corporate governance practice. Therefore, emphasizes should be laid on numbers of directors holdings the company should have.

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Effect of High-Performance Work Practices on Organizational Performance of National Productivity Centre Abuja

RIKWENTISHE, Rimamnde, Ph.D
Department of Business Administration
Faculty of Humanities, Management and Social Science,
Federal University, Wukari
E-Mail: newmtn2@gmail.com, Phone No: +234 8036834703

JATO, Terna MacNolly, Ph.D

Department of Accounting
Faculty of Social and Management Sciences
Air Force Institute of Technology, Kaduna
E-Mail: macnollyterna@gmail.com

RIPIYE, Waetsi Bitrus
Department of Accounting,
Faculty of Humanities, Management and Social Science,
Federal University, Wukari

Abstract

The aim of the paper is to determine the impact of high performance work practices on organizations performance among National Productivity Center. The paper employed descriptive survey research design that aim to identify the key performance work practices that impact on organizations performance. The study population was all the 97 employees of National Productivity Center under study with a sample of 67 respondents selected using simple random techniques. The main data collection instrument was questionnaire. Qualitative data collected were analyzed by descriptive statistics and presented through frequency distributions and percentages using the Likert scale. The chi-square contingency procedure was used to test the hypothesis. The result reveal that work practices of selective hiring, employee participation and involvement, training and development, had a positive effect on the performance of National Productivity Center and enhance their overall performance. The paper conclude that National Productivity Center has high performance work practices of selective hiring, employee participation and involvement and training and development, had a positive effect on the performance of National Productivity Center and recommends that National Productivity Center should have both international and local trainings, organize conferences, workshops and seminars, increase employees' salary, conduct job evaluation and enrichment.

Keywords: High Performance, Work Practices, Organizations Performance, Selective Hiring

1. INTRODUCTION

Although a number of studies have been conducted with regard to high performance work practices and organizational performance in developed countries like US, China, Korea and Japan, little is known about the Nigerian context which has a different set up and working culture. High performance work practice is one of the human resource strategies that are used by organizations to achieve a higher impact in performance. A number of studies have affirmed that HPWP if effectively implemented will most likely lead to organizational performance in such areas as level of customer services, quality of services, growth and profitability. Although studies have shown the contribution of HPWP to performance, but the extent to which HPWP affects the hospitality sector in developing world especially Nigeria has not be ascertain. Studies that have linked HPWP to performance were derived from studies conducted in more advanced nations.The impact of high performance work practices on organizational performance in National Productivity Center is investigated because they play a critical role in the realization of vision 2020. Nigeria vision 2020 is the country's development blue print aim at industrializing the country, in order to provide quality life for all its citizens by the year 2020. With the importance attached to high performance work practice, the study focused on the role HPWPs have on organizations performance as moderated by organization commitment and whether these practices do exist in National Productivity Center.

National Productivity Center are performing well due to many factors including HPWPs, but the magnitude of influence of these HPWPs is not known, thus the need to investigate the role of high performance work practices on organization performance in National Productivity Center. Although high performance work practices (HPWPs) are an important dimension in contemporary research at workplaces, a majority of research has been confined in the Western manufacturing context. Performance work system literature is mainly concerned with studying western firms that decide to revitalize their historical HR system by examining why the change and what HR policies and practices underpin the change. The picture is however unclear in African developing economies. Hence the needs to explore the role of high performance work practices and quality management initiatives in different National Productivity Center. In sum, HPWPs improve organizational performance through two interactive and overlapping processes. First, they give employees the Knowledge, Skills and Abilities (KSAs) needed to perform job tasks and both the motivation and opportunity to do so. Second, HPWPs improve the internal social structure within organizations, which facilitates communication and cooperation among employees. Jointly, these processes increase job satisfaction and help employees work more productively and make better decisions. These in turn reduce employee turnover and improve organizational performance vis-`a-vis competitors. The main objective of the paper is to examine the impact of high performance work practices (HPWPs) on organizational performance in National Productivity Center. Specific variables of HPWP are selective hiring, employee participation and involvement, employees' performance appraisal, training and development of employees' and job security of employees.The study contributes to the growing body of knowledge on the effects of high performance work practices (HPWPs) on organizational performance in National Productivity Center. The findings from this study will help organizations and managers to implement high performance work practices in their organizations to boost organizational performance. This study was carried out among the employees of National Productivity Center Abuja. The study was pegged on the following HPWPs; selective hiring, performance appraisal, training and development, employee participation and involvement and job security which affected organizational performance as mitigated by organizational commitment.

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of High Performance Work Practices

The concept of HPWPs was invented by Huselid, (2010), referred to as a set of human resource practices that are seen as a potential source of competitive advantage for organizations (Pfeffer, 2006; Zacharatos, 2005). Human capital is the main focus of a HPWPs environment where employees have greater involvement, responsibility, autonomy and decision making powers, leading to improved efficiency and effectiveness. It has emerged as a core construct encompassing the extent to which firms invest in the attraction, selection, management, and retention of the best possible human capital with HPWS indicative of the value firms place on their human capital as a source of competitive advantage.

According to Huselid, (2010) High performance work practices refer to a set of human resource practices that are seen as potential source of competitive advantage for organizations. HPWPs include for example training, employee participation, selective hiring, and incentive compensation and performance appraisal. The adoption of high performance work practices have been associated with higher productivity and enhanced performance at the firm level. The term high performance work practices according to Pil and MacDuffie, (2004) also refers to a set of practices aimed at improving employee performance by increasing employees 'skills and motivation. In the view of Lawler, Mohrman, and Ledford, (2011) HPWPs are defined in terms of four attributes: (a) employees have the power to make decisions and/or to participate in decision making; (b) task – relevant information is shared throughout the unit; (c) employees are provided with necessary training to do their work; and (d) employees are rewarded for using their participation in decision making, information sharing, and training to positively influence unit outcomes.

According to Huselid, (2010) while definitions vary, HPWP are generally conceptualized as bundles of mutually reinforcing and complementary human resources policies and practices that promote vigorous worker selection practices, increased career and skill development opportunities and the use of performance – based incentives, team based work practices, and participatory decision making. For the purpose of this paper High performance work practices refer to the careful design to work organization and practices so that they are systematically linked to the achievement of organizational objectives and performance. They are work practices that are deliberately introduced in order to improve organizational performance.

2.2 Empirical Studies

The practice of high performance work practices of selective hiring and organizational performance ensures that the right people, with the desirable characteristics and knowledge, are in the right place, so that they fit in the culture and the climate of the organization (Huselid 2010). Schuster (2004) argued that selective hiring is a key practice that creates profits and examined HR practices of high performance companies and found that attracting and selecting the right employees increase the employee productivity, boost organizational performance, and contribute in reducing turnover. Cohen and Pfeffer (2006) in their study argued that hiring standards reflect not only organizations' skill requirements but also the preferences of various groups for such standards and their ability to enforce these preferences and that a possible indirect link between selective hiring and organizational performance can be the forging of internal bonds between managers and employees that creates the right culture for productivity growth. Collins and Clark (2003) argued that the practice of selective hiring results at sales growth. Paul and Anantharaman (2003) pointed out that an effective hiring process ensures the presence of employees with the right qualifications, leading to production of quality products and consequently in increase of economic performance.

In the complex area of people management paradigms, the terms Empowerment, Participation and Involvement are frequently used within the literature but often interpreted quite differently depending on the perspective of the reader and / or writer. Information sharing fosters organizational relationship among employees. Roberts (2010) studied how HR strategy affects profits in 3000 business throughout the world and found that sharing information was related with higher profitability. In a study of Fortune 1000 largest manufacturing and service companies on high performance practices, Lawler et al., (2011) found information sharing to correlate to firm performance. Abiodun (2010), defines Employee Participation as one of four policy choices for managing the employment relationship. He states that an employee has the right to question and influence organization decision making and this may involve representative workplace democracy. The other policy choices He identified are; worker subordination via managerial, prerogative union incorporation via collective bargaining and finally employee commitment via employee involvement. It is clear then that there are differences between employee participation and employee involvement. The literature suggests that employee participation is a pluralist/collective approach with a continuum from no involvement' to employee control. As such it may involve processes and mechanisms such as: collective bargaining, employee share schemes, works councils, worker directors and Joint Consultative Committees.

Employee involvement, in contrast, is more individualistic and unitarist. It aims to harness commitment to organizational objectives and relies on the maintenance of management control. This was often found as part of a soft HRM approach and usually involves upwards and downwards communications flows:-having identified employee involvement, where empowerment sits within these approaches is perhaps more complex and hinges on interpretations of power and how empowered workers actually are where such schemes are implemented. As a management control and manipulation tool, the soft HRM view that it is essential basis for achievement of maximum organizational potential. Camps and Luna–Arocas (2009)) suggest it is predominantly about encouraging front-line staff to solve customer problems on the spot, without constant recourse to management approval‘. Whereas Bowen and Lawler, (2008) cited in Lashley (2011) take the view that it is about management strategies for sharing decision-making power. Little true power in the hands of empowered ‘workers as currently practiced. Hyman and Mason (2002) state for example: empowerment becomes a euphemism for work intensification and 1990s suggest that the process (empowerment) only appears to give employees greater control and, in reality remains dominated and restricted by management and who says empowerment is still mostly an illusion. Participation has been defined as a process which allows employees to exert some influence over their work and the conditions under which they work (Heller 2006), or alternatively a process in which influence on decision making is shared between hierarchical superiors and their subordinates. These two definitions encompass a broad range of activities through which employees can affect decision making, from consultative or communication (employee involvement) mechanisms where individual workers‘ input is asked for and considered by managers who retain responsibility for the final decision, to participation mechanisms involving representative structures where workers are major parties to these decisions (Hyman & Mason 2002).

Training programmes increase the firm specificity of employee skills which in turn increase employees ‘productivity and job dissatisfaction that results in employee turnover. Secondly, training and developing internal hiring and internalizing people from external labor markets which again increase employee productivity and reduces turnover. Canolly and McGing (2007) conducted a meta-analysis including 117 behavior-modeling training studies. They ascertained that the largest effects were for declarative and procedural knowledge. Declarative knowledge is knowledge about ―what‖ (facts, meaning of terms), whereas procedural knowledge is knowledge about ―how for example how to perform skilled behavior. However, Canolly and McGing (2007) reported substantial variance in the distribution of effect sizes, indicating the need to investigate moderators of the relationship between behavior-modeling training and outcomes. Barringer (2005) compared rapid growth and slow growth firms and found that rapid growth firms depended heavily on the abilities and efforts of their employees to maintain their growth-oriented strategies. The fast-growth firms used training programs to achieve their objectives and emphasized employee development to a significantly greater extent than their slow-growth counterparts. Therefore, training and employee development practices are more common in rapid-growth firms than slow-growth ones.

Several studies conducted in European countries have documented the impact of training on organizational performance. Arag ´ on-S´anchez (2003) investigated the relationship between training and organizational performance by distributing a survey to 457 small and medium-size businesses in the United Kingdom, the Netherlands, Portugal, Finland, and Spain. Organizational performance was operationalized as (*a*) effectiveness (employee involvement, human resource indicators, and quality), and (*b*) profitability (sales volume, benefits before interest and taxes, and a ratio of benefit before taxes/sales). Results indicated that some types of training activities, including on the-job training and training inside the organization using in-house trainers, were positively related to most dimensions of effectiveness and profitability. Cappelli and Neumark (2001) conducted a study including 78 Spanish firms with more than 100 employees. This study related organizations' training policies (functions assumed by the training unit, goals of the training unit, nature of training, and how training is evaluated) with four types of organizational-level benefits employee satisfaction, customer satisfaction, owner/shareholder satisfaction, and workforce productivity (sales per employee). Results suggested that training programs oriented toward human capital development were directly related to employee, customer, and owner/shareholder satisfaction as well as an objective measure of business performance (sales per employee).

Guerrero and Barraud-Didier (2004) administered a questionnaire to 1530 human resource directors working in large companies in France and collected financial information from the company's financial directors or through databases approximately one year later. Five questions in the survey addressed the extent to which the company implemented training practices. The survey also included questions about social and organizational performance including work climate, employee attendance, quality of products and services, and employee productivity. Results showed that 4.6% of the variance in financial performance was explained by training (via the mediating role of social and organizational performance).

3. METHODOLOGY

This paper employed descriptive survey research design. The choice of the description survey research design was made based on the fact that in the study, the researcher was interested on the state of affairs already existing in the field and no variable was to be manipulated. The study population was all the 97 employees of National Productivity Center under study. The study used a sample of 67 respondents. This study used simple random and stratified sampling techniques. The main data collection instrument was questionnaire, which was preferred as it could provide a relatively simple and straight forward approach to the study. Qualitative data collected was analyzed by descriptive statistics and presented through frequency distributions and percentages using the likert scale on a scale of 5-1.The chi-square contingency procedure was used to test the hypothesis. The variables are extracted from the questionnaires and the stipulated level of significance value of five (5) per cent (0.05) was selected. The decision is that if X^2cal >X^2tab, reject H_0 and Accept H_1.

4. Results and Discussions

This section present and analyzed data based on the impact of HPWP on organizational performance, a case study National Productivity Center. It explains the performance of this centre in relation to HPWP and how it impact on the performance of the organization. The findings provide the basis for conclusion and recommendations made.

Test of Hypotheses

H_o: There is no positive significant relationship between HPWP of selective hiring, employee involvement, training and job security on organizational performance of National Productivity Center.

Chi-square analysis of the relationship between HPWP and organizational performance

Contingency Table

Option	No effect	Low extent	Moderate extent	High extent	Very high extent	**Total**
effective employee engagement	73	85	61	265	87	**571**

and participation						
optimizing the skill base of an organization	83	84	87	82	79	**415**
high trust, commitment and a strong sense of ownership across	67	99	86	83	80	**415**
Total	**223**	**268**	**234**	**430**	**246**	**1401**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.000a	4	.199
Likelihood Ratio	6.592	4	.159
Linear-by-Linear Association	.234	1	.629
N of Valid Cases	3		

a. 9 cells (100.0%) have expected count less than 5. The minimum expected count is .33.

The critical value obtained at 0.05% is 1.99 and the Chi-square X^2 (calculated value is 6.000).That Critical value (1.99) is less than the calculated value (6.000), suggests that there is a significant relationship between HPWP and organizational performance. For that reason H_o is rejected and H_1 is accepted. Therefore, there is a positive significant relationship between HPWP of selective hiring, employee involvement, training and job security on organizational performance of National Productivity Center.The study established that selective hiring as a component of high performance work practice had a positive effect on performance in National Productivity Center. Based on the findings of this study, majority of the respondents were in agreement that careful selective hiring had a positive effect on organizational performance. The result showed that the success of any organization depended on the high skilled manpower and talents it acquired. This is why it is important for an organization to recruit, select and place the right staff. According to Waiganjo (2013), selective hiring is fundamentally about matching human resource to the strategic and operational needs of the organization and ensuring full utilization of those resources.

According to the findings of the research, National Productivity Center was positively influenced by sharing information between the organization and the employees. According to Cannon – Bowers and Salas (2001), HPWPs such as information sharing help establish shared mental models among employees. These are similar and overlapping knowledge sets, attitudes and beliefs regarding tasks, co – workers and the organization that facilitate cooperation and decision making. Sharing information by communicating the organization‘s strategic goals, vision, mission and aspiration to the employees was linked to performance. Based on the finding of this study, training and development of employees when measured its impact on organization performance, the variable had a significant and positive impact on organizational performance. High percentage of the respondents stated that they always received intensive/ extensive training in specific skills and that workshop and seminars were always held for employees to improve their skills to meet there set targets and objectives.

5. CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this study, the adoption of high performance work practices by National Productivity Center has influenced organizations performance. It could, therefore be concluded that in high performance work systems, workers become more skilled and better prepared to perform their duties. Moreover, HPWPs are conceived as employee- centered work practices, which lead to increased workers motivation and satisfaction. In addition, employees are given a voice in decision making and empowered to act. It is for these reasons, that HPWPs are seen to increase workers effective discretionary effort, leading to improved firm performance in terms of product quality and higher profits as well as to a more satisfied workforce. As a result, National Productivity Center work practices of selective hiring, employee participation and involvement, training and development, had a positive effect on the performance of National Productivity Center and enhance their overall performance. From the foregoing therefore, the following recommendations are put forward:

i. The results of this study have also helped to determine the crucial role of HPWPs on organization performance and therefore recommend that organizations focus on the use of these practices to be able to achieve and meet their set targets, mission, and vision and be able to sustain themselves in the competitive global market.

ii. To facilitate training for the employees to perform better in their work places, it is recommended that the institutions should have both international and local trainings, organize conferences, workshops and seminars, increase employees' salary, conduct job evaluation and enrichment.

iii. The underlying assumption of HPWPs is that firm performance is influenced by a set of HPWPs practices, and for firm to compete favorably they must aspire to attain high profits which will boost organizational performance, it is recommended that all National Productivity Center should inject these practices in their organization as a matter of policy if they want to remain relevant and compete favorably in today‘s competitive environment.

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Effect of Ownership Structure on Accounting Conservatism of Listed Industrial Firms in Nigeria

ARUWA, S. A. S, Ph.D

Department of Accounting
Nasarawa State University,
Keffi, Nasarawa State
Phone No: +234 8034511107

SHUAIBU, O. Hamzah

Department of Accounting
Nasarawa State University,
Keffi, Nasarawa State
Phone No: +234 706423917

HASSAN, Umar Umar, Ph.D

Department of Accounting
Nasarawa State University,
Keffi, Nasarawa State
E-Mail: yerimaazores@gmail.com, Phone No: +234 8038345027

Abstract

The study determined the effect of ownership structure on accounting conservatism of listed industrial firms in Nigeria from 2009 to 2018. Ownership structure was measured by institutional ownership and managerial ownership while accounting conservatism was proxied by accrual-based conservatism. Ex-post facto research design is adopted in the study while panel multiple regression was used for the analysis. From the finding, it was discovered that institutional ownership has negative and significant effect on accounting conservatism while managerial ownership has negative insignificant effect on accounting conservatism. Therefore, the study recommends that Institutional ownership in the company should be discouraged because it has significant negative effect on accounting conservatism of industrial firms hence, it will reduce the beneficial effect on the value of the firm which will reduce the performance of the company. Also, the management of industrial firms in Nigeria should be allowed to hold a reasonably number of shares in the company to the extent of 31% since there is inverse relationship between managerial ownership and accounting conservatism. This is attributable to the mean value and managers are opportunistic in nature. Hence, they will act in accordance to the goal congruence of the company.

Keywords: Ownership structure, Accounting Conservatism, Managerial Ownership, Institutions

1. INTRODUCTION

The fast development of modern corporate organisation, the inconsistency of interests of shareholders and management, leading to more and more skirmishes between the shareholders and managers begin to increase. The agency problem stalled the company and shareholders to maximize their value. A reasonable ownership structure and comprehensive accounting information can improve the problems caused by the agency conflict. The separation between ownership and control of a company creates conflicts of interests between managers and shareholders. Shareholders are interested in maximizing the value of their company while managers seek to increase the consumption of both financial and non-financial perguisities. Conservatism is traditionally defined as accounting practices that “anticipate no profit but anticipate all losses” (Bliss, 1924). Basu (1997) depicts conservatism as the asymmetric timeliness of earnings which require higher verification to recognize good news as gains than to recognize bad news as losses. According to Watts (2003), the ability of conservatism to limit manager’s opportunistic behaviours could increase firms value, and thus protect the interests of minority shareholders. Dargenidou McLeay and Raonic (2007) argued that when agency conflict is controlled through close monitoring by large shareholders, these shareholders put less reliance on financial reporting, and thus adopt less conservative accounting. Alternatively, major shareholders would not employ more conservatism as they might want to conceal their expropriation activities from outsiders. LaFond and Watts (2008) reported that conservatism constrains managers from hiding unfavourable information because accounting conservatism provides hard information on verifiable gains and possible losses.In an organization, different parties can exert influence on the company depending on the percentage of shares they hold and the relative power of the other parties. If a single large shareholder has sufficient influence, this shareholder can determine the composition of the board, which has the ability to appoint or dismiss managers.Under a more dispersed ownership structure, the board could more easily be controlled by management in the absence of a single large shareholder with the incentives and opportunities to more closely monitor management. A large and influential shareholder would have the ability and incentive to influence the board of directors' composition, and thus have a direct effect on the appointment and dismissal of managers. Management would thus be likely to follow the instructions of the largest shareholder in order to retain its position and gain additional compensation. If there is a conflict between the interests of the largest shareholders and other smaller shareholders, management would pay more attention to the largest shareholder's wishes. Therefore, when ownership concentration increases, the largest shareholder may be able to encourage management to pursue actions favorable to the largest shareholder potentially at the expense of the non-controlling shareholders. If the largest shareholder's behavior results in wealth transfers from minority shareholders, this behavior would decrease the firm's operating efficiency and do harm to firm value (Classens & Fan, 2002).

Furthermore, to reduce managers' opportunistic behaviour, conservatism ultimately improves thequality of the financial information. For instance, conservatism increased ability of current earnings to forecast future cash flows and conservatism increased value relevance of the earnings since it prevented opportunistic managers from using accounting choices that favoured their personal interest (Brown, He & Teitel, 2006). Many explanations are put forward in favor of the existence of conservatism and all highlight that conservatism aids the financial information available to the users. Firstly, contracting explanation, like incentives and debt contracts, are important contracts operated by management (Alkhair, 2008). In addition, the contracts are the primary source of accounting conservatism used by shareholders and debt-holders to increase the conservative financial reporting and decrease agency costs in order to coordinate managerial expectations with those of the shareholders (Watts, 2003). However, as a main ingredient in the contracting process, management tries always to abandon conservatism policies in order to influence the figures in the accounting of these contracts by hiding unfavorable information; using private information to violate debt contracts; to receive extra compensation; and to overstate the financial figures (LaFond & Watts, 2008).

According to the Agency theory, the contractual relationships among the agent (director of the firm) and the principal (shareholders of the firm), the agent (directors) may engage in opportunistic behavior at the expense of the interest of shareholders (Jensen & Meckling, 1976). In other words, the relationship among shareholders and firm managers is replete with conflicting interests due to the separation of management and ownership. Al-Fayoumia and Abuzayed (2010) argued that this separation leads the managers to control the most of vital information that regarding to the corporate management and its operations. On the other hand, shareholders, who are not responsible for daily issues of the corporation, they do not have to get the similar information as corporate managers. In addition, agency theory assumes that information asymmetry and agency costs arise due to such separation also (Jensen & Meckling, 1976).

One of the major issues in accounting conservatism literature is that agency conflicts results in information asymmetric. Thus, mitigation of this agency problem will lead to enhancement of contractual agreements, reduced litigation costs, useful decision making and the reduction of the information asymmetry. This position supposed that being conservative result in a positive image for an organization since the objective of accuracy and fairness of financial reporting will be enhanced. However, conservatism could be viewed as a bad thing. Financial statements in which accounting conservatism is applied might not give a true and fair view of the underlying performance depending on approach of conservatism that a firm applies. Though studies were conducted on the effect of ownership structure on accounting conservatism using panel data of developed countries of the world such as Bach (2018), Influence of concentration of ownership structure on Accounting Conservatism in Vietnam, Alkurdi, Al-nimer and Dabaghia (2017), Accounting conservatism and Ownership Structure Effect in Jordanian Listed Company. Christianto and Feliana (2015), The relationship between Ownership Structure and Accounting Conservatism in Manufacturing Sector Company Listed on Indonesia Stock E$xchange. Omar, Faudziah and Ismail (2014), The influence of Corporate Ownership Sructure and Board Members' Skills on the Accounting Conservatism from Non Finanancial Listed Firms in Ammam Stock Exchange. Ellili (2013), The Ownership Structure, the Board of Directors and the quality of Accounting information. Cullinan, Wang, Wang and Zhang (2012), Ownership Structure and Accounting Conservatism in China. In developing countries like Nigeria, little efforts have been made to analyze this effect most especially in listed industrial firms in Nigeria except for the work conducted by Amos, Ibrahim, Nasidi and Ibrahim (2016) where they analysed the impact of Institutional Ownership structure on earnings quality of listed food /beverages and tobacco firms in Nigeria. Hu and Izumida (2008) states that, the ownership-performance relationship varies across countries and over time. For this reason, this research work is theoretically relevant.

Furthermore, most of the period considered by literatures is not up to the recent period which makes generalization of finding difficult hence, this study considered a recent period from 2009 to 2018. Based on the existing gap in literature most especially in the industrial firms in Nigeria, this study determined the effect of ownership structure on accounting conservatism of industrial firms in Nigeria. The following hypotheses were tested.

Ho1: Institutional ownership has no significant effect on accounting conservatism of listed industrial firms in Nigeria.

Ho2: Managerial ownership has no significant effect on accounting conservatism of listed industrial firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Ownership Structure

Ownership structure is the distribution of company's equity with regard to capital and votes but also by the identity of the owners of equity (Holderness, Clifford, Randall, Kroszner & Sheehan, 1999). Ownership structure contributes to reduce the incentive to manage earnings. In addition, it is believed that managers of corporate have opportunities to manipulate corporate reported earnings base on their own interest. According to Maury and Pajuste (2005), firm value increases when voting power is distributed more equally. An equal distribution of voting power indicates the presence of several major shareholders, who could monitor and constrain the largest shareholder, and thereby increase firm value. If the voting rights are not distributed equally, the possibility arises that the largest shareholder's influence might exceed cash flow rights, resulting in a decrease in firm value. Xiu (2008) points out that an ownership structure with many block shareholders is an equilibrium state. The existence of many block shareholders can effectively limit the ability of one shareholder to achieve too much influence, avoiding one party's ability to control the organization and transfer resources from the firm to itself. Multiple large shareholders thus can play a vital role in the protection of the minority shareholders. Financial statements produced as a result of balancing these multiple block shareholders could reflect increasing accounting conservatism, coinciding with increases in other shareholder constraints, thus, the measures of ownership structure in this study are institutional ownership and managerial ownership.

According to the efficient monitoring hypothesis, institutional ownership has a positive impact on performance because of the greater expertise of institutional investors and their ability to monitor managers at a lower cost. According to the conflict of interest hypothesis, institutional investors have business relationships with the firm in which they are shareholders. Therefore, the institutional owners are less likely to monitor the manager more efficiently. According to the strategic alignment hypothesis, the institutional owners and managers have a mutually advantageous system of cooperation which may reduce the beneficial effect on the value of the firm. In consequence, both conflict of interest and strategic alignment hypotheses predict a negative relationship between the institutional ownership and the performance of the firm. According to Brickley, Lease and Smith (1988) institutional investors are group into two: pressure resistant and pressure-sensitive institutional investors. Pressure- resistant institutional investors only have investment relationship with the firm in which they are owners like the brokerage house, the investment companies and the mutual funds. In contrast, the pressure sensitive institutional investors have both an investment and business relationship with firms in which they are owners like the banks and the insurance companies.

According to Gillan and Starks (2003), institutional investors can drive corporate governance changes and due to the fact that institutional investors are the most significant group of investors, they have the potential to influence management's activities directly through their ownership or indirectly by trading their shares. They can also affect accounting procedures and financial statements. Increasing the level of institutional ownership can enhance firms' tendency to apply accounting conservatism. According to Ramalingegowda and Yu (2012), institutional ownership is more likely to monitor the managers' behaviors through using conservative accounting policies in financial reports. Despite the fact that the management control is expensive, the institutional investment helps to provide important information for the company and for the future cash flow, and strategic decisions regarding the accounting conservatism. Corporate monitoring by institutional investors can constrain managers' behaviors because large institutional investors have the opportunity, resources, and ability to monitor, discipline, and influence managers (Gillan & Starks, 2003).

According to Akinobu and Tomomi (2010), the incentive alignment effect, managers with larger shareholdings have stronger incentives to act in line with outside shareholders' interests. That is, as managerial ownership increases, corporate performance increases and opportunistic managerial behavior decreases monotonically. On the contrary when managerial ownership is at the lower level, the effect is expected to result in higher agency costs. Managerial entrenchment effect on the other hand suggests larger shareholding by managers gives them greater control over firms. This results in management having greater scope to act on their own interest. According to agency theory greater managerial ownership generates greater alignment of the interests of shareholders and managers, and mitigates the agency problems between the two parties (Jensen & Meckling, 1976 cited in LaFond & Rowchowdury, 2007).

2.1.2 Concept of Accounting Conservatism

Conservatism is defined as a concept that delays the recognition of future cash inflows and as a conservative accounting which states accountant report the lowest accounting information of several possible values for assets and revenues, and the highest for liability and burden (Kothari, 2012). Conservatism is a fundamental feature of quality financial statements because it enhances the reliability of financial statements by facilitating effective monitoring of managers and contracts as part of corporate governance mechanisms (Watts, 2003; Basu, 2005). According to International Accounting Standard Board (1989), conservatism is a degree of restraint in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or incomes are not overstated and liabilities or expenses are not understated. Beaver and Ryan (2005) defined accounting conservatism as the average understatement of the book value of net assets relative to their market value. According to Ahmed and Duellman (2011), firms with more conservative accounting have higher future profitability and lower likelihood and magnitude of special items charges.

Conservatism entails timely recognition of losses than earnings and avoids over estimation of firm's value, it therefore reduces bankruptcy risk in firms (Wang, 2009). According to Feltham and Ohlson (1995), conservatism defined choice and use of consistently accounting policies that are resulting in underestimate report net assets of the company. Feltham and Ohlson (1995) definition of conservatism is based on the balance sheet, so that have tried in assessment underestimate the assets or overestimate report liabilities. The accounting literature addresses two types of accounting conservatism. The first type is unconditional conservatism that is known also, as ex ante or news-independent. The other type is conditional conservatism) that is known as subsequent conservatism and as ex post or news-dependent conservatism (Pope & Wailker, 2003). It has also been argued that due to conservative accounting methods uncertain future benefits are not taken into account in the financial statements. Management can only include those future benefits when the benefits are verifiable. The opportunistic behavior of management is constrained by these conservative accounting methods. As a result, management's reward cannot be maximized beyond the amount which is rational from the owner's perspective. Also, conservative accounting will prevent management from attracting excessive debt and paying excessive dividends. Therefore, applying some conservative accounting methods might bebeneficial to all stakeholders of the firm.

According to Watts (2003a), conditional conservatism is the practice of a different standard of verifiability with regard to the recognition of revenue/profit and expense/loss in reaction to the occurrence of economic news. Thus, when applying conditional conservatism, a stricter standard of verifiability is applied when recognizing good news as accounting revenue/profit than that applied when recognizing bad news as accounting expense/loss. Based on this, under conditional conservatism, there is a tendency to emphasize bad news rather than good news in accounting earnings (Basu, 1997). Conditional conservatism can therefore be described as having asymmetric timeliness in relation to the recognition of economic news. Conditional accounting conservatism is referred to as news dependent income conservatism because it requires immediate recognition of economic losses and deferral of economic gains contingent on the news event involved (Chandra, 2011). Unconditional conservatism can be defined as ex ante or news-independent conservatism (Beaver & Ryan, 2005). Unlike conditional conservatism, which records accounting expense/loss when asset values actually depreciate, unconditional conservatism recognizes accounting expense/loss ahead of the occurrence of economic news (Beaver & Ryan, 2005). This study adopt the unconditional conservatism as it recognizes accounting expense/loss ahead of the occurrence of economic news (Beaver & Ryan, 2005). Examples of unconditional conservatism include immediate expense processing of intangible assets (such as R&D investment) and depreciation and amortization greater than the economic depreciation of tangible fixed assets and goodwill (i.e., accelerated depreciation). More to that, as with the application of historical cost accounting for investment projects for which the net present value (NPV) becomes positive, accounting processes that continually delay recognition of good news are also included. In unconditional conservative accounting processes, shareholder equity (i.e., the book value of net assets) tends to be understated when compared with market value.

2.2 Empirical Review

Alkurdi, Al-nimer and Dabaghia (2017) investigates the impact of ownership structure on accounting conservatism of 99 manufacturing and financial companies listed on the Amman stock exchange in Jordan from 2005-2013. Ownership structure was measured by Foreign, governmental, institutional and concentration of ownership while accounting conservatism was measured by accrual-based measures. This study used multiple regression analysis and it was discovered that there is an inverse effect of governmental ownership on accounting conservatism. In contrast, the study indicates a significant and positive relationship between foreign and institutional ownership with accounting conservatism but the concentration of ownership doesn't affect conservatism. Amos, Ibrahim, Nasidi and Ibrahim (2016) focused on the impact of institutional ownership on earnings quality of listed Food/Beverages and Tobacco firms in Nigeria over the period 2005-2013. A panel data regression technique was employed to estimate the models since the data has both time series and cross sectional attributes. The result reveals that institutional ownership showed a negative significant result on earnings quality while firm size used as control variable fail to show a significant result.

Omar, Faudziah and Ismail (2014) determined the effect of ownership structure and board members' skills in the practice of accounting conservatism of 116 Jordanian listed firms for the year 2011. Ownership structure and board members' skills was measured by institutional ownership, board financial expertise, family ownership, board tenure and board multiple directorships by using multiple regression analysis, the results show that all the variables have a positive effect on conservatism with the exception of the board multiple directorship which has negative relationship with conservatism.Ellili (2013) investigated the impact of ownership structure and of the make-up of the board of directors on the quality of accounting information, using annual data from 29 companies listed on the Abu Dhabi Securities Exchange in 2008 and 2009. Ownership structure was measured by managerial ownership, blockholders ownership, Institutional ownership and Herfindahl index while accounting information is measured by the discretionary accruals according to the two Jones models (1991). Managerial ownership has a negative and significant impact on discretionary accruals. Institutional ownership has a negative but non-significant impact on earning management. Herfindahl Index has no significant association between the ownership concentration and earning management. Also, board's size is non-significant and debt level of a company has a positive and significant relationship with discretionary accruals. The period covered in this study is too short hence, the study period could have been extent to 2013. Boutchcova and Megginson (2000) determined the association between institutional investors and earnings quality in a newly privatize firm. They use a sample of 118 firms from 29 countries for the period 1961-1995. They used Dechow & Dechiv(2002) model modified by Ball (2005) for the quality of financial reporting for measuring earnings quality. The result of the study show a significant positive effect between institutional ownership and earnings quality of a newly privatize firm.

An(2015) determined the effect of foreign ownership on accounting conservatism and the study depicts how foreign ownership affects the quality of companies' financial reporting by using accounting conservatism as a proxy for financial reporting quality. The study show that there is a positive association between accounting conservatism and foreign ownership and that accounting conservatism mitigates the managerial opportunism resulting in an improved quality of financial reporting.Ellili (2013) studied the impact of ownership structure and of the make-up of the board of directors on the quality of accounting information, using annual data from 29 companies listed on the Abu Dhabi Securities Exchange in 2008 and 2009. Ownership structure was measured by managerial ownership, blockholders ownership, Institutional ownership and Herfindahl index while accounting information is measured by the discretionary accruals according to the two Jones models (1991). Managerial ownership has a negative and significant impact on discretionary accruals. Institutional ownership has a negative but non-significant impact on earning management. Herfindahl Index has no significant association between the ownership concentration and earning management. Also, board's size is non-significant and debt level of a company has a positive and significant relationship with discretionary accruals.

Cullinan, Wang, Wang and Zhang (2012) determined the relationships between ownership structure and conservatism in China. Ownership structure was measured by the influence of the largest shareholder, whether the largest shareholder is the government, and the power and governmental status of minority shareholders. Also, for companies with a large shareholder, management may serve the interests of this largest shareholder to the exclusion of the interests of minority shareholders, who generally prefer more conservative reporting. The study found that conservatism is negatively associated with the percentage of shares held by the largest shareholder, and that this effect is particularly significant when the ownership percentage exceeds 30%. The study does not find that state ownership influences the relationship between the largest shareholder's ownership and accounting conservatism. However, the study does find that privately controlled companies in which the state owns a minority interest are more conservative than those without material state minority ownership. Bach (2018) focuses on exploring the effects of state and foreign ownership on accounting conservatism adoption separately and also concurrently of Vietnamese firms from 2005 to 2015. The study employs pooled-WLS cross-sectional regression to investigate the relationship between concentration ownership and accounting conservatism. The study shows that there is statistically significant relationship between the financial reporting disclosure and the accounting conservatism adoption. Furthermore, foreign ownership has positive effect on accounting conservatism.

Yunos, Smith and Ismail (2010) examined the effect of ownership concentration on accounting conservatism of 300 non-financial Malaysian listed firms over the period 2001 – 2007. Accrual-based conservatism and asymmetric timeliness was used as a proxy for accounting conservatism while Ownership concentration was measure by Percentage of substantial shareholding held by executive and non-executive directors over outstanding shares and Percentage of substantial shareholding held by outsiders over outstanding shares. Board composition (BID), board tenure (BT), board size (BS), audit committee composition and financial expertise in audit committee, auditor, sales growth, firm size, profitability and leverage and market to book ratio are used as control variables. The study finds that both inside and outside substantial shareholders encourage lower degrees of conservatism. Control variables that significantly influenced asymmetric timeliness measure of conservatism are board independence, board tenure, board size, auditor and market to book ratio. As for accrual-based measure of conservatism, only profitability is found significant.

2.3 Theoretical Framework

2.3.1 Agency theory

Agency theory explains that conflict between the agent and the principal will always appear in a contradicting relationship. As the parties who submit funds to be managed by the management, investors should ensure that the decisions made by the management are free from opportunistic behavior that only benefits the latter and is detrimental to shareholders. The managers have the responsibility to act in the benefit of the outside shareholders. However, if there are two individuals (or parties) who enter in a relationship they can have misaligned incentives partly due to asymmetric information, which can lead to agency problems resulting in inefficient management and misconduct (Jensen & Meckling, 1976).Agency theories revealed that when ownership of a firm is concentrated in the hand of institutional shareholders, they should have incentive to monitor the managers' action through direct intervention to reduce agency problem (Edmans & Manso, 2010). In order to solve agency problem between the shareholders (principal) and management (agent), institutional shareholders was suggested as a strong monitoring mechanism in improving performance of the firms (La Porta, 2002). Agency theory is used as an underpinning theory of this study because it explained the relationship between ownership structure of conglomerate firms and the behavior of managers in handling the accounting information of the firms.

3. METHODOLOGY

This study adopts Ex post facto research design. Ex-post facto design is an 'after the fact' design which explained the event of the problem after it has occurred. Therefore, in this study, the design is used to explained the effect of ownership structure on accounting conservatism of industrial firms in Nigeria from 2009 to 2018. The population comprised of all the thirteen (13) listed industrial firm in Nigeria as at 2018. The data for the study were collected from the individual firm annual report for the period of the study while panel multiple regression model was used for the analysis. The study carried out the test of descriptive statistics, diagnostics test of heteroskedasticity test, Variance inflation factor, Normality test, Panel fixed effect model, panel random model and Hausman specification.

The model for the study is

$$ACCR_{it} = \alpha + \beta_1 IO_{it} + \beta_2 MO_{it} + \beta_3 FS_{it} + \mu_{it}$$

Where:

$ACCR_{it}$ = Accrual based for firm I at time t
IO_{it} = Institutional ownership of firm I at time t
MO_{it} = Managerial ownership of firm I at time t
FS_{it} = Firm size for firm I at time t
β_1-β_3 = Coefficient of estimate parameters
α = Constant
μ = error term

Variable Measurement

Variables	Measurement	Source
ACCR	Accrual-Based measure of accounting conservatism = [(income + depreciation expenses – operating cash flows)] ÷ Total assets.	Billings, Morton, & Stanford-Harris, 2002; Givoly & Hayn, 2000; Duellman, 2006
Managerial ownership (MO)	Percentage of Number of shares held by managers as a proportion of the number of shares outstanding (average across firms	Donglin and Song (2009), Ellili (2013), Akinobu and Tomomi (2010)
Institutional ownership (IO)	Institutional ownership is measured by dividing the natural logarithm of shares that are held by the institutions to the gross number of firm's shares.	(Ferreira and Matos, 2008) Siyaparani and Kashani (2014), Nekounam, Sefiddashti, Goodarzi and Khademi (2012), Al-Najjar (2010
Firm size (FS)	Log of total asset	

4. RESULT AND DISCUSSION

Table 1: Descriptive Statistics

	ACCR	IO	MO	FS
Mean	0.129687	0.585018	0.312831	6.778988
Median	0.095808	0.748834	0.270453	6.429972
Maximum	0.997641	0.999999	0.995515	10.39179
Minimum	-0.530875	0.013000	0.000191	4.414556
Std. Dev.	0.241055	0.358284	0.246816	1.334517
Skewness	1.351168	-0.435618	0.558865	0.997704
Kurtosis	6.103012	1.551058	2.440798	3.595739
Jarque-Bera	91.71123	15.48347	8.460977	23.48968
Probability	0.000000	0.000434	0.014545	0.000008
Observations	130	130	130	130

Source: Generated from Eview, 2019

The result above indicates that accrual-based accounting conservatism is not normally distributed because it has a probability less than 5% and a mean value of 0.129687 while the median is 0.095808. In like manner, the maximum accrual based by industrial firm in Nigeria is 0.997641 with minimum of -0.530875 hence, the result shows the company engaged less on accounting conservatism. Also, from the mean value of managerial ownership in industrial firms in Nigeria, it shows that the management has a maximum ownership of 0.995515 and the minimum ownership attributable to the management is 0.000191. The skewness and kurtosis are 0.558865 and 2.440798 accordingly.

Furthermore, institutional ownership has a mean and median of 0.585018 and 0.748834 while the maximum ownership by institutions is 0.999999 and a minimum of 0.013000 respectively. Therefore, there is evident that the industrial firm in Nigeria has low managerial and institutional ownership. In like manner, the study found that firm size has a mean of 6.778988 and a median of 6.429972 while the maximum and minimum firm size of industrial firms in Nigeria are 10.39179 and 4.414556. From the probability of the variables, it shows that they are not normally distributed because they have probability less than 5% however, the result of the residual from the histogram normality test shows that they are normally distributed because the probability is greater than 5% level of significance.

Table 2: Correlation Result

	ACCR	IO	MO	FS
ACCR	1.000000			
IO	-0.185989	1.000000		
MO	-0.078810	0.218549	1.000000	
FS	0.103904	-0.011566	0.279640	1.000000

Source: Generated from Eview, 2019

The correlation between the variables shows that all the independent variables has a negative correlation with accounting-based measure of accounting conservatism with institutional ownership having a correlation of -0.185989 with accrual based. Also, managerial ownership has negative correlation with accounting based to the extent of -0.078810 while firm size has a positive correlation with accounting-based to the extent of 0.103904 respectively.

Table 3: Variance Inflation Factor

Variance Inflation Factors
Date: 11/24/19 Time: 17:46
Sample: 1 130
Included observations: 130

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
IO	0.003606	3.895185	1.056518
MO	0.008241	3.001273	1.145991
FS	0.000268	29.47184	1.091401
C	0.013133	30.20997	NA

Source: Generated from Eview, 2019

The multicollinearity result indicates that the independent variables has no collinearity problem with each other because their centered VIF is between 1 and 10 hence, there is strongly evidence that each one of the independent variable affect accounting conservatism.

Table 4: Heteroskedasticity Test

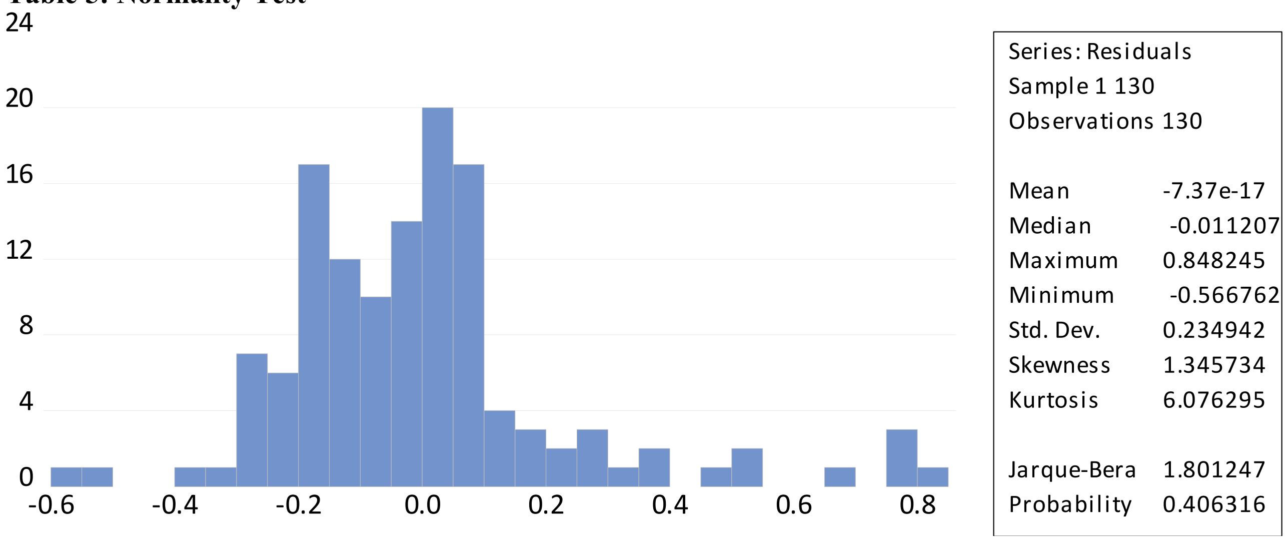
Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	2.162856	Prob. F(3,126)	0.0957
Obs*R-squared	6.366691	Prob. Chi-Square(3)	0.0951
Scaled explained SS	15.18046	Prob. Chi-Square(3)	0.0017

Source: Generated from Eview, 2019

The result shows that the residuals of the variables have no heteroskedasticity problem because it has an Obs. R-square of 6.366691 and prob. of 0.0951 which is greater than 5% level of confidence.

Table 5: Normality Test



Source: Generated from Eview, 2019

The normality test is used to test the normality of the variables and it was gathered that the variables are normally distributed because the Jarque-bera probability is greater than 5% level of confidence.

Table 6: Panel Multiple Regression Result

Variables	Coefficient	t- statistics	P-Value
IO	-0.118518	-2.137044	0.0345
MO	-0.086001	-1.006660	0.3160
FS	0.023993	1.597632	0.1126
C	0.063279	0.565328	0.5729
R^2	0.067194		
F-statistics	3.025417		
F-significance	0.032090		
Hausman p-value	0.9318		

Source: Generated from Eview, 2019

The study used the finding from random model to analyze the effect of ownership structure on accounting conservatism because the p-value of Hausman is greater than 5% hence, the finding indicates that institutional ownership has a negative and significant effect on accounting conservatism. Thus, any increase in institutional ownership will decrease accounting conservatism by -0.118518. Based on the finding, the hypothesis which states that institutional hypothesis has no significant effect on accounting conservatism is rejected and the alternate is accepted that institutional ownership has a significant effect on accounting conservatism. This finding is in line with the conflict of interest hypothesis, which states that institutional investors have business relationships with the firm in which they are shareholders. Therefore, the institutional owners are less likely to monitor the manager more efficiently. According to the strategic alignment hypothesis, the institutional owners and managers have a mutually advantageous system of cooperation which may reduce the beneficial effect on the value of the firm. In consequence, both conflict of interest and strategic alignment hypotheses predict a negative relationship between the institutional ownership and the performance of the firm.

Furthermore, the result indicates that managerial ownership has negative but insignificant effect on accounting conservatism of industrial firms in Nigeria because it has a p-value greater than 5% level of confidence. Therefore, the null hypothesis is accepted that managerial ownership has no significant effect on accounting conservatism. The control variable of the study shows a positive but insignificant effect on accounting conservatism because it has a p-value of 0.1126 which is greater than 5% level of confidence. The model explained variation on accounting conservatism to the extent of 7% while the remaining variation on accounting conservatism is explained by other variables not captured in the model. The model is fit with prob. less than 5% level of confidence.

5. CONCLUSION AND RECOMMENDATIONS

From the result of the study, the study concludes that increase in institutional ownership will reduce accounting conservatism of industrial firms based on the statistical evidence while changes in managerial ownership have no statistical influence on industrial firms. This means that managerial ownership is not strong enough to influence accounting conservatism in Nigeria industrial firms. The following recommendations were made:

i. Institutional ownership in the company should be discouraged because it has significant negative effect on accounting conservatism of industrial firms in Nigeria hence, it is less likely to monitor the manager more efficiently. Also, it will reduce the beneficial effect on the value of the firm which will reduce the performance of the company.

ii. The management of industrial firms in Nigeria should be allowed to hold a reasonably number of shares in the company to the extent of 31% since there is inverse relationship between managerial ownership and accounting conservatism. This is attributable to the mean value and managers are opportunistic in nature. Hence, they will act in accordance to the goal congruence of the company.

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Effect of Strategic Alignment on Performance of Selected Indigenous Construction Firms in FCT

ABBAH, J.E.I., Ph.D

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State
Email: edacheabbah@yahoo.com

OLUKADE, Funsho Tiwon

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State

HASSAN, Umar Umar, Ph.D

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State
Email: Umaru@nsuk.edu.ng, Yerimaazores@yahoo.com, Phone No: +234 8038345027

Abstract

In the last 25 years, the concept of strategic alignment has attracted increasing attention of researchers and business professionals. This paper studies the effect of strategic alignment on performance of selected indigenous construction firms in FCT. The inability of indigenous construction firms to actively compete in the industry and contribute largely to the industry quota of the gross domestic product of the country was the motivation for the study. The survey was conducted through questionnaires administration sent to selected indigenous construction companies in FCT. The accessible population of the study are 529 managers and supervisors in the six construction firms that were selected for the study. Sample size for the study is 228. Convenience sampling technique was used in selecting the participants that took part in the survey. Multiple regression technique was used for data analysis. The study found that strategic alignment has significant effect on the performance of constructions firms in FCT. The study concludes that ensuring consistent positive performance trajectory in an organisation demands that there is a fit between the strategy of the organisation, its environment and their operational process. The study recommends that construction firms must engage strategies that allows them to break down activities in a systematic manner, focus more on ensuring that individual strategy is achieved rather than structurally aligning them, and ensure that their organization wide strategy is flexible, thus, leading to increase performance.

Keywords: Strategic Alignment, Functional Alignment, Dynamic Alignment, Structural Align

1. INTRODUCTION

Construction industry plays fundamental role in the growth and development of any nation in terms of infrastructural development, provision of employment opportunities, contribution to the Gross Domestic Product (GDP) and other immeasurable contributions. The Nigerian construction industry is no exception to this fact. However, its contribution to the economy is slightly below 16% unlike the 22% recorded in other developed countries (UNTACD, 2017; NBS, 2017). Meanwhile, it contributed 20% in employment generation compare to 12%in developed worldand remained the largest employer of paid labour in Nigeria after government (Ayangade, 2000;Andawei, 2018). Moreover, the construction expenditure account contributes over 50% of the government expenditure (Ogunsemi&Jagboro 2000). Strategic alignment involves an organisation undertaking a deliberate effort towards creating a coordinated link between the organisations strategy and its operational activities in its functional units, thereby ensuring that they are streamlined towards achieving the organisations goals and objective (Reynolds & Yetton, 2015).Strategic alignment improves competitiveness and performance of an organisation as it ensures optimization of people, resources and structure, minimize wastage and misdirection (Chen, 2010). Strategic alignment has been studied extensively with primary focus on assessing whether, and how, strategic alignment generates value in the information technology (IT) firms (Celuch et al, 2007; Chan & Reich, 2007), improvements to firm performance (Cragg et al, 2002; Rivard et al, 2006) such as increased sales revenue (Kunnathur& Shi, 2001; Kearns, 2005), improving operational efficiency (Oh &Pinsonneault, 2007), cost reductions (Chang et al, 2008; Johnson & Lederer, 2010), and enhancements to customer value (Celuch et al, 2007). However, there exist limited or no research on the effect of strategic alignment on theperformance of construction firms, most especially in developing economies, and fewer information on how certain components such as functional alignment, structural alignment and dynamic alignment affects the profitability of construction firms.

Further, there exist divergent opinions on the effect of strategic alignment on organisations performance.While some researchers emphasize a positive relationship between alignment and performance (Benbya& McKelvey, 2006; Chen, 2010), some research has discovered an outcome of no improvement, or even a decline, in performance in practising organisation (Palmer & Markus, 2000; Tallon, 2003). They argue that alignment enshrine inflexibility, resulting in stagnation, strategic inflexibility, and competitive disadvantage by not responding to environmental change.Thisjustifies the need to further clarify the relationship between the constructs, so as to identify the underlying components of strategic alignment that could drive performance most especially from a developing economy perspective. Also, studies have failed to agree on acceptable definition of alignment (Preston &Karahanna, 2009). A critical look at studies carried out on strategic alignment reveals the lack of consensus on the definition of the concept of alignment. For example, some studies indicate alignment as the joining of IT and business strategies (Tan &Gallupe, 2006). Others held that alignment is the fit between strategy and business infrastructures and processes (Cragg et al, 2007). Other researchers refer to alignment as the concurrent integration of business strategy, IT strategy, business infrastructure, and IT infrastructure (Porra et al, 2005), thus creating a gap that this study seeks to close through identifying how this concept can be defined from an emerging economy perspective. Hence, this research focus on assessing the effect of strategic alignment on performance of construction firms in Nigeria using indigenous firms as case study. Having identified the various existence of definitions of strategic alignment, the operational definition of strategic alignment for the purpose of this study is the degree of fit or congruence between organizational strategy and goal on one hand and the business unit's strategies and goals.

Despite the promising outlook of construction firms in Nigeria, the indigenous construction firms are performing below expectations, unlike their multinational counterpartwho are enjoying better performance and increasing patronage (Idoro, 2011; Akinsola, & Adenuga, 2004). The indigenous construction firms are faced with problem of performance and low competitiveness (Akinsola, & Adenuga, 2004). It is widely acceptable that when companies commit to a strategic alignment they begin to create a culture of performance (Coltman, et al., 2015; Gerow, Thatcher & Grover, 2015). In the light of this problem and the potential value in the application of Strategic alignment in driving performance in firms, it becomes noteworthy to conduct a research to assess the impact of strategic alignment on the performance indigenous construction companies in Nigeria.The general objective of the study is to assess the effect of strategic alignment on performance of selected construction firms in FCT. The specific objectives of the study are stated as follows:

i. To assess the influence of functional alignment on profitability of construction firm;
ii. To ascertain the effect of structural alignment on profitability of construction firm and;
iii. To evaluate the effect of dynamic alignment on profitability of construction firm.

Given the foregoing, the following hypotheses which are in line with study objectives were tested.

Ho_1: Functional alignment has no significant influence on profitability of construction firms.

Ho$_2$: Structural alignment has no significant influence on profitability of construction firms.

Ho$_3$: Dynamic alignment hasno significant influence on profitability of construction firms.

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.2 Concept of Strategic Alignment

Strategic alignment is an essential concept in business management aimed at coordinating resources, human resources and activities within the units/ departments of an organisation in relation to planned objective. It synchronised the activities of persons and structures within the organisation with the sole aim of achieving set goals of an organisation (Afandi, 2017). Strategic alignment can alsobe seen as a process that an organisation is able to achieve a set balance between its strategy and it expected goals with respect to its customers, users and market place resulting to economic success. It is simply a process whereby a company's business and, product development strategies are linked towards achieving the organisations goals and objectives (Ali, 2019). According to Simon (2008), 85% of managers spend less than one hour per month considering strategy and just 5% of company's employeestruly understand their organization's strategy. Strategy alignment is the strength of the link between an organisation's overall objective and objectives of each of the units that contribute to the accomplishment of the overall objectives(Andolsen 2007). To Kaplan and Norton 2006, the term strategic alignment is similar to strategic fit which occurs when the network of internal performance is in line and consistent with the firm's desired customer and financial outcomes.

In the view of FonvielleandCarr (2001), alignment is essential for organizational effectiveness. In a well-alignedorganization, there is a common agreement about goals and means of achieving those goals. By so doing, all parts, members and functions of the organization work towards the same purpose. Alignment can be vertical and horizontal. Vertical Alignment means the transfer of the company's vision and mission with specific strategic goals down the organizational hierarchy. Horizontal Alignment means the harmonization of strategic goals and performance measures used in the different business units.
Luftman (2000) identified six alignment criteria.They are: communications (liaison, sharing, protocols, unambiguousness), competency (continuous improvement, assessments and reviews, benchmarking, metrics), governance (strategy planning, reporting, budgeting, prioritization), partnership (risks, management, relationships, value perception), scope (processes, standards, integration, flexibility), and skills (innovation, management style, readiness for change, loci of power). Aversano et al (2012) listed several alignment "entities", amongst them are: business strategy, organizational structure, human resources, business rules, environmental uncertainty, output misfits, and business and technical skills, knowledge and experience. In addition, KhaiataandZualkernan (2009) identified five levels of alignment between strategic technology and strategic orientation to include: the level of initial operations, promising level of operations, vehicle operations, and construction level, Managed operations, and improved level and the level of process improvement. The operationalization of Strategic Alignment in this study was based on the conceptual development of Reynolds & Yetton (2013). Strategic alignment wasoperationalized based on the three core dimensions, which are functional alignment, structural alignment, and dynamic alignment.

2.1.2 Dimensions of Strategic alignment

(a) Functional Alignment

This dimension of alignment deals withbreaking down activities or functions within the organization and creating seamless planning process within units in the organization (Avison et al, 2004). Functional alignment is an enabler and supporter of business strategy and a source of competitive advantage, andit provides solution on how alignment can be sustained (Lee, Huang & Chang, 2017). Functional alignment models suggest that an organisation creates value by building capabilities that complement business capabilities (Biggs, Paula & Jennifer, 2014). Cäker and Siverbo (2014) identified two different methods of functional integration: strategic integration which includes: business strategy and IT strategy, and operational integration, organizational structure and processes andIT infrastructure and processes) and strategic fit namely: business strategy and organizational structure and processes, and IT strategy and IT infrastructure and processes.Karni (2015) stated that assessment of functional alignment process in the organisation is carried out in three divergent stages.

Stage 1: the business process alignment (BPA) checklist; business process alignment (BPA) Checklist is first created. When the checklist isdesigned and reviewed, it is filled in by the process reviewer. His responses are usually: how the process fulfils (or does not fulfil) the capability demanded by the determinant. Stage 2: the business process alignment (BPA) analysis;the template is now utilised to produce a Business Process Alignment (BPA) Analysis. It is filled in by the process analyst, whose responsibility is to go through and examine the responses in the checklist and provide remarks, recommendationsand solutions with the intension to improve the functional alignment of the process and its operational context. Stage 3: Evaluation of the business alignment template responses: The responses and entries in the two template columns are further studied to serve as a powerful stimulant for discussing organizational strategies, policies, procedures and standards, and for critical thinking. For this process to yield positive results all stakeholders need to be included and their interests and requirements considered, thus leading to an acceptable process.

Further, Robertson and Robertson (2013) divided potential stakeholders into three groups: the operational work area – stakeholders who have some direct contact with the process; the containing business area – stakeholders who benefit from the process in some way, even though they are not in the operational area; and the wider environment – other stakeholders who have an influence on, or an interest in, the process. Moreover, there is need for coordination and transfers – these involve necessary or recommended transfers of goods, data, information and knowledge between persons or organizational units before, during or after process execution (McKittrick, 2011). Also there is need for continuity, whereby certain activities must be integrated into the process in order to avoid disruption (Heracleous&Werres, 2016). Furthermore, a sustainable system should be set up embracing three principles: environmental, economic and social (McKittrick, 2011). Environmental principles cover: energy, renewable resources, resource consumption and cost minimization, dematerialization, disposal, recycling, reuse, repair, regeneration, recovery, remanufacturing, and operational and disposal impact mitigation (Heracleous&Werres, 2016). Economic principles embrace environmental accounting, eco-efficiency, and ethical investments. Finally, societal principles relate to social responsibility, quality of work life of the employees, employee morale, employee health and safety, saving on operational costs, and reporting to stakeholders (Bakshi&Fiksel, 2003; Glavic& Lukman, 2007; McKittrick, 2011). Lastly, there is need for creativity, there are two levels of creativity identified whether we look at the concept from the product, the person or the process point of view. The first one is radical andrevolutionary, the other adaptive and confirmatory" (Ekvall, 1997).

(b) Structural Alignment

Structural alignment focuses on the relationship between the organization-wide strategy and business unit strategies and how they create value (Broadbent & Weill, 1993; Hodgkinson, 1996).Broadbent and Weill(1993) stated that competitive advantage and increased performance are gained through superior organizational policies and practices that is best defined from the existence of a balanced and coordinated alignment of the organisations policies and strategies. The organizational structure and accountabilities complement the organizational strategy and decision-making processes and emphasize responsibilities in strategic orientation (Yayla, 2008). It underlines the management's responsibility in organization's development, quality interactions between business and staff, and improving the business managers' understanding of the structures in place (Joshi, Kathuria& Porth, 2003; Powell, 1992; Prieto & Carvalho, (2011). The term structure includes concepts such as the structural compatibility and the structure of authority in the organization (Johnston & Yetton 1996; Kang et al. 2008) and is characterized by a firm's level of decentralization, formalization, and complexity" (Bergeron et al. 2001). Studies indicate governance structure affects alignment (Bergeron et al. 2001, 2004; Lee et al. 2008; Oh &Pinsonneault 2007). Someresearch foundthat centralization is necessary for alignment success (Kang et al. 2008); yet other research indicates effective and successful alignment is possible with centralized, decentralized, or even hybrid structures (Brown and Magill 1998). While it remains unclear what type of structure positively impacts alignment, research does indicate the level of alignment depends on the firm's structure.

(c) Dynamic alignment

For organization to succeed it is necessary to continually adapt to changes in business environment, and effectively align leaders, managers, employees around a clear and compelling strategy (Afandi, 2017). Dynamic alignment creates value by facilitating organizations to be more flexible when confronting andresponding to environmental changes (Reynolds & Yetton, 2013). Dynamic alignment is simply the ability of the organisations to continually change and restructure its strategy to conform to the inherent changes in their immediate environment through a predefined approach that allows for managing changes and achieving optimal result (McAdam, Bititci& Galbraith, 2017). In the views of Baker et al. (2011), organisations can achieve dynamic alignment when employees work towards a common goal built on shared motivation, principles, and values in a flexible and adaptive system.This will allow the organization attain full potential and achieve unprecedented levels of performance. Similarly, Sirota Consult (2013) stated that to ensure dynamic alignment, organization must do the following:

i. Develop a plan that establishes clear goals, structures and accountability that stimulates performance.
ii. Enable employees to execute strategy through flexible and participatory systems, process, tools and resources.
iii. Unlock employee's potential and sustain motivation by ensuring managers meets the equity, camaraderie and achievement need of the employees.
iv. Ensure managers live the values and model the behaviour that promotes partnership driven culture.

The core benefit in strategic alignment is more evident in volatile business environments which demand that the organisations constantly engage in rapid development strands to gain market share and remain competitive (Baker et al., 2011). The functional, structural and dynamic alignments are the tri-driver for effective business operation in a market where the demand for its products and services are generally inelastic and a market that attracts high competition. The characteristics of the construction market in Nigeria reveals a demand inelasticity *(*Sam, Bogda, Peter, & Elizebeth; 2017). This implies that the application of strategic alignment to the construction industry could improve their performance, given the level of competition from foreign competitors that have comparative advantage in terms of technology and financial ability.

2.1.3 Performance Conceptualized

Organization performance encompasses the tangible outputs or results of an organization measured against its inputs overa period of time (Hamann et al., 2013). It involves evaluating an organization's outcome against its stated goals and objectives (Tallon, 2000). According to Bergeron (2004) organizational performance can be measured on the basis of the strength and ability of an organization's strategy compared to its competitors. He further stated that it can be measured in three dimensions namely:

i. Profitability: can be measured using some financial pointers, such as return on investment, return on sales, and earnings per share.

ii. Growth: the focus of this dimension is time impact of the financial situation of the organization and its comparison with competitors using some indicators, such as: sales growth rate, and the percentage of profit growth.
iii. Competitive Advantage: adoption of the definition provided by the researchers (Lai, Zhao, & Wang, 2007), which refers to the enhanced performance associated with vital competitors in the same industry regulation, they are in three dimensions namely: cost advantage, the diversity of services, and quality of services provided, compared with competitors.

Hitt and Brynjolfsson (1996) stated that performance is seen in terms of three over-arching types: financial performance, productivity, and customer benefit. Financial performance refers to the firm's ability to gain competitive advantage resulting to higher profits or stock values. The productivity measure of performance captures the input-output ratio that envelopes the entirety of the operational activities of the organisation and allow them identify their areas of strength and weakness (Hitt& Brynjolfsson 1996). Customer benefit are the subjective assessment of customer's satisfaction with the services and product of the organisation over a period. However, this study is more interested in the financial performance though measured subjectively.Similarly, James (2012) stated that high organizational performance is when every parts of an organization works together to achieve enormous results measured in terms of value delivered to customers. This is made of five parts namely:

i. Strategic objectives: The executives should give direction in which everyone within the organization must follow. This ensures focus and everyone working towards the same end.
ii. Performance measure: Criteria should be set to measure performance in line with goals set. The measurement process is a sure process of directing activities and behaviour within the organization.
iii. Allocation of resources and processes: Since resources are scarce, organization should design a method for allocating these scarce resources to ensure maximization of these resources.
iv. Value, culture and guiding principle: The culture of an organization should support the achievement of the strategic objectives and attract and bring out the best out of people.
v. Reward structure: Bonus, recognition, promotion, celebration event, leave of absence/day off are some of the rewards that motivate an employee to be more proactive within the organisation

In this study, performance is measured in terms of profitability: that is, financial indicators, earnings, and returns. However, it is also worthy to state that profit will be measured subjectively using perceptions of the managers over a period of time. The choice of this measure is because most of the construction firms that are indigenous construction firms do not publish report of their financials, which thus, makes the subjective option most suitable.

2.2 Empirical Discussion

The study of Afandi (2017) was on the impact of strategic alignment on performance of SMEs. It was carried out in Saudi Arabia, using a survey design methodology. Four hundred and fifty four (454) IT directors and managers were utilized as survey sample, and simple random sampling were employed for the sampling technique. Using primary data obtained through questionnaire administration, the study utilized exploratory factor analysis and hierarchy regression technique to analyse the data. The result showed that functional also known as operational alignment has significant effect on performance of the IT business. The representative industry was the IT sector, while the current study focusses on the construction industry. Prieto and de Carvalho (2018) found that strategic alignment has significant effect on performance. The research focuses on internal strategic alignment impact on performance, made up of population drawn from management executives from large, medium and small scale firms in Brazil. It employed a survey design method, with a sample size of 125 respondents taking part in the survey. Simple random techniques were used in selecting the respondentswhile utilizing questionnaire for gathering the primary data. Structural equation models were used for the analysis of the data. The study proposed a model that incorporates divergent views of strategic alignment.

The work of Bianchini (2018) was on strategic alignment and organizational outcomes. It carried out a bibliometric analysis of previous studies using web of science data source. Theresearch found that out of the 96 articles that covered from 2002 to 2017, over 75% of them found strategic analysis to have significant positive outcome on the organization. Since the research is a bibliometric analysis of previous works, it cannot be relied on for empirical justification or conclusions. Similarly, Santa (2010) assessed the influence of strategic alignment on the operational performance of technological innovations. The study used a mixed method approach and employing the survey design methodology for a sample of 144 respondents. Simple random sampling techniques were utilized and the structural equation models were employed for the analysis of the data. The study found that strategic alignment has significant effect on technological innovations in the organisation.

Tawaha (2015) studied the effect of strategy alignment on organizational Performance in Jordanian Banks Registered in Amman Stock Exchange up to 2012. This research examines the impact of strategic alignment on perceived maturity alignment model such as communication, competitiveness, governance, partnership, scope of architecture, and level of skills. Quantitative approach based onthe inventory of all Jordanian banks listed on the Amman Stock Exchange as at the end of 2012 were used. Empirical data from 15 banks in Jordan are analysed. Six hypotheses were formulated and 183 questionnaires were shared among top executives and managers of banks,with 67.8% response rate achieved. The data wasanalysed with correlation analysisusing SPSS. Results indicate a significant effect between the strategic alignment and organizational performance. Gerow (2014) carried out a study on “looking toward the future of IT–business Strategic alignment through the past: A meta-analysis”. The Research examined the relationship between IT–business strategic alignment and firm performance, utilizing both quantitative and qualitative methods. Electronic data were gathered from science Direct, Web of Science, Academic Search Premier, Business Source Premier, ACM Digital Library) Conference proceedings, dissertations and other sources to identify published studies on IT–business alignment through June 2013. Of the articles identified, a rigorous set of inclusion criteria was used to evaluate their usefulness for meta-analysis. The information gathered were analysed using meta-analysis method to probe the interrelationships between alignment, performance, and context constructs. The study found the alignment dimensions (intellectual, operational, and cross-domain) demonstrate unique relationships with the different performance types (financial performance, productivity, and customer benefit) and with many of the other constructs in alignment’s network. This research contributes to the literature by clarifying the relationships between alignment and performance outcomes and providing insight into sources of contradictionsin alignment research.

Hough and Liebig (2013) carried out a study on analysing strategic alignment tools. The research analysed strategic alignment and the tools such as balanced scorecards, benchmarking, strategy map, cascading, financial measure that companies can utilise to create business or organizational alignment. The work is both qualitative and exploratory in nature. Theoretical approach was used to identify alignment processes, establish various levels and tools of strategic alignment and expose the reasons for misalignment. The research indicated that strategic alignment is a process and that different levels of business alignment exist in organizations. It emphasized the need for businesses to be aware of misalignment and the interaction between the strategy process, tools that can be used and the benefits of using Balanced Scorecards on Corporate, Business Unit and Staff levels to create a more aligned organization. The work of Ammar, Almasri and bader (2013) was on the effect of strategic business objectives alignment on small organization performance. It employed a survey design and the finding indicates that strategic alignment has significant influence on information management that will help improve the performance of the organisation. It therefore posited that aligning strategy will improve the organisations performance, which will result in higher possibilities for business growth and development. This is because good information system has been proved to have direct link to improved performance. Though relevant to the current study of indigenous construction forms, the research was carried out in a developed economy, and as such, the result cannot be generalised.

In the research carried out by Reynolds and Yetton (2013) on aligning business and IT strategies in Multi-Business Organizations (MBOs). Thestudyintegrated the existing literature to explain how alignment creates value in MBOs using Makadok's (2010; 2011) theory of profit. The methodology of the study involves drawing on the extant strategy literature and IS theory to propose a new model of business and IT alignment in multi-business organizations. The research also found that while the new model addresses some questions unable to be addressed by the existing literature, further questions remain to be explored about the nature of alignment in MBOs. For example, while it is easy to know a lot about the individual dimensions of dynamic alignment, little is known about how they interact with each other and the impact of those interactions on overall value created. Therefore, additional research is needed to consolidate and extend the new model. A FSN and Oracle (2008) investigated the challenge of Strategic Alignment, focusing on the role of Scorecards & Dashboards in strategy Execution. The research is qualitative and exploratory in nature. The study concluded that the greatest management challenge is guiding organizations towards their goals and communication is the core of strategy delivery. Technology plays a vital role in visioning strategy and communicating it as part of a comprehensive performance management system. Therefore, integrated scorecards popularised by Kaplan and Norton (2001) and dashboards have proved invaluable in communicating the essence of strategy across an organization in an engaging and significant way. Also, it is useful in budgeting, planning and reporting applications and provides a robust platform for sound decision making. Further, the work of Lee, Huang, and Chang (2017) was on the relationship between performance and technological diversification. Using a sample of 234 made of manufacturing firm's managers and employing secondary data provided by Compustat and the US Patent and Trademark Office, the study found that aligning organisations strategy towards technological diversification has a direct effect on the firm performance. The research was carried out in a developed economy and the replication of the result may be difficult due to differences in both social and economic factors.Furthermore, the study of Afandi (2017) was on the effect of strategic alignment on financial performance of SMEs. It used a survey design.With samples of 454 IT managers & directors.The research found thatstrategic alignment has a positive effect on performance. The work employed SMEs while the current study is interested in constructions that could be both large and small scale firms.

2.3 Theoretical foundation

2.3.1 Contingency theory

Contingency theory is an approach to the study of organizational behaviour which explained how contingent factors such as technology, culture and the external environment influence the design and function of organizations (Woods, 2009). The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations (Chenhall, 2003). Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system (Woods, 2009). Contingency theories were developed from the sociological functionalist theories of organization structure by Reid and Smith (2000). The most appropriate of these studies as applied to this research is the theory of contingency theory of fit, popularly propounded by Van de Ven and Drazin in 1985, interpreted as an interaction effect of organizational structure and context on performance. It was found that for organisation to be more effective and successful, there is need for correlations or appropriate linking between technology, structural dimensions of vertical integration, delegation, authority and sophistication of control system (Vidal et al., 2017).

The concept of fit was defined by Van de Ven and Drazin (1985) in three approaches -selection, interaction and systems approaches. First, in the selection approach, the interpretation of fit was that, if an organization wants to survive or be effective, it must adapt to the characterizations of its organizational context.In this view, organizational design is caused by organizational context. They noted that there is no best way in the selection, interaction and pattern approaches to fit. Multiple and equally effective alternatives may exist, hence, comparative evaluation of various forms of fit is possible and the design of organizational sub-divisions should be taken into consideration. Van de Ven and Drazin (1985) further stated that the interaction fit is simply effectively ensuring there is an interaction between the varying components in the organisation, thereby allowing for smooth integration process within the various internal and external elements that confronts the organisation. The system approaches to fit is having a balance and common approach to managing the organisation through identify that the organisation is a system with interrelated parts and managing and determining which component part gets what and when in terms of the organisations resources (Van de Ven and Drazin (1985).

Most of the early contingency research studies adopted this approach to examine links (de Waal &Sivro, 2012) and examine the appropriateness of management accounting in order to measure the effectiveness of different departments in large organizations and found that contingency factors or contingencies were the major predictors of effectiveness for production departments (Vidal et al., 2017). In application to this study, the theory is used to illustrate the fact that there is need for proper linking of the structures, functions, processes and procedures in an organisation to ensure performance. Management need to properly articulate, plan and communicate on a continual basis to ensure that every activityis concentrated towards achievement of a clearly stated goal and ensure flexibility in work process while working hand in hand with the employees. Other management theories were considered but found not to be best fit to form the theoretical foundation of this work. For example, while management by objectives (MBO) may appear relevant to the study, it failed in addressing the dynamic and structural component requirements of the strategic alignment construct.

3. METHODOLOGY

The study used survey design. The survey design methodology was employed because the study problem demands that information is collected across a sample frame to make inference. The population of the study are managers and supervisors of selected construction firms in FCT. The choice of the sample frame is because the constructs are issues that are more of concern to the top, middle and lower level managers and not exclusively for all employees as they may not be able to provide the requisite response for the study. The accessible population of the study are 529 managers and supervisors in the six construction firms that were selected for the study. Information on the staff strength was obtained from the human resources department of the selected firms. The study relied on the 2017 bulletin report of the Federal ministry of Works and Housing in Abuja, which indicates the indigenous construction firms in the country that have established business relationship to arrive at the six firms selected for the study. Also, the study considered the structure of the business, as emphasis on this study was basically on firms with corporate structure. This was based on the assumption that it is easier to assess strategy flow in firms with corporate structure. Sample size for the study is 228 and was determined using Taro Yamane formula. Convenience sampling technique was used in selecting the participants that took part in the survey. The choice of the sampling technique was based on the need to capture those that ought to be part of the study and are willing to take part in the survey. Below is the breakdown of the sampling distribution.

$$N=\frac{n}{1+n¿¿}$$

Where:

N = Population of the study

1 = Constant
e = margin of error

$$N=\frac{529}{1+529¿¿}$$

$$N=\frac{529}{1+529(0.0025)}$$

$$N=\frac{529}{1+1.3225}$$

$$N=\frac{529}{2.3225}$$

$$N=227.77$$

$$N=228$$

The study adopted primary data for the study. The collection of the primary data was through the use of technique that was administered personally by the researcher. The instrument was designed using a five point Likert scale format.

Table 1 below captures the population distribution as well as the socio-demographic and work-related characteristics of participantsacross the six construction firms. The names of the construction firms have been de-identified to address the anonymous requirement requested by the firms.

Table1: Population distribution, socio-demographic, and work-related characteristics of participants across the six construction firms(N, %).

	Total	Firm I	Firm II	Firm III	Firm IV	Firm V	Firm VI
Population Distribution	529	81	102	151	56	74	65
Sample Distribution	228	35	44	65	24	32	28
Gender							
Male	180(78.95%)	28(80.00%)	35(79.55%)	51(78.46%)	19(79.17%)	25(78.13%)	22(78.57%)
Female	48(21.05%)	7(20.00%)	9(20.45%)	14(21.54%)	5(20.83%)	7(21.88%)	6(21.43%)
Age in Years							
30-39	70(30.70%)	18(51.43%)	10(22.73%)	5(7.69%)	10(41.67%)	11(34.38%)	16(57.14%)
40-49	110(48.25%)	15(42.86%)	27(61.36%)	42(64.62%)	9(37.50%)	9(28.13%)	8(28.57%)
≥ 50	48(21.05%)	2(5.71%)	7(15.91%)	18(27.69%)	5(20.83%)	12(37.50%)	4(14.29%)
Technical Title							
Manager	12(5.26%)	2(5.71%)	2(4.55%)	4(6.15%)	1(4.17%)	2(6.25%)	1(3.57%)
Supervisor	216(94.74%)	33(94.29%)	42(95.45%)	61(93.85%)	23(95.83%)	30(93.75%)	27(96.43%)

The study relied on the study of Baker et al. (2011) and Prieto and Carvalho (2011) as theoretical guide in the designing of the scale of strategic alignment, while the study of Hamann et al., (2013) was used in designing the scale for performance. The research carried out a pilot study of 45 respondents that was used for the validation of the instrument. The instrument was subjected to construct validity using exploratory factor analysis. The choice of exploratory factor analysis was to provide an objective empirical validity of the instrument. The study accepts items with factor score between .70 and above, which is in line with the recommendation of Hair et al., (2010) (see table 2below).

Table 2: Exploratory factor analysis result on the study Scale measuring Strategic alignment and Performance of Construction firms in FCT.

Component Matrix[a]				
	Component			
	1	2	3	4
FAL 1				.741
FAL 2				
FAL 3				.722
FAL 4				.731
FAL 5				.711
DAL 2	.776			
DAL 3	.785			
DAL 1	779			
DAL 5				
DAL 4	.780			
SAL 1		.826		
SAL 2		.847		
SAL 3		.791		
SAL 5		.701		
SAL 4		.711		
PEF 1			.744	
PEF 2			.832	
PEF 3			.709	
PEF 4			.844	
PEF 5			.709	

Source: Pilot Survey, 2019

Table 2 represents exploratory factor analysis that shows the items validation and score. The test of sphericity indicates that itis significant as the p-value (0.000)is less than(0.05) Factors less than 0.70 were removed as suggested by Hair et al. (2011). The result shows four factors in the instrument. The result showed that functional alignment had four items with variance of (7.001); structural alignmenthas five items accounting for (46.952); dynamic alignment has four items (8.761); and performance has five items (23.071).The three factors explain a total of 62.714% of the variance in strategic alignment, while the

23.071% explains the variance in performance. Thus, the instrument was deemed suitable for further analysis. The study used Cronbach alpha for reliability of instrument, and the result showed that all the items and the scale measuring the constructs were reliable, as they are above the threshold of .70 as recommended by Creswell (2014).

Table 3: Reliability of the Study

Variable	Coefficient	Number of Items
Structural alignment	.863	5
Functional alignment	.712	4
Dynamic alignment	.778	4
Performance	.859	5

Source: Author's Computation, 2019

The technique for analysis is the use of multiple regression technique with the aid of SPSSv25. The technique was chosen because of its amenability to measuring the effect of an independent variable on a dependent variable and also showing which of the variable hasthe most effect in determining the outcome of the dependent variable.

Model Specification

The study draws inference from theoretical underpinning to propose the study model as:
$Y = a + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_n Xn \ldots + e$
Y = Dependent variable
a = intercept (value of Y when Xj is zero)
Bj = regression weight attached to the variable x (x = 1, 2, 3)

Where:

Y = Performance
X1 = Functional Alignment (FAL)
X2 = Structural alignment (SAL)
X3 = Dynamic Alignment (DAL)
Thus:
$Y = a + \beta_1 FAL + \beta_2 SAL + \beta_3 DAL + e$

4. RESULT AND DISCUSSIONS

The instruments distributed were retrieved. Given the sample size of 228, 230 questionnaires were distributed in order to ensure that the minimum sample size was retrieved. However, the 228 was retrieved and was used for further analysis. The demographic distribution of the participants showed that 48(21%) are female and 180(79%) are male respondents. The age distribution shows that 18 – 30 years are 64(28%), 31 – 40 years are 71(31%), 41 – 50 years are 56(25%) while 51 years and above are 37(16%). The study adopted multiple regression, which is further justified, as the core assumptions of the parametric inferential statistics have been fulfilled. Table 4 below are the result.

Table 4: Normality Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Structural	228	1.00	5.00	4.3158	.89360	-1.750	.161	.459	.321
Functional	228	1.00	5.00	4.0175	.92429	-1.048	.161	.770	.321

Dynamic	228	1.00	5.00	3.4386	1.16887	-.493	.161	-.775	.321
Performance	228	1.00	5.00	3.3728	1.21900	-.304	.161	-1.114	.321
Valid N (listwise)	228								

Source: Author's computation, 2019

The data is normal and there is absence of multicollinearity. The data were tested for normality using the Skewness and Kurtosis test. All responses used for this analysis met the required and normal skewness value of being less than 1. The kurtosis values are the range of ± 2 as suggested by Creswell (2003). The Skewness and Kurtosis values for the variables are within the range; as such, parametric analysis of multipleregression can be carried out.

Table 5: Correlation Result on the variables

		Performance	Functionalalignment	Structural alignment	Dynamicalignment
Pearson Correlation	Performance	1.000	.562	.457	.414
	Functionalalignment	.562	1.000	.228	.284
	Structural alignment	.457	.228	1.000	.356
	Dynamicalignment	.414	.284	.356	1.000
Sig. (1-tailed)	Performance	.	.000	.000	.000
	Functionalalignment	.000	.	.000	.000
	Structural alignment	.000	.000	.	.000
	Dynamicalignment	.000	.000	.000	.
N	Performance	228	228	228	228
	Functionalalignment	228	228	228	228
	Structural alignment	228	228	228	228
	Dynamicalignment	228	228	228	228

Source: Author's computation, 2019

Table 5 above shows the relationship among the individual variables that are used in the study. As an assumption of regression, the result shows that none of the variables shows an extreme high r-values, thus, indicating that the data are suitable for the study. The relationship shows a moderate correlation between functional, structural and dynamic alignment to performance.

Table 6: Model Summary showing the relationship between strategic alignment and performance of construction firms in FCT

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.623[a]	.389	.381	4.67513	1.036

a. Predictors: (Constant), Dynamicalignment, Functionalalignment, Structural alignment

b. Dependent Variable: Performance

Source: Author's computation, 2019

The result showed that the relationship between strategic alignment and performance of the construction firms are positively related. The result indicates that the r-value is 0.623, which implies that strategic alignment has a shared relationship of 62.3% with the performance of the construction firms used in this study. The r-square showed the coefficient of determination between the dependent variable and independent variable. The result showed that strategic alignment explains about 38.9% of variance in the performance in construction firms in FCT. The durbin-watson assumption of autocorrelation was fulfilled as it is within the threshold of less than 2, thus confirming that the data are not autocorrelated.

Table 7: ANOVA table showing the relationship between strategic alignment and performance of construction firms in FCT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3112.972	3	1037.657	47.475	.000[b]
	Residual	4895.923	224	21.857		
	Total	8008.895	227			

a. Dependent Variable: Performance
b. Predictors: (Constant), Dynamicalignment, Functionalalignment, Structural alignment
Source: Author's computation, 2019

The f-value 47.475 and p-value (0.000) indicates that the model is fit and significant. The sum of the squares indicates that the data is sufficient for the study to reach model fit. The result implies that strategic alignment has significant effect on performance of construction firms in FCT.

Table 8: Coefficient table showing the relationship between strategic alignment and performance of construction firms in FCT

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.567	2.680		.958	.339		
	Functionalalignment	.519	.060	.475	8.634	.000	.901	1.110
	Structural alignment	.102	.103	.056	.995	.321	.856	1.168
	Dynamicalignment	.259	.057	.259	4.519	.000	.830	1.205

a. Dependent Variable: Performance
Source: Author's computation, 2019

Table 8 above shows the regression line PEF = 2.567 +.519FAL + .102SAL + .259DAL, indicating that at zero value of all independent variables (FAL, SAL, and DAL), the profit level of the indigenous construction forms average 2.567 units. The regression line also indicates that a unit increase in functional alignment, while keeping the structural and dynamic alignment constant will lead to 0.519 units increase in the profit level of the construction firms. Similarly, a unit increase in the value of structural alignment while keeping the functional and dynamic alignment will increase the profit level of the constriction firms by 0.102 units. Finally, a unit increase in the level of dynamic alignment, while keeping constant the functional and structural alignment will lead to 0.259 units increments in the profit level of the construction firms. The result also shows the variable that is likely to have the most effect on performance of construction firms in FCT. The result showed that functional alignment with beta value of (.475) would make the most effect on increasing the performance, as such it can be recommended that firms can start off with this dimension of strategic alignment. Dynamic alignment follows next with a beta value of

(.259) and followed by structural alignment with a beta value of (.056). The table also shows the assumption of homoscedasticity and multicollinearity have been fulfilled, as the values of the tolerance and variance inflation factors are within the threshold as recommended by Creswell, (2014).

Hypothesis One
Ho_1: Functional alignment has no significant influence on profitability of construction firms.
The probability of t-statistics stood at 0.00 which is less than 0.05 level of significance and as such the study reject the null hypothesis, and accept the alternative hypothesis which states that functional alignment has significant influence on profitability of construction firms.

Hypothesis Two
Ho_2: Structural alignment has no significant influence on profitability of construction firms.
The probability of t-statistics stood at 0.321 which is higher than 0.05 level of significance and as such the study reject the alternative hypothesis, and accept the null hypothesis which states thatstructural alignment does not significantly influence profitability of construction firms.

Hypothesis Three
Ho_3: Dynamic alignment has no significant influence on profitability of construction firms.
The probability of t-statistics stood at 0.00 which is less than 0.05 level of significance and as such the study reject the null hypothesis, and accept the alternative hypothesis which states thatdynamic alignment has significantly influence on profitability of construction firms.

4.1 Discussion of Findings

The result has shown that strategic alignment has significant effect on performance of construction. In hypothesis one, the beta value of (.475) shows its contribution to the model. The result showed that the probability of t-statistics stood at 0.00 which is less than 0.05. Hence, the study rejected the null hypothesis, and accepted the alternate hypothesis, which states that functional alignment has significant influence on profitability of construction firms. This finding is consistent with the finding of Prieto and de Carvalho (2018) that showed that functional alignment has significant effect on performance. Also, the study of Bianchini, et al., (2018), and Santa et al., (2010) showed that functional alignment is a strong determinant of performance.

In hypothesis two, the result showed that structural alignment would not have significant effect on performance of the selected construction firms. The probability of t-statistics stood at 0.321 which is higher than 0.05 level of significance and as such the study reject the alternative hypothesis, and accept the null hypothesis which states thatstructural alignment does not significantly influence profitability of construction firms. The study result differs from the findings of Tawaha (2015), and Gerow (2014) that found that structural alignment has significant effect on performance. Similarly, the study of Hough and Liebig (2013) showed variance with this study. This could be because of difference in the sectors in which the study was carried out. The differences in research environment could also account for this difference in findings. Also, the operational nature of the construction firms does not often require that all structure that controls the organisation have to be structured similarly to achieve a fit, as the sector planning are rather contingent to specific. Hypothesis three result showed that dynamic alignment has significant effect on performance of the selected construction firms. The result shows that the probability of t-statistics stood at 0.00 which is less than 0.05 level of significance and as such the study reject the null hypothesis, and accept the alternative hypothesis which states thatdynamic alignment has significantly influence on profitability of construction firms. The finding agrees with the study of Afandi (2017) that also found the value of dynamic alignment on strengthen performance of construction firms. The study of Reynolds and Yetton (2013) also support this finding despite differences in the location and sample of the research. The study of Lee et al. (2017) also agrees with the study finding that dynamic alignment has significant effect on performance.

5. CONCLUSIONS AND RECOMMENDATIONS

The effect of strategic alignment on the performance of selected construction was the focus of this study. The work relies on primary data collection data to achieve this objective and the results are presented in a logical manner. The research concludes that strategic alignment has significant effect on performance. It shows that strategic alignment has a directly positive relationship with performance of the construction, which indicates that implementing strategic alignment would produce positive result for the selected construction firms in FCT. The study concludes that functional alignment would make the most effect in improving performance in the selected construction firms in FCT. It further concludes that ensuring consistent positive performance trajectory in an organisation demands that there is a fit between the strategy of the organisation, its environment and their operational process. Based on the finding the study makes the following recommendations:

i. There is need for the construction firms to ensure that they adopt a functional strategy that allows them to break down the activities or functions or processes in a systematic manner within the organization and creating seamless planning process within units in the organization as this has the propensity of increased performance in the organization.
ii. There is need for construction firms to focus more on ensuring that individual strategy is achieved rather than structurally aligning them, as the study result shows that it may not influence the performance of the construction firms. However, there is need for caution given that this is a causal study, hence, the need for balance between support for individual strategy focus and structurally aligning all organization strategy to achieve increased performance.
iii. Construction firms in FCT needs to ensure that their organization wide strategy are flexible as it will lead to increase performance in the organisation, thereby given them increased opportunity to harness organizations resources to the benefit of the organisation.

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Impact of Medium-Term Expenditure Framework on Budget Implementation in Nigeria

LAMBE, Isaac, Ph.D

Department of Accounting,
Bingham University,
Karu, Nasarawa State.
E-Mail: lambe.isaac@binghamuni.edu.ng, Phone No: +234 8065662589

DADU, Gwong Audu

Department of Accounting,
Bingham University,
Karu, Nasarawa State.

Abstract

This paper examines the impact of Medium-Term Expenditure Framework (MTEF) on Budget Implementation in Nigeria. The research work studied the implementation of annual budget prior to (1994-2004) and after (2006-2016) the adoption of MTEF in 2005. Secondary data gathered from numerous sources including the Central Bank of Nigeria, Budget Office of the Federation, Federal Ministry of Finance, Office of the Accountant-General of the Federation, National Bureau of Statistics, Fiscal Responsibility Commission, were utilized. MTEF was utilized as the independent variable which was proxied by Federal capital budgets while budget implementation was utilized as the dependent variable which was proxied by actual capital expenditure. Correlation analysis was employed in analyzing the data collected, through the instrumentality of PSPP statistical software. Based on the outcome of pre-MTEF and post-MTEF statistical analysis, the research concludes that the adoption of MTEF has not significantly impacted budget implementation in Nigeria. For the correlation coefficient, in as much as the two periods revealed a positive relationship between actual expenditure and budgeted expenditure, post-MTEF relationship (r = 0.3452) indicated a weak position compared to pre-MTEF relationship (r = 0.5922) which is relatively strong. To further validate this position, the average percentage of actual capital expenditure to budgeted capital expenditure for post-MTEF is 77.20% as against pre-MTEF which has 197.5%. The study therefore recommended that the procurement cycle for public procurement as enshrined in the Public Procurement Act (PPA) should be reviewed and amended to a maximum of four weeks. This is possible if technology is incorporated into the procurement processes; the meager percentage of mobilization fees advanced to contractors for government awarded contracts should be reviewed and increase to at least fifty percent (50%) of the contract sum; and the appropriation act should be accompanied with key performance indicators (KPIs) that members of the public and other stakeholders can hold the government accountable to.

Keywords: Actual Expenditure, Budget, Budgeted Expenditure, Budget Implementation, MTEF

1. INTRODUCTION

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". In the words of Adams (2006), budget can 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. According to Ohanele (2010), 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.

Lucien (2002) opined that, for a budget to function as an instrument of fiscal and macroeconomic engineering, both the budget process and budget management must be sound. By sound budgeting, the researcher means a well-planned and implemented public spending strategy that promotes technical efficiency, allocative efficiency and equity. Budgeting in Nigeria is problematic especially when it comes to implementation. Budget implementation problem occurs when the desired result on the target beneficiaries is not actualized. The problem with budget implementation is due to Nigeria's monoculture economy, deficit budgeting, delay in passage of the budget by the legislature and ineffective oversight by the legislative arm of government (Olurankinse & Oloruntoba, 2017). Ezenwafor (2011) opined that failure of the policy (budget) makers to take into consideration the social, political, economic and administrative variables when analyzing formulation creates a huge implementation gap. He emphasized that corruption is the biggest problem that leads to implementation gap in Nigeria. Olurankinse and Oloruntoba (2017) assert that implementation problem comes in this regard when huge amount of money are earmarked for a project but the officers in charge of implementation steal such amount or a substantial part of the budgeted money. Okonjo-Iweala and Osafo-Kwaako (2007) opined that, weaknesses in budget implementation and monitoring had in the past, resulted in low quality of government expenditures and many uncompleted projects. In their opinion, strengthening the budget preparation and execution process was, therefore, urgently needed in order to improve the efficiency of government spending and improve service delivery to the Nigerian public.

The Nigerian budget process in the mid-2000s was ad hoc, opaque, and poorly planned. There was little coherence in the budget formulation. Budget 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. In order to increase efficiency of government spending and improve service delivery, the administration of President Olusegun Obasanjo introduced three planning and control tools in Nigeria budgetary process. The three planning and control tools are the fiscal strategy paper (FSP), medium-term expenditure framework (MTEF) and medium-term sector strategies (Okonjo-Iweala, 2012). In the words of Wildavsky (1986), medium-term expenditure frameworks (MTEFs) constitute an approach to budgeting and public financial management (PFM) that addresses well-known shortcomings of annual budgeting, including shortsightedness, conservatism, and parochialism. According to World Bank (2013), MTEFs take a strategic forward-looking approach to establishing priorities and allocating resources, which allows the level and composition of public expenditure to be determined in the light of emerging needs. MTEFs also require policy makers to look across sectors, programs, and projects to see how spending can be restructured to best serve established policy objectives. According to Okoroafor (2016), the MTEF in Nigeria is an economic and fiscal strategy document that covers a three-year period, but which is revised and updated every year in the manner of a rolling plan. It is the document that spells out the maximum amount that the Federal Government should spend in a particular financial year.

The budgetary systems reforms were initiated to improve the performance of macroeconomic variables in Nigeria and lead Nigeria into a sustainable path of growth and development. In spite of the implementation of these reforms the fundamental economic problems continue to linger. According to Kazeem (2018), poverty is on the rise with Nigeria at present being the world poverty capital, unemployment is becoming a national embarrassment; inflation is excessively high, fiscal indiscipline remains unabated, among other disturbing economic problems. Does it sugges tthat the budget process in Nigeria has been poorly managed? Does that give an impression that the implementation of the annual budget is badly executed? It is pertinent to mention here that much attention has not been focused by the academics, financial experts, development partners, donor organisations or technocrats in the public service to ascertain the extent to which MTEF adoption has influenced budget implementation in Nigeria. Hence, this research work seeks to bridge this knowledge gap by x-raying the implementation of the Federal Budget to ascertain how the adoption of MTEF as the basis for annual budget preparation has impacted budget implementation.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Budget and Budgeting

According to Ahmad and Ahmad (2014), the budget is the basis of financial planning that helps to monitor, control and guide the economy towards planned development through efficient and effective resource utilization. Magani and Gichure (2018), defined budget as an effective tool for planning, coordination, monitoring, controlling resource movements, decision making, performance evaluation and communication as it helps in utilization of the available human, financial and physical resources. Adeniran and Bodunrin (2018) opined that, public budget plays a crucial role in economic management and broader development policies. Importantly, it is the main transmission mechanism of fiscal policy and the key tool through which government could stabilize and influence the economic direction. Lambe (2014), posited that budgeting is a comprehensive and coordinated plan which is packaged by the management of an organization and expressed in financial terms for the operations and resources of an enterprise for some specific period in the future. Budgeting has been defined by Institute of Cost and Management Accountants (ICMA) as quoted in Lambe (2014) as "a plan quantified in monetary terms, prepared and approved prior to a defined period of time usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to beemployed to attain a given objective".

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. According to ICAN (2009), there are four main purposes which a government budget serves namely:

- 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.
- It is a useful guide for the allocation of available resources.
- Through the Legislature, the executive arm uses the budget as a means of accountability for the money earlier entrusted and the appropriations newly approved.
- The budget stands for the request of the Executive arm of government for the legislature to collect and disburse funds.

2.1.2 Medium-Term Expenditure Framework (MTEF) Conceptualized

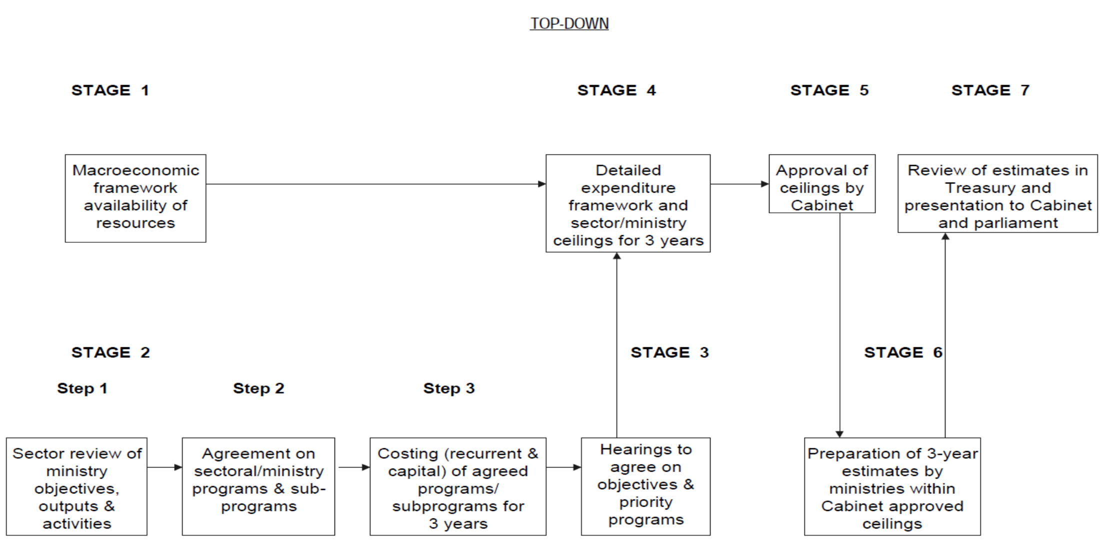
Smith (2015) described MTEF as a detailed income statement of the government over the next three years.According to Pascua (2005), MTEF entails annual budgeting system in which budget decisions relating to new programs and projects are made at every budget preparation session based on three-year fiscal scenarios, to ensure that projects financed for the next three years will be approved under the annual system and will be consistent with the baseline budgeting approach.In the view of Folscher (2007), MTEF is a comprehensive, government-wide spending plan that links policy priorities to expenditure allocations within a fiscal framework—linked to macroeconomic and revenue forecasts—usually over a three-year forward planning horizon. According to World Bank (2013), MTEFs take a strategic forward-looking approach to establishing priorities and allocating resources, which allows the level and composition of public expenditure to be determined in the light of emerging needs. MTEFs also require policy makers to look across sectors, programs, and projects to see how spending can be restructured to best serve established policy objectives.In the opinion of Wildavsky (1986), medium-term expenditure frameworks (MTEFs) constitute an approach to budgeting and public financial management (PFM) that addresses well-known shortcomings of annual budgeting, including shortsightedness, conservatism, and parochialism.

MTEFs are found in countries all across the world. Even though they have been around since the early 1980s, MTEFs did not gain prominence until the late 1990s (World Bank, 2013). MTEFs are not a recent innovation, but their spread around the world is a recent phenomenon. In one form or another, MTEFs have been around since at least the early 1980s, when Australia launched its forward estimates system (Holmes & Evans 2003). A few industrial countries followed suit in the 1980s and early 1990s (Denmark, New Zealand, the Netherlands, and Norway), but some African countries implemented MTEFs only in the late 1990s. The specific context in these countries (with the exception of South Africa) was the need to ensure a multi-year commitment of resources to policies included in poverty reduction strategy papers (PRSPs) (World Bank, 2013).

According to the World Bank's Public Expenditure Management Handbook (1998), failure to link policy, planning and budgeting may be the single most important factor contributing to poor budgeting outcomes at the macro, strategic and operational levels in developing countries. In many countries, the systems are fragmented. Policy making, planning and budgeting take place independently of each other. Planning is often confined to investment activities, which in many developing countries refers to a series of donor-funded projects. Capital expenditures are already largely accounted for through the planning process, and a large portion of recurrent expenditures are pre-committed to the wage bill. For this reason, annual budgeting is reduced to allocating resources thinly across donor and domestically funded "investment" projects and to the nonwage portion of the recurrent budget. In addition, line agencies tend to budget and spend on an ad hoc basis because even small discretionary allocations are rarely predictable. It outlined MTEF objectives to include: improves macroeconomic balance by developing a consistent and realistic resource framework; improve the allocation of resources to strategic priorities between and within sectors;increase commitment to predictability of both policy and funding so that ministries can plan ahead and programs can be sustained; and provide line agencies with a hard budget constraint and increased autonomy, thereby increasing incentives for efficient and effective use of funds.

2.1.3 Stages in the Preparation of MTEF

Preparation and implementation of an MTEF takes place through an integrated, bottom up/top-down strategic planning process consisting of seven main steps, each of which feeds into the next. These steps are represented in the diagram below:



Source: World Bank Public Expenditure Management Handbook (1998)

Given the foregoing, MTEF from the Nigerian perspective indicates that, 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 or any law, the Medium-term Expenditure Framework shall; 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. In addition, 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.

2.2 Empirical Review

Magani and Gichure (2018) conducted a research which examined the influence of public financial management reforms (PFMRs) on budget implementation by Kenyan city counties. The PFMRs studies included IFMIS Re-Engineering and fiscal decentralization. The study was based on modern portfolio theory, resource-based theory and stakeholder theory and relied on an ex-post-facto descriptive research design with a survey method to determine the relationships between the study variables. Structured questionnaires, data collection sheets and interview schedules were used to collect data which was then cleaned, coded and scrutinized thoroughly for completeness. The study relied on primary data collected from the treasuries, directorates of economic planning, budget offices, IFMIS departments and sectoral departments of Nairobi city county, Mombasa city county and Kisumu city county respectively. Secondary data was obtained from the annual county governments' budget implementation reports. The data was analyzed using SPSS version 24. Statistical measures such as means, percentages and standard deviation were used to interpret the data. The researcher also performed both a linear regression analysis and a Spearman correlation analysis to show the relationships between the study variables. The study revealed strong positive and statistically significant correlation between fiscal decentralization and budget implementation while IFMIS re-engineering had a negative and statistically insignificant correlation with budget execution. The Study concludes that the pursuit of further fiscal decentralization should be well calculated and regulated to ensure both the national and county governments remain relevant to the economy. The research recommended a complete decentralization of the integrated financial management information system operations and maintenance to county governments to enable the users have additional rights to operate it, but with stronger controls and strict monitoring.

Egbide, Eddy, Imoleayo, and Kingsley (2016) conducted a research study which investigated the influence of budget reforms specifically the Medium-Term Expenditure Framework (METF) and Fiscal Responsibility Act (FRA) on poverty reduction in Nigeria. Historical time series data were collected representing 7 years before and 7 years after the adoption of MTEF and 5 years before and 5 years after the enacment of FRA. The study utilized pre-test/post-testdesign of a paired sample t-test. The results revealed that poverty index (POI) in Nigeria reduced after the introduction of both MTEF and FRA. However, while the reduction after the introduction of MTEF was statistically significant, the reduction after the enacment of FRA was not insignificant.The research concluded that MTEF has had significant impact on the incidence of poverty in Nigeria, although the impact was not supported by improvement in the quality of budget management. The study recommened the enforcement of stricter adherence to budgetary and other public finance management reforms in order to generate impact on the economy.

Egbide, Sola, & Francis (2014) carried out a research on "The Impact of Budget Reforms on the Quality of Budget Management in Nigeria". They considered budget management reforms that were introduced in the Nigerian public service reforms undertaken from the inception of civilian administration in 1999. The research empirically investigated the impact of budget reforms on the quality of budget management in Nigeria. The Medium-Term Expenditure Framework (MTEF) and the Fiscal Responsibility Act (FRA) form the proxies for budget reforms, while budget discipline (BDISC) and fiscal discipline (FDISC) were used as proxies for the quality of budgeting. Historical time series data representing 7years before and 7 years after the adoption of MTEF, and 5 years before and 5 years after the enactment of FRA were collected and analysed using the pre-test/post-test design of a Paired Sample T-test. The result favoured the initial proposition that budget reforms (MTEF and FRA) had not significantly impacted on the quality of budget management (BDISC and FDISC) in Nigeria. The researchers concluded that budget reforms had not had any significant influence on the Nigerian budget management. In other words, the MTEF and FRA had not been able to tame the spate of indiscipline in Nigeria's budgetary process. It was, therefore, recommended that the government should provide the leadership and political will, not only to enforce the provisions of FRA, MTEF and other reforms, but to sanction those that short circuit the system to their advantage. This will go a long way to enhance compliance with the reforms and bring about the expected improvement in the quality of the nation's budget management.

Okpala (2014) carried out a research work which investigated the concept of MTEF and its relationship with budget effectiveness in Nigeria public sector. The study adopts a cross sectional survey research design. Six-point rating scaled structured questionnaire starting from highly ineffective to highly effective was used to elicit primary data from 258 selected members of the population which consists of senior staff of accounting, finance and internal audit department of Federal Ministry of finance, Fiscal Responsibility Commission and CBN. Statistical Package for Social Sciences (SPSS, IBM Version, 21) was used for processing and a Karl Pearson Product Moment Correlation Co-efficient technique was used for analysis to confirm the formulated hypotheses.The result shows that the MTEF positively and significantly correlates with budget process, sectoral planning, aggregate discipline and revenue estimation in Nigeria public sector. The study concluded that MTEF has influenced budget effectiveness by overcoming the shot sighted planning, irresponsible resource allocation, and has coordinated the linkage between policy, planning and budgeting which led to improved service delivery in the Nigerian public sector.The research recommended that government at all levels in Nigeria should be committed to the principle of MTEF. Furthermore, public servants concern with MTEF should be trained regularly to keep them abreast with the current trend in MTEF development.

Afiah and Rusmana (2014) carried out a research on "The Impact of Budgeting Approaches on the Budgeting Implementation and Local Governance (Study in Indonesia)". The methods employed for this research are descriptive and explanatory ones, surveying 36 Local Governments in Central Java-Indonesia. Data collection was conducted using surveying techniques with questionnaire complimented with observation. Secondary data were obtained by using the results of the audit reports of local government financial reports by the Supreme Audit Board (BPK) and the Ministry of Finance. The analysis method used is Path Analysis. The research was conducted from January until September 2009. The results showed that the implementation of the Medium-Term Expenditure Framework (MTEF) approach, unified budget, performance-based budgeting, and the implementation of local government budget, and the implementation of principles of good local government governance simultaneously affect the financial performance of local government by 65.84% in the condition of moderate impact. Partially, the implementation of budget has a dominant influence on the principles of good local governance.The research concludes that the implementation of MTEF, unified budget, and performance-based budgeting significantly affect the budget implementation, meaning that local government will be able to improve the quality of implementation of the local government's budget. The research recommended the adoption of the paradigm of the pillars of public finance reform (namely the Medium-Term Expenditure Framework (MTEF), unified budget and performance-based budgeting) should havemore enhanced role, so that the budget implementation of local governance will run well.

2.3 Theoretical Review

2.3.1 Stakeholder's Theory

The study will also be based on stakeholders' theory whose proponent is Freeman R.E. (1984). The theory posits that Corporations have stakeholders who benefit or are harmed by, and whose rights are violated or respected by corporate actions. Traditionally, a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives, (Fontaine, Haarman, & Schmid;

2006 as quoted in Mathenge, Shavulimo, & Kiama; 2017). The concept of stakeholders is a generalization of the notion of stakeholders who themselves have some special claim to the firm (Freeman, 1984). The organization should be thought of as a grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints.

The stakeholder's theory is one of the theories that underpins this research work. The executive arm of government is constitutionally the corporation that owns the MTEF and the Appropriation Act whereas the legislative arm, civil society organization and members of the general public are stakeholders who have interest in MTEF.

2.3.2 Agency Theory

According to Mathenge, Shavulimo, and Kiama (2017), the Agency theory is probably the most important theory of corporate governance both in private and public organizations. The theory was developed by Jensen and Meckling in 1976 but originated from the works of Berle and Means in 1932. Agency relationship is defined as a situation where one party (principal) appoints another (agent) to perform services on their behalf and delegates decision making authority to them. The underlying premise of this theory is that those individuals tasked with representation of others should ultimately commit the corporate resources to value maximization for those they represent. The agents are expected to exercise due diligence and care in making corporate decisions and ensure the interests of the principal are safeguarded.

This theory equally underpins this research work. The agency relationship exists between those charged with the responsibility of formulating and implementing the budget and the citizens. The citizens are the principal while the executive and legislative arms of government are the agents of the citizens whose job is to ensure maximisation of the resources of the nation through efficient allocation to MDAs in the budget. The Fiscal Responsibility Act (2007) as amended has defined this agent-principal relationship in terms of preparation of MTEF. Section 13 (1) of the act states that the Minister shall be responsible for the preparation of the Medium-Term Expenditure Framework. Hence, the Minister as an agent prepares the Medium-Term Expenditure Framework on behalf of the principal (general public/citizen). The following agencies of governmentare equally regarded as agents of the general public in the preparation of MTEF: National Planning Commission, Joint Planning Commission, National Commission on Developmental Planning, National Economic Commission, National Assembly, Central Bank of Nigeria, National Bureau of Statistics, Revenue Mobilisation Allocation and FiscalCommission, and Any other relevant statutory body as the Minister maydetermine. Section 13 (2) paragraph (b) of the Fiscal Responsibility Commission Act (2007) as amended provides that the Minister shall seek inputs of these agencies of government in the preparation of MTEF.

3. METHODOLOGY

This is an empirical research designed to assess the impact of MTEF on budget implementation in Nigeria. Empirical research was considered appropriate for this study because it entails the collection and analysis of quantitative data to explain the phenomenon of interest. This research work studied the implementation of annual budget before and after the adoption of MTEF in 2005. That is, attention was focused on eleven years pre-MTEF adoption and eleven years post-MTEF adoption. Secondary data were used for this study and they were gathered from sources which include Central Bank of Nigeria, Budget Office of the Federation, Federal Ministry of Finance, Office of the Accountant-General of the Federation, National Bureau of Statistics, Fiscal Responsibility Commission, and other relevant institutions. The research work has two variables one independent and one dependent. MTEF is the independent variablewhich is proxied by Federal capital budgetswhile budget implementation is the dependent variablewhich is proxied by actual capital expenditure.The population of this study is federal budgets of the Federal Government of Nigeria before and after the adoption of MTEF. The pre-MTEF implementation will cover federal budgets from 1994 to 2004 whereas the post-MTEF implementation will cover federal budgets from 2006 to 2016.

The secondary data gathered for the purpose of this research were analysed with the use of PSPP statistical software. Correlation coefficient (bivariate analysis) was used to ascertain the empirical relationship between MTEF and budget implementation for pre-MTEF and post-MTEF adoption. MTEF was proxied by budgeted capital expenditure while budget implementation was proxied by the actual capital expenditure. The researcher ran a Pearson Correlation coefficient analysis to show the relationship between the pre-MTEF capital budget and actual capital expenditure during the period and post-MTEF capital budget and actual capital expenditure during the period. The model for the study is analysed below:

$$Y1 = f(X1) \quad (1)$$

$$Y2 = f(X2) \quad (2)$$

Where:

$Y1$= Pre-MTEF actual capital expenditure,

$Y2$= Post-MTEF actual capital expenditure,

$X1$= Pre-MTEF capital expenditure budget and

$X2$= Post-MTEFcapital expenditure budget.

The formula for calculating the correlation coefficient for two variables X and Y is as follows:

$$r = \frac{\sum (X-\bar{X})(Y-\bar{Y})}{\sqrt{\sum (X-\bar{X})^2 \sum (Y-\bar{Y})^2}}$$

Where:

The symbols X and Y represent the sample of X and Y, respectively and r represents correlation coefficient.

The research also computed yearly percentage change in actual capital expenditure. This approach will assist in measuring the performance of capital budget year in year out and compare the aggregate percentage change for pre-MTEF and post-MTEF period.

4. RESULT AND DISCUSSION

Summary of Pre-MTEF and Post-MTEF Statistical Result

Category	**Correlation Coefficient** (r)	**Average Percentage of Actual capital Expenditure to Budgeted Capital Expenditure (%)**	**Sum ofYearly Percentage Change in Actual Expenditure (%)**
Pre-MTEF	0.5922	197.55	64.75
Post-MTEF	0.3452	77.20	-1.39

Source: Researcher's computation (2020)

Based on the outcome of pre-MTEF and post-MTEF statistical analysis summarized in table 4.3 above, the adoption of MTEF has not significantly impacted budget implementation in Nigeria. Although the two periods revealed a positive relationship between actual expenditure and budgeted expenditure, post-MTEF relationship is weak compared to pre-MTEF relationship which is relatively strong. The outcome of this analysis is in tandem with research work conducted by Egbide, Sola, & Francis (2014) on "The Impact of Budget Reforms on the Quality of Budget Management in Nigeria". The result of their research revealed that MTEF had not significantly impacted on the quality of budget management in Nigeria. The overall outcome of these researches did not go well with the prediction of the promoters of MTEF who believed that the adoption of MTEF will address the shortcomings of budgeting and brings about sustainable economic growth and development in the Nigerian economy.

5. CONCLUSION AND RECOMMENDATION

The concept of Medium-Term Expenditure Framework (MTEF) was introduced in Nigeria like other developing countries in order to eliminate problemsof shortsightedness and parochialism associated with annual budgeting. The Nigerian budget process in the mid-2000s was ad hoc, opaque, and poorly planned (Okonjo-Iweala, 2012). The incremental or traditional budgeting system in used in Nigeria does not create a link between planning, decision making and budgeting. Hence, MTEF was introduced to address the problem of picking the previous year budget and adding some percentage or activities into it to create the succeeding year budget. MTEF was equally introduced in Nigeria to address the problem of projects abandonment that has become rampant in all the tiers of government. MTEF in Nigeria is a three-year medium-term plan developed by the executive arm of government with inputs from major stakeholders such as civil society organization and the National Assembly which forms the basis for annual budget.Based on the outcome of pre-MTEF and post-MTEF statistical analysis presented in 4.3 above, the adoption of MTEF has not significantly impacted budget implementation in Nigeria. For the correlation coefficient, inasmuch as the two periods revealed a positive relationship between actual expenditure and budgeted expenditure, post-MTEF relationship is weak compared to pre-MTEF relationship which is relatively stronger.To further confirm this relationship position, the average percentage of actual capital expenditure to budgeted capital expenditure for post-MTEF is 77.20% as against pre-MTEF which has 197.5%. Using sum of year percentage change in actual expenditure as a criterion for measuring the impact of MTEF in budget implementation, pre-MTEF revealed a positive change of 64.75% whereas post-MTEF further exposed the inconsequential impact of MTEF on budget implementation with a -1.39%. In conclusion, MTEF adoption has not significantly impacted budget implementation in Nigeria.

Based on the conclusion drawn from data analyzed, the study recommends as follows:

i. The tapering of the bureaucracy involved in the release of appropriated funds to Ministries, Departments and Agencies (MDAs) of government.

ii. The procurement cycle for public procurement as enshrined in the Public Procurement Act (PPA) should be reviewed and amended to a maximum of four weeks. This is possible if technology is incorporated into the procurement processes.

iii. The meagre percentage of mobilization fees advanced to contractors for government awarded contracts should be reviewed and increase to at least fifty percent (50%) of the contract sum.

iv. The executive arm of government should seek the input of the appropriation committee of the National Assembly (Senate and House of Representative) during MTEF and budget proposal preparationin order to reduce parliamentarian time spend on the review of the MTEF and the budget proposals.

v. The appropriation act should be accompanied with key performance indicators (KPIs) that members of the public and other stakeholders can hold the government accountable to.

vi. The executive should sanction those MDAs that contribute to late submission of budget proposal to the National Assembly.

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Effect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria

AKINTUNDE, Adewale John

Department of Accounting
Bingham University,
Karu, Nasarawa State.
Phone No: +234 8036234536

ARUMONA, Jonah, Ph.D

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: jonaharumona@yahoo.com, Phone No: +234 07034684686

Abstract

Foreign Direct Investment (FDI) can be a source of valuable technology and know-how and enhances linkages with local firms, which can help to boost growth in an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies. Deficit spending may be consistent with public debt remaining stable as a proportion of GDP, depending on the level of GDP growth. When the economy has high unemployment, an increase in government purchases creates a market for business output, creating income and encouraging increases in consumer spending, which creates further increases in the demand for business output. The policies of budget deficits have however posed challenges to the Nigerian economy with regard to its effectiveness and the accumulation of debt, the justification for growth notwithstanding. Government deficit spending is a central point of controversy in economics, with prominent economist holding differing views. Ordinary Least Square (OLS) multiple regression technique is used and it is useful for estimation, Gross Domestic Product which is the dependent variable will be regressed on the explanatory variables in the equation which includes Foreign Direct Investment and Budget Deficit. The findings of the study indicated that Foreign Direct Investment and Budget Deficit made positive impact on Economic Growth in Nigeria. The recommendations of the study were: Fiscal deficits should be channeled to productive investments like road construction, electricity provision and Pipe-borne water that would serve as incentives to productivity through the attraction of foreign direct investments and adequate monetary policy should be geared towards balancing the role money supply performs to both budget deficit and Foreign Direct Investment.

Keywords: Budget Deficit, Foreign Direct Investment, Economic Growth, GDP

1. INTRODUCTION

Foreign Direct Investment (FDI) can be a source of valuable technology transfer and know-how and enhances linkages with local firms, which can help to boost growth in an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies (Melnyk, Kubatko & Pysarenko, 2014). For a developing country like Nigeria, Foreign Direct Investment is considered as a way of transferring technology and capital from other developed and even developing countries to the domestic economy. According to Solomon (2013), Foreign Direct Investment is considered to be one of the major channels of technological transfer. Melnyk, Kubatko and Pysarenko (2014) believe that when Foreign Direct Investment comes to a domestic country (in specific business), that firm receives a competitive advantage due to the usage of new knowledge, experience, ways of production and management (Silvio, and Ariel, 2013).

Budget deficit is a situation where current expenditure exceeds current expected income. Budget deficits have become a recurring feature of public sector financing in Nigeria from 1990 - 2018. The Keynesian demand-side economics emphasized the need for expansion in government expenditures even beyond current income, particularly during depressions when the economy suffers from an insufficiency of active demand, such as the Great Depression of 1929 to 1932, and more recently, the 2008 Global Financial and Economic Crisis. This will thereby increase the demand for productive output, resulting in reflation of the economy and employment creation (Anyanwu and Oaikhenan, 2012; Ogboru, 2010).

A commonly observed phenomenon in most developing countries is that, the public sector plays a dominant role in initiating and financing economic growth. Sustainable economic growth and development is one of the most challenging issues in both developed and developing countries of the world. The importance of an effective running of monetary and fiscal policies is to reduce balance of payment deficit, control inflation, reduce unemployment and sustain economic growth. A deficit does not simply stimulate demand. If private investment is stimulated, that increases the ability of the economy to supply output in the long run. Also, if the government's deficit is spent on such things as infrastructure, basic research, public health, and education, that can also increase potential output in the long run. Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with the same inputs of labor, capital, energy and materials (Najid, 2013). The policy of budget deficits has however posed challenges to the Nigerian economy with regard to its effectiveness and the accumulation of debt, the justification for growth notwithstanding. Government deficit spending is a central point of controversy in economics, with prominent economist holding differing views. Economic research over the years has shown that budget deficit results in a number of economic consequences, particularly for economic growth and development. Also, numerous macro-economic aggregates are affected in the process of budget deficit. The high level of debt service payment prevented the country from embarking on large volume of domestic investment, which would have enhanced growth and development. With the debt forgiveness granted to Nigeria, one would expect the economic process of the country to be increased.

Despite the considerable volume of research on the subject, there is conflicting evidence in the literature regarding the question as to how Foreign Direct Investment relates to economic growth. In particular, a two-way interaction has been discussed in the literature of Foreign Direct Investment(FDI)-growth relationship. On one hand, Foreign Direct Investment is being seen, by many, as an important element in the solution to the problem of scarce local capital and overall low productivity in many developing countries (Eller, Haiss, Steiner, 2014). Hence, the flow of foreign direct capital is argued to be a potential growth-enhancing player in the receiving country. This view is challenged by many authors. For example, Carkovic and Levine (2012) show that there is no robust impact from FDI on growth if country-specific level differences, endogeneity of FDI inflows and convergence effects are taken into account. In addition, Akinlo (2012) showed that both private capital and lagged foreign capital have no statistically significant effect on the economic growth. This research work has been guided by the following research questions. What impact does Foreign Direct Investment and Budget Deficit make on Economic Growth in Nigeria? Consequently, the hypothesis underlying this study is stated thus:

$H_0$1: Foreign Direct Investment and Budget Deficit do not make positive impact on Economic Growth in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Foreign Direct Investment (FDI) and Economic Growth conceptualized

Foreign Direct Investment is a form of lending or finance in the area of equity participation. It generally involves the transfer of resources, including capital, technology, and management and marketing expertise. Such resources usually extend the production capabilities of the recipient country (Odozi 2014).

The concept of Foreign Direct Investment refers to a movement of capital that involves ownership and control of a firm in another country. The concept of FDI and Economic Growth has remained on the relationship between the MNEs and the host societies and how development is appraised in these host societies. The issue of contribution to development through social responsibility by the business enterprise has become a topical issue in management decision and is negatively favoured in these host societies. The Multinationals provides inputs at lower cost to local downstream buyers or by their increasing demand for inputs produced by local upstream suppliers. This took place in some developing countries including Nigeria as nationals of these countries have their capacity built in various sectors and now hold technical and managerial positions in multinational enterprises. Host economy receives rents from multinational enterprises. It is argued that by attracting multinational firms, the host economy captures a portion of the rents that these firms generate (Glass & Saggi, 2011). Multinational enterprises pay corporate tax and other taxes imposed on them by the host government, which generates huge sums of money in U.S dollars that have enabled the governments of host economies in their developmental strides. Another area is an increase in an economy’s access to specialized intermediate inputs which are produced in more developed economies and accessible abroad through multinationals.

This, according to the proponents of FDI, it raises the economy’s total factor productivity, especially in the less developed economies through access to the stock of knowledge capital. This access makes labour and other factors in the host economy more productive (Imoudu, 2012). Besides, FDI Improve the living standard of the host economy. It is argued that MNEs pay their workers higher wages, hence improvement in the standard of living. Meanwhile, MNEs pay the highest wage to nationals of the host countries and the trickledown effects of this accelerate the development of the regions. Moreover, Thomson (2009) also asserted that “FDI is also capable of enhancing the level of competition in an economy and bring in ideas; innovations, expertise and other forms of technology, which host economy could not necessarily have created on its own”.

According to Rivera-Batiz (2014), FDI also weakens the domestic industries by stifling them. He further argues that “foreign firms tend to over flood the host countries through dumping and stifling domestic production of similar products or items. The Nigerian economy has been suffocated with different kinds of importation that includes, cheap cloth fabrics, common food items, toothpicks and even children toys. Similarly, Rivera-Batiz (2014) maintained that “multinational enterprises engage in predatory practices, formal or informal collusion and political lobbying to reduce domestic competition, allowing them to capture monopoly or oligopoly rents”. In supporting this, it is worthy of note that in Nigeria, multinational enterprises like Siemens and Halliburton including the construction giant Julius Berger are known to have offered inducement to those at the corridors of power in order to get government patronage in pursuit of their investment drive.

2.1.2 Concept of Budget Deficit

Budget deficit refers to a situation where the total expenditure of government exceeds total revenue. It is a financial situation that occurs when an entity has more money going out than coming in. The term is most used to refer to government spending rather than business or individual spending. Today and even the past, budget deficit policy is famous instrument of fiscal policy used to increase the rate of economic growth of the country (Stevan, 2010). The term usually refers to a conscious attempt to stimulate the economy by lowering tax rate or increasing government expenditure. Imobighe (2012) see budget deficit as a situation in which the federal government’s excess fund of outlays over receipt of revenue for a given period is financed by borrowed funds from the public. Budget deficit as a way of financing was established after the two world wars, oil crises and current financial and economic crises. There are three ways to finance the deficit – taxes, borrowing and monetization (inflation tax). The most popular model of deficit finance is borrowing which is usually done by issuing of government bonds (Stevan, 2010).

The idea of budget deficit has its root in fiscal policy. To understand budget deficit, one must understand fiscal policy which is a major instrument of macroeconomic stability. Attempts by economists to explain fiscal policy impact on macroeconomic management began with the Classical and Keynesian schools of thought, as the former underscores the invisible hand that regulate the markets, and that government needs to tamper with the economy; the latter recognizes the need for government intervention to correct the potential instability in the economy which the market system is incapable of adjusting. They thus, advocate for the use of fiscal policy by government through budget deficit to tackle economic depressions (Okoye and Akenbor, 2010. Therefore, Gbosi (2012) described fiscal policy as those steps taken by government to influence macroeconomic activities through the management (manipulation) of government budget. The various reasons for budget deficit are categorized as political considerations, economic issues and social factors (Gbosi, 2012). As politics generally cannot be separated from economics in both developed and developing nations today, political considerations now outweigh economic considerations in most government decisions. For instance, the aims of policy makers and political leaders to meet the needs of the citizens as well as delivering dividends of democracy have often driven up expenditure. And in the long run, this will result in deficits as the case in Nigeria in the recent times. Budget deficit however, may also result from government inefficiency, reflecting widespread tax evasion or wasteful spending rather than the operation of a planned countercyclical policy.

The profile of the Nigerian budget deficits seems to have reached a level of serious concern to many and scholars in particular. The Nigerian government has been running huge deficits since the civil war years. The deficits as percentage of GDP have continued to be on the increase and one immediate result is the escalating public debt. Budget deficits have a disastrous effect on monetary policy. Both theory and empirical research have provided evidence to show that large budget deficits increase real interest rate, lower investment and thereby slow down productivity growth and decrease income (Imobighe, 2012). This is premised on the fact that even at borrowing, the larger part of the borrowed funds are often used to procure capital equipment in foreign currencies which constitutes addition to foreign debt.

2.2 Empirical Review

Uwubanmwen and Ogiemudia (2016) examined the effect of Foreign Direct Investment on economic growth in Nigeria using annual time series data covering the period 1979 to 2013. The data were modelling using Error Correction Model. The results reveal that FDI has both immediate and time lag effect on Nigeria economy in the short run but has a non-significant negative effect on the Nigeria economy in the long run. Muntah, Khan, Haider and Ahmad (2015) studied the impact of Foreign Direct Investment on economic growth of Pakistan covering the period 1995 to 2011. The data were sourced from World Bank, Economy of Pakistan Books, Index Monde and Economic Survey of Pakistan. Regression analysis was used in the study. They found that FDI impacts positively on economic growth of Pakistan. Agrawal (2015) assessed the relationship between Foreign Direct Investment and economic growth in the five BRICS economies, namely, Brazil, Russia, India, China and South Africa over the period 1989 – 2012. Cointegration and Causality analysis were applied. The results indicate that Foreign Direct Investment and economic growth are cointegrated at the panel level, indicating the presence of long run equilibrium relationship between them. Results from causality tests indicate that there is long run causality running from Foreign Direct Investment to economic growth in these economies.

Koojaroenprasit (2012) explored the impact of Foreign Direct Investment on economic growth of South Korea using secondary data for the period 1980–2009. Multiple regression analysis was employed in the study. This study found that there is a strong and positive impact of FDI on South Korean economic growth. Furthermore, the study indicated that human capital, employment and export also have positive and significant impact, while domestic investment has no significant impact on South Korean economic growth. He argued that the interaction effects of FDI- human capital and FDI-export indicated that the transfer of high technology and knowledge has an adverse impact on South Korean economic growth. Jyun-Yi and Hsu (2008) analysed the effect of FDI on economic growth for 62 countries over the period 1975-2000. It was found that FDI did not accelerate growth in all sampled countries. The authors used the Regression Analysis method approach for panel data estimations. Moreover, using the GMM method (controlling for endogeneity and nonspherical errors), it was found that FDI did not have any positive effect on growth. The results of the threshold regression controlled for the amount of GDP, initial human capital, some social and institutional parameters do represent positive influence of FDI on economic growth. It was stated that recipient countries can learn and as a result benefit from foreign investors. Solomon and Eka (2013) investigated the empirical relationship between Foreign Direct Investment and economic growth in Nigeria. The work covered a period of 1981-2009 using an annual data from Central Bank of Nigeria statistical bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The result of the OLS techniques indicated that FDI has a positive but has insignificant impact on Nigerian economic growth for the period under study.

Adam (2010) examined the relation between budget deficits and growth for a panel of 45 developing countries. The data were modelling using Error Correction Model. The results reveal that a possible non-linearity in the relation between growth and the budget deficit for a sample of developing countries. Nelson and Singh (2012) used data on a cross section of 70 developing countries during two time periods, 1970-1979 and 1980-1989, to investigate the effect of budget deficits on GDP growth rates. Regression analysis was used in the study. This study concludes that the budget deficit had little or no significant effect on the economic growth of these nations in the 1970s and 1980s. Nelson (2012) modelling the relationship between budget deficit, macroeconomic uncertainty and growth of Argentina for the period 1975-2006. Regression analysis was used in the study and concluded that the deficit hampered on per-capita income growth in Argentina through the volatility in relative prices. Taylor (2012) examined the interactions between the 'primary' budget deficit, economic growth and debt for the period 1961-20 of USA. It found a strong positive effect on growth of a higher primary deficit, even when possible increases in the interest rate are taken into account. Abell (2010) studied the relationship between budget deficits and macroeconomic performance of US using Vector Autoregressive Model (VAR) for the period 1980–2010. He found no evidence that larger government deficits increase prices, spending, interest rates, or the money stock. Karras (2012) studied the relationship between budget deficits and macroeconomic variables in a cross sectional study involving 32 countries for the period 1950–1980, using OLS and GLS. He found out that deficits do not lead to inflation, they are negatively correlated with the rate of growth of real output and increased deficits appear to retard investment.

2.3 Theoretical Framework

2.3.1 The Keynesian Theory

According to Salen (2003) as stated by Yellen (2012), this group of economists proposed a positive relationship between budget deficit and macroeconomic aggregates. They maintained that budget deficits results to an increase in the domestic production, increases aggregate demand, increases savings and private investment at any given level of interest rate. The main argument against the Keynesian theory suggests that an increase in the budget deficits would induce domestic captivation and thus, import expansion, causing current account deficit. In the mundell-Fleming framework, an increase in the budget deficit would induce an upward pressure on interest rate, causing capital inflows and an appreciation of the exchange rate. That will increase the current account balance.

The Keynesian school of thought differs from the standard neoclassical paradigm in two ways; first, the Keynesian school permits that the possibility that some economic resources are unemployed, secondly, they presuppose that existence of large number of liquidity constrained individuals. This assumption guarantees that aggregate consumption is very sensitive to changes in disposable income. Many traditional Keynesians maintained that deficits need not crowd-out private investment. Eisner (1989) reported in Yellen (2012) argued that increased aggregate demand enhances profitability of private investments and leads to higher level of investment at any given rate of interest. Therefore, deficits may stimulate aggregate savings and investment despite the fact that they raise interest rates. He concludes that evidence abounds that deficits have not crowded- out investment; instead there is a crowd-in.

3. METHODOLOGY

The research design used for this work was the expo facto research design. The research design will evaluateeffect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria. This study shall cover the period of 1990 to 2017; a sample size of 27 years is long enough for time series analysis. The data for this study are secondary in nature. They shall be obtained from the Central Bank Nigeria Statistical Bulletin 2017 publication. The approach used in this research is basically on secondary source. The use of secondary method was chosen for this study because it is considered to be the most appropriate method for needed information at the least amount of time. In this research work, secondary method is used for the collection of data.

In formulating an econometric model for the budget deficit on money supply and on inflation, a theoretical model put forth by (Adam and Bankole, 2012) explains the impact of budget deficit in the developing countries. From the theoretical review in the previous chapter, it is observed that there existed a causal link between Budget Deficit and Economic Growth. The model is to verify effect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria. The approach is to modify the model, by specifying a multiple regression analysis techniques, made up of (Gross Domestic Product) as a function of the independent variables (Foreign Direct Investment andBudget Deficit). Also, it is obvious that (Foreign Direct Investment and Budget Deficit) will influence (Gross Domestic Product).

The model is specified as:

$$Ygdp = b_0 + b_1 fdi + b_2 bd + ei \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 1$$

$$b1>0,\ b2<0,$$

Where:

gdp= Gross Domestic Product in Nigeria.
Fdi = Foreign Direct Investment
bd = Budget Deficit
ei = Error Term.

B_0 is to take care of the constant variable; b_1 is the coefficient of fdi (Foreign Direct Investment inflow) which is expected to be greater than Zero because it is positively related to Gross Domestic Product. B_2 is the coefficient of bd (Budget Deficit) which is expected to be less than Zero because it is negatively related to Gross Domestic Product.

Ordinary Least Square (OLS) regression technique was used and it is useful for estimation, Gross Domestic Product which is the dependent variable will be regressed on the explanatory variables in the equation which includes: Foreign Direct Investment and Budget Deficit. Some statistical and econometric test will be used to evaluate the regression, these include, Multiple R, which is the correlation coefficient and it, measures the extent of relationship between variables, R – squares, which is the coefficient of determination measures the percentage (proportion) of variation in the dependent variable that can attribute to the independent variables. The F statistics, The Beta coefficient (measures the relative significance of each of the independent variable), "t" statistics and Durbin Watson test (test for auto correlation of errors in the regression equation).

4. RESULT AND DISCUSSION

In econometric analysis attempt is usually made in discovering and establishing existing relationship between the different economic variables involved in the analysis.To this effect the chapter would serve as an attempt to evaluate effect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria (1990 – 2017).

This should be done by checking the type of relationship that exists between the dependent variable: Gross Domestic Product (GDP) and the independent variables: Foreign Direct Investment (Inflow) and

Budget Deficit. This shall be done through the use of regression analysis. The computational device is SPSS software programme.

4.1 Data Presentation

Table 1: Raw Data for Analysis

Year	Budget Deficit	GDP	FDI
1990.0	1.93	499.68	10450.2
1991.0	-7.41	596.04	5610.2
1992.0	0.23	909.8	11730.7
1993.0	-53.23	1259.07	42624.9
1994.0	0.65	1762.81	7825.5
1995.0	122.14	2895.2	55999.3
1996.0	244.98	3779.13	5672.9
1997.0	264.65	4111.64	10004.0
1998.0	175.63	4588.99	32434.5
1999.0	212.92	5307.36	4035.5
2000.0	135.67	6897.48	16453.6
2001.0	217.65	8134.14	4937.0
2002.0	19.98	11332.25	8988.5
2003.0	38.96	13301.56	13531.2
2004.0	220.9	17321.3	20064.4
2005.0	437.0	22269.98	26083.7
2006.0	546.4	28662.47	41734.0
2007.0	744.39	32995.38	54252.2
2008.0	1076.08	39157.88	37977.7
2009.0	515.01	44285.56	56297.3
2010.0	-20.2	54612.26	65130.4
2011.0	239.03	62980.4	72428.4
2012.0	304.45	71713.94	80822.5
2013.0	342.77	80092.56	90526.8
2014.0	324.78	89043.62	93411.3
2015.0	-400.92	94144.96	94218.4
2016.0	-975.39	101489.49	96255.3
2017.0	-1932.66	113711.63	98292.2
2018.0	-1920.52	125695.20	99540.3

Source: Central Bank of Nigeria (CBN) Statistical Bulletin, 2018

4.3 Data Analysis and Interpretation of Results

Table 2: Regression Analysis Result

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Foreign Direct Investment, Budget Deficit[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Gross Domestic Product

Table : 3 *Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.933[a]	.870	.860	13501.01583	1.973

a. Predictors: (Constant), Foreign Direct Investment, Budget Deficit

b. Dependent Variable: Gross Domestic Product

The R-Square is 0.933, which suggests a strong positive relationship between the dependent variable that is: Gross Domestic Product and the independent variables Foreign Direct Investment (Inflow) and Budget Deficit. The adjusted R^2 of 0.860 suggests that 86% of the total change in Gross Domestic Product can be attributed to the Independent variables.

Table: 4 ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.060E10	2	1.530E10	83.936	.000[a]
	Residual	4.557E9	25	1.823E8		
	Total	3.516E10	27			

a. Predictors: (Constant), Foreign Direct Investment, Budget Deficit

b. Dependent Variable: Gross Domestic Product

The F – statistics shows that the equation or model employed is statistically significant at a value of 83.936 with p value (significant F = 0.000) which means that the relationship between Gross Domestic Product and the independent Variables Foreign Direct Investment Inflow and Budget Deficit is statistically significant (sig f< 0.0500 is statistically significant) The judgment and estimation is based on the independent variable as well as the appropriate expectation and the ratio will be taken into consideration. Budget Deficit is found to be negatively related to Gross domestic product at a t-ratio of -1.790 and it has a negative impact on Gross Domestic product in Nigeria, Having the value of its coefficient as -9.253.

Table: 5 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5337.404	4435.059		-1.203	.240
	Budget Deficit	-9.253	5.168	-.137	-1.790	.085
	Foreign Direct Investment	.944	.083	.877	11.426	.000

a. Dependent Variable: Gross Domestic Product

Foreign Direct Investment is found to be positively and significantly related to Gross Domestic Product at a t– ratio of 11.426and it has a positive impact on the Gross Domestic product in Nigeria, Having the value of its coefficient as 0.944. A Unit Increase in Foreign Direct Investment inflow will Cause a 0.944increase in Gross Domestic product in Nigeria. A Unit Increase in Budget Deficit will Cause a 9.253 decrease in Gross Domestic Product in Nigeria

Based on the hypothesis of the study: Ho: "Foreign Direct Investment does not make positive impact on Economic Growth in Nigeria" and "Budget Deficit does not make positive impact on Economic Growth in Nigeria" are REJECTED. WHILE: Hi: "Foreign Direct Investment does make positive impact on Economic Growth in Nigeria" and "Budget Deficit does make positive impact on Economic Growth in Nigeria" are REJECTED

5. CONCLUSION AND RECOMMENDATIONS

In conclusion, the empirical results show that there is positive relationship between economic growth (GDP) and FDI. The result was positive but statistically insignificant contrary to some findings. This insignificant relationship could be as a result of insufficient FDI fund invested into the Nigerian economy which has not been able to significantly impact on the economic growth. The result of our study also portrays that domestic investment was also responsible for the growth witnessed in Nigeria's economy over the period under review. This provides an understanding that domestic investment is a major factor that contributes to the growth of the Nigerian economy. And so, more emphasis should be geared towards encouraging domestic investment to drive the economy to the desired level of growth. Foreign direct investment poses the lesser risk than external debt for the borrowing country, although the latter promises higher return. Indeed, foreign direct investment has the advantage that it does not add to a country's contractual debt service obligations. If an investment financed by external borrowing turns out badly, the country faces the same external claim as if the investment had turned out well. But if the FDI proves unprofitable, the recipient country shares the loss with the investor. In the same way, if the investment financed by FDI is successful, the country will have to share some of that good fortune with the foreign investor.Foreign direct investment may be geared towards export, market development, or undertaken at the initiative of the host country government. These considerations give rise to export-oriented investment, market-development investment and government-initiated investment. With the up and down movement of Gross Domestic Product (GDP), Nigeria needs improve on Gross Domestic Product (GDP) in order to maintain high levels of income and employment.

Based on the findings of this study which show that, there was causal relationship between budget deficit and Foreign Direct Investment in Nigeria, government should display a high sense of transparency in the fiscal operations to bring about realistic fiscal deficits.

(i) Fiscal deficits, where recorded, should be channeled to productive investments like road construction, electricity provision and so on, that would serve as incentives to productivity through the attraction of foreign direct investments, in other to reduce the incidence of Foreign Direct Investment in Nigeria.

(ii) The implication of these findings was that both budget deficit and Foreign Direct Investment could be caused by money supply meaning that they were both monetary phenomenon. Foreign Direct Investment was also found to be dependent on performance of the budget (deficit).

(iii) The increase in money supply could as well help to cushion the extent of budget deficit in an economy, whereas, the same increase in money supply might still lead to an increase in the rate of Foreign Direct Investment.

(iv) Adequate monetary policy should be geared towards balancing the role money supply performs to both budget deficit and Foreign Direct Investment, noting that there was uni-directional relationship between budget deficit and Foreign Direct Investment.

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Effect of Foreign Aids on the Nigeria Economic Development

AKINTOYE, Olufemi Temidayo

Department of Accounting,
Bingham University,
Karu, Nasarawa State.
Phone No: +2348177320558

DANIEL, Kayode Emmanuel

Department of Accounting,
Bingham University,
Karu, Nasarawa State.
E – Mail: emmyfordaniel@yahoo.com, Phone No: +234 8060514553

Abstract

This paper looks at the Effect of Foreign Aids on the Nigeria Economy since the emergence of the Fourth Republic from 1999 till 2018.Secondary data was sourced from the World Bank. Ex-post facto research design was used and the Ordinary Least Square (OLS) was used to measure effect of Foreign Aid to Government Expenditure, while coefficient of correlation is used to measure the degree of relationship between them, and the result of the findings shows that there is insignificant relationship between Foreign Aid and the Nigeria Economy. Adopting the Aid-Growth Relationship Theory, the paper concluded that the amount of aid received in relation to its size in terms of GDP is too low, thereby having insignificant effect. It therefore recommended that efforts and policies on economic development should not be placed on foreign aid now but should aimed and channeled internally on effort to enhance national savings and investment.

Keywords: Foreign Aids, Government Expenditure, Gross Domestic Product (GDP).

1. INTRODUCTION

According to the World Bank, a total of $43,468,000,000 (Forty three billion, four hundred and sixty eight million, US Dollars) has been given to Nigeria between 1999 and 2017 as Net Official Development Assistance (ODA) which consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC) by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients which Nigeria is part off. Nigeria is the world's 20th largest economy as of 2015, worth more than $500 billion and $1 trillion in terms of nominal GDP and purchasing power parity respectively. It overtook South Africa to become Africa's largest economy in 2014. Nigeria is considered to be an emerging market by the World Bank. While Nigeria has made some progress in socio-economic terms in recent years, its human capital development remains weak due to under-investment and the country ranked 152 of 157 countries in the World Bank's 2018 Human Capital Index. Furthermore, the country continues to face massive developmental challenges, which include the need to reduce the dependency on oil and diversify the economy, address insufficient infrastructure, and build strong and effective institutions, as well as governance issues and public financial management systems

Nigeria is Africa largest population with an estimated population of 198 million people (according to the National Population Commission), blessed with plentiful natural resources. Nigeria is the largest country of exporting petroleum in Africa. Between 1999 and 2017 alone, a total $763,349,246,464 was received by Nigeria from Oil Revenue. Despite this huge inflow, Nigeria's lack of development of strategic infrastructure has limited its ability to improve the social welfare of the people and promoting business investment. Considering the fact that one of the key reasons of collecting aids is to promote economic development, what effect has the total foreign aid sum received made on the Nigeria economy especially since the emergence of the fourth republic which is from 1999 till date looking at Government Expenditure (G) of the components of Nigeria's Gross Domestic Product (GDP) which also include Private Consumption (C), Investment Expenditure (I), and Net Exports (X – M).

Given the importance of foreign aid to the economies of countries like Nigeria, it is important to understand its contribution to economy not just by looking at the overall GDP but its individual component. Therefore, this study analyzes the effects of foreign aid which is made up of Foreign Grants and Concessional Loan. The review of the various literature though varies but mostly shows that there is a positive butinsignificant relationship between Foreign Aid and the Nigeria Economy especially when the GDP is used as a proxy in measuring the Nigeria Economy Development or performance. However, the GDP consist of different component which include Private Consumption (C), Investment Expenditure (I), Government Expenditure (G) and Net Exports (Export (X) – Import (M)). As GDP is equal to C +I + G + (X-M). This paper measures the effect of Foreign Aid on the Nigeria Economy by analyzing just the effect on Government Expenditure in other determine the effects on a specific component of Nigeria GDP. The main objective of this study is to evaluate the effect of foreign aid on the economic development of Nigeria by looking at the effect on Government Expenditure in the Nigerian Economy.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Foreign Aid

According to Prateek, (2019), Foreign Aid is the voluntary transfer of resources from one country to another country. This transfer includes any flow of capital to developing countries. A developing country usually does not have a robust industrial base and is characterized by a low Human Development Index (HDI). Ajayi (2013) defines Foreign Aid as money that one country voluntarily transfers to another, which can take the form of a gift, a grant or a loan. Oxfam America (2008) defines Foreign Aid as "a broad category of grants to other countries for economic development, health, and emergency response to disasters. It also may be used for security and military assistance, counter narcotics and counter terrorism activities, and programs to fight corruption and increase public transparency".

Development Assistance Committee (DAC) defines foreign aid as Official Development Assistance (ODA) and technical aid. The term excludes military assistance. ODA flows must satisfy all three of' the following criteria; - their primary objective must be developmental, thus it excludes military aid and private investment, - they must be concessional, that is the terms and conditions of the financial package must be softer than those available on a commercial basis, and the the flows should come from governmental agencies and go to developing country governments. Official Development Finance comprises ODA plus international flows satisfying only the first and third criteria. Flows from voluntary agencies may also counted as aid, but do not satisfy the third criterion. Foreign aid can be in the form of a concessional loan and/or a grant.

2.1.2 Global Foreign Aid Conceptualized

Olatujoye (2016) summarizes the overview of Global Foreign Aid by saying Hjertholm and White, espoused that several aid institutions developed from the organizations created to cater for the aftermath of war: Oxfam first catered for refugees from Greece, CARE was originally the Centre for American Relief in Europe (the Europe later became everywhere). The UN's development work began with the United Nations Relief and Rehabilitation Agency (UNRRA) founded during the war (1943), and the World Bank, whose full name is the International Bank for Reconstruction and Development, began with loans for reconstruction. The relative success of the Marshall Plan of 1948 was also a major premise upon which the necessity and importance of foreign aid was hinged. A final feature of the post-war international scene of importance was the first wave of independence, creating a constituency for aid In addition to the above, foreign aid also played out as one of the major dynamics of the cold war between the United States and the former Union of Soviet Socialist republics. Arising from the above, it can be concluded as Stevenson, noted that the modern concept of foreign aid or assistance from mainly rich industrialized countries to less economically developed countries, has its roots in the post Second World war reconstruction era. With regards to the need for foreign aid, rich countries of the world especially the members of Organization for Economic Cooperation and Development (OECD), as noted by Zimmerman recognized that, "more than half of the global citizens live on less than 2$ per day or less, purchasing power parity, many of them do not have access to clean drinking water, good healthcare or schools for their children. Therefore scholars opined that an attempt to assist poor countries to develop and end poverty has been the subsisting reason to initiate foreign aid policy.

2.1.3 United State (U.S) Foreign Assistance to Nigeria

According to the U.S government through its website www.foreignassistance.gov (2019), a total of 7,124,194,428.74 USD (Seven billion, one hundred and twenty four million, One hundred and ninety four thousand, four hundred and twenty eight Dollar, Seventy Four Scent) has been given to Nigeria in the last 10 years through the US Department of Security (DOS) and United States Aids (USAIDS) The primary goal of U.S. assistance in Nigeria is to support the country's development as a stable democracy while reducing extreme poverty. In the North East region, where the violent Boko Haram insurgency has devastated local populations, the U.S. government will continue to provide life-saving humanitarian assistance and transitional programs for stabilization. Targeted U.S. foreign assistance in Nigeria seeks to reduce extreme poverty and improve the quality of life for Nigeria's most vulnerable communities through improved governance at the federal, state, and local levels; reduced corruption; a strengthened private sector as a source of job creation; and improved quality of social service delivery. U.S. assistance will continue to address security issues by increasing the skills of security forces and advocating for institutional reform. Additionally, U.S. assistance will better position Nigeria to achieve its goal of regional leadership in West Africa via the Abuja-based Economic Community of West African States (ECOWAS) regional commission, while advancing U.S. policy objectives.

2.1.4 United Kingdom (UK) Foreign Assistance to Nigeria

According to the UK National Statistics (2018), The United Kingdom through The Department for International Development (DFID) £2,071,194,00 leads the UK's global efforts to end extreme poverty, deliver the Global Goals for Sustainable Development (SDGs) and tackle a wide range of global development challenges. The UK's focus and international leadership on economic development is a vital part of Global Britain - harnessing the potential of new trade relationships, creating jobs and channeling investment to the world's poorest countries. Throughout history, sustained, job-creating growth has played the greatest role in lifting huge numbers of people out of grinding poverty. This is what developing countries want and is what the international system needs to help deliver. Whilst there is an urgent need for traditional aid in many parts of the world, ultimately economic development is how we will achieve the Global Goals and help countries move beyond the need for aid. UK aid supports federal and state level governments to be more effective, transparent and accountable to their citizens, including through support to the 2019 elections process. The UK is supporting the Economic and Financial Services Commission to help improve its ability to investigate and prosecute corruption cases. UK aid will also help Nigeria increase its own revenues by improving its tax systems and making it easier for businesses to invest.

2.1.5 China and Foreign Assistance to Nigeria

According to Nyshka (2017) in recent decades, the world's second-largest economy has evolved from an aid recipient to a net aid donor. However, getting its official Foreign Aid position has not been easy. "Unlike OECD countries, China does not officially disclose its aid information on a regular basis. Data about Chinese foreign aid often comes from media reports and governmental documents. Research labs like AidData are scrutinizing streams of sources and have constructed a fairly solid picture of Chinese foreign aid". Chaorong (2018). According to AidData, "between 2000 and 2013, Nigeria received $ 2,000,000,000 (Two billion) as an aid for energy generation and supply, and $1,700,000,000 (One billion, seven hundred million) devoted to projects in the communication sectors. China is also very careful in selecting recipient countries for its aid. Most of the African countries that are endowed with generous aid are very rich in terms of natural resources. For example, countries like Angola Ethiopia, Nigeria and Sudan whose top recipients are also rich in natural resources. According to Johns Hopkins University's (2019) "Chinese loan, finance is varied. Some government loans qualify as "official development aid." But other Chinese loans are export credits, suppliers' credits, or commercial, not concessional in nature. Between 2000 and 2017, Nigeria has received a total of $4,831,000,000 (Four billion, eight hundred and thirty-one dollar) from China. China is not Africa's largest "donor". That honour still belongs to the United States".

2.1.6 Concept of Economic Development

Economic development is a broad concept encompassing economic growth and other developmental dimensions. It can be defined as "a multidimensional process involving major changes in social structure, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty (Todaro and Smith2009). With respect to indicators for Economic Development, Jim (2019) posits that as a country develops, the nature of its internal structure, finances and population changes. While several gauges are available to measure these changes, the most common indicators of economic development are Gross Domestic Product (GDP) per capita, the poverty level, life expectancy, the proportion of workers in agriculture and changes in the physical quality of life.

i. GDP Measures Economic Output

The gross domestic product is the economic value of a country's output of goods and services and indicates the strength of its economy. A higher GDP per capita is a sign of a more sophisticated stage of economic development. For this research work, the GDP will be used as a proxy to Economic Development because it measures the strength of an Economy which this paper is inclined unto.
According to data from the Central Intelligence Agency, the nations with the highest GDP per capita are Liechtenstein, Qatar, Monaco, Macau and Luxembourg. The countries with the lowest GDP per capita are Malawi, Niger, Mozambique, Tokelau, the Democratic Republic of the Congo, Burundi and the Central African Republic.

ii. Poverty Level Per Capita GDP

As a country's GDP per capita grows, the poverty rate declines. People earn more money, become more prosperous and begin to accumulate wealth. Poverty rates for countries with low GDP per capita also have a higher proportion of people living in poverty. A new report by The World Poverty Clock shows Nigeria has overtaken India as the country with the most extreme poor people in the world with an estimated total of 86.9 million in poverty. India has a population seven times larger than Nigeria's. The struggle to lift more citizens out of extreme poverty is an indictment on successive Nigerian governments which have mismanaged the country's vast oil riches through incompetence and corruption.

iii. Higher Incomes and Life Expectancy

As a country develops, its people move out of poverty, and their life expectancy increases. They earn more money and can afford better medical care. According to the latest WHO data published in 2018, life expectancy in Nigeria is: Male 54.7, female 55.7 and total life expectancy are 55.2 which gives Nigeria a World Life Expectancy ranking of 178.
At the top of the list is Monaco, with a life expectancy of 89 years. Residents of Japan and Singapore can expect to live an average of 85 years. Liechtenstein, Norway, Sweden and Switzerland have life expectancies above 82 years. Poorer countries with lower GDPs and higher poverty rates, such as Chad, Zambia, Somalia, Central African Republic and Mozambique have life expectancies barely above 50 years.

iv. Levels of Economic Development

Countries that have most of their population employed in agriculture are considered less developed. Countries with more urban areas and cities are considered better developed. Consequently, one of the indicators of economic growth is the percentage of people employed in agriculture. For example, only 1.3 per cent of the population in the United Kingdom is employed in agriculture, while Zambia has 85 per cent of its people working on farms.

v. The Human Development Index

The Human Development Index (HDI) is a composite metric created by the United Nations Development Programme to measure the levels of economic development of a country in three areas: education, health and per capita income. As examples, countries with the highest HDI are Norway, Australia, Switzerland, Denmark and the Netherlands. The countries with the lowest HDI are Niger, Eritrea, Gambia, Ethiopia and Afghanistan. The United Nation report on HDI of 2018 puts Nigeria's HDI value for 2017 at 0.53, which put the country in the low human development category positioning it at 157 out of 189 countries and territories.

2.1.7 Nigeria Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) measures of national income and output for a given country's economy. The Gross Domestic Product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. The GDP consists of the different component which includes Private Consumption (C), Investment Expenditure (I), Government Expenditure (G) and Net Exports (Export (X) – Import (M)). As GDP is equal to C +I + G + (X-M).

i. Private Consumption (C)

Private consumption is defined as the value of the consumption goods and services acquired and consumed by households.

ii. Investment Expenditure (I)

These are expenditures that are driven by the private sector and they represent final goods and services, especially the purchase of productive capital goods.

iii. Government Expenditure (G)

This is the purchase of goods and services, which include public consumption and public investment, and transfer payments consisting of income transfers (pensions, social benefits) and capital transfer. The Gross Domestic Product (GDP) in Nigeria was worth 375.77 billion US dollars in 2017. The GDP value of Nigeria represents 0.61 per cent of the world economy. GDP in Nigeria averaged 97.52 USD Billion from 1960 until 2017, reaching an all-time high of 568.50 USD Billion in 2014 and a record low of 4.20 USD Billion in 1960. The Nigeria Gross Domestic Product of 2017 is made up of 300.23 billion USD for Private Consumption, 58.14 billion USD for Investment, 17.37 billion USD for Government Expenditure, and -16.81 billion USD for Net Exports. Summarily, the conceptual framework provides a good avenue for the understanding of various concepts relating to the topic, the overview and meaning of foreign aid, types and importance were discussed extensively. Economic development with an emphasis on the recent happening in the Nigeria economy was discussed. The paper also highlighted the tools used in measuring the performance of an economy, the component of GDP while also mentioning while the GDP is used as a proxy to Economic developed in this research work.

2.1.8 The Nigeria Fourth Republic

The Fourth Republic is the current republican government of Nigeria after a military rule that lasted for 15 years with an interim government for 1 year in between. Since 1999 it has governed the country according to the fourth republican constitution. According to Oke (2010) Governance in the Nigerian Fourth Republic is symptomatic of the following:

i. Corruption

Doubtlessly, Nigeria is one of the leading corrupt countries in the world. The Transparency International in her annual rating made Nigeria third, fourth and fifth most corrupt nation in the world in 2003, 2004 and 2005 respectively. Corruption has become part of governance in Nigeria. General Abacha was said to have stolen more than $3 billion between 1993 and 1998 (Falola, 1999:2008). Cumulatively, Nigerian leaders, according to the Economic and Financial Crimes Commission, (EFCC), had within the last 40 years stole a total sum of $500 billion (Amalu, 2006). Thus corruption has eaten deep into the fabric of the nation and has shaken it to its foundation.

ii. Economic and Infrastructural Decay

This could be explained in the culture of profligacy arising from the low level of accountability that characterized governmental administration resulting in unbridled corruption, borrowing from the international market, instability of monetary, fiscal and especially investment policy, general climate of political instability, global economic meltdown as well as the problem of limited participation by the public in the formulation of economic policies and the strategies for implementing such policies. These abysmal economic failures culminated in serious infrastructural decay to the extent that most institutions of government were not working to expectation. The country' road, rail, electricity, water, postal and telecommunication infrastructure were in a state of decay and total collapse.

2.2 Empirical Literature

There have been different debates and opinions about the effect of foreign aid on economic performance. One view states that there is a positive relationship between foreign aid and economic growth or development while the other side is based on the opinion of an inverse relationship between foreign aid and economic development. Yet another view states that there is no relationship whatsoever between foreign aid and economic development in Nigeria. Thus, there has actually been no straightforward answer to the question of aid effectiveness. Shitile and Sule (2019) Re-examines the efficacy of foreign aid and grants on poverty reduction inNigeria using time seriesdata covering the period of 1999 to 2017. The paper focussed on disaggregated data for the analysis of foreign aid and grants. Grounded on the Great Big Push theoretical framework, the study testedthe marginal effect of foreign aid and other grants on poverty incidence in Nigeriausing the Autoregressive Distributed Lag (ARDL) bounds testing approach. Theempirical findings show that Foreign aid have positive but insignificant impact onnational poverty incidence in the short-term horizon; however, in the long-term, theeffect of Foreign Aid on poverty incidence is negative. This finding suggests thatthe plausibility of poverty reduction policy based on external aid and grants iscontestable. This affirms the argument that externally nominated solutions in form offoreign aid and grants do not connect with locally defined problems in povertyreduction.

Ugwuegbe, Okafor, and Akarogbe, (2016), examine the effect of external borrowing and foreign financial aid (foreign grant) in the form of official development assistance (ODA) on the growth of the Nigerian economy over a period of 34 years from 1980 to 2013. Annual time series data were obtained from the Central Bank of Nigeria (CBN) statistical bulletin and Organisation for Economic Cooperation and Development (OECD). The study employed an Ordinary Least Square technique (OLS) multiple regression model in determining the causal-effect between the variables under study. The test for Unit Root was conducted using Augmented Dickey-Fuller (ADF), Johansen Co-integration test was used to determine the long-run relationship between the variables and Error Correction Method (ECM) was adopted to help us determine the speed of adjusting. The results show that while external debt has a positive and significant effect on economic growth, foreign aid in conformity with the a priori expectation is positively related to GDP as well but statistically insignificant. This implies that foreign aid is beneficial to Nigeria but has not been much felt. Hence the bulk of such funds (foreign aid) are been channeled to meeting recurrent or consumption expenditure needs of the country at the expense of productive investments.

Fatukasi and Kudaisi (2015), investigated the factor influencing the foreign aid from the U.S to Nigeria during the period 1980-2013 using the variables unemployment rate, poverty rate, population growth rate, demographic factors proxy by the number of people living with HIV as well as the growth rate of GDP per capita. The findings revealed that aid flow to the country is influenced by the poverty rate in the country, the number of people living with HIV/AID and population growth rate. The result, however, showed what foster increase in U.S aid to Nigeria over the past decades. Although a great deal of approximately 50% of the U.S aid to Nigeria is designated to address the problem of HIV/AIDS Based on the results, the aid flow to the country should be properly managed to achieve the objectives at which aid is being allocated to the country. If aid from the U.S is to have a positive impact on the economy then the distribution of assistance must take into consideration the rural-urban dichotomy in Nigeria with a view to integrating the rural economy with the larger macro-economy.

Mbah and Amassoma (2014), established that Nigeria has benefited immensely from foreign aid because she has been identified among the poorest nations in the world in spite of her abundant natural and human resources. Despite the increased flow of foreign aids into Nigeria and the enormous potential of foreign aid in accelerating economic growth through bridging of the savings and foreign exchange gaps, Nigeria economy is still characterized by a low level of income, high level of unemployment, very low industrial capacity utilization, and high poverty level. The study employed econometric techniques such as; Ordinary Least Square, Augmented Dickey-Fuller (ADF) test, Johansen Cointegration test using data spanning from 1981- 2012. The result shows a negative and non- significant relationship between foreign aid to Nigeria and GDP. The study, therefore, suggests the implementation of political, economic and institutional reforms that will address the problem of pervasive corruption in the country, improve the quality of governance, ensure that foreign aid flows are invested into developmental projects that will boost the nations GDP and reduce the level of poverty in the country. Stella and Ditimi (2014), looking at the linkage between Foreign Aid and Economic Growth in Nigeria, employing econometric techniques such as; Ordinary Least Square, Augmented Dickey-Fuller (ADF) test, Johansen Cointegration test using data spanning from 1981-2012 found a negative and non- significant relationship between foreign aid to Nigeria and GDP. The study, therefore, suggests the implementation of political, economic and institutional reforms that will address the problem of pervasive corruption in the country, improve the quality of governance, ensure that foreign aid flows are invested into developmental projects that will boost the nations GDP and reduce the level of poverty in the country. The result showed a statistically significant relationship between population growth rate and foreign aid to Nigeria.

2.3 Theoretical Framework

2.3.1 The Three Gap Model

Bacha's (1990) extended the two-gap model to include a third gap called the fiscal gap. The fiscalthe gap occurs when government expenditure exceeds revenue, causing a budget deficit. Bacha's model is an exercise in the maximization of investment (as a proxy for the output growth rate), in a fix-price, one period model subject to a number of equality and inequality constraints. The equality constraints are the balance between income and absorption, the balance-of-payments identity, the government budget constraint, and the equality between the flow supply and the flow demand of money. These give rise to the incorporation of the various macroeconomic gaps in the analysis. According to the three-gap model, the utilization and expansion of existing productive capacity is constrained not only by domestic and foreign savings, as was initially discussed by Chenery and Strout (1966) in the context of the two-gap model, but also by the impact of fiscal limitations on government spending and thus on its public investment choices. In the absence of well-developed financial markets, the available methods of financing public investment are mostly confined to foreign borrowing, budget surpluses and inflation.

Foreign resources can play a particularly significant role, especially if cutting current expenditures and inflation-based financing are not possible, either due to political circumstances or to external pressures on the fiscal authorties to curtail inflation.

2.3.2 Aid-Growth Relationship Theory

Theory suggests that foreign aid promotes economic growth by supplementing limited domestic savings as well as foreign exchange constraints of recipient developing countries. From the early literature the study conducted by Chenery H.B. and Strout (1966) which itself has its basis on the Harrod-Domar model of economic growth, has been important in this respect. The Harrod-Domar growth model supposedly died long ago. But still today, economists in the International Financial Institutions apply the Harrod-Domar model to calculate short-run investment requirements for a target growth rate. They then calculate a ―Financing Gap between the required investment and available resources and often fill the ―Financing Gap with foreign aid. The Financing Gap Model has two simple predictions: (1) aid will go into investment one for one, and (2) there will be a fixed linear relationship between growth and investment in the short run. The three elements of the Harrod-Domar model are income (growth), investment (savings) and incremental capital-output ratio (ICOR) related in the form: g = I/ICOR The incremental capital-output ratio (ICOR) represents ratio of additional investment to additional output; g is the growth rate of the economy; and ‗I' represents investment (which is equated to savings). Hence, with the ICOR remaining constant, the rate of economic growth will be directly determined by the rate of investment. With investment assumed to be equal to savings, this implies that a poor country, with low savings, will have low investment and therefore low growth. It is thus expected that supplementation of domestic savings by foreign aid will resort to an increase in investment, and hence economic growth.

2.3.3 Dependency Theory

Dependency theory states that the poverty of the countries in the periphery is not because they are not integrated or fully integrated into the world system as is often argued by free-market economists, but because of how they are integrated into the system. There are two schools of thought with different standpoints on the issue. One of these is the Bourgeois scholars and the second one is radical scholars of the neo-Marxian political economy. To the bourgeois scholars, the underdevelopment and the consequent dependence of most developing countries are as a result of the internal contradictions. To them, this problem can be explained by their lack of close integration, diffusion of capital, technology and institutions, bad leadership, corruption, mismanagement, etc. (Momoh and Hundevin. 1999). The standpoint views the under-development and dependency of the developing countries as internally inflicted rather than externally inspired. To this school of thought, a way out of the problem is for developing countries to seek foreign assistance such as aid, loan, investment, etc, and allow unhindered operations of the Multinational Corporations (MN) It is argued that development can come through the MNCs mechanism for transferring technology, capital and skills in management, design and marketing (Thomas, 1976; Ajayi, 2000). Although, the argument of bourgeois scholars on the causes of underdevelopment and dependency of the developing countries and the possible ways out appear to be strong as a result of the poor socio-political records of the developing countries. Nonetheless, their analyses are superficial and obscurantist in nature and meant to promote world capitalist interests.

3. METHODOLOGY

This paper use ex-post facto research design since this is a quasi-experimental research. The Population of the study is data from 1960 to 2017 on both Official Development Assistant (ODA) and the Component of Nigeria Gross Domestic Product which is made up of Private Consumption (C), Investment Expenditure (I), Government Expenditure (G) and Net Exports (Export (X) – Import (M)). The sampling was done systematically to capture a period of 19 years from 1999 to 2017 which captures the period on Nigeria Fourth Republic. Data is obtained from secondary sources, because the data is available from other sources and have been verified already and also been used in previous research, It is time-saving and cost-efficient. The data on the Net Official Development Aid is from the World Bank while data for the component of the GDP is from Nigeria's National Bureau of Statistics. The economic development rate is measured in this study as the growth of real GDP per capita in US Dollars, while foreign aid is measured by the Net Official Development Aid received also in US Dollars. Ordinary Least Square (OLS)is used to measure effect of Foreign Aid to Government Expenditure, while coefficient of correlation is used to measure the degree of relationship between them.The unit root tests is to check for the stationarity of the variables and a co-integration test to establish if the variables exhibit a long run relationship will be conducted. The estimation technique is OLS, used to test the validity and strength of the instrument. Since the research work is trying to establish relationship between two variables, which as highlighted under the various studies through the empirical review was largely used as seen in the works of Ugwuebe et al. 2016 Mbah & Amassoma 2014 and Kolawole 2013. The mathematical model of proportionality (Y = a + b X) provides a link between the Net Official Development Assistant and the GDP represented by Government Expenditure which is a proxy to Nigeria Economic development. The functional form is given as:

GE = f (ODA)

The model can thus be expressed linearly as GE = f (ODA)

Where ODA is Net Official Development Assistance and GE; The linear regression model, Y = a+ b.X

4. RESULT AND DISCUSSION

Using the Ordinary Least Square (OLS) Regression provides the results and shown in the tables below;

Table 1: ODA and GE

Year	ODA (X)	GE (Y)
1999	0.15	0.82
2000	0.17	1.47
2001	0.17	1.47
2002	0.30	1.28
2003	0.31	1.00
2004	0.58	6.53
2005	6.40	8.00
2006	11.43	12.10
2007	1.96	26.04
2008	1.29	31.78
2009	1.64	25.25
2010	2.05	32.15
2011	1.81	35.17
2012	1.92	37.80
2013	2.52	36.85
2014	2.48	36.75
2015	2.43	33.08
2016	2.50	21.79
2017	3.36	17.38

- Using the Ordinary Least Square (OLS) Regression provides the results and shown in the tables below.

Table 2: Regression Analysis

	Coefficient	Standard Estimation	T-Stat	Standard Coefficient	P-Value
Constant term (a)	18.077467	4.542276	3.979826	0.00000	0.000968640
Slope (b)	0.53458	1.312644	0.407253	0.0982951	0.688904

Compiled by Researcher from STATA 16

Table 3: Goodness of Fit Summary

R square (R^2)	0.00966192
Adjusted R square	-0.0485933
Multiple correlation (R)	0.0982951
Two-tailed, T	3.979826

Compiled by Researcher from STATA 16

The coefficient of correlation (R) equals 0.0982951. It means that there is a very weak direct relationship between foreign aid and the Government Expenditure. R square (R2) equals 0.00966192. It means that the predictors (Xi) explain 1% of the variance of Y. Adjusted R square equals -0.0485933. Also, the overall regression: right-tailed, $F(1,17) = 0.165855$, p-value = 0.688904. Since p-value ≥ α (0.05).

The linear regression model can now be represented by $Y = 18.077467 + 0.534578\ X$, which means that if X is increased by 1, it has a very little impact on Y.The results show that there is a positive relationship between the Foreign Aid (ODA) and the Nigeria Economic Development, but the relationship is very weak and insignificant.

5. CONCLUSION AND RECOMMENDATIONS

The findings of this paper have shown the Aid-Growth Relationship theory is not applicable in the context of foreign aid and the Nigeria economy as there is insignificant relation between the two. Rather, the Three Gap-Model of savings gap, foreign exchange gap and fiscal gap can be effectually related to the findings of this paper. The findings of this paper is also in support of the work of Shitile and Sule (2019), Nwosu (2018), Stella and Ditimi (2014), Okon (2012), Mbah and Amassoma (2014) which concluded that foreign aid have insignificant effect on the Nigeria Economy Development, and not in line with the works of Ugwuebe et al. (2016), For a country like Nigeria with huge natural and human resources, the fractional amount received as foreign aid cannot aid its growth significantly as shown in this study. However, according to the Bourgeois Scholar under the Dependency theory Nigeria lack and under development could be as a result lack of close integration with the developed world, diffusion of capital, and technology, bad leadership, corruption, mismanagement, etc. This paper therefore recommends that Nigeria should not rely on foreign aid in solving locally defined problems of its economy, as foreign aid do not have significant effect in its development. Instead, the focus should be on policies that will reduce or eliminate government budget deficit and importantly increase foreign exchange earnings. Also, efforts should be intensified in creating conducive environment for investment especially in the real sector of the Nigeria Economy which will lead to more jobs, thereby improving savings.

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Internal Control System as a Management Tool to Enhance Organizational Performance

OSHIOLE, Blessing Victor

Department of Accounting,
Bingham University,
Karu, Nasarawa State
Phone No: +234 8033775466

DANIEL, Emmanuel Kayode

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: emmyfordaniel@yahoo.com, Phone No: +234 8186498043

Abstract

The paper examines the effect of oil and gas revenue on the economic growth of Nigeria, the objective of the study was to examine the impact of oil revenue on the economic growth in Nigeria and to evaluate the relationship between oil revenue and economic growth in Nigeria. Using data generated from ex-post factor research design and subjective to descriptive analysis, a sample size of 18years between year 2000 and 2017 was used.In which Nigeria Oil Revenue the period was censored. Ordinary Least Square (OLS) regression method of analysis was employed in carrying out the analysis.Findings from the study showed that the coefficient is negative, even though it has a positive relationship with economic growth in the long-run as revealed by the Regression result. This variable is expected to have positive relationship with economic growth both in the short run and in the long-run. The positive relationship between the two variables signifies that revenue generated from oil has formed the major source of revenue in Nigeria.. The study recommends that Government should use the revenue generated from petroleum, to invest in other real sectors such as the Agricultural and manufacturing sector in order to expand the revenue source of the economy and also increase the revenue among others.

Keywords: Oil and Gas, Oil Revenue, Economic Growth, Oil Industry, GDP, Crude Oil

1. INTRODUCTION

The oil industry in Nigeria plays a crucial role to the sustenance of the nation and fuels not only Nigeria's economic and development activities but also socio-political life. The industry has been widely described as the nation's live wire and these accounts for the literature that abounds on its role and significance in Nigeria. HoweverNigerians, have had very little share of the Country's oil wealth and so there was an urgent need to reverse this trend. Nigeria's extreme reliance on the crude oil market has triggered structural difficulties for the economy as earnings from crude oil fluctuate along with market trends (Aigbedion and Iyayi, 2013). Economic growth from time immemorial has been a subject of debate in both academic and non-academic circles. Hence, measuring the growth of key sectors of an economy to ascertain its contribution to the aggregate national economy has been adjudged as one way of determining vibrant sectors. The history of the oil industry in Nigeria dates to early 1900's when the British Colonial Government shortly after the creation of Nigeria as a legal entity started the first geological survey of the country. From 1956 when the first oil was drilled in Oloibiri to mid-2013 when the price of oil took a down drop, oil remained the mainstay of Nigeria's economy.

Although Nigeria is Africa's largest producer of oil, its Oil Wealth has proved in many ways to be both a blessing and curse at the same time. The petroleum industry in Nigeria has brought unprecedented changes to the Nigerian economyparticularly in the past five decades, when it replaced agriculture as the cornerstone of the Nigerian economy (Aigbedion and Iyayi, 2013). The oil industry has risen to the commanding heights of the Nigerian economy, contributing greatly to Gross Domestic Product (GDP) and accounting for the bulk of federal government revenue and foreign exchange earnings since early

1970. The oil and gas industry is strategic to national development and growth in Nigeria. Oil and gas constitute about 90% of Nigeria's foreign exchange earnings and 83% of its GDP (Ogbeifun, 2008). The oil and gas industry is strategic to national development and growth in Nigeria (Abu and Chidi, 2012). However, Adewumi and Adenugba (2010) believe that Nigeria is one of the world's largest producers of crude oil, the 10th largest producer and the 6th largest exporter among the Organisation of Petroleum Exporting Countries (OPEC) members. Nigeria, Africa's largest crude exporter has continued to import refined petroleum products after over fifty years of crude oil extraction (Nwanze, 2012). Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and downstream sectors. The Nigerian oil industry is divided into two sectors; the upstream sector (deals with Exploration and Production) and the downstream sector, which deals with refining of crude oil for domestic consumption (Odeh, 2011).

Crude oil became the dominant resource in the mid-1970s. On-shore oil exploration accounts for about 65% of the total production and it is found mainly in the swampy areas of the Niger Delta while the remaining 35% represents offshore production and involves drilling for oil in the deep waters of the continental shelf. The massive increase in oil revenue as an aftermath of the Middle - East war of 1973 created unprecedented, unexpected and unplanned wealth for Nigeria and then began the dramatic shift of policies from a holistic approach to benchmarking them against the State of the oil sector (Olaokum, 2010). The Petroleum Industry in Nigeria has brought exceptional changes to the Nigerian economy, particularly in the past five decades when it replaced Agriculture as the base of the Nigerian economy. The Oil Industry has risen to the unassailable loftiness of the Nigerian economy, contributing the lion share to gross domestic product and accounting for the bulk of federal government revenue and foreign exchange earnings since early 1970 (Apata, 2014). Crude oil discovery has had a major impact on the Nigeria economy both positively and adversely. On the negative side, this can be considered with respect to the surrounding communities within which the Oil Wells are exploited. Some of these communities suffer environmental degradation, which leads to deprivation of means of livelihood and other economic and social factors. Although large proceeds are obtained from the domestic sales and export of petroleum products, its effect on the growth of the Nigerian economy as regards returns and productivity is still questionable. Also, given the fact that the oil sector is a very crucial sector in the Nigerian economy, there is the dire need for an appropriate and desirable production and export policy for the sector. In Nigeria, though crude oil has contributed largely to the economy, the revenue has not been properly utilized. Considering the fact that there are other sectors in the economy, the excess revenue made from the oil sector can be invested in them to diversify and also increase the total GDP of the economy (Gbadebo, 2014).

It is now obvious that crude oil production is as critical to Nigeria as oxygen is to life. In fact, crude oil notwithstanding current effort of government remains the driver of economic policies of government. The overdependence on it has created vulnerability to the every other sector of the Nigerian economy particularly the general hardship in the country now. In particular, the place of oil in the mind of the average Nigerian has become more profound since the continuous deregulation of the downstream sector of the Nigerian oil industry in 2003. Thus, the decline in crude oil production in Nigeria and fall in prices at the global markets meant more decreased earnings for Nigeria, but increased expense burden on imported refined petroleum products. It is such contradictions that make the Nigerian economy highly vulnerable and astronomically unstable. The Monolithic nature of the Nigerian economy is evident now without contradiction. It is indeed on this over dependence on oil that many of the socio-economic and political problems ravaging Nigeria today took its root. It is worthy of note that that multinational oil corporations in Nigeria have played great roles in the discovery (exploration), exploitation, refining (processing), administration, servicing and maintenance, storage and transportation as well as sales of crude oil in the country and has great impact on the performance of Nigerian economy. Consequently, the objective of this study is to examine the impact of Oil Revenue on the Economic Growth in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Petroleum Industry

According to Odularu (2014), the activities of the petroleum industry can be divided into two broad categories; upstream and downstream. Upstream activities involve the acquisition of mineral interest in properties, exploration (including prospecting), development and production of crude oil and gas. Downstream activities involve transporting, refining and marketing of oil, gas and derivatives. Nigerian Investment Promotion Commission Act No 16 of 1995 (NIPC Act) further described upstream operation as all operations necessary to separate gas from the reservoir into usable form at utilisation or designated custody transfer points, either through pipelines or tankers. This operation is to help reduce or completely eliminate gas flaring. NIPC Act described the downstream operation as the marketing and distribution of gas for domestic and industrial uses.

This domestic and industrial usage would include power generation, Liquefied Natural Gas (LNG), household and factory consumption. In US, oil and natural gas industry encompasses a number of activities that span separate industry classifications in government economic data. Oil and natural gas exploration and production is included in the mining sector, oil refining is part of the manufacturing sector, pipeline operations are included in the transportation sector, natural gas distribution is in the utilities sector and oil marketing is considered part of the wholesale and retail trade sector. According to PricewaterhouseCoopers (2013), the US oil and gas industry encompasses all the above mentioned activities. Crude Oil is one of the mineral resources being produced in commercial quantity in Nigeria. The petroleum sector serves as the main supply of energy in the country. The Petroleum and Natural Gas reserves are usually found where there are Crude Oil reserves (Onigbinde, 2014). Therefore, there are Petroleum and Natural Gas reserves association with Crude Oil and Non-Associated reserves in the country. Petroleum production in commercial quantity in Nigeria has led to rapid increases in oil revenue, GDP and Foreign Exchange earnings. Since Petroleum and Natural Gas are the major suppliers of commercial energy in the most populous African country.

2.1.2 Concept of Oil Revenue

According to Baghebo and Atima (2013), oil revenue had a significant negative impact on Real GDP. From their analysis, a unit change in oil revenue brings about a fall in GDP. However, Ogbonna and Ebimobowei (2012) posits that the economic impact of oil and gas sector stems from oil revenue, petroleum profits tax and licensing fee among others. Oil is the dominant source of government revenues, accounting for about 90% of total export and this approximates to 80% of total government revenue. Since the oil discoveries in the late 1950(s), oil has become the dominant factor in Nigeria's economy. The problem of low economic growth of Nigeria cannot be attributed solely to instability of earnings from the oil sector, but as a result of failure by government to utilize productively the financial windfall from the export of crude oil from the mid1970(s) to develop other sectors of the economy.

2.1.3 Concept of Economic Growth

According to Olopade and Olapade (2010), growth means an increase in economic activities. Olopade (2010) defined economic growth as the process whereby the real per capital income of a country increases over a long period of time. However, it can also be seen simply, as the increase over time of an economy's capacity to produce those goods and services needed to improve the wellbeing of the citizens in increasing numbers and diversity. It is the steady process by which the productive capacity of the economy is increased over time to bring about rising level of national income (Anyanwu&Oaikhenan, 2010). Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with same input of labour, capital, energy and materials. However, economists draw a distinction between short term economic stabilization and long term economic growth. Economic growth is primarily concerned with the long run. The short run variation of economic growth is termed the business cycle (Devarajan, 2011). A country's economic growth is a long term rise in capital to supply increasing diverse economic goods to its population (Oremade, 2006).

Economic growth represents the expansion of a country's potential GDP or output. Rostow-Musgrave model (1999) conducted a study on growth of public expenditure where Rostow-Musgrave focused mainly on the utilization of taxes as the major revenue source. The study concluded that at the early stages of economic development, the rate of growth of public expenditure will be very high because government provides the basic infrastructural facilities (social overheads) and most of these projects are capital intensive, therefore, the spending of the government will increase steadily. Investment in education, health, roads, electricity, water supply are necessities that can launch the economy from the practitioner stage to the take off stage of economic development, making government to spend an increasing amount with time in order to develop an egalitarian society. According to World Bank Report (2011), GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products, It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. The Central Bank of Nigeria (2010) defined GDP as the money value of goods and services produced in an economy during a period of time irrespective of the nationality of the people who produced the goods and services. It is usually calculated without making any allowance for capital consumption (or deductions for depreciation).

2.2 Empirical Review

The empirical review is necessary in order to find empirical evidence corroborating the claims of some authorities in this study. To this end, a review of related previous studies was carried out. Ogbonna and Appah (2012) in their work reported that previous studies on the Nigerian economy in the last decade showed that the petroleum industry has been playing a dominant role and occupied a strategic position in the economic development of Nigeria. This is evidenced by the total oil revenue generated into the Federation Account from 2000 to 2009 which amounted to ₦34.2 trillion while non - oil revenue was ₦7.3 trillion, representing 82.36% and 17.64% respectively. Consequently, there has been poor performance of national institutions such as power, energy, road, transportation, politics, financial systems, and investment environment have been deteriorating and inefficient (Aigbedion and Iyayi, 2013). Odularu (2014) carried out a study titled Crude Oil and the Nigerian Economic Performance. The aim of the study was to ascertain the impact of crude oil on the Nigerian economy. The study analysed the relationship between the crude oil sector and the Nigerian economic performance using the Ordinary Least Square regression method. The study found that crude oil consumption and export have contributed to the improvement of the Nigerian economy. The study concluded that the production of crude oil (domestic consumption and export) despite its positive effect on the growth of the Nigerian economy, has not significantly improved the growth of the economy due to many factors like misappropriation of public funds (corruption) and poor administration.

Usman, Madu and Abdullahi (2015) carried out a study titled Evidence of Petroleum Resources on Nigerian Economic Development (2000-2009). The main objective of the study was to examine the impact of petroleum on Nigeria's economic development. The variables were two, that is, crude oil Revenue and the Gross Domestic Product GDP. The study was based on secondary data. Data was sourced from the Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics. The data used was a ten years record of GDP and Oil Revenue, 2000-2009. The tool of analysis used was simple linear regression model with the aid of Statistical Packages for Social Sciences (SPSS). The study found that petroleum has a direct and positive significant relationship with the economy. Ebele (2015) investigated the consequence of oil price instability on the economic growth of Nigeria between 1970 and 2014. The investigation utilized an aggregate demand framework that cautiously linked investigative variables rather than only debating productivity performance by oil price and a collection of variables, as was the case with other analysts. The Engel-Granger test for co-integration and Granger Representation equation were conducted to analyse the connection between oil price instability and the growth of the economy. The analysis indicated that oil price instability has an adverse influence on Nigerian economic growth, although; oil revenue and oil reserves positively influence the economy. Adamu (2015) applied the Ordinary Least Squire (OLS) strategy, utilizing the T-test to verify if there was a substantial difference between oil revenue made by Nigeria both prior and during the period of oil price decline. The outcome revealed that the drop in global oil prices significantly influenced oil remuneration in Nigeria. It is proposed that the revenue accumulated by the oil sector should in fact be employed for the purpose of economic advancement.

2.3 Theoretical Framework

2.3.1 The Resource Curse Theory

Mbendi (2010) pointed at the resource curse theory as presupposing that countries with abundant natural resources may fail to grow in other sectors and ultimately resulting to financial problems. Pigou (1920) mentioned that the theory also assumes that such a country will also fail to grow critical infrastructures and other industries; rather they emphasize on a handful of industries which cripple the economy by encouraging very isolated investments and development; while ignoring the need to develop a more diversified economy. Auty (2013) added that the result of such attitude is that the country is also forced to a large degree to depend on other nations for a wide variety of goods and services; and may in fact end up with a net loss at the end of the year. Auty (2012) was the first author to use the term resource curse to describe how countries rich in natural resources were unable to use that wealth to boost their economies; these countries had lower economic growth than countries without an abundance of natural resources. Some studies including one by Nwezeaku (2014) and Oremade (2014) have investigated the relationship between abundance of natural resources and poor economic growth. Oremade (2014) stressed that in the traditional Commons Problems, free access to a finite resource eventually dooms the resource through overexploitation. Natural resources can and often do provoke conflicts within the society as diverse factions fight for their share. This tends to erode government's ability to function effectively (Gylfason, 2011; Clemente, 2012; Appah and Oyandonghan, 2012; Ola, 2011).

2.3.2 Stakeholders Theory

The Stakeholder theory is fairly straightforward. The term "stakeholder" first appeared in the business lexicon after its introduction by Robert K. Merton in the 1950s, and it first appeared in the 1963 management literature at Stanford Research Institute. The stakeholder concept was defined originally as being "those groups without whose support the organization would cease to exist". Freeman was the first scholar to provide a theory that examined the role and impact of actors with divergent agendas on an enterprise, firm; in his works, he sought to provide an understanding of the dynamic relationships that a typical company develops with its external environment, and its behaviour within this environment. This body of early research emphasized the fact that a wide variety of internal and external actors have an impact on a company's actions. As a result, stakeholders today are regarded as being "any group or individual who can affect or is affected by the achievement of the organization's objectives and as such firms should identify their direct and indirect stakeholders". Along these lines, Donaldson and Preston (1995) maintained that individual stakeholder groups are not so readily discernible; however, it is the interests that groups represent (internal or external) that can be highlighted. ThereforeKakabadse suggests that today, it is the "interest" that is the critical variable rather than the individual stakeholders involved (Arias, 2009).

3. METHODOLOGY

The methodology employed is the ex-post factor research designed. The coverage is Nigeria oil revenue census from 2000 to 2018. Data were analysed using ordinary least square (OLS). Diagnostic test to ensure robustness of work was done using augmented Dickey Fuller (ADF) unit root test, co-integration, error correction method and causality test.Ordinary Least Square (OLS) regression technique will be used as it is useful for estimation and (Gross Domestic Product) which is the dependent variable will be regressed on the explanatory variable in the equation which is Oil Revenue. Some statistical and econometric test will be used to evaluate the regression.These include; Multiple R; which is the correlation coefficient and it measures the extent of the relationship between variables, R – squares; which is the coefficient of determination and measures the percentage (proportion) of variation in the dependent variable that can attribute to the independent variables, The F statistics, The Beta coefficient which measures the relative significance of each of the independent variable, "t" statistics and Durbin Watson test.

$YGDP = f(OILR)$
$YGDP_t = \alpha + \beta_1 logOILR_t + Ut$ ………………………………......……………………….………….. 1
Where;
YGDP = Gross Domestic Product
OILR = Oil Revenue
U= Error term
A priori expectation is that β_1, β_2, β_3 and $\beta_4 > 0$

α is to take care of the constant variable; β_1 is the coefficient of OILR (Oil Revenue) which is expected to be greater than Zero because it is positively related to Economic growth. Time series data covering a period of 18 years will be estimated using Co-integration technique of analysis which is an improvement on the classical ordinary least square technique (OLS). This technique was chosen as it depicts long-run economic growth. The following techniques of estimation are employed in carrying out the co-integration analysis.

4. RESULTS AND DISCUSSION

Data Analysis and Presentation of Results

Year	GDP Billions NGN	Oil Revenue Billions NGN
2000	6713574.84	1,591.68
2001	6895198.33	1,707.56
2002	7795758.35	1,230.85
2003	9913518.19	2,074.28
2004	11411066.91	3,354.80
2005	14610881.45	4,762.40
2006	18564594.73	5,287.57
2007	20657317.67	4,462.91
2008	24296329.29	6,530.60
2009	24794238.66	3,191.94
2010	54612264.20	5,396.09
2011	62980397.21	8,878.97
2012	71713935.05	8,025.97
2013	80092563.38	6,809.23
2014	89043615.26	6,793.82
2015	81022130.00	3,830.10
2016	85753873.00	2,693.90
2017	92540053.00	4,109.80

Source: Central Bank of Nigeria (CBN) Statistical Bulletin Vol 28, 2017

Table: 4.2.2: Results of Unit Root Test

Variable	ADF Lags	ADF test statistics with constant but no linear trend	Critical Value for ADF at 95%	Order of Integration
D (GDP)	**2**	**-6.450118**	**-3.081002**	**1**
D(OILR)	**2**	**-5.095274**	**--3.098896**	**1**

The results in Table 4.2.2 show that the entire variables are stationary trends in their second difference. The ADF test statistics of each is less than the absolute value that is; the 95 percent critical value. Thus, the entire Oil and Gas Revenue trend affects the Economic Growth of Nigeria

4.1.3 Regression Analysis

Dependent Variable: GDP
Method: Least Squares
Date: 09/20/19 Time: 14:45
Sample: 2000 2017
Included observations: 18

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8280076.	15826411	0.523181	0.6080
OILR	7609.949	3166.605	2.403188	0.0287

R-squared	0.265223	Mean dependent var	42411739
Adjusted R-squared	0.219299	S.D. dependent var	33529326
S.E. of regression	29625595	Akaike info criterion	37.35061
Sum squared resid	1.40E+16	Schwarz criterion	37.44954
Log likelihood	-334.1555	Hannan-Quinn criter.	37.36426
F-statistic	5.775314	Durbin-Watson stat	0.183840
Prob(F-statistic)	0.028736		

The result of the regression equation is presented below:

$GDP = b_0 + b_1 OILR + ei$

$GDP = 8280076 + 7609.95 OilR$

(0.5232) (2.4032)

* The parenthesized figures below the coefficients are the t-values.

R-Square: 0.265223

Adjusted R-square: 0.219299

Standard Error: 29625595

F- Statistics: 5.775314

Durbin Watson: 0.183840

Oil Revenue is found to be positive and significant at a t– ratio of 2.4032. It has a positive impact on Gross Domestic Product, having the value of its coefficient as 7609.95. The sign indicates that Oil Revenue is positively related to Gross Domestic Product.

Coefficient of determination (R^2)

The R-Square is 0.265223, which suggests a strong positive relationship between the dependent variable that is: Gross Domestic Product and the independent variable(Oil Revenue). The adjusted R^2 of 0.219299 suggests that 22% of the total change in Gross Domestic Product can be attributed to the Independent variables.

F-TEST

If F*>F, we reject the null hypothesis and if otherwise, we accept the null hypothesis. Given the results on the ANOVA table, the observed F* = 5.775314

At 5% level of significance, our theoretical F, given our level of significance and degree of freedom is $F_{0.05}$ = 5.775314 comparing these values

$F^* > F_{0.05}$

i.e. 5.775314 > 3.23

The conclusion from such result is that we reject our null hypothesis that all bi are zero and accept our alternative hypothesis that all bi are different from zero.

4.1 Discussion of Findings

The regression result showed that the coefficient is negative, even though it has a positive relationship with economic growth in the long-run as revealed by the Regression result. This variable is expected to have positive relationship with economic growth both in the short run and in the long-run. The positive relationship between the two variables signifies that revenue generated from oil has formed the major source of revenue of Nigerian government. Since its discovery, the sector has contributed to over 80% of government revenue in Nigeria.The flux of revenue from the sector has led to the neglect of other sectors especially the agricultural sector, which is why the short term result reveals a negative relationship between oil revenue and economic growth at large. The Oil mining and export on the other hand is positively related to economic growth.

The result revealed that Oil Revenue has positive impact on the economic growth in both the short and long run. The signs of Oil Revenueare expected to be positive for economic growth to take place. This has to do mainly with the state and expenditure pattern of government. The expenditure of government through accelerator principle is supposed to spur every other sector of the economy. As postulated by Keynes, if an economy is experiencing recession, government can through her expenditure boost the economy by increasing her expenditure thereby raising the aggregate demand of the economy, depending on the multiplier. In Nigeria, oil revenue constitutes 80% of government revenue which they in turn expend to drive the economy.If government spends without adhering to certain guiding principles such as principle of sanction and principle of economy among others, it can lead to a negative relationship between government spending and economic growth in both the short and long-run. This finding corroborates the result of Baghebo and Atima (2013) who examined the impact of petroleum revenue on

economic growth in Nigeria and concludes that there is a positive and significant relationship between petroleum revenue and economic growth in Nigeria.
The findings of Adamu (2015) supports the findings of the study that revealed that Oil Revenue have positive impact on the economic growth in both the short and long run. The sign of Oil Revenueare expected to be positive for economic growth to take place. This has to do mainly with the state and expenditure pattern of government. The expenditure of government through accelerator principle is supposed to spur every other sector of the economy. Moreso, in line with the findings of Usmanand Abdullahi (2015), the Nigeria oil revenue constitute 80% of government revenue which they intern expend to drive the economy, if government spend in without adhering to certain guiding principles such as principle of sanction, principle of economy among others it can lead to negative relationship between government spending and economic growth in both short and long-run.

5. CONCLUSION AND RECOMMENDATIONS

Nigerian economic growth is highly dependent on the oil revenue. Hence, if there is a glut and fall in oil price in international market, it may be a great disaster on the economy and to the citizenry of the country. There is no doubt that the upstream sector of the oil industry in Nigeria is the most developed and it has attracted considerable foreign capital inflows. Petroleum has led to significant increase in the revenue of the nation. For instance in the last three decades, it has accounted for the majority of government revenue. Money realized from these petroleum products has helped the government of Nigeria to embark upon the expansion of the existing educational facilities, the establishment of new ones and the development of basic infrastructural facilities etc. Petroleum has also resulted in increased export earnings thereby improving the country's external trade position. The net effect of this is a significant improvement in the country's balance of payment position. That is to say, since Nigeria started exporting refined petroleum products; her gloomy balance of payments has improved tremendously.

Consequently, the economy will be disengaged from stigma and economic quagmire that have been inhibiting the Nigerian economy from experiencing real economic growth/development. It can therefore be concluded that since the prices of petroleum products have impact on the economic growth, the government needs not to take off its hand entirely in the control and regulation of the sector. This does not say that deregulation is not good or that the sector should not be deregulated, but for the advantages of deregulation to be achieved, the government must make sure that the principles of the deregulation are faithfully practiced. It is also important that uniform pricing is practiced throughout the nation because of the essential nature of these products in the society.Over the years, the Petroleum Industry in Nigeria has been fraught with many problems. These problems have been due to Government control through policies as well as private influence which include mostly marketing. The effect of these policies and influence led to the following: Scarcity of petroleum product, Low accessibility and affordability of consumers, Deterioration of most of the distribution channels, increased risk of health and environmental safety and inadequate provision and sourcing of foreign exchange to finance importation of petroleum products. Based on the findings of the study, the following recommendations are made:

(i). Government should use the revenue generated from petroleum, to invest in other domestic sectors such as the Agricultural and manufacturing sector in order to expand the revenue source of the economy and also increase the revenue.
(ii). The Nigerian government should invest oil revenue more in the economic sectors that have significant and direct bearing on the economy in order to improve the value of gross domestic product.
(iii). Government should give training on quality systems, technology development and directly acquire foreign technology for use by local firms.
(iv). Government should focus not only on petroleum revenue generation but should also re-direct its attention to proper management of the revenue and effective control of necessary expenditure.
(v). The Nigerian government should focus on the need for diversification into other sources of revenue in order not to be affected by fall of oil price in the international market.

(vi). The government should develop other sectors of the economy such as the agricultural sector and industrial sector by providing incentives such as tax concession and provision of facilities needed by these sectors in order to boost more production.
(vii). The government should build more refineries to complement the existing ones since that will go a long way to satisfy domestic consumption and generate more revenue for the country.

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Effect of Financial Knowledge on Performance of Small and Medium Scale Enterprises in North Central Nigeria

TENDE, S.B.A., Ph.D

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State

OLATUNJI, Tunde Ezekiel

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State

HASSAN, Umar Umar, Ph.D

Department of Business Administration
Nasarawa State University
Keffi, Nasarawa State
Email: Umaru@nsuk.edu.ng, Yerimaazores@yahoo.com, Phone No: +234 8038345027

Abstract

The main objective of the study is to examine the exffect of financial knowledge on the performance of selected small and medium scale enterprises in North Central. The study covered 19 years period (1999-2018), and a survey research design study was adopted. The population of the study consists of 12468 SMEs in North Central Nigeria. The study used Taro Yamane's formula to determine the sample size of 388 owners of SMEs in North Central Nigeria a through a random sampling method to select 388 owners of SMEs in North Central Nigeria. The method of data collection used by this study was the questionnaire that was administered to the respondents. The statistical tools used in data analysis are multiple regression and correlation analysis. Findings from the study revealed that financial knowledge has positive and significant effect on performance of SMEs in North Central, Nigeria, secondly, that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness and lastly inflationary knowledge is significant on the performance of SMEs in terms of effectiveness. The study recommended that SMEs owners and managers in North Central, Nigeria should continue to be educated by government and various agencies on financial knowledge which has to do with the sources of finance; such as retain earnings, borrowing from friends and relations as well as obtaining credit from micro finance banks for effective and efficient performance.

Keywords: Financial Knowledge, Finance knowledge, Inflationary knowledge, Performance Effective

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are the main driving forces of economic growth and job creation that have a special importance, not only in developed countries but also in developing and emerging economies (Lockea, 2012). However, financial knowledge is a very critical aspect of any decision making regardless of the subject matter, as it is argued to result in a more effective decision (Robb, 2014). It impacts key outcomes including borrowing, savings, investment and even future plans in terms of retirement income (Lusardi and Mitchell, 2014). In 2006, Lusardi and Michell proposed that financial literacy is needed to create a measure of financial competence in terms of participation in financial market and ability to manage financial matters. The performance of small enterprises highly depends on the financial decisions that are made by the owners ranging from financing to working capital management and saving decisions. Over the years, knowledge about sources of finance and inflation are identified and used by SMEs owners in Nigeria, particularly, in North Central Nigeria. SMEs owners identified the sources of their finance and monitor inflation. In spite of all these activities by the SMEs owners particularly in the North Central, Nigeria, their performance is very low and resulted to some of the SMEs dyeing.

Raph, 2008; Wisdom 2008 investigated financial knowledge and performance in Kirinyaga County, Kenya Ruiru sub county, Uasin Gishu County and Egerton University respectively, using SMEs and Universities. However, none of these studies used small and medium scale enterprises in North Central

Nigeria to study financial knowledge and performance on selected small and medium scale enterprises in North Central Nigeria. However, none of the studied reviewed used performance measure of effectiveness. However, this study examined the effect of financial knowledge on the performance of selected Small and Medium scale enterprises in North Central, Nigeria. The specific objectives are to: determine the effect of knowledge of sources of finance as it affects the performance of selected Small and Medium scale enterprises in North Central, Nigeria and also to evaluate the effect of inflationary knowledge on the performance of selected Small and Medium scale enterprises in North Central Nigeria.

The scope of this study is restricted to examining the effect of financial knowledge on the performance of selected Small and Medium scale enterprises in North Central, Nigeria, covering the period of 1999-2018 (19 years). This period is being chosen so as to cover the current issues on financial knowledge of Small and Medium scale enterprises in North Central, Nigeria. This research work is only concerned with the officially registered Small and Medium scale enterprises by small and medium enterprise development agency of Nigeria (SMEDAN) report of 2013. Moreover, the period was chosen because it was the period when most of the activities of Small and Medium scale enterprises in Nigeria took serious effect (i.e. from President Obasanjo's administration to date). The following null hypotheses were formulated for the study:

H_{01}: Knowledge of sources of finance has no significant effect on the performance of selected Small and Medium Firms in North Central, Nigeria.

H_{02}: Inflationary knowledge has no significant effect on the performance of selected Small and Medium Enterprises in North Central, Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of Financial Knowledge

Financial knowledge is defined as the understanding of key financial terms and concepts needed to function daily (Huston, 2017). It is defined by Potrich, Kelmara and Wesley (2016) as a particular kind of capital acquired in life through the ability to manage income, expenditure and savings in a safe way. Financial knowledge is wisdom acquired through learning the ability to manage income, expenditure and savings in a safe way (Lusardi & Mitchell, 2008). Financial knowledge is associated with a number of "best practice" financial behaviors, including possessing an adequate emergency fund, monitoring credit reports, avoiding checking account overdrafts, avoiding revolving debt, owning a dedicated retirement account, and having insurance protection (Robb, 2014). The Organization of Economic Co-operation and Development (OECD), added that financial knowledge is an important determinant of whether the individual is financially literate, which involves answering questions related to concepts on simple and compound interest, risks, internal rate of return and inflation (OECD INFE, 2011).

Sources of Finance

Raising funds to finance activities of the firm is an important aspect of every business that cannot be ignored. According to (Charan & Kishinchand, 2016), pursit that finance for small, and medium-sized enterprises (SMEs) has been a concern for all stakeholders including entrepreneurs, financial institutions, and government organizations. They highlighted the main sources of finance for SMEs as bank loans, loans from nonbanking institutions, venture capital, microfinance institutions, loans from family, relatives/friends, equity financing and own funds. The business enterprise owner must have knowledge of the sources of finance he/she want to obtain and the implication of obtaining such finances (Charan & Kishinchand, 2016).

Inflation

The knowledge of inflation is important to managers because it affects financial decisions of the business such as taking debts, opening savings account and bargaining over wage (Burke & Manz, 2014). According to Dutta, 2008, inflation arises when money supply is greater than available goods and services. He further argued that some businesses are affected by inflation positively considering that businessmen raise prices of products when there is a certain level of inflation and in turn it leads to greater profits. Also, Burke & Manz, 2014 in their empirical study, depict the relationship between financial literacy and inflation. They found that a measure of financial literacy is associated with heterogeneity in inflation expectations. Small businesses exercise less control over the markets and a rise in inflation and a small increase could affect their capital expenditure and increase their cost of production such that some SMEs may not even survive. It affects their demand and input costs and rates at which credits are made available to them among other factors. The knowledge of the effects of the risks of unanticipated changes in purchasing power of cash flows cannot be ignored by SMEs managers, Andonov, Bardong, & Lehnert, 2010, concluded.

2.1.2 Concept of Performance

Performance in organizations takes many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions (Manyuru, 2005). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.) Mahapatro, (2009) defines Organizational Performance as the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. In effectiveness, nonprofits are mission-driven, adaptable, customer -focused, entrepreneurial, outcomes oriented and sustainable. Mouzas (2006) emphasized two indicators to assess the performance: the efficiency and the effectiveness. For managers, suppliers and investors these two terms might be synonymous; yet, each of them is distinct in meaning.

Effectiveness

Companies oriented towards effectiveness are concerned with output, sales, quality, creation of value added, innovation and cost reduction (Zheng, 2010). It measures the degree to which a business achieves its goals or the way outputs interact with the economic and social environment. Usually effectiveness determines the policy objectives of the organization or the degree to which an organization realizes its own goals (Zheng, 2010). Meyer and Herscovitch (2001) analyzed organizational effectiveness through organizational commitment. Commitment Input Process Output Outcome Impact ‘‘Social Transformations in Contemporary Society’’, (2013) in the workplace may take various forms, such as relationship between leader and staff, employee’s identification with the organization, involvement in the decision making process, psychological attachment felt by an individual. Shiva and Suar (2010) agree that superior performance is possible by transforming staff attitudes towards organization from lower to a higher plane of maturity, therefore human capital management should be closely binded with the concepts of effectiveness.

2.1.3 Concept of Small and Medium Scale Enterprises

It is not easy to define small businesses and this is because the definition presents conceptual problems. The problems arise because different people see small business from different binoculars. In the Nigerian situation, the definition of small business varies between the various industries and also between different organizations. The Manufacturers Association of Nigeria may see small business from a perception that is different from a chamber of commerce. The Central Bank of Nigeria may also define a small business from a different outlook altogether. Because of the problems of harmonizing all the definitions of small business shall be presented in a simple and functional definition as one that is independently owned and operated and is not dominant in its field of operation.

Akinyande (2004), purist the definitions of small and medium scale industries by different institutions in Nigeria as follows: The Federal Ministry of Industry defines medium enterprise as the one having asset value of not more than N200 million with not more than 300 workers, while it defines small-scale enterprise as having asset value of not more than N50 million, and with not more than 100 workers. Small and medium scale enterprises performance increase growth as a result of expanding the sales, operations, assets and usually it is a major strategic objective of business outfit. SMEs performance is common to improvements in firm performance with increased profitability, higher efficiency and increased output (Teruel, 2008). Extant research addressing SMEs performance has relied on accounting-based financial indicators (Vuong, 2008; Van, 2010), market-based indicators as well as combinations of both (Waweru, 2009).

SMEDAN (2007) define micro, small and medium enterprises as those companies whose headcount or turnover falls below certain limits. This is because what is consider small in developed country like USA may be considered big in a developing country like Nigeria. According to Etuk, Etuka and Baghebo (2014). Small and Medium Scale Enterprises (SMEs) is defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry". In the same vein, Onugu, (2005), opined that the National Council of Industries in Nigeria refers SMEs to business enterprises whose total costs excluding land, is not more than two hundred million naira (N200, 000,000.00) only. Stanleyngatia (2014); Animasaun, Rasheed, Babayanju and Abdul (2016)

2.2 Empirical Studies

Wisdom (2014) studied the effect of financial knowledge on the performance of manufacturing firms in Kenya. The study adopted survey research design and employed the used of questionnaire which was administered to the population of 4780 manufacturers in Kenya. Taro Yammine formula was used to derive the sample size of 330 from the population value of 4780. Regression analysis tool was used to analyze the data and findings indicated that there exist a significant relationship between financial knowledge and performance of manufacturing sector in Kenya. Raph (2008) also examined the effect of financial knowledge on performance of insurance companies in India using sources of finance and inflationary knowledge to measure financial knowledge as well as effectiveness to measured performance. The study adopted survey research design with use of questionnaire items to get responses from the respondents. Owners of insurance companies in India were 320 and this figure was used as the sample size. The study used regression analysis with the aid of SPSS 19 to analyze the data. Findings from this study indicated that financial knowledge has positive effect in relationship with performance of insurance companies.

Animasaun, Rasheed, Babayanju and Abdul (2016) examined the various sources of finance employed by the downstream petroleum firms in Nigeria. The study employed secondary source of data. The technique for data analysis was fixed-effect model through the panel data collected. The research design was quantitative in nature. The targeted population consisted of 25 downstream petroleum firms in Nigeria from which a sample size of 20 firms was selected using a purposive sampling technique. Data were sourced from information on profit after tax; short-term, medium-term and long-term sources of finance from the audited financial statements of downstream petroleum firms. The data collected from the audited financial statements of the 20 firms covered 5 years between the periods of 2011-2015.The results of the study revealed that sources of finance as a whole significantly affected organizational performance in the downstream petroleum industry in Nigeria as F-statistic = 249.1042 with Prob. value = 0.0000. Also, the study revealed that long-term financing significantly affected profitability as the t-value of long-term financing was -5.644289 with its attendant Prob. value = 0.0000. Furthermore, it was found that short-term financing significantly impacted on profitability as the t-value of short-term finance was 9.881206 with its attendant Prob. value = 0.0000. Moreover, the study revealed that there was direct relationship between the medium-term finance and profitability as the slope of coefficient was 0.178386. This indicated that 1% increase in medium-term finance would make the profitability to increase by 17.8%. The study concluded that sources of finance affect financial performance of downstream petroleum firms in Nigeria.

Stanleyngatia (2014) examined the effects of sources of finance on the performance of Top 100 mid-sized companies in Kenya. Descriptive cross sectional research design was adopted for this study. The target population for this study was the 100 SMEs (2013) in Kenya. Simple random sampling was used to select 30% of the top 100 companies. The sample size was therefore 30 SMEs. Primary data was collected through the use of questionnaires which were designed based on the study objective. Data was entered into SPSS and analyzed using inferential statistics and regression analysis. The descriptive results showed that77% of the firms had used personal income as a source of financing, 60% used bank loans, 57% used venture capital, 40% used leasing, 43% used sale of shares, 17% used government loans, and 13% used microfinance. All these sources were used by most firms to a low extent as financing options. The regression results show that personal income, bank loans, microfinance, and government loans had weak positive effects while venture capital, leasing, and sale of shares had weak negative effects on the financial performance of Top 100 companies in Kenya at 5% level of significance. The study concludes that the sources of finance do not affect the financial performance of Top 100 companies in Kenya.

Jean (2017) studied the effect of debt financing on firm performance is of considerable importance to all bank business. The study is focused on establishing the effect of debt financing on firm performance, a comparative study between I&M Bank and Bank of Kigali within a period of six years from 2010. The study was descriptive and correlative in nature. The study found a strong positive relationship between debt level and profitability for both I&M bank and Bank of Kigali. This tends to be less expensive and increasing it with a relatively low interest rate which leads to the increase in profit levels and hence performance. The sustainability indicators shows that, Bank of Kigali was very stable in internal financial health with average SGR of 21% and IGR of 1.7% than its competitor I&M Bank with average SGR of 10% and IGR of 0.6%. However, the debt level is not influenced by the variation on both SGR and IGR. The study concludes that Bank of Kigali was the best financial performer than its competitor I&M Bank. These were shown by the fact that during the period of last six years, the average ROE is 21% for BK against 26% for I&M Bank , average ROA is 4% for BK against 3% for I&M Bank, average LA is 51% for BK against 47% for I&M Bank, average LD is 74% for BK against 60% for I&M Bank, average SGR is 21% for BK against10% for I&M Bank and finally average IGR is 3% for BK against 2% for I&M Bank.

Joshua (2010) established the relationship between inflation and financial performance of commercial banks in Kenya, while secondary data was used for the study. Data on inflation rates and financial performance (profits assets and cash flows) were collected from the banks‘annual reports for all the 44 commercial banks for the 10 year period 2000-2009. Data analysis of the relationship between inflation and financial performance of commercial banks was done using correlation coefficient and coefficient of determination to establish the nature and the strength of relationship while the test of significance was undertaken to analyze the magnitude of the relationship. The analysis of quantitative data was carried out using SPSS version 17 (statistical package for social Science) and presented inform of tables, graphs and pie charts while contextual data was analyzed qualitatively.On the relationship between inflation and financial performance, profits indicate a negative relationship. As inflation decrease, profits increase. The relationship between inflation and total assets indicate no clear pattern therefore a weak relationship. The total cash flows do not indicate a clear pattern in relation to inflation indicating a weak relationship.

Waseem, Maria, Rafia, Waqasia, Nimra and Samnia (2014) examined the overall Inflationary trends that have great influence on the performance of the large banking segment of Pakistan. This study is directed to verify the impact of inflationary trends on the top rated banks in Pakistan and return on assets (ROA), return on equity (ROE) and net interest margin as key performance indicators of banking sectors are selected as variable. Researchers calculate the figures of these variables and then discuss these figures with bank representatives. The research sample consists of large banks in Bahawalpur district. Through discussion and calculated results, a strong positive relation has found among the variables, i.e. inflation over bank's performance.

2.3 Theoretical Framework

2.3.1 Exchange Theory

Exchange theory as proposed by Robson and Ladner (2006) holds that interpersonal, interactional, procedural and informational factors are linked to literacy skills. Hence, the higher the interactions, the higher the level of literacy the individual will have. Lusardi and Mitchell (2008) also supported this theory by their findings which indicated that financial literacy is higher among those who are working, and in some countries those who are self-employed as compared to those who are not working. Therefore the difference in literacy levels among individuals as shown in this theory is as a result of exchange of information between the more literate and the less literate, financial education that may be offered in the workplace and the skills acquired on the job. As a result, in order for one to be more financially literate, they have to increase their level of interactions with other personnel. According to this theory, the financial literacy of the SME owners will be more if they operate their businesses more and also increase their interactions. This will not only inform them of financial systems but also the trends and changes in the systems. This theory's proposition to the study is that it tends to explain the difference in financial literacy among people and it also suggests on how to improve the literacy levels.

3. METHODOLOGY

The study adopted survey research design and this is because the data needed in this study shall requires the use of structured questionnaire that shall be administered to the respondents who are the Small and Medium scale owners managers or managers. Also, the reason for using survey research design is that, it is useful in describing the characteristics of a large population, provides broad capability, which ensures a more accurate sample to gather target results in which to draw conclusions and make important decisions. The population consists of all registered Small and medium scale enterprises in the North Central, Nigeria. According to small and medium enterprise development agency of Nigeria (SMEDAN) report of 2013, where there are 12468 SMEs in North Central Nigeria, and that forms the population of the study listed in table 1 below.

Table 1: Population of the Study

State	Medium	Small	Total
Benue	1146	22	1168
Niger	2712	170	2882
Kogi	827	17	844
Kwara	164	62	226
Nasarawa	1098	22	1120
Plateau	2070	110	2180
FCT	2244	446	2690
Total	**11519**	**949**	**12468**

Source: SMEDAN report of 2019

Thus, the population of small and medium enterprises in this study is 10288 SMEs in North Central Nigeria and this was reduced using Taro Yamane (1967) formula as stated below:

$n=N/1+N(e)^2$

Where N is the population size

e, is the margin error (assume 5%)
1= constant=
e=0.05
$n = 12468/1+12468(0.05)^2$
$n=12468/1+12468\ (0.0025)$
$n = 12468/1+31.17$
$n = 12468/32.17$
$n= 388$
Therefore, the sample size of the study is 388 small and medium scale enterprises in North Central, Nigeria. The study made use of purposive sampling technique in selecting 388 from 12468 SMEs in

North Central, Nigeria. The researcher considered a purposive sampling method by using proportional method in selecting sample in each state including Abuja as stated below:

Table 2 Proportion of SMEs in North Central, Nigeria

State	Population	Proportion	Sample
Benue	1168	1168x388/12468	36
Kogi	844	844x388/12468	26
Kwara	226	226x388/12468	7
Nasarawa	1120	1120x388/12468	54
Niger	1358	1358x388/12468	77
Plateau	2180	2180x388/12468	98
FCT	2690	2690x388/12468	90
Total	**12468**	**-**	**388**

Source: Researcher's Computation, 2019

However, the reasons for selecting 388 SMEs in North Central, Nigeria, are based on availability of data on their operations, their proximity to the researcher and research assistants in the zone (North Central) and their perceived long term operation in the industry. The selected SMEs firms shall stayed for a period of 10years before it can be selected and those SMEs that are not up to 10 years shall not be selected in this research.

The method of data collection used in this study is questionnaire administered to the respondents which involves the use of primary source of data. A designed questionnaire is used in the cause of this research work to obtain all the vital data of financial literacy and performance of selected Small and Medium scale enterprises in North Central. The questionnaire shall be designed in a five (5) point Likert type scale to collect data from the respondents regarding financial literacy and performance. A total of 388 copies of questionnaires were administered to 388 owners of SMEs in North Central. 20% was added to the total of 388 given a total of 466 copies of questionnaire to ensure successful return of the 388 copies of questionnaire. Research assistants were employed and educated on how to administer the questionnaire items and after one week the researcher visited some states to ascertain how the research assistants effectively administered the questionnaire and thereafter given three weeks to return the completed questionnaire through various transport services.

The questionnaire was tested to ascertain that the questionnaires were answered properly and reliably, noting that the instrument used is unique and reliable. The reliability and viability of the questionnaire is not less than the Alpha value of 0.6. The variables used in this study scored above Apha value of 0.6. Therefore, the Alpha values are reliable.

Table 3: Reliability test

Variables	Number of items	Cronbach's Alpha
Sources of finance	3	0.83
Inflation	3	0.78
Effectiveness	3	0.88

Source: researcher computation (2019)

The statistical tools adopted in this study are multiple regression, Spearman correlation and simple percentages. The multiple regressions was used to determine whether there is effect in the relationship between financial knowledge and performance of small and medium scale enterprises in North Central, Nigeria, while the correlation was used to establish the strength and degree of the relationship that existed between the variables. The software statistical package of SPSS 21 was used in analyzing data in this study. Multiple models were employed to estimate the effect of financial knowledge of performance of Small and medium scale enterprises in North Central, Nigeria. This was expressed in this study as thus:

$Y = \alpha + \beta_I x$

Where y = dependent variable, α = intercept, β_I is coefficient and x is the independent variable. However, the above model is expressed as:

$SMEs_{PF} = \alpha + \beta_I SFF + \beta_2 INK + \mu$ …...equation 1

Where:

$SMEs_{PF}$ = Performance (effectiveness) of selected Small and Medium scale enterprises in North Central, Nigeria.
ß = Coefficient
α = Intercept
μ = Error terms
SFF = sources of finance
INK= Inflation

Correlation Models

$$r = \frac{\sum(x)(y)}{(\sum x^2)(\sum y^2)} \quad \text{……………………………......................................2}$$

r = correlation coefficient
∑ = Summation
x = dependent variable
y = independent variables

4. RESULT AND DISCUSSION

Table 4: Assessment of Sources of Finance

Items	5	4	3	2	1
The SMEs owners/managers in North Central have adequate knowledge of retain earning as one of the sources of finance	122(31.44)	109(28.09)	56(14.43)	85(21.91)	16(4.12)
SME owners/managers in North Central Nigeria usually obtained micro credit from micro finance banks	120(30.92)	112(28.87)	34(8.78)	89(22.93)	33(8.51)
The SME owners/managers have knowledge of borrowing of money from friends to finance their business as one of the sources of finance	119(30.67)	102(26.29)	44(11.34)	56(14.43)	67(17.27)

Source: Survey, 2019

Table 4 indicates that 31.44% of the respondents strongly agreed that SMEs owners and managers in North Central have adequate knowledge of retain earning as one of the sources of finance while 28.09% of the respondents agreed that SMEs in North Central have adequate knowledge of retain earning as one of the sources of finance and 14.43% of the respondents were undecided. 21.91% of the respondents strongly disagreed that SMEs In North Central have adequate knowledge of retain earning as one of the sources of finance and 4.12% of the respondents disagreed that SMEs In North Central have adequate knowledge of retain earning as one of the sources of finance. The implication of this is that majority of the respondents have adequate knowledge of retain earning as a source finance in their businesses.

Table 4 indicates that 30.92% of the respondents strongly agreed that SMEs in North Central Nigeria usually obtained micro credit from micro finance banks. 28.89% of the respondents agreed that SMEs in North Central Nigeria usually obtained micro credit from micro finance banks and 8.78% of the respondents were undecided. 22.93% of the respondents strongly disagreed that SMEs in North Central Nigeria do not usually obtained micro credit from micro finance banks and 8.51% of the respondents disagreed that SMEs in North Central Nigeria do not usually obtained micro credit from micro finance banks. The implication of this is that majority of the respondents believed that they have adequate knowledge to obtain micro credit from micro finance banks.

Table 4 indicates that 30.67% of the respondents strongly agreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance. 26.29% of the respondents agreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance and 11.34% of the respondents were undecided. 14.43% of the respondents strongly disagreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance and 17.27% of the respondents disagreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance. The implication of this is that majority of the respondents believed that they have knowledge of borrowing of money from friends to finance their business as one of the sources of finance.

Table 5: Assessment of Inflation Knowledge

Items	**5**	**4**	**3**	**2**	**1**
The SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money	117(30.15)	110(28.35)	52(13.40)	67(17.27)	42(10.82)
SMEs in North Central Nigeria monitor inflationary trend in order to invest their money	123(31.71)	118(30.41)	44(11.34)	60(15.46)	43(11.08)
The SMEs in North Central Nigeria have adequate on the effect of inflation on their business	132(34.02)	101(29.88)	22(5.76)	59(15.21)	74(19.07)

Source: Survey, 2019

Table 5 indicates that 30.15% of the respondents strongly agreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money. 28.35% of the respondents agreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money and 13.40% of the respondents were undecided. 17.27% of the respondents strongly disagreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money and 10.82% of the respondents disagreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money. The implication of this is that majority of the respondents always have knowledge of inflation that it will affect the value of money.

Table 5 indicates that 31.71% of the respondents strongly agreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money. 30.41% of the respondents agreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money and 11.34% of the respondents were undecided. 15.46% of the respondents strongly disagreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money and 11.08% of the respondents disagreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money. The implication of this is that majority of the respondents always monitor inflationary trend in order to invest their money.

Table 5 indicates that 34.02% of the respondents strongly agreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business. 29.88% of the respondents agreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business and 5.76% of the respondents were undecided. 15.21% of the respondents strongly disagreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business and 19.07% of the respondents disagreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business. The implication of this is that majority of the respondents always have adequate knowledge on the effect of inflation on their business.

Table 6: Assessment of Effectiveness of SMEs in North Central Nigeria

Items	**5**	**4**	**3**	**2**	**1**
There is an increase in sales of SMEs in North Central, Nigeria	56(14.43)	67(19.82)	57(16.86)	119(35.21)	89(26.33)
SMEs produced goods and service at a reduced price	48(14.20)	55(16.27)	78(23.08)	123(36.39)	34(10.06)
The output of SMEs product has increase over the period with increasing demand.	50(14.79)	65(19.23)	44(13.02)	133(34.28)	106(27.32)

Source: Survey, 2019

Table 6 indicates that 14.43% of the respondents strongly agreed that there is an increase in sales of SMEs in North Central, Nigeria. 19.82% of the respondents agreed that there is an increase in sales of SMEs in North Central, Nigeria and 16.86% of the respondents were undecided. 35.21% of the respondents strongly disagreed that there is no increase in sales of SMEs in North Central, Nigeria and 26.33% of the respondents disagreed that there is no increase in sales of SMEs in North Central, Nigeria. The implication of this is that majority of the respondents disagreed that there is no increase in sales of SMEs in North Central, Nigeria.

Table 6 indicates that 14.20% of the respondents strongly agreed that SMEs produced goods and service at a reduced price. 16.27% of the respondents agreed that SMEs produced goods and service at a reduced price and 23.08% of the respondents were undecided. 36.39% of the respondents strongly disagreed that SMEs do not produced goods and service at a reduced price and 10.06% of the respondents disagreed that SMEs do not produced goods and service at a reduced price. The implication of this is that majority of the respondents disagreed that SMEs do not produced goods and service at a reduced price.

Table 6 indicates that 14.79% of the respondents strongly agreed that output of SMEs product has increase over the period with increasing demand. 19.23% of the respondents agreed that output of SMEs product has increase over the period with increasing demand and 13.02% of the respondents were undecided. 34.28% of the respondents strongly disagreed that output of SMEs product have not increase over the period with increasing demand and 27.32% of the respondents disagreed that output of SMEs product have not increase over the period with increasing demand. The implication of this is that majority of the respondents disagreed that output of SMEs product have not increase over the period with increasing demand.

Table 7: Descriptive statistics of the Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SMEspf	388	1.00	5.00	2.9356	1.45331
SFF	388	1.00	5.00	3.4381	1.35973
INK	388	1.00	5.00	3.2010	1.48925
Valid N (listwise)	388				

Source: SPSS, version 21.00

The mean value of SMEs pf is 2.94 and the standard deviation is 1.44. This shows the presence of an outlier as can be confirmed the difference between minimum value and maximum value. The mean value of SFF is 3.44 and the standard deviation is 1.35. This shows the presence of an outlier as can be confirmed the difference between minimum value and maximum value. The mean value of INK is 3.20 and the standard deviation is 1.49. This shows the presence of an outlier as can be confirmed the difference between minimum value and maximum value.

Table 8: Correlation Matrix of the Variables

Correlations

			SMEs pf	**SFF**	**INK**
		Correlation Coefficient	1.000	.956**	.965**
	SMEs pf	Sig. (2-tailed)	.	.000	.000
		N	388	388	388
		Correlation Coefficient	.956**	1.000	.965**
Spearman's rho	SFF	Sig. (2-tailed)	.000	.	.000
		N	388	388	388
		Correlation Coefficient	.965**	.965**	1.000
	INK	Sig. (2-tailed)	.000	.000	.
		N	388	388	388

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

Source: SPSS, version 21.00

Table 8 indicates that there is a positive association between the dependent variable and independent variables in the study. This implies that there is strong positive association between source of finance and performance of SMEs in North Central Nigeria in terms of effectiveness. Also, there is strong positive association between inflation knowledge and performance of SMEs in North Central Nigeria in terms of effectiveness.

Table 9: Panel Regression result

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.958[a]	.919	.918	.41564

a. Predictors: (Constant), INK, SFF

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	750.878	2	375.439	2173.218	.000[b]
	Residual	66.511	385	.173		

Total	817.389	387			

a. Dependent Variable: SMEspf
b. Predictors: (Constant), INK, SFF

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.239	.061		-3.922	.000
	SFF	.302	.055	.282	5.479	.000
	INK	.668	.050	.684	13.282	.000

a. Dependent Variable: SMEs pf
Decision rule: 5%

The regression result indicates the fitness of the model since the f-statistics is significant at 5% level of significance. The finding showed that sources of finance have positive effect on performance of SMEs in North Central Nigeria in terms of effectiveness. Also, inflation knowledge has positive effect on performance of SMEs in North Central Nigeria in terms of effectiveness. These effects are significant since the P-value are less than 5%. Thus, we can reject the null hypotheses and concluded that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness. The findings also revealed that inflationary knowledge have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness.

The $R^2 = 0.91$ indicates that only 91% of variation on performance of SMEs in North Central Nigeria in terms of effectiveness can be used to explain by financial knowledge (sources of finance and inflation knowledge) but 9% can be explained by other factors not noted in the regression model which is referred to as error term.

4.1 Discussion of Findings

The study found out that financial knowledge has positive and significant effect on performance of SMEs in North Central, Nigeria. Other findings indicated that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness and inflation knowledge has a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness. The study is in line with the findings of Raph (2008) and Wisdom (2014) who found that there is positive and significant effect of the variables. The study did not disagree with the findings in that study. The study is also in line with exchange theory which holds that the differences in literacy levels among individuals is as a result of exchange of information between the more literate and the less literate, financial education that may be offered in the workplace and the skills acquired on the job.

5. CONCLUSION AND RECOMMENDATIONS

The study concluded that financial knowledge has positive and significant effect on performance of SMEs in North Central, Nigeria. Other findings were that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness and inflation knowledge has a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness.

SMEs owners and or managers in North Central should continue to educate their counterpart about the need to have financial knowledge on the sources of finance such as retaining earning, borrowing from friends and relations as well as obtaining micro credit from micro finance banks. They should understand if they are properly educates on how to obtain their financial sources, their performance will improve.

SMEs owners and managers in North Central Nigeria should be properly educated on inflationary knowledge which affect positively finance and investment. They should understand that inflation in the system determine the financial strength they will have and invest. They should continue to be educated on the inflation.

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Nexus between Board Reputation, Size, Gender Diversity and Earnings per Share: Evidence from Nigerian Deposit Money Banks

ISAH, Shittu

Department of ,
Ahmadu Bello University,
Zaria, Kaduna State
E-Mail: isahshittu15@yahoo.com & ishittu@abu.edu.ng, Phone No: +234 8069643221

YAHUZA, Salisu

Bua Cement,
Kano, Kano State
E-Mail: yaslisdg3@yahoo.com, Phone No: +234 8023936877

ALI, Abubakar

Bua Cement
Kano, Kano State
E-Mail: abunet42@yahoo.com, Phone No: +234 8037147012

Abstract

Banks and other financial institutions are the intermediaries that channeled surplus resources to deficit units of the economy for productive purposes. Similarly, they are the most vulnerable sector of any capital market setting due to the nature of their transaction and that is why they represent the heart of the world's financial crisis. On the other hand, Earnings Per Share EPS represent an important indicator of corporate performance, this is because, many investors are more interested in what they earn from shares invested. To a large extent, several authors, practitioners, and investments analysts believe that poor performance of these organizations was as a result of poor corporate governance. Therefore, this study examined the influence of board size, board gender diversity, and board reputation on the Earnings Per Share of Deposit Money Banks in Nigeria. The study used data from ten (10) Banks listed on the Nigerian Stock Exchange for period of 2013-2017. The results revealed a significant positive relationship between gender and reputation of board members to EPS, while size is statistically not significant. Thus, the study recommends representation of women on boards of banks and consideration of reputable individuals in corporate boards.

Keywords: Board Reputation, Board Gender Diversity, Board Size, EPS, Banks

1. INTRODUCTION

Earnings per Share (EPS) represent an important indicator of corporate performance, this is because, many investors are more interested in what they earn from shares invested (Shittu, Ahmad & Ishak, 2016). On their part, banks and other financial institutions are the intermediaries that channeled surplus resources to deficit units of the economy for productive activities. Similarly, they are the most vulnerable sector of any capital market setting due to the nature of their transaction and that is why they represent the heart of the world's financial crisis. To a large extent, several authors, practitioners, and investments analysts believe that poor performance of these organizations was as a result of poor corporate governance in banking institutions and other institutions. The expectation is that an efficient board is expected to impact positively the value of shareholders in terms of earnings and other value to investors. The series of widely publicized cases of accounting improprieties recorded in the Nigerian banking industry in 2009 (for example, Oceanic bank, Intercontinental bank, Union bank, Afri bank, Fin bank and Spring bank) were related to the lack of vigilant oversight functions by the boards of directors, the board relinquishing control to corporate managers who pursue their own self-interest and the board being remiss in its accountability to stakeholders (Uadiale, 2010) as quoted by (Uwuigbe, 2011). In addition to efficient board, board members with good reputation are also expected to have positive impact on the value of earnings, though not much is known on how board members reputation affects earnings of shareholders. Similarly, a gender diversified board is also expected to improve corporate value as suggested by prior literatures. In Nigeria, before the consolidation exercise, the banking industry had about 89 active players whose overall performance led to the sagging of customers' confidence. There was lingering distress in the industry, the supervisory structures were inadequate and there were cases of official recklessness amongst the managers and directors, while the industry was notorious for ethical abuses (Akpan, 2007). Poor corporate governance was identified as one of the major factors in virtually all known instances of bank distress in the country. Weak corporate governance was seen manifesting in form of weak internal control systems, excessive risk taking, override of internal control measures, absence of risk management processes, insider abuses and fraudulent practices remain a worrisome feature of the banking system (Soludo, 2004). This study, therefore, examined the influence of board size, board gender diversity, and board members reputation on the Earnings Per Share of Deposit Money Banks in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework and Empirical Evidences

2.1.1 Concepts of Earnings Per Share

Earnings per share or EPS are an important financial measure, which indicates the profitability of a company. It is calculated by dividing the company's net income with its total number of outstanding shares. It is a tool that market participants use frequently to gauge the profitability of a company before buying its shares (Shittu et al. 2016). EPS is the portion of a company's profit that is allocated to every individual share of the stock. It is a term that is of much importance to investors and people who trade in the stock market. The higher the earnings per share of a company signify the better for the company performance. While calculating the EPS, it is advisable to use the weighted ratio, as the number of shares outstanding can change over time. A more diluted version of the ratio also includes convertible shares as well as warrants under outstanding shares. It is considered to be a more expanded version of the basic earnings per share ratio. For an investor who is primarily interested in a steady source of income, the EPS ratio can tell him/her the room a company has for increasing its existing dividend. Although, EPS is very important and crucial tool for investors, it should not be looked at in isolation. EPS of a company should always be considered in relation to other companies in order to make a more informed and prudent investment decision.

2.1.2 Board Size and Earnings

Board size is the total number of directors sitting on each company's board. It is the responsibility of the board of directors to guarantee that the business is enjoying maximum benefits of prevailing occasions and ensuring that economic worth of the organisation is enhanced, being successful when its ability to make choices and affect the administrators is incredibly strong (Uwuigbe & Fakile, 2012). Several scholars have asserted that small boards operate more than large boards. Lipton and Lorsch (1992) argue that, "when a board has more than ten members it becomes more difficult for them all to express their ideas and opinions". Similarly, Jensen, (1993) are of the same view and they concluded that the mean board size should be seven or eight people, beyond which they are less likely to function effectively. Larger board size has the advantage of increased monitoring. However, it leads to poor communication and poor decision which may impact negativity on the performance of the organisation. Therefore, larger board size is not in the favour of the service firms (Amarjit & Mathur, 2011). The major advantage of larger boards is the presence of heterogeneous resources which may impact positively on the performance of the firm, whether at the advisory or monitoring level. When the number of the board membership goes up, there would be possibility for divergent opinions which could result in more confusion among board membership (Ayorinde et al. 2012). Previous studies on this concept observed that organisations select size of board to create equilibrium between the requirements for timely advice and the financial implications of maintaining large board membership (Akinyomi, 2013). The board of directors performs its duties in the form that would ensure and provide a long term and stable earnings to the company shareholders while aiming at the maximization of the market facilities by the companies (Ayorinde et al.

2012). The board includes internal and external directors (Akinyomi, 2013); whose role includes chief executive officers and organisational administrators' regulation in order to boost the economic worth of the company (Uwuigbe, 2011). Results from the research show that the average size of the boards of Nigerian banks is 15 directors. A board size of 16 directors is the most popular. The Central Bank of Nigeria (CBN) corporate governance code for banks operating in Nigeria recommend a maximum board size of 20 directors. All the banks are compliant. However, United Bank for Africa PLC has applied to the CBN for approval to increase their board size to 24 but the Central Bank is yet to grant its approval.

2.1.3 Board gender diversity and Earnings

The research related with board of directors is an important research stream. One of the most noteworthy dimensions related with board composition is board gender diversity. Although, much research is undertaken in developed countries related with board gender diversity, related research is still at infancy in developing and emerging market economies. Organizational demography is one of the important research fields that attract many researchers. The concept of organizational demography was initially introduced by Pfeffer (1983) who suggested the importance of workforce composition for group processes; he argued that demographic composition is a better predictor of organizational outcomes. Organizational demography is defined by Pfeffer (1983) as "the composition, in terms of basic attributes such as age, sex, educational level, length of service or residence, race and so-fourth of the social unit under study". Organizational demography is important for all levels of the organizations, and even more important for the top-executives who are the strategic decision-makers. Board demographic diversity is referred as the composition of board members in terms of different variables such as gender, age, nationality, ethnicity, educational background and experience (Coffey and Wang, 1998; Erhardt et al, 2003). One of the important diversity dimensions for organizations is the gender diversity. Due to dramatic increase in the percentage of female employees, gender diversity became an important issue almost for all of the organizations. Gender diversity is important both at the employee level and at the managerial level as well. Board gender diversity is assumed to significantly improve corporate governance and have a positive effect on financial performance of the board, female directors are found to be more diligent in attending board meetings and they monitor performance and join committees more than male directors, they also increase stakeholder's confidence in a firm (Adams and Ferreira, 2009; Ku Ismail & Manaf 2016). Board female representation is assumed to be in relation to firm size, type of industry, and firm diversification strategy (Ku Ismail & Manaf 2016). Firm's with female CEO's have higher profitability (Morey et al 2012). The presence and proportion of female director positively influences the financial performance but the board size has neutral effect. However, supervisory and law-making efforts should be made in order to achieve reasonable gender stability on board (Morey et al. 2009). Other studies show a negative relationship between women and firm performance (Campbell & Minguez, 2010). These two studies are based on Norwegian firms. A study based on U.S. firms also shows a negative relationship (Adams & Ferreira, 2009).

2.4 Board Reputation and Earnings

The theory of strategic management suggests that positive reputation may create competitive advantage and influence corporate performance. Good and recognisable image does not happen by chance. In order to build it, the procedure requires creativity and firm determination of corporate management. Corporate image and corporate reputation management have two primary aims. The first is the creation of 'the intentional image' in the minds of all key constituents in a company. This means creating widespread name recognition between target stakeholders, accompanied by spontaneous identification. The second aim in the managing process is the creation of positive reputation in the minds of key stakeholders. A prominent corporate image may be developed through coordinate image building campaign. This includes a formal communication system: name, logo, corporate advertising and public relations. On the other side, building a good reputation requires more than effective communication efforts. It demands extraordinary identity that can be modelled only by consistent performance throughout many years.

Coordinated communication programs can, however, strengthen and improve company's reputation. Company competitive advantage depends on its distinctive capabilities, strategic excellence and market structure. According to Kiel and Nicholson (2003), there are three sources of distinctive competitive advantages that may be, depending on a market, used to create and maintain competitiveness.

2.2 Theoretical Discussion

2.2.1 Agency theory

There has been a focus on the agency theory with emphasis on the principal-agent problem (Jensen, 1993); the theory which has its foundation in economic theory has become dominant in the corporate governance literature (Uwuigbe, 2011). The theory asserts that most of the time, the objectives of the organizational administrator do conflict with those of the real owners of the business. Agency theory describes a situational problem in which directors (management) control a company whilst shareholders own the company with the directors however, not acting in the best interest of the shareholders. The agency theory implies that the board of directors are elected to manage the potential conflict of interest between management and shareholders. In spite of the fact that some studies on agency theory recommends that appropriate governance may possibly minimize agency expenses and boost the earnings of business owners, some results of other investigations suggest otherwise. One likely explanation to this divergence of results may be the utilization of different indicators of organization governance (Sami, Wang & Zhou, 2009). This study adopts the agency theory of corporate governance in relation with profitability. An attempt is made towards understanding the relationship between corporate governance and the profitability of Nigerian deposit money banks.

3. METHODOLOGY

For the purpose of this study, an ex-post-factor and experimental research design involving trend analyses of the audited financial statement of the sampled banks from 2013 to 2017 were made. In trend design, each set of observation is directed at different samples of the same population at various points in time. This design enabled the researcher to carry an in-depth study of the sampled population for the selected period so as to capture the trends in the governance of the banks for the said periods. This study relied on secondary data gathered from past publications and annual reports of banks in Nigeria. The researcher used more recent data that were available from the period of 2013 to 2017 for ten sampled banks. The tool of analysis is multiple regression to estimate the relationship between the explained and the explanatory variables.

Definition of Variables

Variables	Definitions	Source
Board Size	Board size is the total number of directors sitting on each company's board	Uwuigbe & Fakile, 2012
Board Gender Diversity	Number of Women serving on banks board	Coffey and Wang, 1998; Erhardt et al, 2003
Board Reputation	Corporate reputation is public evaluation of organisation resources and company's capability. Good and recognisable image (number of directors with national honour)	Kay, 1993
Earnings Per Share	EPS is an important indicator of	Shittu et..el (2016)

	company performance, is calculated by dividing the company's net income with its total number of outstanding shares.	

4. RESULT AND DISCUSSIONS

4.1 Descriptive Statistics

The sample descriptive was first presented in Table 4.1 where the minimum, maximum, mean, standard deviation of the variables used in the study was described.

Table 4.1: Descriptive Statistics

Variables	Min	Max	Mean	Std. Dev.
EPS	0.18	4.67	1.765	1.166
NBGD	0	5	2.44	1.373
BS	6	20	14.2	3.364
NBR	0	5	1.66	1.349

Table 4.1 show that earnings per share has mean a value of 1.765 for all the listed deposit money banks in Nigeria within the study period implying that, most of the banks were having about ₦1.77 as their earnings per share. The minimum value for earnings per share stood at 0.18 implying that there was a bank that the amount of earnings per share was just eighteen kobo, while the maximum value stood at 4.67. Gender diversity has a mean of 2.44 which is about two, and this implies that on average, most of banks have at least two females as part of the board of directors in their banks. The minimum value for board gender diversity is zero (0) which connotes that there are some banks that do not have females as part of their board of directors. The maximum value is five (5) which implies that the bank with maximum numbers of women in their board stood at just five out of twenty numbers of board members recorded for the bank as the highest within the period of the study. The lower value of standard deviation to mean implies that the average value for board gender diversity represent the true mean. Also, the board size has an average value of about fourteen. This shows that on average all the banks within the study period have at least fourteen numbers of persons on their board. The minimum number of board members of banks is six; meanwhile, the maximum number of board members within listed deposit money banks in Nigeria between the study periods stood at twenty. The low standard deviation of board size over the mean is an indication that the mean is a good representative of the average.

4.2 Correlation Matrix

Table 4.2 displays the correlation values between dependent and the independent variables and the relationship between the independent variables themselves. The values were obtained from the Pearson correlation of two-tailed significance.

Table 4.2 Correlation Matrix

	NBGD	BS	NHAETHN	NIBETHN	YOETHN	NBR	EPS
NBGD	1						

BS	0.5841	1					
NBR	0.1595	0.1382	0.2330	0.0363	-0.0252	1	
EPS	0.1030	-0.0912	-0.0625	0.1555	-0.2200	-0.1920	1

Table 4.2 indicates that earning per share is about 10% positively correlated with board gender diversity. This implies that the relationship between them is direct and at a low level. However, Board size is 9% negatively correlated with earning per share of listed deposit money banks in Nigeria. This level of relationship can be regarded as weak correlation. Number of board members with reputation has positive association with board gender diversity which is at about 16% level of association. Board size is also found to be insignificantly and positively associated with number of board members with reputation to the tune of about 14%. This indicates that the variables move in the same direction but at different magnitude. Finally, Board size is positively and strongly associated with board gender diversity to the tune of 58%.

4.3 Regression Results

This section presents the regression result of the dependent variable and the independent variables of the study (board gender diversity, board size and number of board members with reputation). The presentation was followed with the interpretation, analysis and the discussion of the results.

Table 4.3: Summary of Regression Result (Random Effect Model)

Variables	Coeff	Z-Stat	Prob	
Constant	3.447	4.40	0.000	
NBGD	0.365	2.29	0.022	
BS	-0.291	-2.34	0.190	
NBR	0.176	1.42	0.001	
R^2 Within				0.2166
R^2 Between				0.3663
R^2 Overall				0.2177
Wald Chi				11.97
Wald Prob				0.0628

Multicollinearity 4.48, Hetroscedastity 0.29, normality 0.72
*Significant at ** 5%, *** 1% respectively*

The cumulative R^2 overall of 0.2177 for the model signified that only 21.77% of the total variation in earning per share of listed deposit money banks in Nigeria is accounted for by board gender diversity, board size and number of board members with reputation used in the study. The other 78.3 are explained by variables not captured in our regression model. The aforementioned corporate governance variables and earnings per share model is fit. The regression results revealed that board gender diversity (NBGD) as shown in Table above has a coefficient value of 0.365 with a probability of 0.022 which is significant at 5% in the model. This indicates that board gender diversity has significant and positive effect on earnings per share of listed deposit money banks in Nigeria. Form the above result reported on board gender diversity which shows that the variable has a significant effect on earnings per share of listed deposit money banks. This findings therefore, provides an evidence of rejecting null hypothesis which predicts that board gender diversity has no significant relationship with EPS of Deposit Money Banks in Nigeria. This implies that for every increase in the number of women on board of banks directors, their earnings per share increases significantly by the coefficient value. This conforms to findings of Carter et al (2003), Ku Ismail and Abdul Manaf (2016). Similarly, board size (BS) has a coefficient of -0.291 and probability of 0.190 signifying insignificant relationship between the explained and the explanatory variables. On the other hand, the regression results showcased that number of board members with reputation (NBR) has a coefficient value of 0.176 and probability value of 0.001 which is statistically significant at 1%, level of significance. This indicates that number of board members with reputation has a significant positive effect on earnings per share of listed deposit money banks in Nigeria. This implies that for every increase in the number of board members with reputation, the earnings per share increases significantly. This finding is not surprising because a board that is composed of people with reputation is expected to attract investors and thus increase the level of patronage to the bank that in turn should improve the level of earnings per share of the banks. Going by the above result reported on number of board members with reputation which shows that the variable has a significant effect on earnings per share of listed deposit money banks. This therefore, provides an evidence of rejecting null hypothesis those board members with reputation has no significant relationship with EPS of Deposit Money Banks in Nigeria.

5. CONCLUSION AND RECOMMENDATION

The study examined the influenced of board size, gender diversity and reputation on Earnings Per Share of Deposit Money Banks in Nigeria and thus concluded that, increases in the number of women on board of directors of banks increases the level of their financial performance significantly. Therefore, increase in percentage of women directors on board will improve financial performance of banks. The study also concluded that board members with reputation has link with increase in financial performance of listed Deposit Money Banks in Nigeria. Having a national honour to one's name is a determinant of positive contribution to banks financial performance. Therefore, the study recommends representation of women on boards of banks and consideration of reputable individuals in corporate boards.

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Effect of Foreign Direct Investment on Economic Growth in Nigeria

IDOGHO, Abraham Momoh

Department of Accounting
Bingham University
Karu, Nasarawa State

E-Mail: momohidogho-yahoo.com, Phone No: +234 8069337724

Abstract

Nigeria as a nation has used foreign direct investment as a mean to complement the domestic resources toward economic growth. Many literature have suggested a positive effect of foreign direct investment on economic growth while others see it in another angle. It is as a result of this differences that necessitate the need of this study to investigate whether foreign direct investment has a causal relationship with Nigerian economic growth. The study covered the period of 38 years of 1981-2018. The study employed secondary data sourced from the Central Bank of Nigeria. The Ordinary Least Square of the Regression model was used with E-view –version (10) for statistical analysis. The results reveal that Foreign Direct Investment has a significant effect on the Nigerian economy growth represented by gross domestic product. The result also find that exchange rate has a positive effect on the Nigerian economy growth.Thus, the conclusion of the study is that foreign direct investment and foreign exchange have causal relationship with economic growth in Nigeria. The study recommends that the Nigeria government should improve the infrastructural development of the nation in order to encourage more economy (driven) FDI. Also, the Nigeria government should improve the security situation of the nation so as to attract more investment. Finally, there is need to have a total liberalization of the trans-national investment sector. This will help to remove barriers and create a free investment environment for the nation.

Keywords: Foreign Direct Investment, Economic Growth, Exchange Rate

1. INTRODUCTION

A nation is driven to a greater economic growth through savings. In most developing countries, the amount of income not consumed in a given year (savings)is usually low, thereby, creating an imbalance in the economy. When a nation cannot boast of development through savings, that nation may have to adopt the options of either having a deficit budget (financing investment through borrowing) or rely on attracting foreign direct investment. Many researchers have proven that Foreign Direct Investment (FDI) has a positive relationship to economic growth of a host country. Foreign DirectInvestment lead to openness in trade, encourage technology transfer, financial capacities, create large market size andhuman capital development (Bakari&Tiba, 2019). Buckley, Clegg, Wang and Cross (2002) also opined that FDI contribute to economy growth in capital accumulation, technology, development of human capital. FDI sourcesalso matter most to many countries. FDI from North America and Southern Asia contribute more than FDI from Central and South America (Tango & Tan, 2018).

Lambe and Uwaleke (2018) opined that there is directional causal relationship that exists in an economy. Economy could be driven by development of the host country called development –driven FDI, or a situation where FDI improves development of the host economy, called FDI-led development, and the mixture of the two variables or none. Nigeria as a nation has adopted many policies towards wooing investors to the economy. The government has enhancedfree market economy, reduce administrative and bureaucratic procedure of doing business, improvement in area of fiscal policies, diaspora involvement in capital formation, privatization of some moribund industries, and the review of the Nigeria Investment Promotion Commission Act amongst others to promote and encourage both local and foreign investment. Nigeria as a nation must work on both directions towards a robust FDI drive to the nation. Foreign Direct Investment climate in Nigeria has witnessed a significantly downward trend and has been bedeviled with the ravaging economic and socio-political crisis in the country of recent and this has negatively affected economic growth and development. Ntembe and Sengupta, (2016) suggested that regions can encourage and promote economic growth by mobilizing more resources domestically, and ensure political stability that would open the economy to external competitiveness.

According to Transparency International report of 2019, Nigeria scored 26 points out of 100 on 2019 corruption perceptionindex report. Having ranked 146 out of 180 countries examined, this report has given the country a serious setback on her quest to build the economy through capital inflow from around the globe. This study intends toexaminethe effect of FDI on economic development for a varying period of 38 years from 1981-2018.The study of Emmanuel (2016) stopped in 2015 while this study seeks to update by extending to cover the effect of FDI between 2016 and 2018, the Ordinary Least Square of the Regression model was used with E-view –version (10) statistical analysis. This study will helpto examine the effectof Foreign Direct Investmenttothe economic growthto reveal whether the aggressive efforts of the current Nigerian President to persuade foreign investors to channel more resources to Nigeria is yielding any positive result. Therefore, the main objective of the study is to examine the effect of Foreign Direct Investment on economic growth. The following hypotheses in null form guide this study:
Ho1: There is no significant relationship between FDI and Economicgrowth in Nigeria.
Ho2: Exchange rate has no significant relationship with Economic growth in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of Foreign Direct Investment and Economic Growth

Organisation for Economic Cooperation and Development (OECD,1996) defines Foreign Direct Investment as ‘An investment that reflect the objective of obtaining a lasting interest by a resident entity in one economy (“direct investor”) in an entity resident in an economy other than that of the investor(“direct investment enterprises”).The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprises” (OECD,I996). In a similar vein, World Bank (1996) sees Foreign Direct Investment as investment made to acquire a lasting interest in or effective control over an enterprise operating outside the home country of the investor. Economic growth on the other hand is the expansion of productionpossibilities that results from increased availability and increased productivity of economic resources in a country (David, 1997).

2.2 Empirical Review

Edwards and Madid (2016) investigated Foreign Direct Investment, economic growth, and volatility: a useful model for policy makers. Dozens of variables and modelling were employed and finding suggested that FDI may have positive or negative effect on growth depending on whether the economic and social conditions are met by the host country. Emmanuel (2016) examined the effect of foreign direct investment on economic growth in Nigeria using data derived from Central Bank of Nigeria statistical bulletin and publications of National Bureau of Statistics covering a period of 1981-2015.The data were analysed using multiple regression technique and Gretl 1.9.8 econometric software. The result showed that FDI has a positive and significant effect on gross domestic product of Nigeria and that exchange rate has no effect on gross domestic product.

Aminu, El-Maudeand Hamza(2015) studied foreign direct investment and the growth of the Nigerian Economy.The study covered the period from 1981- 2013,Augmented Dickey-Fuller and Philip-Perron technique was adopted. The result showed that foreign direct investment, foreign exchange rate and openness has a significant impact on economic growth (GDP). Khun (2018) assessed the impact of foreign direct investment on the economic growth in Cambadio: Empirical evidence .The data used covered a period of 2006-2016.Correlation matrix and multiple regression analysis techniques were used. The result revealed that FDI has a positive impact on the economic growth of Cambadio. Oumarou and Maiga (2019) studied a causal relationship between trade, FDI and economic growth in Niger. The study deployed time series econometric tests including the Augmented Dickey - Fuller (ADF) unit root test developed by Dickey-Fuller, stationary test developed by Kwiatkowski-Philips-Schmidt-Shin (KPSS), Johansen co-integration test and Granger causality. The result revealed that while trade has a positive effect on economic growth, FDI has a negative effect on the economic growth in Niger.

Yeboua (2019) assessed foreign direct investment, financial development and economic growth in Africa: evidence from threshold modeling. Data were collected from 26 African countries from 1990-2013. Panel smooth transition regression model (PSTR) was deployed. The result showedthat only African countries that are operating over certain level of financial development enjoyed growth induced effect of FDI.
Adigwe, Ezeagbu and Francis (2015) assessed the effect of foreign direct investment on Nigeria economic growth. The study covered the period 2008-2013 and Pearson correlation together with SPSS version 20.0 was deployed. They corroborated others earlier studies which showed a positive significant relationship between FDI and economic growth in Nigeria. Bakariand Tiba (2019) examined foreign direct investment and domestic investment on economic growth: New evidence from Asian Developing Countries. Data covered the period of 2002-2017. The fixed and random effect model was deployed. The result showed that FDI and export affect the growth of the 24 Asian economies negatively and that domestic investment influence economic growth positively.

Chigbu, UbahandChigbu (2015) studied the impact of capital inflows on economic growth of developing countries using Nigeria, Ghana and India, with data from 1986-2012.Augmented Dickey-Fuller unit root test, together Johansen Co-integration were used. The casual relationship was tested using Granger Causality, and Ordinary Least Square method was used to estimate the model. The findings showed that capital inflows (through FDI) have significant impact on economic growth in the three countries. The study further asserted that in Nigeria and Ghana, what influenced economic growth wereFDI, portfolio movement and foreign borrowing. Tang and Tan (2018) assessed whether the source of foreign direct investment matter to economic growth in Malaysia.Data were sourced over the period, 2008 Qi- 2016 Q3.The Autoregressive distributed lag (ARDL) was deployed for the research. The findings revealed that the source of the FDI matter most to the effect of the host economy. The research further revealed that FDI from North America and Southern Asia contribute more significantly to the economic growth of Malaysia than FDI flow from Central and South America, Northeast Asia and Oceania.

2.3 Theoretical Framework

2.3.1 The Eclectic Theory

There has not been a universally accepted theory in most literatures on FDI. Why different theories exist on the concept, this research work assessed the Eclectic Paradigm (mostly referred to as Ownership Location Internalisation -OLI) and the motives for FDI framework by Dunning in the several publications in the year 1980, 1981, 1988 and 1992. The theory provides for three factors that determined the activities internationally by Multi National Enterprises (MNEs). The factors are Ownership (O) advantages, Location (L) advantages, and Internalization (I) advantages. The theory explained that MNE developed competitive O advantages at their home countries; transfer the ownership advantages to outside home country depending on location L advantages through FDI. Thereby, internalize the O advantages, while the Internalization explain the choice of entry mode. The theory further explains that there is a close linkage between the advantages of O and I, this is because O advantages in knowledge type needs to be internalized. As stated by Danning, the O advantages include firm's intangible assets, such as knowledge, brands, organizational structure, management skills, including natural factor endowments, manpower, capital; the cultural, legal and institutional environment; and industry market structure (Rugman, 2010). The criticism of this theory by Dunning is that the theory is too eclectic and the elements of FDI in other nation were too overdesigned. This may be linked to the Uppsala theory (one of the theoryof internationalization process of firms) whereby firms grow locally at home country before internalization. Another theory of consideration is that of Endogenous growth theorywhich argues that economic growth is an internal growth, and the development of human capital will create technological change and thereby leads to a better production.

3. METHODOLOGY

The main objective of this study is to examine the effect of FDI on economic growth in Nigeria; which is to provide an understanding as to whether FDI prompt economic growth. This study uses ex-post facto methodology and the research used secondary data collected method obtained from CBN Statistical Bulletin and the Nigerian Bureau of Statistics.In conducting the study. Multiple regression analysis was appliedusing E-view statistical analysis. The model below was developed to establish relationship between FDI, GDP and Exchange rate:

GDP= $\beta0 + \beta1FDIt + \beta2EXR + e$

Where: GDP= Gross domestic product
$\beta0$ =Intercept (constant term)
$\beta1FDI$ = Foreign direct investment
$\beta1EXR$=Exchange rate
E=Error term.

Gross domestic product is the proxy for economic growth (dependent variable); FDI is the explanatory variable and Exchange rate stands for moderating (M) variable. Apriori Expectation: It is expected *that* $\beta1\beta2 > 0$

4. RESULT AND DISCUSSION

Table 1.Gross Domestic Product (GDP at Constant Basic Price), Foreign Direct Investment (FDI) and Exchange Rate (EXR) in Nigeria from 1981-2018.

Year	GDP(N'BILLION)	FDI (N'BILLION)	EXR (=N=/$)
2018	69,810.02	4465.48	306.08
2017	68,490.98	3432.42	305.79
2016	67,931.24	2106.12	253.49
2015	69,023.93	2389.69	193.18
2014	67,152.79	3043.37	158.55
2013	63,218.72	3924.05	157.31
2012	59,929.89	3457.68	157.5
2011	57,511.04	3506.91	153.86
2010	54,612.26	2978.26	150.3
2009	49,856.10	2224.05	148.88
2008	46,012.52	2006.5	118.57
2007	42,922.41	1640.14	125.83
2006	39,995.50	740.21	128.65
2005	37,474.95	341.72	132.15
2004	35,020.55	248.22	133.5
2003	31,709.45	258.39	129.36
2002	28,957.71	225.22	120.97
2001	25,267.54	132.43	111.94
2000	23,688.28	115.95	101.65
1999	22,449.41	92.79	92.34
1998	22,332.87	80.75	21.89
1997	21,789.10	110.45	21.88
1996	21,177.92	111.29	21.88
1995	20,353.20	75.94	21.9
1994	19,979.12	22.23	21.89
1993	19,927.99	29.6603	22.07
1992	19,620.19	14.463	17.3

1991	19,199.06	6.9161	9.91
1990	19,305.63	4.686	8.04
1989	17,294.68	13.8774	7.36
1988	16,215.37	1.7182	4.54
1987	15,263.93	2.4528	4.02
1986	15,237.99	0.7358	1.75
1985	14,953.91	0.4341	0.89
1984	13,779.26	0.3604	0.77
1983	13,849.73	0.2643	0.73
1982	14,985.00	0.29	0.67
1981	15,258.00	0.3347	0.62

Source: CBN Statistical Bulletin (2018)

Test of Hypothesis

The results of various tests of hypotheses are presented in this section.

Decision Rule

The hypotheses are tested using Ordinary Least Square of the Regression model. The significance of the variables tested in the model is assessed by comparing the p-value against the level of significance (0.05). The H_O is rejected if the p-value is less than the level of significant and we thus conclude that the variable under consideration is significant. Otherwise we accept the null hypothesis and conclude that the independent variable under consideration does not have significant effect on the dependent variable.

Hypothesis I:

Ho: Foreign Direct Investment has no significant effect on the Nigerian economic growth.

Table 1

Dependent Variable: GDP_N_BILLION_
Method: Least Squares
Date: 02/27/20 Time: 01:36
Sample: 1981- 2018
Included observations: 38

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI__N_BILLION_	12.88344	0.817637	15.75693	0.0000
C	20907.40	1405.197	14.87863	0.0000

R-squared	0.873365	Mean dependent var	33725.22
Adjusted R-squared	0.869847	S.D. dependent var	19578.10
S.E. of regression	7063.139	Akaike info criterion	20.61436
Sum squared resid	1.80E+09	Schwarz criterion	20.70055
Log likelihood	-389.6729	Hannan-Quinn criter.	20.64503
F-statistic	248.2807	Durbin-Watson stat	0.525510
Prob (F-statistic)	0.000000		

Source: Compilation of the author, based on the analysis results using E-views

The R-square value is 0.87; it means that the model has successfully predicted the variables. This implies that 87% changes in the Nigerian economy growth are explained by the changes in the Nigerian Foreign Direct Investment. The Adjusted R-squared value of 0.87 indicates that there is strong relationship between Nigerian economy growth and Nigerian Foreign Direct Investment. Finally, the P-value is 0.0000, less than 0.05. We therefore, reject the null hypothesis and conclude that Foreign Direct Investment has a significant effect on the Nigerian economic growth.

Hypothesis II:
Ho: Exchange rate has no significant effect on the Nigerian economic growth

Table 2

Dependent Variable: GDP_N_BILLION_
Method: Least Squares
Date: 02/27/20 Time: 01:40
Sample: 1981 -2018
Included observations: 38

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXR___N__$_	206.5819	14.66296	14.08869	0.0000
C	15415.48	1811.234	8.511038	0.0000

R-squared	0.846476	Mean dependent var	33725.22
Adjusted R-squared	0.842212	S.D. dependent var	19578.10
S.E. of regression	7776.928	Akaike info criterion	20.80691
Sum squared resid	2.18E+09	Schwarz criterion	20.89310
Log likelihood	-393.3312	Hannan-Quinn criter.	20.83757
F-statistic	198.4913	Durbin-Watson stat	0.302072
Prob(F-statistic)	0.000000		

Source: Compilation of the author, based on the analysis results using E-views.

The R-square value is 0.85; it means that the model has successfully predicted the variables. This implies that 85% changes in the Nigerian economic growth are explained by the changes in the Nigerian Exchange Rate. The Adjusted R-squared value of 0.84 indicates that there is strong relationship between Nigerian economic growth and Nigerian Exchange Rate. Finally, the P-value is 0.0000, less than 0.05. We therefore, reject the null hypothesis and conclude that Exchange rate has a significant effect on the Nigeria economic growth.

5 CONCLUSION AND RECOMMENDATIONS

This study investigates the effect of foreign direct investment-FDI-on economic growth (GDP) in Nigeria. The study has revealed that foreign direct investment has a significant positive effect on economic growth in Nigeria. The study also revealed that foreign exchange has a significant effect on the economic growth of Nigeria. This could be attributed to the wide exchange rate between the local currency and the currencies in which the foreign direct investment were denominated. The findings therefore concur with the findings of Aminu, El-Maudeand Hamza (2015) which also discovered that the effect of FDI on the economic growth was positively significant, this also justified the consistent increase in the GDP growth for 2016, 2017 and 2018 at 67,931.24, 68,490.98 and 69,810.02 respectively. This increase may be linked to the positive effect of the globetrotting effort of the Nigerian president in the recent past to convince foreign investors and the development partners to come and invest in Nigeria and the currency swap initiatives with the Chinese government. However, the study is at variance with the study ofOumarou and Maiga (2019) whose results revealed that FDI has a negative effect on the economic growth in Niger. Although, Niger's economy cannot be compared with the Nigeria since Nigeria is the hub of west African regional market and was adjudged the largest economy in Africa in 2016 and besides, it was reported by the United Nations that about 20% of the whole African's populations lives in Nigeria and almost 50% of African investments are also in the country (World Bank, 1996). Following the findings of this study, the following recommendations are made:

i. The Nigeria government should improve the infrastructural development of the nation in order to encourage more Economy –driven- FDI.
ii. The Nigeria government should improve the security situation of the nation so as to attract more investment.
iii. A total liberalization of the trans-national investment sector is required. This will help to remove barriers and create a free investment environment.
iv. Nigeria government should also intensify more efforts on advocacy visit to technologically advanced countries to partner on development agenda and encourage more foreign direct investment while the ongoing efforts at addressing the security challenges should be stepped up so as to provide a very conducive environment for the potential investors and technical partners.

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Effect of Petroleum Profit Tax on the Nigerian Economy

ADEYEYE, Janet

Department of Accounting
Bingham University
Karu, Nasarawa State
E-Mail: adematic@gmail.com, Phone No: +234 8027433088

Abstract

The study empirically examines the effect of petroleum profit tax (PPT) on the Nigeria economy. Income from petroleum taxes is the proxy for PPT while economic growth was measured using Gross Domestic Product (GDP). The research adopted expost-facto research, as secondary data were used for the analysis. Data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, as well as records of the Federal Statistical Bureau. The study covered fifteen year period (2004-2018). Time series data were analysed using the simple linear regression. The result reveals that PPT had positive and significant effect on Nigerian GDP. The study recommends that the government should provide the necessary human and material infrastructures that are needed to support petroleum business so they can earn more income that will boost taxation.

Key words: Petroleum profit Tax, Gross Domestic Product, Nigerian Economy

1. INTRODUCTION

The discovery of petroleum in Nigeria also heralded petroleum taxation. The policy is both employed as a fiscal policy and as well as income generating tool and is widely employed by government in both developing and developed countries. The government at varying times decides on what level of taxes that can be imposed on the profits earned by petroleum companies. For instance, over the years in Nigeria petroleum has been regarded as the main stay of the economy. The question is now whether government has earned enough taxes from the activities surrounding petroleum activities. If it has, to what extent has that impacted the economy of Nigeria using GDP as an economic variable. It is against this background that this paper will empirically examine the effect of Petroleum taxation on Nigeria economy.. Several arguments have trailed the place of petroleum profit taxes as a tool for enhancing infrastructural development in Nigeria. Some have submitted that petroleum profit tax has tremendously boosted the revenues base of the government and as such support economic growth. Others have it that the taxes on petroleum profit have not significantly affected the Nigeria economy. Some studies submit that taxation has positively and significantly affected economic growth in Nigeria. However, the World Bank Group (2014) submits that Nigeria had the lowest taxrevenue when compared to its GDP. It is in view of the seemingly un-reconciled views that this study seeks to empirically appraise the effect of petroleum profit on the Nigeriaeconomy growth using GDP and thus the justification for this study. From the foregoing therefore, the objective of this study is to examine the effect of petroleum profit tax on the Nigeria economy.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Petroleum Profit Tax

According to Petroleum Profit Tax Act (1959) as amended, state that petroleum profit tax is a liability to petroleum profit arising where a company disposes off chargeable oil and gas. Disposal include delivery of chargeable oil to refinery, the tax is on the profit of the company from petroleum operation under the provision of PPTA in Nigeria. The petroleum operation as defined in the act, essentially involves petroleum exploration, development, production and sales of crude oil. Section 8, of Petroleum Profit Tax Act (PPTA) states that every company engaged in petroleum operation is under an obligation to render return, together with properly annual audited account and computations, within a specified time after the end of it accounting period. Nwezeaku (2005), affirms that PPT involves the charging of tax on the income accruing from petroleum operations. He notes that the importance of petroleum to the Nigeria economy gave rise to the enactment of different laws regulating taxation of incomes from petroleum operations. Petroleum profit tax is a tax applicable to upstream operations in the oil industry as it is related to rent, royalties, margin, oil mining prospecting and exploration leases. It is the most important tax in Nigeria in terms of its share of total revenue, contributing over 70% of government revenue and 95% of foreign exchange earnings Odusola,(2006). Okpe (2003), have it that petroleum profit is levied on the current year basis. That is to say, the basis period for petroleum profit tax (PPT) is the actual profit of the accounting period. Put in another way, the basis period for any assessment year is Jan.- Dec of the year.

2.2 Empirical Review

Several studies have examined taxation as an instrument of economic development in different countries with diverse techniques. Abdul-Rahamoh, Taiwo andAdejare (2013) appraised the effect of petroleum profit tax on Nigeria Economy. The study covered a forty year period from 1970 to 2010 and analysis was done using multiple regression. The study revealed that petroleum profit tax had significant impact on Nigerian economy. Regression analysis using SPSS version 17 was employed by the researchers in testing categorical statements, they discovered that taxation has a significant contribution on Gross Domestic Product (GDP). Eyisi, Oleka and Bassey, (2015) did a study on the Effect of Taxation on Macroeconomic Performance in Nigeria from 2002 to 2011 using ordinary least square regression method. Result obtained show that government earnings from taxation has positive and significant effect on real gross domestic product in Nigeria, government revenue from taxation has negative significant influence on unemployment rate in Nigeria. This implies that revenue generation from taxation enhances economic growth and growth that changes in taxation, automatically will affect individuals real standard of living (GDP), employment rate and interest rate. Government should consider taxpayers and other key stakeholders' interest in fiscal policy formulation and implementation in order to achieve improved tax compliance rate in the country and the current draft national policy, should be passed into law by the National Assembly so as to make it a working document.

Ogbonna and Appah, (2012) in a study titled Petroleum Profit Tax and Economic Growth of Nigeria from 1970 to 2010, using co-integration test and Granger Causality test as model. Cointegration test result indicates the existence of long-run relationship between economic growth and petroleum profit tax. The granger causality test also shows that petroleum profit tax does granger causes on economic growth in Nigeria. It was also found that petroleum profit tax is a major factor for economic growth in Nigeria for the year under review. Success (2012) investigated the impact of Petroleum Profit Tax on the economic development of Nigeria between the period 2000 to 2010. Their findings reveal that petroleum profit tax positively impacts on gross domestic product (GDP) of Nigeria, and the impact is statistically significant. They failed to report on the economic development that was the topic of consideration. However, the authors were worried that the enormous amount of money generated from Petroleum Profit Tax, and Oil Revenue do not translate into the economic development of Nigeria. They argue that the increase in the economic growth rate does not reflect in Nigeria's general economic development. Nakhle (2014) evaluated petroleum taxation evaluation with special application to the UK Continental Shelf (UKCS). This study conduct an in depth analysis on the principal fiscal package that have applied to the UKCS analysis, their effect on the balance between the Government and oil companies objectives. The research is carried out in the light of an essential and timely feature, the current maturity of the UK oil province.The research demonstrates that in practice, it is very difficult to develop an ideal fiscal package.Several complication are associated with petroleum taxation, resulting mainly from the difficulty in determining a suitable tax base as well as the inevitable compromises to the criteria, that are required to categorize an optimal tax. Olatunji and Adegbite,(2014), Studied the effect of petroleum profit tax interest Rate and MoneySupply on Nigeria Economy from 1970 to 2010; multiple regression were employed to analyse the relationship among variable. The analysis revealed that, short run effect of petroleum profit tax was positive while that of interest rate was positive on economic growth. The study indicate that petroleum contribute positively to income.

2.3 Theoretical Framework

2.3.1 Benefit Theory

This study is underpinned on the benefit theory as propounded by Erik Robert in 1919. The theory assumes that citizens tend to pay more taxes when they feel they have sufficientbenefits from the activities of the state. It is however argued that, the services which are provided by the state may not be quantified and measured; afterall some citizens who pay taxes do not have the opportunity of enjoying them. This theory is relevant as the theory is used to evaluate the benefits of tax just as the topic measures the relevance of taxation on growth of the economy.

3. METHODOLOGY

The study adopted the ex-post facto research design as data for the study are already established data. The study area covered in this study is Nigeria. The study sample size is equivalent to its population as Nigeria is still taken as an entity. Data for this study is secondary data which were sourced from relevant documentations of the federal government namely the statistical bulletin of the Central Bank of Nigeria, the releases of the Bureau of Statistics. The data for this study covered a period of fifteen years (2004-2018). The researcher believes fifteen (15) years is a reasonable number of years to make inferences on a study. Independent Variables: The independent variable of the study isTaxation, while the proxy is Petroleum Profit Tax (PPT). The dependent variable: The dependent variable of this study is Nigeria economy growth. The proxy for Nigeria economy is Gross Domestic Product (GDP). Simple Linear Regression was used to analyse the data. The choice of Simple Linear Regression is that it is in consonance with past studies by Ezu and Okoh(2016), Camelia, Moraru&Ioniţă 2 (2014), among others.

3.1 Model Specification

The following econometric models are adopted in this study. The models adopted were adopted by similar studies in the past such as William, and Andrew (2014), Ezu and Okoh (2016), Ofoegbu, and Akwu,(2016).

Model 1 will be used to evaluate the effect of PPT on GDP (Hypothesis One).

Thus:

LnGDP = B1 + B2LnPPT+Et………………………………………………1
Where:
LnGDP = Log of Gross Domestic Product
B1 = Constant PPT = Petroleum Profit Tax
Et = Statistical Error Level in year t

Results will be interpreted using probability (P-value,) R2 (Coefficent of determination), Durbin Watson and F-Statistics. Thus, the decision rule is to accept the Null Hypothesis if the P-value is > statistical level of significance (5%), if not reject null hypothesis and accept the alternate hypothesis.

4. RESULT AND DISCUSSION

Table 4.1: Showing Tax Generated by the Federal Govt of Nigeria

Year	PPT (N000)	GDP(000)
2018	1,100,010,231	31,856,925,500
2017	1,012,230,000	29,890,534,300
2016	1,208,360,000	32,547,687,000

2015	2,678,430,290	72,456,789,200
2014	2,453,950,000	68,896,987,700
2013	2,666,340,000	64,567,987,000
2012	234,230,000	32,156,787,600
2011	3,070,590,000	31,837,360,200
2010	1,480,360,000	29,108,024,400
2009	934,400,000	24,712,670,000
2008	2,660,700,000	24,296,329,000
2007	1,132,000,000	20,657,318,000
2006	1,352,200,000	18,564,594,700
2005	1,352,500,000	14,610,881,500
2004	939,300,000	11,411,066,900

Source: Central Bank of Nigeria

The hypotheses are tested and analysed using the Ordinary Linear Regression.

Hypothesis One: Petroleum Profit Tax has no significant effect on Gross Domestic Product (GDP) in Nigeria.

Decision Rule: Accept Ho if p-value > 0.05

Table 4.2: Regression result showing the effect of PPT on GDP in Nigeria

Model 1	R	R Square	Adjusted R Square	Coefficient	Probability
	0.680963953	0.463711906	0.410083096	15.00841502	0.01477

Level of Significance at 5% Source: Author's Computation, 2016

Table 4.2 shows the regression result to test the effect of Profit Profit Tax(PPT) on Gross Domestic Product(GDP). The analysis shows an Adjusted R Square of 41.01%. This means that 41% of the variations in GDP is accounted by the Petroleum Profit Tax (PPT). A unit increase in PPT will cause an increase of 15.0084 in GDP. Again, the result shows a P-Value of 0.01477, which shows that the effect of PPT on GDP is significant. Decision: To this extent of the result above, Ho is rejected while the alternate is accepted.

5. CONCLUSION AND RECOMMENDATIONS

In line with the above findings, the study concludes that PPT as defined by the proxies show positive and significant effect on the Gross Domestic Product (GDP) in Nigeria and it is important that PPT as an economic and fiscal policy tool be employed in order to grow the Nigeria Economy. This research has made the following recommendations:

i. The petroleum sector in Nigeria should be well coordinated and encouraged to grow so that, more revenue should accrue to it.
ii. The revenue generated from the Petroleum Profit Tax, Should be used to develop human capacity and to provide infrastructural facilities which in turn, will encourage voluntary compliance from oil companies to filling returns and willingness from other sector of the economy to pay their taxes

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Nexus between Foreign Direct Investment inflows and Capital Market Development in Nigeria

OJEH, Peace

Department of Accounting
Bingham University,
Karu Nasarawa State.
E – Mail: peaceojeh760@gmail.com, Phone No: +234 8023903033

Abstract

The essence of this study was to assess the nexus between foreign direct investment inflows and Capital market development in Nigeriabetween 1989 and 2018, Ordinary least square (OLS) regression analysis (the simple linear regression method analysis) were used in the study. These analyses were used in order to find the linear relationship between the independent variables, which are: NPI and FDI; and the dependent variables which are MCP and SMV. The parameter estimated of the Net Portfolio Investment (NPI) showed that it relates positively with Market Capitalisation (MCP) but was found statistically insignificant. The Stock Market Value (SMV) variable was also found to be positively and significantly related to the Foreign Direct Investment FDI). The study therefore, recommends that the nation should explore and adopt all viable options of encouraging both local and international investors into the economy in order to increase foreign direct investment in Nigeria that will turn boost the capital market.

Keywords: Foreign Direct Investment, Foreign Portfolio Investment, Capital Market, Nigeria

1. INTRODUCTION

Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. World Bank (2006), conceptualized Foreign Direct Investment (FDI) as investment that is made to acquire a lasting management interest (usually 10% of voting stock in an enterprise that operate in a country other than that of the investors) the investors purpose being an effective voice in the management of earning either long term capital or short term capital as shown in the nations balance of payments account statement (Macaulay, 2012). Broadly, foreign direct investment includes mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans. In a narrow sense, foreign direct investment refers just to building new facilities. Kabir, (2012) opined that FDI encourages the inflow of technology and skills and fills the gap between domestically available supplies of savings, foreign exchange and government revenue. It also encourages the inflow of technology and skills. Onu, (2012) asserted that the contributions of foreign investment to Japan after the World War II and in South Korea after the Korean War has tremendously assisted the economic growth of these countries by providing the local economy with a source of foreign skill, technology, management expertise and human resource development through international training and collaboration.

Capital market is a subset of financial market that deals with the mobilization and channeling of long term funds for investment purposes by bring together economic units requiring funds and economic units desirous of parting with funds for relatively long period of time. It is a framework of institutions that arrange for long term financial instruments entailing shares debentures stocks and mortgages (Adeusi, 2000). Osita, (1990) stressed the element of control in his definition of foreign private investment as "investment in a foreign country where the investing party that is, corporations, firms and so on retain control over the investment. The heart of any Foreign Private Investment is control". According to International Monetary Fund (IMF), Foreign Private Investment is defined as "investment that is made to acquire a lasting business in an enterprise's operation on economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprises". Essentially, the functions of capital market includes the promotion of liquidity and safety of financial assets in order to encourage saving and investment; ensuring a more refund allocation of resources by equating the demand and supply of loanable funds; enabling the transfer of funds from one sector or country to another for economic or commercial growth and enhancing successful implementation or monetary and indigenization policy (Adeusi, 2000). Sustainable economic growth and development can be realized through lot local and foreign investment efforts which made it possible with presence of a well-functioning capital market (Ekundayo, 2002).

The double-whammy of revenue and FDI declines was expected to foster macroeconomic instability, which can be very significant in the absence of the cushion of reserve savings. This has been the case in Nigeria, where a political transition in the middle of the oil price slump has slowed policy responses. FDI often flows from multinational corporations in developed countries to less-developed, although investment flows between developed economies are usual, and flows from emerging markets have been increasing in recent years. However, political stability, positive growth outlook, low inflation, and buoyant government spending generally attract long-term investments. Owing to the slump in oil prices in the past 24 months, however, Nigeria has not been an ideal candidate for FDI flows. To be fair, the foregoing is a nightmare for monetary policymakers in the Nigerian market that lack adequate breadth and depth. The Central Bank of Nigeria has tried to respond to the headwinds, in part by imposing capital controls in order to maintain a safe reserve level that is needed to instill investor confidence. But the very same capital controls have been the most criticised policy of the CBN, as it has achieved the very opposite of stabilising the foreign exchange market. Inevitably, even investors willing to make long-term capital investment will nevertheless worry about the current policy which suggests they will face a hurdle when they need to repatriate their profit or capital or both in the future. Even the introduction of a putative floating exchange rate system by the CBN has failed to improve dollar inflow in any significant way.
However, it is very doubtful that government has done enough in the areas where it should really not be constrained to act. Reforms to improve the business climate have yet to gain traction, in spite of stated government commitment. Nigeria has remained rooted in the lower strata of the World Bank's annual Doing Business ranking. The country currently ranks 169th out of 190 countries in the year 2017, reflecting the level of difficulty in performing basic business tasks such as starting a business, getting electricity, enforcing contracts, getting credit, registering property, paying taxes, etc. This has added further pressure to businesses who continue to grapple with acutely inadequate infrastructure and rising security concerns. This research work finds reasons why economic growth is slow and how foreign direct investment can improve the level of inflows as well as increase net portfolio investment, stock market and stock market capitalization. Consequently, the objective of this study is to assess the nexus of foreign direct investment on the Nigeria capital market. Other specific objectives include. The following research hypothesis provides basis for the analysis;

Ho_1: There is no significant relationship between net portfolio investment and stock market capitalization in Nigeria

Ho_2: Foreign direct investment has not significantly enhanced stock market value in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Foreign Direct Investment (FDI)

Foreign direct investment represents a veritable source of foreign exchange and technological transfer, especially to a developing economy like Nigeria. It can be analyzed in terms of inflow of new equity capital (increase in foreign share capital), re- invested earning (unremitted profit), trade and supplier's credit, net inflow of borrowing and other obligations from the parent company or its affiliates (Nwankwo, 2013). Otepola (2002) opined that foreign investment could be seen as an additional factor of production and as a supplement to the national savings effort of the capital importing country. This is meant to relax both the foreign exchange and savings constraint on the rate of growth of output in the recipient country. Agada and Okpe (2012) saw FDI as an attempt by individuals, groups, companies and government of a nation to move resources for productive purpose across its country to another country with the anticipation of earning some surplus. Otepola (2002), asserted that FDI has emerged as the most important source of external resource flows to developing countries over the years and has become a significant part of capital formation in these countries, though their share in the global distribution of FDI continue to remain small or even declining. Dutse (2008) also observed that the rationale for increased efforts to attract more FDI stems from the belief that FDI has several positive effects. Among these are productivity gains, technology transfers, and the introduction of new processes, managerial skills and know-how in the domestic market, employee training, international production networks, and access to markets.

Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa and indeed is one of the top three leading African countries that consistently received FDI in the past decade. However, the level of FDI attracted by Nigeria is mediocre compared with the resource base and potential need (Asiedu, 2003). Although some FDI promotion and efforts are probably motivated by temporary macroeconomic problems such as low growth rates and rising unemployment, there are also more fundamental explanations for the increasing emphasis on investment promotion in recent years. In particular, it appears that the globalization and regionalization of the international economy have made FDI incentives more interesting and important for national governments. Foreign direct investment has been proved in the literature to be an important promoter of growth in its own right. In effect, FDI is argued to increase the level of domestic capital formation. This also implies producing on large scale which in turn results in benefits of economies of scale and specialization and also increasing export and employment opportunities.

2.1.2 Concept of Nigeria Capital Market

Capital markets are markets for buying and selling equity and debt instruments. Capital markets channel savings and investment between suppliers of capital such as retail investors and institutional investors, and users of capital like businesses, government and individuals. Capital markets are vital to the functioning of an economy, since capital is a critical component for generating economic output. Capital markets include primary markets, where new stock and bond issues are sold to investors, and secondary markets, which trade existing securities. The primary aim of the Nigerian capital market is to mobilize long-term funds. The Nigerian Stock Exchange (NSE) is the centre point of the capital market while the Securities and Exchange Commission (SEC) serves as the apex regulatory body. It provides a mechanism for mobilizing private and public savings and makes such funds available for productive purposes.

The Exchange also provides a means for trading in existing securities. To enable small as well as large-scale enterprises gain access to public listing, the NSC operates the main Exchange for relatively large enterprises and the Second-Tier Security Market (SSM) where listing requirements are less stringent for small and medium-scale enterprises Akinlo (2004). The exchange which started with only 19 securities traded on its floors in 1961 now has 279 securities made up of 34 Federal Government Stocks, 62 Corporate/Bonds and 183 equities all with a total market capitalization of ₦170 billion. The major instruments used to raise funds in the market include equities, debentures, bonds and stocks. Capital markets according to Akinlo (2004) are classified into two segments, namely primary and secondary.

The primary market for new issues of securities, the mode of offer for the securities traded in this market includes offer for subscriptions, right issues, offer for sale, private placement etc. while the secondary market is a market for trading in existing securities. This consists of exchanges and over the counter deals where securities are bought and sold after their issuance in the primary market. Activities in the secondary market have increased substantially over the years. The number of stock brokers trading on the Exchange increased from 110 in 1991 to 140 in 1994. The debt of the capital market has increased with the introduction of the Unit Trust Scheme for mobilizing the financial resources of small and big savers and managing such funds to achieve relatively high returns with minimum risks through efficient portfolio diversification. Efficiently managed unit fund schemes offer the advantages of low costs, liquidity and high returns. The promulgation of the companies and Allied Matters Decree of 1990 provided the legal framework for the establishment of unit trusts.According to UNCTAD (2013), the introduction of the Electronic Contributor System by the NSE is able to beam stock market operations to the outside world via the Reuters International Information Network.

2.1.3 Concept of Portfolio Investment

Portfolio investments are passive investments, which do not entail active management or control of the issuing company. Rather, the purpose of the investment is solely financial gain, in contrast to foreign direct investment (FDI), which allows an investor to exercise a certain degree of managerial control over a company. For international transactions, equity investments where the owner holds less than 10% of a company's shares are classified as portfolio investments (Akinlo, 2004). These transactions are also referred to as "portfolio flows" and are recorded in the financial account of a country's balance of payments. They are categorized into two major parts: foreign institutional investment and investments by non-residents. According to the Institute of International Finance, portfolio flows arise through the transfer of ownership of securities from one country to another.Portfolio investment covers a range of securities, such as stocks and bonds as well as other types of investment vehicles. A diversified portfolio helps spread the risk of possible loss because of below-expectations performance of one or a few of them.

2.1.4 Concept of Stock Market Capitalization

Market capitalization is the total Naira market value of all of a company's outstanding shares. Market capitalizations are calculated by multiplying a company's shares outstanding by the current market price of one share Onu (2012). The investing community uses this figure to determine a company's size, as opposed to sales or total assets figures. It could be deduced from the above, that the stock market capitalization is the total Naira market values of an economy's outstanding shares.

2.1.5 Concept of Stock Market Value

A market value is the price an asset would fetch in the market place. Stock market value is also
Commonly used to refer to the market capitalization of a publicly-traded company, and is obtained by multiplying the number of its outstanding shares by the current share price (World Bank, 2006). Market value is the easiest to determine for exchange-traded instruments such as stocks , since the market price is widely disseminated and easily available, but is a little more challenging to ascertain for over-the-counter instruments like fixed income securities. However, the greatest difficulty in determining market value lies in estimating the value of illiquid assets like real estates and businesses, which may necessitate the use of real estate appraiser and business valuation experts respectively.

2.2 Empirical Review

Adaramola & Obisesan (2015) undertook a research work is to assess the nexus of foreign direct investment on Nigerian capital market development given the role of the later in stimulating the development of the nation's economy. The study employed ADF unit root test and Johansen co-integration test to analyze the secondary data obtained from Central Bank of Nigeria statistical bulletin from 1970-2010. The absence of co-integration between foreign direct investment and market capitalization informed the resort to OLS regression result which shows that foreign direct investment impact positively and significantly on market capitalization. Since foreign direct investment is a significant determinant. Efforts should be made by government and monetary authority to encourage foreign direct investment into Nigeria. However given the lack of co-integration and low beta weight suggest that emphasis on foreign direct investment as a way of stimulating long run growth in the developing country like Nigeria does not worth the while. Oba, Unoiza and Chima (2013) looked at some factors that influence the foreign direct investment in Nigeria, and their impact on the economy. The data used in their study covered a period of ten years (2001 -2010) and considered variables such as real GDP, inflationary levels, openness of trade, electricity consumption, transport and communication. Econometric model and regression analysis were employed to analyze the data. The results based on the value of high F-statistics and high co-efficient of determination (R2) which revealed that the model was well specified and that the explanatory variables were sufficient to explain the inflow of FDI to Nigeria. The negative impact of variables such as inflation, real GDP and electricity consumption called for policy suggestions. Based on their findings, the following recommendations were made, among others: that electricity supply should improve greatly; fiscal regulation should be followed strictly; should continue the war against corruption and transparency; government should straighten the institutional and regulatory systems in the country; and all the efforts should work towards reducing costs of establishing business in the country, which are among the highest in the world.

Ugochuckwu, Okore and Onoh (2013), investigating the impact of foreign direct investment on the Nigerian economy that from 1981 to 2009 employed Ordinary Least Square method in order to derive the relationship between them. The study found a positive but insignificant relationship between foreign direct investment and growth of Nigerian economy for the period studied and the same hold for interest rate while domestic investment is positive and significant. There exists a long run relationship between capital market and economic growth and bidirectional causation between gross domestic product and value of transactions while only market capitalization causes economic growth. In essence, capital market plays a significant positive role in economic development of less developed countries. Asiedu (2003) in her paper explored whether factors that affect Foreign Direct Investment (FDI) in developing countries affect countries in Sub-Sarahan Africa differently. She selected 71 countries for this study of which 32 were Sub-Saharan African countries and 39 were non Sub-Saharan African countries. She used Cross sectional data for the period 1988 to 1997. OLS method was used to analyze the data. The variable Foreign Direct Investment was used as dependent variable and return on investment, infrastructure development, openness of the host country, political risk, financial depth, size of government, inflation rate, and GDP growth rate were used as independent variables. The study result discovered that openness to trade has positive impact on both non-Sub-Saharan and Sub-Saharan Africa. Though, Sub-Saharan Africa received less FDI than non Sub- Saharan African. She argued that this was so because Sub-Saharan Africa countries are less open than other regions. While the development of infrastructure has no significant effect on the FDI inflow in sub-Saharan Africa, it has a positive impact on non sub-Saharan Africa. She concluded by suggesting that policies that has been successful in other regions cannot be equally successful in Africa.

2.3 Theoretical Framework

2.3.1 Hymer FDI Theory

This theory was put forward by Hymer (1976). In his theory he explained by comparing and contrasting the differences and similarities between foreign direct investment and portfolio investment. According to him, the basis of the portfolio investment theory is the interest rate. Each investor will maximize his profits by investing where returns are the highest, under the assumption that there are no barriers in capital movement, no risks, uncertainties. Capital will move from countries where the interest rate is low to countries where the interest rate is high until interest rates are equal everywhere. Nevertheless, Hymer argued that theory of portfolio investment doesn't give details of control (Hymer 1976). In portfolio investment, investors who invest in foreign countries don't have a right to control enterprises in which they invest their capital. According to Hymer there are two reasons why investors seek control that is multinational companies control foreign enterprise to make sure their investment is protected and to get rid of competition in foreign countries. Hymer further stated that multinational companies are motivated to invest in foreign countries because of certain advantages that they get through control of the enterprises. He also explained the advantage of the foreign firms over host firms. These advantages are getting factors of production at a lower cost, capital and patent, know how etc. Where market imperfection exists (barrier of market entry, high transaction cost) multinational companies prefer to engage in direct investments. This study pitches its tents on this theory.

2.3.2 Product life cycle theory

The product life cycle theory was developed by Reymond Vernon (1966). This theory has contributed significantly in the analysis of foreign direct investment. Vernon analyzed four production stages commencing with invention of new product. Vernon"s product life cycle theory gives insight why and how export is replaced by foreign direct investment. He based his work on US enterprises that were producing for domestic market and later on for international market. Vernon tried to comprehend the shift of international trade and international investment. At the first stage, the enterprises are more focused on the domestic market. And then in the next stage, when the product matures, enterprises start exporting to developed countries. At this stage the innovating enterprises enjoys the profit of the sales of newly invented product until rival enterprises copy and produce the same product. Later when the demand for the product increases the product will be standardized.

At advanced stage, when the product is standardized, the enterprises would think less developed countries could be good production place. Economies of scale, transportation and labor cost are the determinant factor for location choice. Since less developed countries are rich in labor, the products which will be produced are labour intensive products. This is made mentioned of in Hecksher-Ohlin theorem. Though, according to Vernon the low cost location hypothesis is not the only reason leading entrepreneurs to decide and invest in other countries. He further argues that any threat to the enterprises can be seen as motivating force for the action. Generally, a government which imports the product structure import substitution policy in order to increase employment and enhance growth. This could be a threat for the exporting enterprises. So the entrepreneurs prefer to go and invest in this country. Vernon put the threat as galvanizing force for international investment. He stated that an international investment by the exporter therefore becomes a prudent means of forestalling the loss of a market. In this case, the yield on the investment is seen largely as the avoidance of a loss of income to the system. In the fourth stage, the home countries will be an importer since the production decreases. Nevertheless, this theory is criticized as some enterprises skip export in the process and go directly to invest.

2.2.3 Eclectic FDI Theory

The British economist John Dunning is one of the famous scholars on the issue of foreign direct investment. He developed a framework in which he described three firms advantages of foreign direct investment, these are: Ownership advantages, Location-specific advantages and Internalization advantages. Ownership advantages comprise patents, trade-marks and goodwill. This will help the firms to compete easily in the host country. It would have been difficult to get this advantage in home country. Location-specific advantages contain all things which make the firm more profitable to produce and sell in the host country, instead of producing at home and export to other country. In view of the fact that the firms will be planted in host countries it saves the trouble of trade barriers like tariffs, quotas, transport cost. Accessing the market will be easy. Internalization advantage refers to the advantage of multinational enterprises (MNEs) caused by ownership advantage inside the host country. Dunning and Lundan (2008) disaggregated multinational enterprises activity in to Market seekers, Natural resource seekers, Efficiency seekers and Strategic asset or capability seekers to give a clear reason behind foreign production.

3. METHODOLOGY

The research design adopted for this work is the non-experimental research design. The reason is that non-experimental research design combines the theoretical exposition with empirical observation. The study is based on secondary data, from the following authoritative publications: Central Bank of Nigeria Statistical Bulletin, Journals and Articles. Nigeria stock exchange fact books, the Nigeria Microfinance Newsletter, microfinance Policy, regulation and Supervisory framework, textbooks, on-line Google search, newspapers publications, and other publications relevant to the research. For the purpose of this research, the hypothesis were tested using the Ordinary least Square (OLS) method using the E-views software. Hence the multiple regressions technique is used to estimate the parameters the objective being to minimize the error term with a view of finding the regression equation that explains the data. This method is preferred for being unbiased, consistent, efficient and simple.

The model to be used in testing the above hypothesis contains the dependent and independent variables. This model is specified as follows:
MCP = f(NPI) ---------------------------------(i)
SMV = f(FDI) ---------------------------------(ii)
Presenting equation (1) and (2) in linear form:
$MPC = \beta_1 + \beta_2 NPI + \mu$ ------------------------(iii)
$SMV = \beta_1 + \beta_2 FDI + \mu$ ------------------------(iv)

Where:

MCAP = Market Capitalisation
SMV = Stock Market Value;
NPI = Net Portfolio Investment
FDI = Foreign Direct Investment;
μ = Error term or stochastic term of the estimates;
β_1, β_2 are beta weights or regression coefficients.

On apriori, the following relationships are expected:
This refers to the supposed relationship between and or among the dependent or independent variables of the model as determined by the postulations of economic theory. The result or parameter estimates of the models will be interpreted on the basis of the supposed signs of the parameters as established by economic theory put differently, the parameter estimates of the model will be checked to find out whether they conform to the postulations of economic theory.

β_1, andβ_2 are expected to be > 0. On apriori, we expect that the relationship between market capitalization and net portfolio investment to be positive. The sign of the estimated coefficient is thus expected to be greater than zero since rise in foreign direct investment will lead to an increase in market capitalization.

4. RESULT AND DISCUSSION

Table 1: Net Portfolio Investment, Foreign Direct Investment, Market Capitalization and Stock Market Value, 1989 – 2018

Year	NPI	FDI	MCP (₦'billion)	SMV (₦'billion)
1989	-411.79	14356.3	12.8	245.7
1990	-594.90	10450.2	16.3	225.4
1991	36891.80	5610.2	31.2	242.1
1992	-377.00	11730.7	47.5	491.7
1993	-203.50	42624.9	66.3	804.4
1994	-5785.00	7825.5	180.4	985.9
1995	-12055.20	55999.3	285.8	1838.9
1996	-4780.50	5672.9	281.9	6979.6
1997	-637.52	100004	262.6	10330.5
1998	-637.52	32434.5	300	13571.1
1999	1015.74	4035.5	472.3	14072
2000	51079.13	16453.6	662.5	28153.1
2001	92518.92	4937	764.9	57683.8
2002	24789.19	8988.5	1359.3	59406.7
2003	23555.51	13531.2	2112.5	120402.6
2004	23541.00	20064.4	2900.06	225820.8

2005	116035.00	26983.7	5120.9	262935.9
2006	311780.30	41734	54543.4	470253.4
2007	703677.60	54254.2	13181.69	1076020.4
2008	350919.4	37977.7	9562.79	1679138.7
2009	243499.0	441271.3	7030.84	6855717.29
2010	303264.6	441271.3	9918.21	799910.95
2011	474321.0	381022.2	10275.34	638925.7
2012	498113.5	370659.3	14800.94	808991.42
2013	-3566.1	361259.23	19077.42	2350875.7
2014	-60458.7	213423.87	16875.1	156788.64
2015	64388.2	225658.45	42167.4	133478.13
2016	45793.44	313043.15	467238.6	415736.3
2017	5730843.4	333445.38	4345623.4	788433.32
2018	547380.73	2345562.12	567980.21	6485863.3

Source: CBN Statistical bulletin, 2018

Model Estimation and Presentation of Results

As is the case with similar studies, the Augmented Dickey-Fuller (ADF) test was used to ascertain whether the four variables of the study exhibit unit root property. This is to find out if the relationship between economic variables is spurious or nonsensical.

Table 2: Summary of Unit Root Test Results

Variables	ADF Test Statistic (at first difference)	Order of integration
NPI	**-4.423905 (-632896) ****	**1(1)**
FDI	**-5.469153 (-4.416345) ***	**1(1)**
MCP	**-4.831638 (-4.498307)***	**1(1)**
SMV	**-6.957318 (-416345)***	**1(1)**

Source: Author computation, 2019(Eview-7)

From the table 1, it was discovered that all the variables used in the analysis were found stationary at first difference. FDI, MPV and SMV were found stationary at 5% level; while NPI was found stationary at 1% level. These first difference variables (stationary variables) shall be used for further analysis in computing and analyzing of our results. The next specification test that shall be computed is the co-integration test of these variables.

Co-integration Estimate

If two or more time series not stationary, it is important to test whether there is a linear combination of them that is stationary. Economically, variables are co-integrated if they have a long term, or equilibrium relationship between them. It is a pretest to avoid spurious regression situations. Since the variables were found to be stationary at first difference (that is at order 1(1), it was safe for us to employ and proceed with Johansen co-integration test. From the co-integration result below in table 3., the trace test indicates four co-integrating equation at 5% level. More so, the Max-eigenvalue test equally confirms that there are four co-integrating equation at 5% level. Thus, the model shows that there, exists a long-run equilibrium relationships among the four variables used in the analysis. It shows that the variables move together in the long run.

Table 2: Summary of Co-integration Estimates

Date: 20/02/20 Time: 11:07
Sample (adjusted): 1990 2018
Included observations: 28 after adjustments

Trend assumption: Linear deterministic trend
Series: FDI MCP NPI SMV
Lags interval (in first differences): 1 to 1

Unrestricted co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None*	0.981524	188.7232	47.85613	0.0000
At most 1*	0.906891	96.92358	29.79707	0.0000
At most 2*	0.783406	42.32200	15.49471	0.0000
At most 3*	0.266813	7.138150	3.8414660	0.0075

Trace test indicates 4 co-integrating equation (s) at the 0.05 level
*** Denotes rejection of the hypothesie at the 0.05 level**
**** MacKinnon-Haug-Michelis (1999) P-values**

Estimated Regression Model

In order to obtain the numerical estimates of the coefficients of the model, the estimation of the model requires the use of various econometric methods, their assumptions and the economic implications of the estimates of the parameters. In the earlier stated simple linear regression model, we have

$MCP = \beta_1 + \beta_2 NPI + \mu$

$SMV = \beta_1 + \beta_2 FDI + \mu$

Model Evaluation and Post-Estimation Diagnostics Tests

The F-statistic

The f-statistic examines the overall significance of a regression model including all the K variables. Therefore, by examining the overall fit and significance of the model, it could be observed that the models have better fit. That is, the probability F-statistic values are 0.00000 and 0.000381 are less than 0.05.

The R^2 (R-square)

The coefficient of determination (R-square), used to mean to measure the goodness of fit of the estimated model. The first indicates that the model is reasonably fit in prediction, that is, 87.04% change in MCP was due to NPI, while 12.96% unaccounted variations was captured by the white noise error term. It showed that NPI had strong significant impact on the growth of market capitalization in the Nigerian capital market. The second indicates that the model is not fit in prediction that is only 42.89percent change in SMV was due to FDI, while 57.11percent unaccounted variations was captured by the white noise error term. It shows that the FDI does not have a strong impact on the stock market value in the Nigeria n Capital market.

Statistical Test of Hypothesis

The two hypotheses in this study were tested using students 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-value (±1.96) is greater than the calculated value, otherwise reject the null hypothesis. That is, using the student *t-test* (t-statistic), we say that a variable is statistically significant if *t** (t-calculated) is greater than the tabulated value 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. Thus;

H_0: $\beta_0 = 0$(Null hypothesis)
H_1: $\beta_1 \neq 0$(Alternative hypothesis)

Hypothesis one

$H0_1$: There is no significant relationship between net portfolio investment and stock market capitalization.

From the regression result in table 4, the calculated t-value for MCP is 1.77 and the tabulated value is +1.96, it therefore falls in the acceptance region and hence, we accept the null hypothesis. The conclusion is that market capitalization has not significantly increased the growth of Net portfolio investment.

Hypothesis two

$H0_2$: Foreign direct investment has not significantly enhanced stock market value in Nigeria.

The regression result in table 4.4 also showed that the calculated t-value for FDI is 4.16 and its greater than the tabulated value of 1.96; and thus falls in the rejection region. Hence, we may reject the null hypothesis. The conclusion is that foreign direct investment has a significant relationship with stock market value.

4.1 Discussion of Findings

The parameter estimates of the Net portfolio investment (NPI) showed that it relates positively with the stock market capitalization (MCP) but was found statistically insignificant. The obtained result is similar to the work of Anfofum, Joshua &Tauhid (2013) which showed positive impact of foreign direct investment on investment, exchange rate, gross domestic product while a negative outcome was found between foreign direct investment and infrastructures, on the average, increased the GDP of Nigeria by 247.91million between 1989 and 2018. The stock market value (SMV) variable was also found to be positively and significantly related to the FDI of Nigeria between the periods under study. This is in contrast to the findings of Musa & Mohammed (2014) who observed that foreign direct investment has an insignificant impact on stock market development. Exchange rate was also found to have a significant negative impact while the effect of inflation on stock market is insignificant and negative. The function thus showed that a unit change in stock market value (SMV), on the average, had reduced the gross domestic product (GDP) of Nigeria by 5.2million between 1989 and 2018.

5. CONCLUSION AND RECOMMENDATIONS

The essence of this study was to assess the nexus between foreign direct investment on the Nig Capital market development between 1989 and 2018, conceptual and theoretical literatures were reviewed in the area of overview of the Nigeria's net Portfolio investment and stock market capitalization, overview of Foreign direct investment and stock market value in Nigeria and, Profile of Nigeria's capital market, empirical review on the impact of foreign direct investment on Nigeria capital market was carried out.

Ordinary least square (OLS) regression analysis (the simple linear regression method analysis) was used in the study. This analysis was used in order to find the liear relationship between the independent variables, which are: NPI and FDI; and the dependent variables which are MCP and SMV. The parameter estimated of the Net Portfolio Investment (NPI) showed that it relates positively with Market Capitalisation (MCP) but was found statistically insignificant. The Stock Market Value (SMV) variable was also found to be positively and significantly related to the Foreign Direct Investment FDI). The nation should explore and adopt all viable options of encouraging both local and international investors into the economy in order to increase foreign direct investment in Nigeria that will turn boost the capital market.

Foreign direct investment has played a significant role in the development of capital market, in particular the provision of revenue to finance socio-development projects of all the tiers of government. Net portfolio investment has been found to improve market capitalization and stock market value also influenced foreign direct investment. However, while the sector has tried to largely fulfill its objectives, there are still some loop holes to fill. Based on the issues raised above and in line with the findings of this work, the following recommendations are therefore necessary:

i. Understanding the Composition of Foreign Capital Flows - Understanding the composition of capital flows and what drives the flows is very important in assessing the macroeconomic impact of foreign capital flows in a capital market. to this end, it is therefore, necessary to monitor the composition of the foreign capital flows, including the currency composition and the distribution between NDI and NPI as well as the short-term borrowing of banks and government that usually distorts stock market capitalization.
ii. Strong Political dispensation - it is further recommended based on the research findings that the present democratic dispensation should be sustained so as to have more foreign inflows into Nigeria's capital market because the attraction of foreign investment, no matter under any policy measure depends largely on the economic and political situation of the country. As a corollary to this, a sustained democratic dispensation will boost foreign investor's confidence in Nigeria's capital market and this will lead to more inflow of foreign investment in the stock market.
iii. Building a Stable Macroeconomic Environment - government should put in place appropriate prudential supervision and regulatory policies that will boost continuous inflow of foreign portfolio investment in Nigeria's capital Market. Building large external reserves may not be a very wrong policy direction in so far as it is aimed at protecting against interest and exchange rate fluctuations as well as short-term funding disruptions. However, it is not a sufficient solution to financial crisis that affects the capital market due to short falls in foreign capital inflows. Developing comprehensive strategies that would forestall macroeconomic volatility, and strengthen an economy's ability to absorb both internal and external shocks is fundamental in managing financial crisis that could occur in the capital market.

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Impact of Contemporary Marketing Strategies on Profitability of Deposit Money Banks (DMBs) in Nigeria

ORU, Sharon Shokare

Department of Accounting
Bingham University,
Karu Nasarawa State.
E – Mail: sharonbeauty94@yahoo.com, Phone No: +234 8133455360

Abstract

The research focuses on the impact of contemporary marketing strategies on profitability of Nigerian banks. Three selected banks where been used for this study, they include: Zenith bank Plc, Sterling bank and Access bank. Some of the objectives of the study includes: To determine whether the use of marketing strategy enables bank to achieve their financial objectives, to find out which marketing strategy tools banks use more often in building customers confidence in the banking sector, to ascertain whether the adoption of marketing strategy in banks have increased customers patronage, and lastly to find out if the adoption of marketing strategy builds a favourable corporate image for the banks. The literature on strategic marketing topics, customer relations and banking industry was extensively reviewed. Both primary and secondary data were been used for the study. In the course of the study, a structured questionnaire was been issued to make inquiry which later helped in the formulation of the hypothesis. For the method of data analysis, percentages, tables and chi-square were used in testing the hypothesis, to which the findings ascertained includes: The use of marketing strategy helps banks achieve their financial objectives, Strategic marketing helps in the increase of customers patronage, and theadoption of strategic marketing tools in the operation of a bank helps her build customers confidence in the banking industry. It was concluded that banks when carrying out her services need to employ result-oriented marketing strategies such as customizing her payment or services while introducing newer innovative products. Bases on this same recommendation were made.

Keywords: Marketing, Strategy, Banks Services, Customers Patronage

1. INTRODUCTION

Given the trend of every aspects of economic activities globally and particularly in Nigeria, it is imperative for business entities to adopt measures that should strategically reposition them to remain afloat. With much increase in the level of customer awareness in response to their needs and wants or satisfaction, firms should also discuss their previous marketing strategies that are not result-oriented and acknowledge the paradigm and thus shift from the old marketing strategy to the new marketing strategy, which is both customer and technology driven in modern marketing management (Johnson, 1990). One of the industries which have gradually started repositioning its operation to suit customers' needs and wants is the banking industry. Nigerian banking system is characterized by internal and external competition. The upsurge of new banks created room innovation and further market sharing. A proxy to determine the extent of competition is the intensity of advertising by banks in recent times. The system has witnessed sophistication in the style and designing of new financial products (Anyafo, 1999). (Vicent, 1980) envisaged that the service demanded of the banking industry is more sophisticated in response to change in the nature of the business they are called upon to finance because their customers are becoming more knowledgeable and discriminating.

A few years ago, bank did not see the need for providing adequate service and encouraging patronage. The issue is that a financial system thrives on public confidence and the erosion of that confidence results in the undermining of the financial system to perform its essential role of savings mobilization. The nature of banking service is that, banks have to build up an image of respectability, capability and reliability through satisfying their customers. Today, with the increase in the level of awareness of Nigerians towards banking operations, banking institutions now face unusual challenges as they get stronger and tougher. That is why in the light of all these, a bank has to engage in marketing activities if it is to gain a fair share of the market. By means of marketing its service, banks constantly remind their customers about them in order to build a friendly corporate. Thus, the major objectives of this paper is to assess the Impact of Contemporary Marketing Strategies on Profitability of Deposit Money Banks (DMBs) in Nigeria. Based on the research objectives stated above, the following null hypothesis is formulated for the study:

H0 1: The use of strategic marketing strategies does not enable banks achieve their financial intermediation objectives.
H0 2: Banks who adopt marketing public relations tools in their operations is not likely to build/sustain customers' confidence in the banking industry
H0 3: Banks' adoption of strategic marketing principles does not increase customers' patronage.

Keywords: Marketing, Strategy, Banks Services, Customers Patronage

2. LITERATURE REVIEW

2.1. Conceptual Clarifications

2.1.1 Marketing and the Nigerian Banking System

Banking in Nigeria is fast becoming not only very competitive but also sophisticated. This means that for any bank to remain in business, it must be marketing oriented. In response to the above, Vincent (1980) envisaged that the services demanded of the banking industry will grow more sophisticated in response to changes in the nature of the businesses they are called upon to finance and as their customers become more knowledgeable and discriminating. Personal selling and is one the various marketing activities used by banks in Nigeria to market their services. At Access Bank which was one of the banks visited by a researcher and at a lot of other banks presently, those involved in the personal selling activity are members of the department called credit and marketing. They go out to solicit for customers. The key work here is APPROACH. The way the customer is approached by the banker determines to a large extent if they will patronize the bank or not. These days, banks in Nigeria have come to learn that the beauty location and surroundings of a bank building play an important part not only in retaining existing customers but also in attracting new ones. A shabby bank premises may be tolerated by existing customers but will not attract new ones especially where there are other competing banks. As a result of this, banks now put up really beautiful buildings with states-of the art facilities. This is marketing, a way of attracting customers.

The general posture of the banking the public image so as to aid them in achieving their sales objective. Efforts are now being made at all times to let the public know the way in which their banks look after the interest of their customers, shareholders and the community within which it operates. Banks also try to ensure that as a favourable publicity goes a very long way in enhancing the business opportunities of bank. In addition to this good relationship with the media, a lot of banks in Nigeria have also strived at all times to associate themselves with wishes and aspirations of the immediate community within which they operate. They engage in this type of marketing through good gestures such as donating to charitable projects of a community etc. Banks also try to sponsor important programmes and events. These kinds of gesture endear the bank to the community. As part of their marketing activities, banks advertise. They engage in advertising not only as means of selling services to just customers but also to prospective customers. In Nigeria today, advertising is the most effective means of getting to all categories of people in all places far and near. Advertisements in the press, television, radio, billboards etc. are all presently engaged in by banks.

As part of the marketing activities, banks have developed some schemes such as EXCACARD, UNICARD and VALUECARD which were mentioned. Another example is Allstate purpose scheme. These are schemes erased in such a way to make customers save money for different purposes. They also have the entire fund scheme where the bank attempts to pull in money from different investors. Investors are to transact business in any part of the country where this bank has branches without any form of constrain. This is because a customer of the bank who opens his account in Port Harcourt for instance can either withdraw from or pay in money into his account while transacting business in Lagos. This enables clients of these banks to do their business at any part of the country without having to carry cash, cheques and overdraft about. Human resources play an important part in shaping the success of bank. Banks are becoming aware of this because "no matter how perfect a plan may be, the result may be disastrous if it is badly executed, so also will the result be bad, if perfectly service is badly delivered (Olupitan,1988). To this effect, banks have tried to make sure that their members of staff are always of good behaviour. This is important because after passing comments on the building, the next thing to comment on especially by a first visitor to the attitude of it staff, particularly the cashiers who the immediate link between cashiers who are the immediate link between the bank and the customer. A first visitor to the bank could be put off or attracted by behaviour of his first contact with the bank. Banks are seemingly becoming aware of this fact as they try to make sure that their members of staff is play good manners and are also polite with customers. According to Marsh (1988) prompt attention to customer by member of staff is another marketing activity, which banks use to retain customer. The long hours of waiting, which was, the order of the day in many banks in commercial centre is now almost a thing of the past. Banks now seem to attend to customers promptly and efficiently.The banks are better off now. Efficient performance of available service is yet another means of statements of cheques; all go a long way in determining the efficiency ofa bank. Finally, the major tool used in marketing activities of banks is CUSTOMER SERVICE. Considering the proliferation of banks in the country these days, the only way a bank can remain long business is through efficient customer services.

2.1.2 Strategic Marketing in Deposit Money Banks

Generally, majority of the western world including those of America, Britain and Nigeria are so much obsessed with a short-term objective of profit maximization. However, the strategic marketing objectives of most banks are found out to be the expansion of customer base. A bank that has increased its patronage customer base or market share by 20% and profit by 100% is judged to have out-weighed it competitors with profit increases of 39% and market share of 5%. This is based on long-term nature of strategic marketing objective of bank. The valuation of future wealth and survival is a big cursion to banks than immediate large profit that might have just come from one single operation/transaction. The process of exploring marketing opportunities and investing money to pursue those opportunities and predicting the outcome of those investments is the strategic marketing planning process. Companies that live by the marketing concept realized that marketing efforts are more successful when they are carefully planned. The planning will start from the identification of the opportunities and development of means of reaping the opportunity through cost commission and performance prediction.

Simply put, strategic marketing planning is the process of examining a company's marketing opportunities, allocating resources to capitalize on those opportunities and predicting market and financial performance that is likely to occur. The result of strategic marketing planning is documented in the marketing plan, which summarizes the current situation, states the objectives and outline strategic designs to help the company reach those objectives. Strategic planning focuses on long-term projections of five to ten years, and religiously followed to achieve the planning objectives; these four steps must be considered:

i. Access current position and performance
ii. Establish specific objectives
iii. Develop marketing strategies and;
iv. Design marketing programmes.

These enumerated procedures are really employed by Access Bank Plc in planning and opening corresponding offices with the establishment of automated teller machines at its various branches. Also, Zenith bank Plc was noted for carrying out strategic marketing planning in opening other branches in West African countries.

2.2 Empirical Discussion

Prior to the establishment of Central Bank of Nigeria on 1959, the main bank in Nigeria were local branches of banks of the metropolitan countries that are lending and related activities largely of the export, of primary commodities and import of manufactures. The banks as such were mere enclave institution that had little to do with economic development efforts of the country (Anyafo, 1999). 1n 1960, the 12 commercial banks operating in country had a total asset of N235.8 million and about 190 branches throughout the country. The only merchant bank, Philip Hill (Nigeria) Limited, (which later merged with Nigeria Acceptance Limited) did very little business. There were no specialized development banks.

Soon after the establishment of the Central Bank, it assumed responsibility for the Nigerianisation of the credit base through the creation of local money and capital market instrument in which financial institution could invest their surplus funds instead of the money and capital market instead of in the money and capital markets abroad. Development in the economy and the changing views of the monetary authorities had great impact on the perceived sales of the financial system. The banking system in Nigeria today, is made up of the Central Bank and Special Banks. The Central Bank, the Development Banks, the Savings Banks and the people bank of Nigeria are owned and controlled by the Federal Government, although some non-government equity is involved in the case of the development banks. The commercial and merchant banks are characterized by private initiative and participation, while community banks are sponsored by communities.

3. METHODOLOGY

Probability sampling technique is chosen from this study. The decision is based on the cost of studying the entire population, which may be a bit difficult. Hence, the probability sampling therefore will enable the researcher to select the sample units with each unit having an equal chance of being selected. Since the banks under investigation have up to 80 staff in each of the branch sampled, comprising the executive officers and cashiers, the researcher adopts a sample size determination model for a known universe.

3.1 Model Specification

The formula is thus:

n = N/ I + N (e)2

Where:

n = sample size
N = known population figure
I = constant factor
E = level of error (0.10)2

Applying this formula:

80
0.81 = 98.76
Approximately = 100
Our sample size is taken to be 100

The main methods used in the analysis of the data included the following descriptive statistical tools: table, figure and percentages. Also, chi-square (X2) was used in testing the hypotheses. The formula for chi square is given thus:

X2 = ∑ (FO – FE)2/ FE

Where: ∑ = Summation
X2 = Chi-square
FO = Observed Frequency
FE = Expected Frequency

Contingency tables where used in showing the observed and expected frequencies. The results were tested using significant lead and table values of appropriate degree of freedom.

4. RESULTS AND DISCUSSION

The data where analysed in percentages, figures and charts and chi-square. Responses on each question in the questionnaire was analysed and presented in a tabular form. A brief discussion follows each table. A total of 100 questionnaire were produced and administrated to the two categories of respondents, namely, bank executives and cashiers. sampled from the three commercial banks (Access Bank, Sterling Bank and Zenith Bank Plc)

Respondents	Number Distributed	Number Returned	Number Used
Bank Executive	40 (40%)	38 (40%)	36 (40%)
Cashiers	60 (60%)	55 (60%)	52 (60%)
TOTAL	100 (100%)	93 (100%)	88

Statistical Test of Hypothesis

Three hypotheses were formulated for this study. For the test, we adopted chi-square. The formula is given thus:

X2 = ∑ (FO-FE) / FE
Where X2 = Chi-square
FO = Observed frequency
FE = Expected frequency
∑ = Summation
DF = (c – I) (R – I)
Where:
DF = Degree of freedom
C = Column
R = Row
I = Constant factor
Significance level = 0.005

Decision Rule

The rule states that, we reject null hypothesis at the appropriate degree of freedom if calculated X2 value is greater than calculated X2 value otherwise we do not. Mathematically stated, if X2, 0.05> accept HO otherwise do not.

Test of Hypothesis One

HO: The use of strategic marketing strategies does not enable banks achieve their financial intermediation objectives.

Table 1.1

Contingency Table for Hypothesis One

FO	FE	FO-FE	(FO-FE) 2	(FO – FE)2/ FE
28	27.8	0.2	0.04	0
8	27.8	3.91	15.28	33.73
0	4.09	-4.09	-16.72	-4.08

40	40.18	-0.18	-0.03	0
2	5.9	-3.9	-15.21	-2.57
10	5.9	4.1	16.81	2.84
			X2	=13.22

DF = (3 – 1) (2 – 1)
2 X 1 = 2

To calculate expected frequencies (FE) we apply thus formula

$$\frac{RT \times CT}{N}$$

Where:
RT = Row Total
CT = Column Total
n = grand total

1. ei = $\frac{36 \times 68}{88}$ = 27.8

2. ei = $\frac{36 \times 10}{88}$ = 4.09

3. ei = $\frac{36 \times 10}{88}$ = 4.09

61

4. ei = $\frac{52 \times 68}{88}$ = 40.18

5. ei = $\frac{52 \times 10}{88}$ = 5.9

6. ei = $\frac{52 \times 10}{88}$ = 5.9

Calculated X2 = 13.22
Critical X2 = 5.991

Decision rule/ Conclusion

Since calculated X2(13.22) is greater than critical value of 5.99 at df = 3. 0.05, we therefore reject the null hypothesis and accept the alternative which states that, "The use of strategic marketing strategies enables banks achieve their financial inter-mediation objectives".

Test of Hypothesis Two

HO: Bank who adopt marketing public relations tools in their operations is not likely to build/sustain customers' confidence in the banking industry.

Table 1.2
Contingency Table for Hypothesis Two

FO	FE	FO-FE	(FO-FE)2	(FO – FE)2/ FE
30	24.5	5.5	30.25	1.23
0	3.27	3.27	-10.69	-3.26
6	8.19	-2.18	-4.75	-0.58
30	35.45	-5.44	-29.7	-0.83

8	4.72	3.28	10.75	2.27
14	11.18	2.19	4.76	0.4
			X2	= 8.58

Expected frequency is calculated by adopting the following formula
Below:

$$\frac{RT \times CT}{N}$$

1. ei = $\frac{36 \times 60}{88}$ = 24.54
2. ei = $\frac{36 \times 8}{88}$ = 3.27
3. ei = $\frac{36 \times 20}{88}$ = 8.18
4. ei = $\frac{52 \times 60}{88}$ = 35.47
5. ei = $\frac{52 \times 8}{88}$ = 4.72
6. ei = $\frac{52 \times 20}{88}$ = 11.81

Calculated X2 = 8.57
Critical X2 = 5.991

Decision Rule/ Conclusion

Since the calculated X2 (8.57) is greater than critical X2 (5.991). We therefore reject the null hypothesis and accept the alternative one and conclude that, "bank who adopts marketing public relations tools in their operations are likely to build/system customers' confidence in the banking industry.

Test of Hypothesis Three

HO: Banks' adoption of strategic marketing principles does not increase customers' patronage.
H1: Banks' adoption of strategic marketing principles does not increase customers' patronage.

Table 1.3
Contingency Table for Hypothesis

FO	FE	FO-FE	(FO-FE) 2	(FO – FE)2/ FE
28	26.18	1.82	3.31	0.12
6	3.27	2.73	7.45	2.27
2	6.54	-4.54	-20.61	-3.15
36	37.81	-1.81	-3.27	-0.08
2	4.72	-2.72	-7.39	-1.56
14	9.45	4.55	20.7	2.19
			X2	= 9.37

Expected frequency = $\frac{RT \times CT}{n}$

Where:
RT = Row Total
CT = Column Total
n = grand total

1. FE = $\frac{36 \times 04}{88}$ = 26.18
2. FE = $\frac{36 \times 8}{88}$ = 3.27
3. FE = $\frac{36 \times 16}{88}$ = 6.54
4. FE = $\frac{52 \times 64}{88}$ = 37.81
5. FE = $\frac{52 \times 8}{88}$ = 4.72
6. FE = $\frac{52 \times 16}{88}$ = 9.45

Calculated X2 = 9.37
Critical X2 = 5.991

Decision Rule and Conclusion

Since the calculated X2 value (9.37) is greater than critical X2 (5.991) under df = 2, 0.0 significant level, we therefore, reject the null hypothesis and accept the alternative one and conclude that "bank adoption of strategic marketing principles increases customers' patronage".

4.1 Discussion of Findings

Based on the analysis and interpretations of data the following findings were made:

i. Consistent use of strategic marketing strategies makes banks achieve their individual financial intermediation objectives.

ii. When banks adopt marketing public relations tools in their operation there is every likely that customer's confidence on the banking industry is built or sustained.

iii. It was also found out the banks' adoption of strategic marketing principles increase customer's patronage.

iv. Banks use persuasive strategic marketing communication strategies such as public relations, advertising, promotion, etc in carrying out their saving or fund mobilization.

v. Among the needs of customers, total satisfaction is rated as highly needed.

5. CONCLUSION AND RECOMMENDATION

Based on the finding of the study, it can be seen that strategic marketing has strong place in the operations of banks. Most especially, strategic marketing tools are needed in the marketing of financial services and products. Banks who have recognized the paradigm shift from old marketing of selling to the market to the customer concept, which emphasizes customer satisfaction will benefit in the long run. Given the volatile nature of banking environment coupled with competition marketing concepts and principles become the only answer that can help banks to remain a lot in business. In carrying out her intermediations services' a bank needs to employ resulted-oriented marketing strategies, such as customizingservices/products, bringing in more innovations and above all retraining her staff especially, the font office staff (cashier) in the new techniques of scouting for customers. Finally, we conclude that marketing strategies have been recognized world over as among the antidote that can represent a bank for a greater test ahead. Its contribution cannot be over-stressed. The following recommendations are made in the instance of the findings and conclusion:

i. Banks which have not really explored the advantages of strategic marketing in the performance of financial inter-mediatory role should do so. The earlier the better because the business in which the banking industry operates is faced with stiff competition.
ii. Banks should confine to adopt sound and ethical marketing practices in the savings mobilizations. They should also adopt the new marketing concept, which aims at satisfying customer needs at profit.
iii. Both bank executives and cashiers should always be retrained to meet up with marketing challenges of banking services.
iv. Total quality service or product should be the hallmark of the banking industry's total market offerings. If there is no quality in the service delivery of a bank, there is every prospect that the customer will not be this satisfied. They may likely turn their back against that particular bank.

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Forensic Accounting Skills: A Panacea for Preventing Revenue Leakages in Nigerian Polytechnics

GODO, Bitrus
Department of Accounting
The Federal Polytechnic
Mubi, Adamawa State
E-Mail: bitrusgodo@yahoo.com, Phone No: +234 8069190720; +234 8076305542

TITUS, Yakubu Jacob
Department of Accounting
The Federal Polytechnic
Mubi, Adamawa State
E-Mail: titusbongos@gmail.com

THOMAS, Nandom Nkem
Department of Accountancy
Plateau State Polytechnic
Barkin-Ladi, Plateau State
E-Mail: nkemnandom301@gmail.com

AJITA, Suleiman Ishaku
Department of Actuarial Science
University of Jos
Jos, Plateau State
E-Mail: ajitas@unijos.edu.ng

Abstract

This study focused on examining forensic accounting skills as a panacea for preventing revenue leakages in the Nigerian polytechnics with particular reference to Federal Polytechnic Mubi. In collecting data for the study,both descriptive and causal research designs wereused. Under these designs, data were generated from both primary and secondary sources through the use of questionnaire, personal interview and extensive review of related literature. To generate primary data, questionnaires were designed and distributed to the staff of audit, bursary, accounting and law departmentsand other administrative units of the Polytechnic. A model was specified using Logistic regression which was used to predict a dependent variable on the basis of independent variables. The model was also used to rank the relative importance of independent variables, to assess interaction relationships and to understand the impact of covariate control variables. Data were presented and analysed using table while the hypotheses were tested using wald test. The outcome of the study majorly revealed that forensic accounting skills can significantly influence revenue leakages in the polytechnic system and that the skills can help reduce and merely eradicate revenue leakages in the system.When this is done, it will deter staff from committing fraudulent acts relating to revenue leakages. The study recommends that management and governing councils of Nigerian polytechnics should ensure that effective and reliable forensic accounting structure should be instituted in Nigerian polytechnicsand that there should be regular surveillance of internally generated revenue (IGR) and other revenues by staff member that have adequate forensic accounting skills and techniques.

Keywords: Forensic Accounting, Forensic Accounting Skills, Panacea, Prevention, Revenue Leakages

1. INTRODUCTION

The need for forensic accounting has become a global issue as businesses, corporate organizations and public sector organisations are faced with financial fraud. Polytechnics as institutions of learning are also not left out as financial transactions also form part of their operations. The quest for forensic accounting has continued to grow especially with the frequent corporate scandals, corporate collapses and business failures (Chary, 2005). These fraudulent acts are demonstrated among others by the often cited cases of Enron and WorldCom, Tyco, and Cadbury Nigeria Ltd among others. The growing intricacy of financial frauds demands that forensic accounting as a sophisticated approachshould 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 Fraud has become a tradition and a severe problem of global concern; with developing nations having their own large proportion of it. It is so rampant that it is gradually becoming a norm and a way of life. The degree of boldness to commit fraud on a daily basis is so high to the extent that many people commit fraud with little or no fear of being caught; ranging from the public sector to the private sector. The rich, the poor, the young and the elderly and males and the females are now deeply involved in fraud and fraud related activities. Nowadays, even the non-governmental and charitable organisations are as well affected by fraud.In the words of Kasum (2007), fraud is currently exhibited as a common act; ranging from the common people on the street to the politicians and from executives to the floor cleaners of organizations (Kasum, 2007). According to the Centre for Forensic Studies (2010), forensic and investigative accounting is necessitated in institutions as a result of the complexities of modern day activities within the environment that has large volume of complex dataavailable in the institutions. This makes it difficult to monitor transactions by applying manual audit processes. The large volume of activities in the polytechnic institutions has made financial leakages very easy to be perpetrated. Forensic accounting is now considered as the last resort towards checkmating fraudulent activities in every society.

Forensic accounting is described as an integration of accounting and auditing knowledge with investigative skills that have been gained from years of practical experience (Enofe, Idemudia & Emmanuel, 2015).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 & Elmore, 2003). Forensic Accounting provides an accounting analysis suitable to the court which forms the basis for discussion, debate and ultimately dispute resolution (Zysman, 2004). Enyi (2012) emphasizes that in forensic accounting, a man is expected to know the trick of a monkey in order to catch it, but he should ensure that he does not become the monkey in the process. Impeccable character must be weaved around ethical considerations in forensic accounting for it to succeed. Forensic accounting is very vital to every organisation in areas of fraud management and revenue leakages in organisations. Consequently, the need for forensic accounting to be incorporated as part of a university is an idea that requires a great attention.

Financial crimes such as embezzlement, larceny and skimming have negative impact on revenue generation. These crimeshave taken the centre stage in the scheme of operations and are on the largescale in government offices(EFCC, 2004). These crimes and other financial malpractices constitute parts of the major fraudulent activities bedeviling government organisations in Nigeria especially the Nigerian polytechnics. Financial fraud that causes revenue leakages has taken the centre stage in the scheme of illegal affairs of most organisations in Nigeria. The tendency for fraud and fraud related crimes to come to end seem very bleak (Kasum, 2007). Revenue leakage is one of the menaces of many organisations in Nigeria; especially public sector organisations, including Nigerian polytechnics. Revenue leakages in Nigerian polytechnics are basically caused by fraudulent activities perpetrated by fraudsters. Fraud is generally a worrisome issue in our society. It shrinks revenue; it siphons score resources and retards the development efforts of organisations (Abiola, 2009). Fraud affects the smooth running of operations and affairs in an organisation and possibly retards the progress, success, survival, growth and development of the organisation (Abiola, 2009). Nigerian polytechnics are currently witnessing shortfall in revenue due to falling oil prices and fraudulent practices. Fraudulent practices are caused by either non-observance of laid-down rules, procedures and policies (internal controls) that are established by management and governing councils of polytechnics.Another reason could be as a result of non-existence of sophisticated structural systems such as forensic accounting skillsin those polytechnics (Oyedeji, 2015). Oyedeji further states that every organisation must establish and install efficient, strong, reliable and effective internal control system in order to protect its assets from possible losses resulting from misapplication of funds; misuse and falsification of financial and other assets.From literature, forensic accounting skills have not been applied to public organisations such as Nigerian polytechnics to check mate probable revenue leakages. Preliminary findings show that the application of forensic accounting skills can help to prevent man-made and intentional revenue leakages and deter potential perpetrators. Given the foregoing, the main objective of this study is to examine forensic accounting skills and techniquesas a panacea for preventing revenue leakages in the Nigerian polytechnic system. Also, the hypotheses underlying this study are stated thus:

H01: Forensic accounting creative thinking and problem-solving skillshave no significant influence inpreventing revenue leakages in Nigerian polytechnics.

H02: Forensic accounting analytical skills and detail-oriented approach cannot significantlyreduce revenue leakages in Nigerian polytechnics.

H03: Forensic accounting communication and interviewing skills cannot significantly eradicate revenue leakages and improve revenue generation in Nigerian polytechnics.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of Forensic Accounting

Joshi (2003) relates forensic accounting to Kutilya opinion some centuries ago. Kutilya was the first economist to openly recognize the need for forensic accounting when he mentioned 40 ways of embezzlement. However, according to Enofe, Okpako and Atube (2013), a Scottish by name Maurice E. Peloubet is credited to have coined the term forensic accounting in his 1946 essay on Forensic Accounting: Place in Today's Economy. Crumbley (2009) opines that forensic accounting can be traced as far back as 1817 to a Canadian court decision of Meyer vs Sefton. Consequently it was observed that James McClelland offered forensic accounting services back in 1824 and this is captured in Jagdish (2013) 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.

Enofe, Idemudia and Emmanuel (2015) opine that forensic accounting is the combination of accounting, auditing and investigative skills in resolving litigation disputes. According to Jagdish (2013) 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 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], 2012) sees 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 profits, income, property or damage, estimations of internal controls, frauds and other relevant activities that involve using accounting knowledge into the legal system. Chariri (2009) opines that forensic accounting involves using specialised knowledge in detecting fraud; and particularly in documenting exactly the kind of evidence required for successful criminal prosecution and the ability to work in complex regulatory and litigation environment with reasonable accuracy, and reconstructing missing, destroyed or deceptive records. Zysman (2004) states that forensic accounting is accounting that is suitable for legal review, offering the highest level of assurance and including the now generally accepted connotation of having been arrived at in a scientific fashion. Coenen (2005) opines that forensic accounting involves the application of accounting concepts and techniques to legal problem. Mukoro, yamusa and Faboyede (2013) opine that for one to progress in the field of forensic accounting; there is the need for such a person to be detailedoriented, persistent, ambitious and highly organized. Forensic accounting also entails a great deal of creativity because it is an approach that requires detailed explanation of complex financial concepts to an audience that lacks basic knowledge in accounting.

Rezaee, Crumbly and Elmore (2003) state that forensic accounting is a practice of rigorous data collection and analysis in issues of litigation supporting services, expert witnessing and fraudexamination. Forensic accountants primarily carry out investigation and documentation on issues relating to financial fraud and they also give assistance to lawyers in court, regulating bodies and other institutions that are concerned with investigating financial fraudsfor them to have legal evidence in their presentation (Krstic, 2009).

Modugu and Anyaduba (2013) asserted that the field of forensic accounting has its own models and methodologies that are used in carrying out investigations in order to give absolute assurance, attestation and advisory perspective to yield legal evidence. It has to do with providing the very nature of accounting data as a practical discipline which involves accounting fraud and forensic auditing; compliance, due diligence and risk assessment; detection of financial misrepresentation and financial statements fraud (Skousen & Wright, 2008).Howard and Sheetz (2006) view forensic accounting as 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 & Obaretin, 2010). The services of forensic accountants can be solicited for in public practices or employed by insurance companies, banks, police force, government agencies and other organizations. When called upon by the police force, a forensic accountant can carry out a criminal investigation which could lead to prosecution of individual or lifting the veil of corporate bodies. In doing this, the forensic accountant uses his/her investigative accounting skills to examine the documentary and other available evidence to give his/her expert opinion on the matter. Where losses arise as a result of personal injury, insurance companies sometimes seek expert opinion from a forensic accountant before deciding whether the claim is valid and how much to pay. Forensic accountant can be called upon where there is fraud to investigate. In this regard,a forensic accountant assists in fraud tracing, asset identification and recovery, forensic intelligence gathering and due diligence review. It is also utilised in divorce cases involving disputes about matrimonial assets (Enofe, Idemudia & Emmanuel, 2015).

The institutions of learning are also not left behind in terms of evidence gathering by the forensic accountant. Funds management by accountants in public institutions has to be reviewed at all levels to ensure compliance with the internal control system put in place by the management and governing councils of such various institutions of learning. Sudhir and Sushama (2013) opine that solicitors are often required to request for the services of forensic accountants to trace, locate and evaluate assets. Such assets are normally purchased by the officers in charge of store units. The award of contract by a third party for the institution also forms part of such transactions. Forensic accountants can also carry out other functions such as ascertaining professional negligence, expert witness cases where forensic accountants are required to testify evidence in civil and criminal court hearings as expert witnesses. In such cases, they engage in presenting investigative evidence to the court so as to assist the presiding judge in deciding the outcome of the cases where there are cases of fraudulent activities in the institutions (Sudhir & Sushama, 2013). Traditional auditing has a focus on error identification and prevention, where the auditor reviews the activities of the accountant to be able to detect where there are errors in the books of accounts and also ensure that preventive measures are put in place. Prevention is the result of an effective internal control system. The auditor reviews the effectiveness of the internal control system by sampling transactions and not by a complete review of all transactions. The process can only reveal some errors. Note that all errors are not considered equal. Some errors are more important than others and such errors are referred to as material (Enofe, Idemudia & Emmanuel, 2015).

2.1.2 Forensic Accounting Skills

For a forensic accounting to be effective in evidence generation or fact finding and expert witness, it requires demonstration of reliable skills. Important skills for a forensic accountant include: i) detail-oriented approach; ii) interviewing skills; iii) analytical skills; iv) communication skills; and v) creative thinking and problem-solving skills. Forensic accounting skills enable an accountant to gather evidence of fraud and other financial crimes and present it clearly, often in a courtroom. Forensic accountants need to be well-versed in both accounting and law in order to determine whether a financial crime has occurred. The following skills are all necessary to perform successfully as a forensic accountant.

2.1.3 Concept of Fraud

Many researchers have defined Fraud in different ways depending on their own understanding of the term fraud. Enofe, Okpako and Atube (2013) looks at fraud as an intentional misrepresentation of the truth in order to manipulate or deceive an institution or individual of its assets, funds or any other material thing. Dada, Owolabi and Okwu (2013) view fraud as an act of dishonest, deceit, falsification and manipulations perpetrated to gain monetary and non-monetary benefits from an institution. Fraud is a predetermined tricky process or device carried out by a person or a group of persons with the primary objective of cheating another person or institution to gain undue advantage which would have been absent if the deceptive act did not take place (Nwaze, 2012). For an act to be regarded as fraud, some elementsmust have to be identified to be present, such elements could relate to false representation of a material nature that is either misstatement or omission of a material fact. The knowledge that the representation is false or reckless has disregard for truth and could be interpreted to mean that the person receiving the representation has reasonably and justifiably relied on it such that the received party has sustained financial damages from the transactions (Enofe, Idemudia & Emmanuel, 2015). Ramamoorti (2007) posited that fraud is a human thing which involves total deception, purposeful intent, intensity of desire, risk of apprehension, violation of trust and rationalization. Ojaide (2000) opines that fraudulent practices encompass fraud and other illegal activities which involve acquisition of an asset to the disadvantage of another. It involves a dishonest, deceit, falsification and manipulation acts to gain either monetary or non-monetary benefits from an individual or an institution.

Albrecht (2008) outline the various components of fraud to include a large variety of activities which include bribery, political corruption, business and employee fraud, consumer theft, network hacking, bankruptcy and divorce fraud and identity theft. However, the very one interesting to accounting profession is business fraud which is also called the occupational fraud. The Association of Certified Fraud Examiners (2012) defines occupational fraud as the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets. Business fraud can also be for the benefit of the enterprise. In this case, it is regarded as corporate crime which according to Izedonmi and Mgbame (2011) is usually committed by the senior management of institutions. Categories of these frauds include financial statements fraud, anti-trust violation; securities frauds, tax evasion, false advertising, environmental crimes and the production of unsafe product. Corporate frauds against an institution deprives the institution of its assets; especially when a senior management staff attempts to deceive, conceal and misrepresent materially the records of the institution(Williams, 2005).

2.1.4 Revenue Generation in Nigerian Polytechnics

Government is the major source of funds for federal polytechnics in Nigeria. It provides about ninety percent (90%) of the total income disbursed to the Nigerian polytechnics through the National Business and Technical Examination (NBTE) (a buffer organization that assists the government in coordinating the affairs of the Nigerian polytechnics). The remaining ten percent (10%) is locally generated by each polytechnic (Ogbogu,2011). According to Ogbogu (2011), the subvention received by the polytechnics from the Federal Government is inadequate in meeting their financial demands. This is because the polytechnics are affected by the unstable economic conditions as well as other government policies that affect the universities’ finances such as embargo on payment of tuition fees in federal polytechnics (Babalola, Okunnola, Adeyemi&Ibekwe, 1996). Bamiro and Adedeji (2010) attribute this not just to social and economic depression of the country but also to the country’s desire to be integrated into the modern knowledge economy with an increased enrollment without adequate planning.

2.1.5 Education Trust Fund (ETF)

The Education Trust Fund (ETF) was established in 1993 to facilitate the execution of projects aimed at improving the quality of education in Nigeria. In order to generate sufficient funds, the Act which established this fund imposed two percent (2%) Education Tax on the assessable profit of all registered companies in Nigeria. Currently, the ETF is a major source of funding for the various institutions in the country particularly with the Federal Government directing the fund through a major policy that stimulates that the fund should be used to assist tertiary institutions in the commencement, completion and rehabilitation of capital projects embarked upon by them. It is also currently the source of special intervention to develop six Nigerian federal universities into world-class institutions by providing and upgrading the facilities for teaching, learning and research; and the development of the requisite human capital. It is the desire of the Federal Government that the selected universities will improve their ranking after the implementation of the various projects (Bamiro & Adedeji, 2010).

2.1.6 Internally Generated Revenue (IGR)

In Nigeria, the Federal Government has compelled each academic institution to generate at least ten percent (10%) of its total revenue to complement its Federal Government allocation for the institutions. It is in response to this that the institutions have expanded the scope of their internally generated revenue to include: student fees/levies, grants and donations, private sector contributions (endowment funds, gifts and donations), commercial activities/consultancy and other diverse initiatives to augment their revenue generation sources (Ogbogu, 2011). These sources that are mentioned above, among others are the various sources of internally generated revenue to the Nigerian universities. They are further discussed below.

a. Student Fees/Levies

Although there is a general government embargo on payment of tuition fees for undergraduate programmes in Nigeria, most of the Nigerian tertiary institutions have devised other methods of fees collection from services such as accommodation in the halls of residence, sports, medical registration, departmental registration, library registration, examination fees and non-refundable admission deposits. These fees usually vary in the amount paid from one institution to another (Ogbogu, 2011). Students' contributions according to Bamiro and Adedeji (2010) for the period 1986-1994 increased from 0.28% to 3.89% of the total internally generated revenue. Also, between 1988 and 1998, the total locally generated income from students' fees in the universities increased from 4% to 10%. Currently, undergraduate students registered in the various federal universities and polytechnics in Nigeria pay between N30, 000 ($193.54) and N50, 000 ($322) as fees; which is still relatively cheap (Bamiro & Adedeji, 2010). In addition to fees, many non-degree/diploma courses have been introduced at exorbitant fees. For example, the Masters in Business Administration (MBA) programme and the Computer Diploma courses run in all federal universities and polytechnics among other programmes have recorded tremendous financial breakthrough and successes (Ogbogu, 2011). Bamiro and Adedeji (2010) noted that over 80% of the Nigerian universities and polytechnicsinternally generated revenues are derived mainly from fees from the different programmes run by the institutions. Although attempts by federal institutions to increase levies have always met with stiff opposition by students, it still remains the major source of internally generated funds to the federal institutions.

b. Grants and Donations

Several foreign grants have aided and supported Nigerian tertiary institutions' postgraduate study programmes and staff development. Some of the agencies that have supported Nigerian federal universities include John, D. and Catherine, T. MacArthur Foundation, Ford Foundation, World Health Organization (WHO), Carnegie foundation among others. For example, the MacArthur and Carnegie foundations have been supporting four universities in Nigeria since 2010 in the key areas of staff development and development of ICT infrastructure. The University of Ibadan was awarded a total of $6.4million between 2000 and 2007 and the sum of $3.1 million was granted to Bayero University, Kano for the period 2008-2010 by MacArthur and Carnegie Foundation respectively for various development projects (Bamiro&Adedeji, 2010).

c. Private Sector Contributions

Contributions from the private sector to tertiary institutions education in Nigeria are limited to the endowments of prizes and professional chairs, gifts and voluntary donations (Ogbogu, 2011). For example, the Petroleum Technology Development Fund (PTDF) established professional chairs in six universities to undertake academic researches relevant to capacity building in the oil and gas industry. The institutions involved have been enjoying annual allocations ranging from N14million to N20million per institution in the recent past to support the chairs (Bamiro & Adedeji, 2010).Gifts and donations from the private sector are usually in the form of cash and physical structures given to the universities by individuals or groups to support the development of the institutions.

d. Commercial ventures

Nigerian tertiary institutions have embraced commercial ventures in response to government's mandate that each institution must generate at least 10% of its total revenues. The commercial ventures which are of different kinds include consultancies, petrol stations, bookshops, publishing houses, schools and hotels among others. The margin of profits from the different ventures ranges from 4.7 million naira to 82.9 million naira annually from each institution. The ventures which attract high profit margin are those offering professional services such as consultancy, distant learning programmes and hotel services. It is important to note that the University of Ibadan was the first to develop insights into commercial ventures; many of which were established in the 1970s.Generally, the profits made from these various ventures are ploughed back for expansion and for enhancing the working conditions of staff in the institution (Ogbogu, 2011).

2.1.7 Concept of Revenue Leakages

Conceptualizing revenue leakages is essential in this study.Leakage is a situation in which capital, or income, exits an economy or system rather than remaining within it. In economics, leakage refers to outflow from a circular flow of income model. In a two-sector model exhibiting a circular flow, all individual income is sent back to employers when goods and services are purchased, and back to employees through wages and dividends, creating a system without leakage (Investopedia, n. d.). Revenue means the flow of funds into a firm. Revenue leakage therefore, is where the actual inflows of funds are not as great as they should be or where the actual falls short of the expected. For instance, where a customer who is expected to pay full charge for an item,influences a deal; perhaps fraudulently or through manipulation of the system or control in the system and obtains a discount. Firms clearly have to protect themselves against this.The point is that, revenue leakage here means theinflow of revenue is not as great and in expected tone as it should be or expected.It is instructive to note that by leakage,it does not mean that there is an outflow. Outflows in this context are usually called costs (Elinger, 2012).

In revenue management chain of some service organisations for example, there are instanceswhere it is observed that clients (subscribers) are not billed in spite of the necessary services that have been provided, which is defined as a revenue leakage (Hariharan, 2009). So a revenue leakage is when a service is delivered but not billed yielding into non-collection of payments for the services not billed. Revenue Leakage is the gap between the actual revenue and the estimated revenue, as per records. It is one of the most pressing problems of organisations, but surprisingly most organisations are taking too little or no precaution to stop this bleeding of their hard earned revenue (Abhyankar, 2014). If consumers spend their income outside of their community or country, then businesses must look elsewhere to make up for the loss of funds. This is a typical example of revenue leakage. In Keynesian economics, governments may have to inject cash into the system if leakage causes a shortage of capital. Put differently, it is a situation in which capital, or income, exits an economy, or system, rather than remains within it.The exit of money from the economy through leakage results in a gap in supply and demand. Leakage relating to tax revenue according to Investopedia for example occurs when income is taken out through taxes, savings and imports. In retail stores, leakage refers to consumers who spend money outside of the local market. Whitepaper (2009) adds revenue leakage reflects the profit companies actually lose from their transactions. Transaction price management doesn't receive attention in many organizations as it pertains to the lowest level of detail for profitability management. Revenue Leakage can occur due to incorrect pricing, operational inefficiencies, missing transactions, unpriced transactions, uncollected revenues among others. In various stages of the client/customer relationship life cycle, such as prospecting, on-boarding, transaction processing, billing and recovery, monitoring and service closure, there can be cracks that give rise to revenue leakage.

According to Hariharan (2009), revenue leakage has been a universal phenomenon, gnawing up the profit margins of service and transaction-based industries. Service providers in industries such as education need to have effective revenue assurance solutions to counter this threat. Establishing adequate control mechanisms and reporting facilities to predict potential leakage points is another critical requirement for them. However, there is no one-step solution to fix these cracks. Apart from regular revenue audits, system integration reviews, tracking of customer/client performance and eradication of manual processes, most importantly banks need a centralized pricing and billing platform to plug the leakage loopholes. This approach proposes how organisations can convert revenue assurance into a huge opportunity, by leveraging centralized relationship based pricing and billing solutions to ensure profitability, customer/client loyalty and fee revenue inflow. He went on to posit that a typical telecom operation consists of a long and complex chain of interrelated operations that work together to deliver services to clients/customers and then track the services delivered and bill the clients/customers for the services delivered. In the words of Ugulor (2009), efficient, transparent governments, closely watched by citizens with access to accurate, timely information on state spending can help restore trust in public institutions and strengthen democracy. Transparency ensures that information available can be used to measure the authorities' performance and guard against any possible miss-use of power. In this sense, transparency seeks to achieve accountability. Without transparency, trust is lacking; therefore, adequate transparency is critical to ensure that resources\wealth is managed for the benefit of the whole population (Nicholas, 2009).

Davis (2009) said transparency in revenue is a forceful arrow in the quiver to combating corruption and fraud, improve productivity and output and also increase accountability in the oil industry. According to El-Rufai (2003), revenue transparency will act to increase accountability in both the executive and legislative branches of government at all levels (Federal, State, and Local Govt.), reducing opportunities for corruption and the potential for waste of public funds. Furthermore according to Ezekwesili (2010), transparency in revenue leads to proper management and financial accounting, without which processes and cost cannot be mapped, reported, reviewed and benchmarked. In addition, transparency in revenue generation reduces waste of resources by its insistence on the utilization of minimum input, cost reduction and process improvement (El-Rufai, 2003).

2.2 Empirical Review

There are instances where public or private sector is engulfed by fraudulent activities. This has led many researchers to undertake empirical studies to ascertain the extent to which forensic accounting can reducesuch fraud. In a study conducted by Okoye and Gbegi (2013) on an evaluation of forensic accountants to planning management fraud risk detection procedures, they focused on investigating the relative merits of involving forensic accountant during the planning stage of developing an audit plan that will effectively identify management fraud. They used both primary and secondary sources of data to generate data for the study and with the help of statistical analysis technique such as ANOVA, they found out that forensic accountants effectively modified the extent and nature of audit test when the risk of management fraud is high. Kasum (2007) carried out a comparative analysis of the relevance of forensic accounting in private and public sectors with the objective of ascertaining where the services of a forensic accountant is most required. Primary data were collected from the opinions of accountants, lawyers, economists, bankers, contractors and engineers and are subjected to a statistical analysis using Z score test of mean and Z score test of proportion. The study revealed that an investigative or a forensic accountant has a role to play generally in every organisation but more in the public sector organisation.

Modugu and Anyaduba (2013) examined forensic accounting and financial fraud in Nigeria. The study employed a survey design with a sample of 143 respondents consisting of accountants, management staff, practicing auditors and shareholders. A simple random sampling technique was utilized in selecting the sample size while the binomial test was employed in the data analysis. The study revealed that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality. Kosmas, Thulani and Edwin (2009) examined the effectiveness of forensic auditing in detecting, investigating and preventing banks' frauds. A sample of thirty forensic auditors was used which was drawn from thirteen commercial banks, four building societies and four audit firms in Zimbabwe. It was found that the forensic auditing departments suffered from multiple challenges amongst them being the lack of material resources, technical know-how, interference from management and unclear recognition of the profession. Aribaba (2013) looked at the application of forensic accounting using Nigerian companies. Primary data were obtained from professional accountants, professional auditors, financial analysts and captains of industries across every sector of the economy in respect of the subject matter of the study through the issue of 100 questionnaires on a judgmental sampling basis. The study revealed that the services of forensic accountants are of great relevance to the development of the nation and the need to ensure credible financial reporting. More so, it was ascertained that a lot of potentials exist for forensic accounting services in Nigeria as the economy of Nigeria is becoming a global village.

2.3 Theoretical Framework

2.3.1 The Fraud Triangle

The fraud triangle was an idea developed by Donald Cressey, a criminologist in 1953 to investigate the causes of fraud. His research was aimed at ascertaining what or factors that drive people to violate trust bestowed on them. He conducted an interview consisting of two hundred and fifty (250) criminals whose behaviours met two criteria. The criteria include first that the person must have accepted a position of trust in good faith and secondly the person must have violated the trust (Gbegi & Adebisi, 2014). Three elements were considered by Cressey (1953) that must be present for fraud to take place which consist of pressure, opportunity and rationalisation. Pressure is regarded as one major factor that causes a person to commit fraud. Pressure is referred to as anything including medical bills, expensive tastes and addiction problems (Benjamin, 2001). Opportunity is referred to mean the ability to commit fraud and is caused by weak internal control system, lack of strong management oversight and failure to establish adequate procedures to detect fraudulent activity. This highly increases the possibility of fraud in an institution. Providing the opportunity to commit fraud is one of the most important factors arising from frauds. Rationalisation has to do with having a self-conviction that the fraudulent act is worth the risk. It involves the fraudster developing a defence mechanism in order to justify his/her action (Enofe, Idemudia & Emmanuel, 2015).

2.3.2 The Fraud Diamond Theory

The fraud diamond theory was the extension of the work of Cressey Donald on fraud triangle in 1953. The fraud diamond theory was formulated by Hermanson and Wolf in 2004. They argue that the diamond offers a better view of the factors leading to fraud. They add a fourth variable known as capacity to the three-factor theory of Donald Cressey. The fraud perpetrator according to them must have the necessary traits, abilities or positional authority to pull off his crime. Capacity as added by Wolf and Hermanson (2004) concludes that trust violators when they conceive of themselves as having a financial problem which is non-sharable, have knowledge or awareness that this problem can be secretly resolved by violation of the position of financial trust and are able to apply to their own conduct in that situation verbalizations which enables them to adjust their conceptions of themselves as users of the entrusted funds or property (Gbegi & Adebisi, 2014). Capacity in this regards means that the fraudster possesses the necessary traits and abilities to be the right person to pull off the act. They say to themselves, we have recognized this particular fraud opportunity and can turn it into reality. While these four elements certainly overlap, the primary contribution of the fraud diamond is that the capabilities to commit fraud are explicitly and separately considered in the assessment of fraud risk. By doing so, the fraud diamond moves beyond viewing fraud opportunity largely in terms of environmental or situational factors, as has been the practice under current and previous auditing standards (Wolfe &Hermanson, 2004). The two fraud theories show how the perpetrators of fraud can carry out fraud at any time. The triangle and the rectangular views of the fraud theory indicate the key indicators of fraud in any institution. A person commits fraud because of pressure from family, personal needs, challenges from peer groups and so forth. Opportunity, rationalization and capabilities can also make an individual to commit fraud in an institution. This research is therefore, anchored on the diamond theory of fraud.

3. METHODOLOGY

This study is designed to examine forensic accounting skills in relation to revenue leakages in Nigerian polytechnics. The research designs employed in this study were both descriptive and causal research designs. Under these designs, data for the study were obtained from both primary and secondary sources through questionnaire/interview and review of related literature respectively. In generating primary data, the questionnaire was designed and administered to the respondents and the responses were analysed and tested using Logistic regression. Primary data were generated through questionnaire and personal interview whilesecondary data were gotten from the library and via internet.The population of this study consists of five groups which include the audit staff, bursary staff, accountingacademics, law academics and other administrative staff who are expected to have heard knowledge of forensic accounting. The total number of staffthat formed the population is 700 (25Audit staff,100Bursary Staff, 35accounting academics, 15 law academics and 525 other administrative staff who are expected to have heard the knowledge of forensic accounting). These groups are considered as the population of this study because they have the capacity to provide the relevant information and data needed for the study. In conducting the study, the researchers drew a sample of two hundred and fifty-five (255) respondents from the population.The sample size of two hundred and fifty five (255) respondents is considered appropriate because it can serve as a good representative of the entire population of the study.The researcher adopted a simple random sampling technique in selecting the sample from the study units or the entire population. The simple random sampling technique is considered suitable for selecting the sample in that it gives every member of the population anequal chance of being selected for the study.The researchers determined the sample size using Taro Yamane's formula which is used in determining sample size in many research efforts. The Taro Yamane's formula is given as follows:

$$n = N/1+N(\alpha^2)$$

Where:

n = Sample size
N = Total population size (known or estimated)
α = Precision level (0.05)

The population of the study as stated above is made up of seven hundred (700) members; and the sample size is determined from the population using the formula stated above. The sample size is therefore, determined as follows:

$$n = 700/[1+N(\alpha^2)]$$
$$n = 700/[1+700(0.05^2)]$$
$$n = 254.55$$
$$n = 255 \text{ (approximately)}$$

3.1 Model specification

Logistic regression is usually used to predict a dependent on the basis of independent variables and to determine the percentage of variance in the dependent variable explained by the independent variables. It is also used to rank the relative importance of independents; to assess interaction effects and to understand the impact of covariate control variables. The model is stated below as follows:

$$Y = L_i = In\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i}$$

Where:

L is called the logit.

P_i is the probability of revenue leakages prevention, which is measured as 1.
$(1 - P_i)$ is the probability of non-prevention of revenue leakages, which is measured as 0.
Y= PRL = Prevention of Revenue Leakages
X_1=FAS = Forensic Accounting Skills
X_2=IFACTPSS = Influence of Forensic Accounting Creative Thinking and Problem-Solving Skills
X_3=FAASDOA = Forensic Accounting Analytical Skills and Detailed-Oriented Approach
X_4= FACIS= Forensic Accounting Communication and Interviewing Skills
B_0= Intercept of the Model
B_1= Coefficient of Forensic Accounting Skills
B_2=Coefficient of Influence of Forensic Accounting Creative Thinking and Problem-Solving Skills
B_3=Coefficient of Forensic Accounting Analytical Skills and Detailed-Oriented Approach
B_4=Coefficient of Forensic Accounting Communication and Interviewing Skills

In analysing the data generated for this study, statistical measures were adopted. The data were analysed using a statistical tool, which is a table and the hypotheses were tested using the Wald test with the aid of SPSS 22.0.

4. RESULT AND DISCUSSION

4.1 Data presentation and Analysis

For the purpose of data presentation and analysis, a total number of two hundred and fifty five (255) questionnaires were administered to the respondents who are staff members of the audit unit, bursary unit, accounting academics, law academics and other administrative staff of the University of Jos. Out of the 255 questionnaires, two hundred and fifty (250) questionnaires were completed and returned by the respondents. The remaining 5 were not returned. Therefore 250 questionnaires were used for the data presentation and analysis. Analysis of data for this study is presented in table 2 below. The table shows the dependent variable (prevention of revenue leakages) encoding for the study.

Table 1: Shows Dependent Variable Encoding

Original Value	**Internal Value**
Revenue Leakages Non-Prevention	0
Revenue Leakages Prevention	1

Source: Generated by the Researchers (2020)

Table 1 contains information relating to the values of the binary dependent variables for this study. The values of the binary dependent variables show that 1 is assigned to revenue leakages prevention while 0 is assigned to non-revenue leakages prevention. The variables in the equation are presented in table 2. The variables presented in the table serve as sources for the discussion of findings for this research study.

Table 2: Shows Variables in the Equation

		B	S.E.	Wald	DF	Sig.	Exp (B)
Step 1[a]	Forensic Accounting Skills	.594	.183	10.513	1	.001	1.812
	IFACTPSS	.390	.215	3.295	1	.070	1.477
	FAASDOA	.665	.251	7.021	1	.008	1.944
	FACIS	-1.258	.196	41.109	1	.000	.284
	Constant	1.286	.515	6.229	1	.013	3.618

Source: Generated by the Researchers (2020)

IFACTPSS means influence of forensic accounting creative thinking and problem-solving skills. FAASDOA means forensic accounting analytical skills and detailed-oriented approach. FACIS means forensic accounting communication and interviewing skills. Table 2 shows the result of the logistic regression for revenue leakages. The coefficient of the variable forensic accounting skills shows that forensic accounting skills can serve as a strong panacea for revenue leakages in the Nigerian polytechnics. This indicates that forensic accounting skills can bring about high level of revenue leakages control in the tertiary institutions system. The predictor variable shows that forensic accounting skills can reduce revenue leakages by 1.812 times and is more likely to help in the reduction of revenue leakages in the polytechnic system. Similarly, the effect also shows significance influence as the p-value of 0.001 is less than the significance level of 0.10. Therefore, the null hypothesis is rejected while the alternate hypothesis accepted; and it is concluded thatforensic accounting skillscan serve as a significant panacea forrevenue leakages reduction in the polytechnicsystem. The coefficient of the variable the influence of forensic accounting creative thinking and problem-solving skills shows that there is a positive relationship between forensic accounting skills and revenue leakages prevention in the polytechnic system in Nigeria. This indicates that forensic accounting skillscan lead to a great tremendous prevention in revenueleakages in a polytechnic system. The predictor variable shows that forensic accounting skills are more likely to greatly prevent revenue leakages by 1.477 times in the polytechnic. Likewise, the effect shows a significant relationship as the p-value (0.070) is less than the significant level of 0.10. Consequently, the null hypothesis is rejected and; it is concluded that forensic accounting skills have significant influence onrevenue leakages prevention in the polytechnic system.

The coefficient of the variable forensic accounting analytical skills and detail-oriented approach can reduce revenue leakages in Nigerian polytechnicsshows that a positive relationship exists between forensicaccounting analytical skills and detail-oriented approach and revenue leakages in the polytechnic system. The predictor variable shows that forensicaccounting analytical skills and detail-oriented approachare more likely to have a pronounced role in the reduction of revenue leakagesby 1.944 times in the Nigerian polytechnics. Similarly, the effect shows a significant relationship as the p-value (0.008) is less than the significant level of 0.10. Therefore, the null hypothesis is rejected and it is concluded that forensic accounting analytical skills and detail-oriented approach can exert a paramount role on revenue leakages reduction in the polytechnic system. Finally, the coefficient of the variable forensic accounting communication and interviewing skills shows that a negative relationship exists between forensic accounting communication and interviewing skills and total eradication of revenue leakages in the polytechnic system. The predictor variable shows that forensic accounting communication and interviewing skills are less likely to eradicate revenue leakages by (1-0.284)*100 = 71.6 % in the polytechnic. However, the effect shows a significant relationship as the p-value (0.000) is less than the significant level of 0.10. Therefore, the null hypothesis is rejected and it is concluded that forensic accounting communication and interviewing skills can have a significantcapacity over mere eradication of revenue leakages but not a total eradication in the polytechnic system.
From the analyses above, the results revealed that:

(a) Forensic accounting forensic accounting creative thinking and problem-solving skills can lead to significant prevention of revenue leakages in the polytechnic system.
(b) Forensic accounting analytical skills and detail-oriented approach can exert a significant role on revenue leakages reduction in the polytechnic system;
(c) Forensic accounting communication and interviewing skills can have a significantcapacity over mere eradication of revenue leakages but not a total eradication in the polytechnic system.

Based on the outcome out the interview conducted for some key management staff and other professionals in the field of forensic accounting who constitute part of study, it was found that forensic accounting skills and techniques can assist in reducing revenue leakages in the Nigerian tertiary institution and other corporate organisations. In their submission, they posited that the existence of forensic accounting unit in an organisation can help deter staff from committing fraudulent acts relating to revenue leakages.

5. CONCLUSION AND RECOMMENDATIONS

Related to the above is the fact that revenue leakage is an act which is difficult to be eradicated completely in any organisation. Staff may have sophisticated ideas to commit fraudulent act of revenue leakages in the institution but the presence of sophisticated control measure such as forensic accounting when put in place by the management can effectively and reliably combat such intentions. This demonstrates that most responses show that forensic accounting skills and techniques as well as forensic audit activitiescan bring about high level of revenue leakages reduction and partial eradication in the Nigerian polytechnics. The forensic accounting system can impact significantly on fraud control and other related fraudulent activities such as revenue leakages. It is therefore, be concluded that forensic accounting skillscan help prevent, reduce andpartly eradicate revenue leakages in the polytechnic system. Since revenue leakages may not be totally eradicated; then there is a need to find a better and sophisticated approach of reducing it to the barest minimum. Based on the findings of this study, the following recommendations are made:

i. Strong, effective and reliable forensic accounting structure should beinstitutedin Nigerian polytechnics systemby the management and the governing councils. This can be done by establishing forensic accounting unit in each polytechnic in Nigeria and recruiting forensic accountants that are equipped with creativity, analytical, detail-oriented, communication, and interviewing skills to man the unit. When this is done, it will deter staff from committing fraudulent acts that can lead to revenue leakages;
ii. Management of Nigerian polytechnics should ensure that there is regular surveillance of internally generated revenue (IGR) and other revenues by staff members that have adequate forensic accounting skills and techniques; and
iii. The management of the polytechnics should create an atmosphere that ensures that staff of forensic accounting unit of Nigerian polytechnics be continuously trained on forensic accounting techniques,processes and procedures. This can be done by sending the staff for training at Mandatory Continuous Professional Development/Education organised by the Institute of Forensic and Auditing.

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Effect of Taxation on Revenue Generation in Nigeria: Evidence from Plateau State

GODO, Bitrus
Department of Accounting
The Federal Polytechnic
Mubi, Adamawa State
E-Mail: bitrusgodo@yahoo.com, Phone No: +234 8069190720; +234 8076305542

TITUS, Yakubu Jacob
Department of Accounting
The Federal Polytechnic
Mubi, Adamawa State
E-Mail: titusbongos@gmail.com

THOMAS, Nandom Nkem
Department of Accountancy
Plateau State Polytechnic
Barkin-Ladi, Plateau State
E-Mail: nkemnandom301@gmail.com

AJITA, Suleiman Ishaku
Department of Actuarial Science
University of Jos
Jos, Plateau State
E-Mail: ajitas@unijos.edu.ng

Abstract

Taxation and revenue generation are complementary terms that are used synonymously in most economies of the world. In view of the current Nigeria economic realities, states and local governments in Nigeria have gotten to the point of borrowing funds to meet recurrent expenditure instead of using earned income from revenue generating efforts to meet this need and perhaps use any residue from such income to undertake some physical and developmental projects. This in fact is a worrisome situation. In the light of this, the study was undertaken with the main objective of examining the effects of taxation and revenue generation in Nigeria. To achieve these, a large volume of library and internet materials were deployed and subjected to a critical review. Based on the review, it was discovered thattaxation through its tax system of tax administration and tax laws hugely contributes towards revenue generation in Nigeria and that it assists in fostering economic growth and development of the nation. This requires adoption of a good, effective and efficient tax system by emphasising strict practice and adherence to the general canons of taxation as it is the case in many parts of the world The study also revealed that problems of tax administration in Nigeria include the inability of the tax system to invoke all the provisions in the various tax laws so as to effectively fight the prevalence and scourge of tax evasion and tax avoidance in the country. In view of these findings, the studyrecommends that tax authorities in Nigeria should invoke the relevant provisions of tax laws to deal with and prosecute cases of tax avoidance and tax evasion in the country. In addition, prosecuting agencies should ensure and emphasise the prosecution of tax evaders as and when necessary and that any tax consultant or tax auditor found aiding and abetting tax fraud or conspired to commit it should be convicted; severelypunished by civil (money) or criminal (jail term and money) penalty or both, either by imprisonmentof 5 years or fineof₦1,000 or both, together with cost of prosecution as this will truly go a long way in improving internally generated revenue for the three tiers of government.

Keywords: Taxation, Tax, Revenue Generation, Tax Laws, Tax Administration

1. INTRODUCTION

Taxation and Revenue are two inseparable variables in the economies of nations. Most economies of the world are based on one form of taxation or the other. Taxation has always been with man and it is indispensable for economic growth and development. It is on this premise that countries of the world have different fiscal policies that enable them to explore the various types of taxation and impose them on their citizens for the purpose of enhancing revenue generation, regulation and governance of the economy. The government of Nigeria as one of these countries has legislative powers to impose on its citizens, any form of tax at whatever rate it deems appropriate (Jugu, Jat & Onoja, 2016). It has become increasingly demanding for governments all over the world to devise appropriate means of generating adequate revenue to finance both capital and recurrent government expenditures. It is a known fact that expenditures of the government of Nigeria started soaring up with the increase in population, salaries, social and economic needs right from the pre-colonial era when the country's budget was only £1million to the millennial era when it has become N6 trillion (approximately £17 Billion) (Appropriation Act, 2016). In financing budgets throughout these years, different forms of revenue sources were exploited including sources from taxation. With this, there is no doubt that taxation is a legally acceptable and suitable source of generating revenue by most governments of the world.

Taxation is one of the most important elements whichgovernments of all nations can use to generate enough revenue for defraying their expenditures. Many states in Nigeria are currently experiencing heavy short-falls between their federal allocations and budgeted expenditures; this deficit can be addressed as well as properly managed with system of taxation. Taxation is defined as the system of imposing, assessing, collecting and accounting forproceeds from compulsory levies on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government (Somorin, 2011). Taxation is a concept that has to do with administering a well legislated tax system (Jugu, Jat & Onoja, 2016). The word tax has been defined by many researchers as a compulsory levy, imposed by government or other tax raising bodies, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return (Somorin, 2011). However, not all payments of levies made to government are considered tax payments: for example, charges, fines, and other levies paid to obtain a specific service are not strictly regarded as tax payments. While tax is a compulsory payment/levy which is restrictive and specific, other levies such as fines, penalties and charges which are generic terms may not be compulsory; but they may be levied for specific services and returns such as medical bills, court charges, fines and penalties for non-payment or non-remittance of taxes, water rates, and postal charges among others. In a nutshell, taxation as a revenue source to most governments is competing with many other revenue sources. However, taxation seems to be the most important of all the sources because its provision is usually constituted and legislated, and is capable of generating stable income for managing national, state and local governments'economies and it is an efficient tool for resource redistribution.

Suffice to say that no government earns revenue with taxation in isolation, tax revenue is supposed to form the chunk of its income. Hence, shrewd government administrators always devise means of generating revenue for undertaking people oriented projects. Looking back to the ancient times, emperors and kings were generating their needed revenue through levying various forms of taxes on their subjects. In the pre-modern times, taxation was viewed as a direct exchange of bargain in which the taxing authorities on one hand; and the tax payers on the other hand, were expected to receive equal benefits in relation to what they had given out (Salkind, 2006). In the light of this, Aguolu (2004) says that taxes were looked upon as the wages paid to government for its services, and the prominent among them being security. Hence, the concept of taxation was linked with a theory known as the 'bargain theory'. The common view of this theory is that each person is to provide all his needs otherwise he/she would have to pay government authorities to provide the needs for him/her. In the post independent Nigeria, particularly in recent decades, economic growth and development have extremely slowed down to the toneof unimaginable expectation. Revenue derived from taxes has been growing very low, especially when compared with oil revenue. High dependence on earnings from petroleum resources has made Nigerian government not to fully exploit tax revenue sources for its revenue generating efforts. The contribution of income tax revenue to GDP dropped drastically from 1.8% in 2014 to 1.6% in 2015,and this is actually a far cry when compared to New Zealand, which has 28.8% (World Bank Report, 2016). To worsen the situation, leakages of tax revenue occasioned by tax evasion and tax avoidance have been on the increase, and this could simply be due to the prevalence of corruption in the country. As if this is not enough, falling oil prices, oil bunkering and pipe lines vandalism have negatively affected the federal government earnings, hence the current sharp drop in federal allocation to states and local governments. Between 2014 and the earliest part of 2015 fiscal years, federal account had shared an average of N460 Billion on monthly basis among the three tiers of government in Nigeria. This had drastically dropped to an average of N370 Billion in the remaining part 2015 and the earliest part of 2016 financial years (Federation Account Allocation Committee [FAAC] Report, 2016).

In view of the current economic realities, states and local governments in Nigeria have gotten to the point of borrowing funds to meet their recurrent expenditures instead of using their earned incomes from revenue generating efforts to meet these needs and perhaps even undertake some physical developmental projects with the residual income. Unfortunately, this is not the case; capital projects are neglected and where they are being considered, borrowings are usually the major source of financing them. This should not be allowed to continue and should not be accepted. In view of the issues highlighted, the paper seeks to answer the following research questions: Consequently, the main objective of this paper is to review relevant literary materials on the concept of taxation and how it can influence revenue generation in Nigeria. This study focused on the effects of taxation on revenue generation in Nigeria with reference to Plateau State. It specifically dwelled on the tax laws and tax administration as they relate to revenue generation in Nigeria. It covers internally generated revenue (IGR) in Plateau for the years 2010 t0 2019. In terms of benefits derivable from the study therefore, policy makers in the public sector will find the outcome of this paper very significant for formulating tax policies, amending tax laws and improving tax administration in Nigeria. Tax authorities that are involved in tax practice will find it beneficial as it can guide the practice of taxation. It will also serve as source of reference to members of academics and researchers.

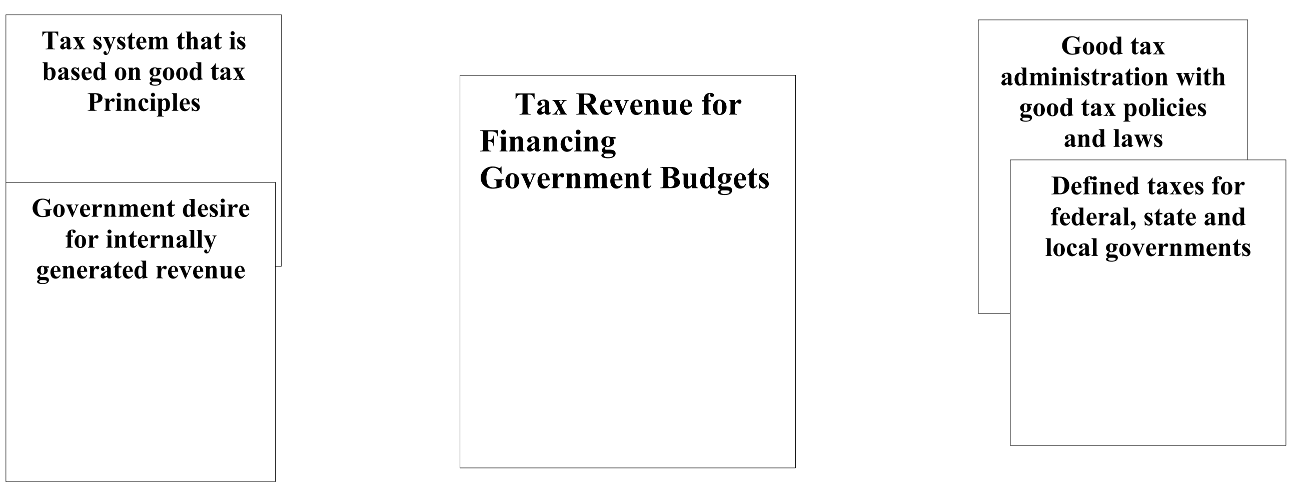
2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of taxation

In analyzing the conceptual review, it is very beneficial to diagrammatise the problem as reflected below.

Figure 1: Taxation for Revenue Generation



Source: Generate by the Researchers (2020)

Economies of nations all over the world require funds to function and sustain their economic activities. This can easily be done when taxes are imposed on the citizens. According to Afuberoh and Okoye (2014), taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain functions to perform for the benefits of those it governs. Adams (2001) concurred that taxation is a source of revenue and that it is for all nations with Nigeria an example. To be precise, taxation provides one of the major sources of government revenue that is used to finance government budgeted expenditures (Farayola, 1987). Taxation is seen by Aguolu (2004) as a compulsory levy by the government through its agencies on the income, consumption and capital of its subjects. These levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties. It is also levied on companies' profits, petroleum profits, capital gains and capital transfer. Whereas, Ojo (2008) stresses that, taxation is a concept and a science of imposing tax on citizens; Ochiogu (1994) defines tax as a levy imposed by the government on the income, profit or wealth of citizenry. Tax is itself a compulsory levy which is required to be paid by everytaxable adult citizen. It is generally considered as a civic duty. The imposition of taxation is expected to yield income which should be utilized in the provision of amenities, both social and security and creates good conditions for the economic well-being of the society.

Taxation is one of the tools of fiscal policy that is used by governments all over the world to influence economic activities that better the lives of its citizens (Okon, 1997). The primary economic goals of developing countries are to increase the rate of economic growth and development, hence improved per capita income, which could lead to a higher standard of living. To do this, various categories of tax system with different tax rates are used. The progressive tax system is often recommended as the most appropriate in ensuring effective and equitable redistribution of wealth as compared to either regressive system or proportional system of taxation. With the progressive tax system, government can increase or decrease the rates of tax, increase or decrease the rates of capital allowances, just to encourage or discourage certain industries or may give tax holidays to pioneer companies. It is worthy to note that income tax can be used as an agent of social change. This is achieved when employed as a creative force in economic planning and development (Afuberoh & Okoye, 2014).

2.1.2 Tax administration in Nigeria

There are basically five tax administrative set ups or machineries in Nigeria. The administration of taxation in Nigeria is vested in these tax authorities depending on the type of tax under consideration (Ologhodo, 2007). Note that in the study of tax administration, emphasis is given to the composition of each set up as well as the functions (Ojo, 2008). Since 1992 or there about, technical committees were also set up at both the Federal and State levels of the administration. The administrative machineries currently in existence in Nigeria according to (Ojo, 2008) include: i) The Joint Tax board; ii) The Federal Inland Revenue Service Board; iii) The State Board of Internal Revenue; iv) The Local Government Revenue Committee; and v) The Joint State Revenue committee. There are other bodies in existence that are set up to render support to the administrative machineries mentioned and they include: i) The Technical Committee to the Federal Inland Revenue Service Board; ii) The Technical Committee to the State Board of Internal Revenue; iii) The Tax Appeal Tribunal; iv) The Body of Tax Appeal Commissioners; and v) The Inspectors of Taxes.

Each of these bodies has one function or the others to perform in the administration of taxation in Nigeria. The enabling law in respect of each type of tax normally contains a provision as to the bodies/organs charged with the administration of the tax (ICAN, 2012). For this purpose, the various enabling tax laws are briefly highlighted as follows: a) The Companies Income Tax Act, Cap. C21, LFN 2004 (as amended), which imposes tax on the incomes of companies including companies engaged in petroleum operations (Downstream operations) other than corporation soles and companies engaged in petroleum operations (Upstream operations); b) The Petroleum Profits Tax Act, Cap. P13, LFN 2004 (as amended), which imposes tax on the profits of companies engaged in petroleum operations (Upstream operations); c) The Education Tax Act of 1993, Cap. E4, LFN 2004 (as amended), now Tertiary Education Trust Fund (Establishment) Act, 2011, which imposes education tax at the rate of 2 percent on the assessable profits of companies registered in Nigeria; d) The Personal Income Tax Act, Cap. P8, LFN 2004 (as amended), now Personal Income Tax (amendment) Act, 2011, which imposes tax on incomes of individuals and corporation soles; e) The Value Added Tax Act, Cap. V1, LFN 2004 (as amended), which imposes tax on the supply of goods and services (except those specifically exempted or zero rated), made by incorporated companies and other business organisations; f) The Stamp Duties Act, Cap. S8, LFN 2004 (as amended), which charges duties on specified instruments listed in the Act; and g) The Capital Gains Tax Act, Cap. C1, LFN 2004 (as amended), which imposes tax on capital gains arising from the disposal of chargeable capital assets.

2.1.3 Tax laws in Nigeria

Tax laws in Nigeria are rules and regulations governing the practice and administration of taxation in Nigeria. These laws are enacted so as to ensure that taxation is properly and effectively enforced to achieve reasonable compliance by tax payers. This study therefore, seeks to explore and examine tax laws in Nigeria with respect to various Tax Acts in practice in Nigeria.Prior to the imposition of colonial rule in Nigeria, a well-organized system of direct taxation was in existence in Northern Nigeria under the autocratic rule of the Fulani conquerors. There were also different systems of taxation existing in the form of compulsory services, contribution of goods, money and labour among the various kingdoms, ethnic groups and tribes. This was made possible by religion, organized and efficient administration of the Northern Emirs, Obas, Ezes, AtahIgala, Ohinoyi of Ebira and Amanyanabos of Rivers State in order to sustain the Monarchs. The deportation of King Jaja of Opobo in 1893 due to his opposition to imperialist taxation is illustrative of this point. The traditional rulers imposed taxes in one form or the others on their subjects (Institute of Chartered Accountants of Nigeria, 2009). It is instructive to note that in the Southern parts of Nigeria, political and administrative institutions were yet to be well developed; consequently the tax was also less developed (Bassey, 2013). In 1904, Lord Lugard introduced income tax in Nigeria with the introduction of community tax in Northern Nigeria. He later made changes which crystallized into the Native Revenue Ordinance of 1917. This Ordinance was amended and extended to Southern Nigeria in 1918 when it became operational in Abeokuta and Benin and was further extended to Eastern Nigeria in 1928.

2.1.4 Taxation and Government Revenue Generation

The primary objective of a modern tax system is to generate adequate amount of revenue that will help the government to defray public expenditure. Olotu (2012) mentioned that today, taxation is already sowing seed of transformation in many states of the federation of Nigeria. According to Afuberohand Okoye (2014), more and more states across Nigeria are now turning to taxation to shore up their revenue to finance critical infrastructural projects. It was captured in their study that few states in the country are harnessing tax revenues to transform their economies. Furthermore, Olotu (2012) mentioned that many states have witnessed increase in their tax revenue in recent times; and has enabled the implementation of numerous life and community transforming projects and programmes leading to an increasingly more satisfied populace. Internally generated revenue has been on the increase in recent times. In the first decade of the millennium, Plateau State internally generated revenue had a monthly average of N240 million, but by the second decade of the millennium, the revenue increased to an average of N1 billion per month. Olotu (2012) asserted that monthly revenue increased from N275 million per month to over N1.6 billion per month, as is the case in Edo State. She attributed the cause mainly to increase in tax revenue. Abiola and Asiweh (2012) also highlighted the contribution of Lagos State to government revenue generation in Nigeria.They stated that Lagos State is among a few states in Nigeria that left a land mark in terms of independence and use of internally generated revenue. Syndelle (2009) observed that in 2007, Lagos State achieved a gross domestic product of N3.68 trillion; an equivalent of $29.028 billion, making it the biggest contributor to the federal government.

2.1.5 Nigeria's Major Taxes

In order to avoid multiple collections of taxes from the same taxpayer, at least in theory, taxes of states and local governments in Nigeria have been clearly defined by the Joint Tax Board (JTB) as follows:

(a) State government taxes are personal income tax; road taxes; pools betting and lotteries; business premises registration and development levy. Others are naming of street registration in state capitals; right of occupancy on land owned by state and market taxes on state financed taxes.
(b) Local government taxes are shops and kiosks rates; tenement rates; on and off liquor license fee; slaughter slab fees; marriage, birth and death registration fees; right of occupancy on land in rural areas; market taxes and levies and motor park levies. Others are domestic annual license fees; bicycle, truck, canoe, wheelbarrow, and cart fees; cattle tax payable by cattle farmers only; merriment and road closure levy; radio and television license fees; vehicle radio license; wrong parking charges; public convenience and refuse disposal, customary burial ground permit fees; religious place establishments permit fees; and signboard and advertisement permit fees.

2.1.6 Role of Taxation in Sustainable Socio-economic Development

Adeyemi (2012) states that in achieving sustainable development in the social and economic sectors of a country, the government must consider the trade-off involved in attracting foreign direct investment (FDI), particularly in terms of giving incentives and the impact of these on the country's sustainable development.Tax is a fiscal instrument used to encourage or discourage specific production or consumption behaviours that affect economic, environmental or social sustainability. As stated in Afuberoh and Okoye (2014), taxation can impact on sustainable economic development in the following ways:

i) Tax system provides a fiscal platform that encourages foreign direct investment (FDI) and also fosters bilateral, regional and international trade relations among countries: The tax policies of a nation determine whether foreign direct investment would be attracted or not. If investors are brought into a country, it means that the investors will bring their stable and free capital, their technology, efficiency and contribution to the nation's capital accumulation and job/wealth creation.
ii) Taxation fosters a fair relationship between developed and developing countries so as to ensure that developing countries get a fair allocation of tax base and tax room in emerging trade relations: Consequently, the developed countries would not take undue advantage of the development needs in developing countries as a reason not to work out the international tax regime and mechanism against the third world countries.
iii) Taxation helps developing countries in formulating effective policies and collection system that foster the funding of sustainability. Effective and well-functioning tax system and administration are essential foundation blocks for financing sustainable development.

Therefore, if there is no adequate tax structure or tax collection system in place, it limits the ability for implementing any policy meant to enhance sustainable development goals and this may make developing countries to keep relying on foreign supports which are usually attached with strings (Afuberoh & Okoye, 2014).

2.1.7 Plateau state Internally Generated Revenue (IGR)

Plateau State obtains its internally generated revenue (IGR) majorly from a single source in the formal sector. The source is pay as you earn (PAYE) as presented in the table below. The IGR is made up of internal taxes, fines, fees and user charges. Other sources of revenue to the state aside IGR include statutory allocation, business investment and foreign aids.

Table 1: Shows Plateau state Internally Generated Revenue (IGR) Summary

Period	2010	2011	2012	2013	2014	2015
	₦	₦	₦	₦	₦	₦
Annually	3,398,815,261.07	4,520,622,617..37	6,927,858,653.07	8,486,806,640.08	8,284,425,159.92	6,937,349,802.70
Monthly	283,234,605.09	376,718,551.45	481,101,101.76	707,233.886.67	690,368,763.33	578,112,483.56

Source: National Bureau of Statistics (2020)

Table 2: Shows Plateau state Internally Generated Revenue (IGR) Summary

Period	2016	2017	2018	2019		
	₦	₦	₦	₦		
Annually	9,191,372,277.87	N10,788,283,409.45	N12,700,000,000.00	N16,480,111,593.92		
Monthly	765,947,689.82	899,023,617.45	1,058,333,333.30	1,373,342,632.80		

Source: National Bureau of Statistics (2020)

From tables 1&2, it is clear, especially with the recent falloff in the state revenue in 2014/2015 and the high percentage (near 70%) coming from a single source (PAYE) in the formal sector, the state can do much together to cast a greater tax net, improve transparency and efficiency of government operations, stop leakages, provide greater oversight and create a tremendous positive impact by implementing recommended solutions and best practices as found herein.

2.2 Empirical Review

The link between taxation and governance is not immediately apparent, but in fact one is vital for the other. It has the potential to shape relationship between state and society in significant and distinctive ways. The history of state revenue production is the history of the state. Taxes underwrite the capacity of the states to carry out their goals. This link is not only confined to the capacity of the states alone; it extends to national revenue generation for economic growth and development. Etale and Bingilar (2016) examined the relationship between petroleum profits tax, personal income tax and economic growth (proxy by real gross domestic product) in Nigeria. Secondary time series data were collected for the period 2005 to 2014 from CBN Statistical Bulletin. The study employed Ordinary Least Squares (OLS) technique based on the computer software Windows SPSS 20.0 version for the analysis of data, where Real Gross Domestic Product (the dependent variable) was regressed as a function of PPT and PIT (the independent variables). The results of the analysis showed that both petroleum profits tax and personal income tax have significant positive relationship with economic growth. The study recommended that government should strengthen the tax administration system to broaden the tax income, and embark on tax education to ensure voluntary tax compliance. The study also recommended that government should diversify the revenue base of the economy as the reduction in the price of crude oil at international market would adversely affect income from PPT. Ojong, Anthony and Arikpo (2016) examined the impact of tax revenue on the Nigerian economy. Datawere sourced from Central Bank Statistical Bulletin and extracted through desk survey method. Ordinary leastsquare of multiple regression models were used to establish the relationship between dependent and independentvariables. The finding revealed that there is a significant relationship between petroleum profits tax and thegrowth of the Nigeria economy. It also showed that there is a significant relationship between non-oil revenue and the growth of the Nigeria economy. It was recommended that government shouldendeavour to provide social amenities to all nooks and crannies of the country. Also that government should engage in a complete re-organization of the tax administrative machineries; in order to reduce tolerableproblems of tax evasion and avoidance so as to enhance the tax base of government.

Ezugwu and Akubo (2014) carried out an analytical study on the effect of high corporate tax rate on the profitability of corporate organisations in Nigeria with reference to some selected corporate organisations. The population of the study comprises the selected corporate organizations while the sample size drawn from the population is fourty one (41). Taro Yamane sampling technique was adopted because it ensures a satisfactory degree of representativeness and un-biasness. A number of statistical tools including tables and Regression were used to analyse the data and to test hypothesis formulated. Results from data analysis revealed a direct and positive relationship between corporate tax rate and realised profit. The recommended that the Nigeria corporate tax rates of 30% and 85% should be reduced below Organisation for Economic Co-operation and Development (OECD) average corporate tax rate of 25.32% to avert the negative economic effects of high corporate tax rate on the long-run; and that the Nigerian tax system should be changed from classical system to imputation system to avoid economy of double taxation. Chude and Chude (2015) conducted a study to ascertain the impact of taxation on the profitability of companies in Nigeria. The study used secondary sources of data and a time series econometric technique with an error correction model and tested the variables that were most likely to impact on profitability of companies in Nigeria. The study revealed that the level of company tax has significant effect on profitability. They recommended that government should expand the tax yield through improved tax system administration and that there should be more improvement in the effectiveness of taxation by ensuring proper and equitable tax assessment and timely collection.

Abdul-Rahamoh, Taiwo and Adejare (2013) carried out an investigation on the analysis of the effect of petroleum profit tax on Nigerian economy. The study empirically examined the effect of petroleum profit tax (PPT) on Nigeria economy. The study used secondary source of data for the investigation. Data were generated from the secondary source by extracting information from Central Bank of Nigeria statistical bulletin covering the period of 1970 to 2010. The study employed multiple regressions to analyze data on such variables such as gross domestic product (GDP), petroleum profits tax, inflation, and exchange rate; which were all determined to have had significant effects with adjusted R2 of 86.3% on the economic growth and development of Nigeria. The study recommended that government should transparently and judiciously account for the revenue it generates through PPT by investing it in infrastructure and public goods and services. Abdul and Adelabu (2015) investigated the relationship between companies' income tax and profitability of oil companiesin Nigeria. Using secondary source, the study generated data from the annual reports andaccounts of purposively selected oil and gas companies during 1999 to 2013. Regression analysis was used to analyse the data. The study revealed that there was a positive and significant relationshipbetween companies' income tax and profitability. The study therefore, suggested that companies' income tax is a crucial factor affecting profitability. Becker, Fuest and Riedel (2012) examined the relative importance of qualitative and quantitative effects of corporate taxation on foreign direct investment. They discovered that booth the qualitative and quantitative effects of corporate tax have a negative impact on foreign direct investment. James and Abiola (2012) carried out a study of the impact of tax administration on government revenue in a developing economy with Nigerian economy as the case study. Applying descriptive statistics method to analyse 93 usable responses, the study found among other things, that increasing tax revenue is a function of effective enforcement strategy. The study recommended that government should review and restructure the nation's tax policy and administrative system. The studies investigated taxation issues such as impacts, effects and contributions of taxation to revenue generation and economic development of Nigeria and other variables. However, there exists no specific study onthe effect of taxation onrevenue generation in Nigeria with evidence from Plateau State. Such need to fill the gap necessitated this study.

2.3 Theoretical Framework

2.3.1 Ibn Khaldrun Theory of Taxation

This theory helps to shape the general practice of taxation. The theory explains two different effects (arithmetic and economic effects) which tax rates have on revenues. The two effects have opposite results on revenue in case the rates are increased or decreased.According to the arithmetic effect, if tax rates are lowered, tax revenues will be lowered by the proportion of the decrease in the rates. The reverse is true for an increase in the tax rates. The economic effect however recognizes the positive impact that lower tax rate has on work, output and employment and thereby the tax rate is used in providing incentives to increase these activities whereas raising tax rates will have opposite economic effect which is used in penalizing participation in the taxed activities. At a very high tax rate, negative economic effect dominates positive arithmetic effect; thereby, the tax revenue declines (Islahi, 2006).

2.3.2 Laffer Curve Theory on Tax Revenue

This theory was propounded by Prof. Arthur Laffer and is popularly known as the Laffer Curve. The curve is constructed through experiment. It is a theoretical representation of the relationship between government revenue raised by taxation and all possible rates of taxation. Laffer curve considers the amount of tax revenue raised at the extreme tax rates of 0% and 100%. The theory concludes that a 100% tax rate raises no revenue in the same way that a 0% tax rate raises no revenue. This is because at 100% rate, there is no longer incentive for a rational tax payer to earn any income, thus, the revenue raised will be 100% of nothing. It therefore follows that there must exist at least one rate in between where tax revenue would be a maximum. Laffer attributes the concept to Ibn Khaldun and John Maynard Keynes. One potential result of this theory is that increasing tax rate beyond a certain point will become counter-productive for raising further tax revenue because of diminishing returns (Laffer, 2004). This study therefore, is guided by the Laffer curve theory on tax revenuebecause it concerns purely with the revenue generation from taxation as the study is on the effects of taxation on revenue generation in Nigeria instead of the benefit theory of taxation, ability of the taxpayer to pay tax,socio-political theory, diffusion theory, expediency theory, Ibn Khaldrun theory of taxation, and cost of service theory. The Laffer curve theory on tax revenue was developed by an Economist Arthur Laffer in 1979. Laffer does not claim to have invented the concept; he notes that there are previous antecedents. It was not until the 1970s that Laffer's name began to be associated with the idea. The Laffer curve was popularized in the United States with policymakers following an afternoon meeting with Ford Administration officials Dick Cheney and Donald Rumsfeld in 1974, in which Arthur Laffer reportedly sketched the curve on a napkin to illustrate his argument. The term Laffer curve was coined by Jude Wanniski, who was also present at the meeting. The basic concept was not new; Laffer himself notes antecedents in the writings of the 14th-century social philosopher Ibn Khaldun and others (Laffer, 2009).

The Laffer curve is a theory that states lower tax rates boost economic growth. It underpins supply-side economics, reaganomics and the tea party's economic policies. The Laffer curve describes how changes in tax rates affect government revenues in two ways. One is immediate, which Laffer describes as arithmetic. Every dollar in tax cuts translates directly to one less dollar in government revenue. The other effect is longer-term, which Laffer describes as the economic effect. It works in the opposite direction. Lower tax rates put money into the hands of tax payers, who then spend it. It creates more business activity to meet consumer demand. For this, companies hire more workers, who then spend their additional income. This boost to economic growth generates a larger tax base. It eventually replaces any revenue lost from the tax cut. In economics, the Laffer curve illustrates a theoretical relationship between rates of taxation and the resulting levels of government revenue. It illustrates the concept of taxable income elasticity; taxable income changes in response to changes in the rate of taxation. The Laffer curve assumes that no tax revenue is raised at the extreme tax rates of 0% and 100%, and that there is a rate between 0% and 100% that maximizes government taxation revenue. The Laffer curve is typically represented as a graph that starts at 0% tax with zero revenue, rises to a maximum rate of revenue at an intermediate rate of taxation, and then falls again to zero revenue at a 100% tax rate. However, the shape of the curve is uncertain and disputed among economists. Under the assumption that revenue is a continuous function of the rate of taxation, then the maximum illustrated by the Laffer curve is due to Rolle's theorem, which is a standard result in calculus. The theory suggests that states should levy taxes a rate between 0% and 100% that maximizes government taxation revenue. The more optimal the rates at which taxes are levied, the more the tax revenue that accrues to the government. The only meaningful way to encourage maximum revenue generation among states is to adopt measures that can attract sufficient revenue through optimal tax rates (Laffer, 2009). As adapted in this study, the Laffer curve theory holds that taxation influences revenue generation of countries; that effective tax administration, reliable tax law, strong tax policy, optimum tax rate, and properly applied canons of taxation influence Gross Domestic Product (GDP), life expectancy (health services), literacy rate (educational services), unemployment rate, and standard of living (per capita income). This is true considering the fact that taxation has the potentials of improving revenue; as revenue generation is the main objective of imposing tax so as to foster economic growth and development. Thus, if the tax payers believe that taxation is system base and that it improves revenue generation, then they will distance themselves from tax malpractices; particularly tax evasion which is criminal in nature and pay their taxes voluntarily and promptly.

Laffer curve theory is an alternative to the other theories discussed which the researcher felt could not suffice this study because of their emphasis on determinants such as benefits, services, ability to pay, efficiency in administration, community diffusion and social-political considerations. The only meaningful way to encourage maximum revenue generation through taxation is to adopt measures that are friendly and convenient to tax payers. Thus, this theory is superior to other theories because it aims at attaining maximum amount of revenue rather on the proper distribution of the burden of taxation. However, the researcher is not ignorant of the short coming of this theory. Laffer assumes that the government would collect no income tax at a 100% tax rate because there would be no incentive to earn income. However, in some theoretical models, the Laffer curve can slope continuously upwards all the way to 100%. Additionally, the Laffer curve depends on the assumption that tax revenue is used to provide a public good that is separable in utility and separate from labour supply, which may not be true in practice. The Laffer curve as presented is simplistic in that it assumes a single tax rate and a single labour supply. Actual systems of public finance are more complex, and there is serious doubt about the relevance of considering a single marginal tax rate. In addition, revenue may well be a multivalued function of tax rate; for instance, an increase in tax rate to a certain percentage may not result in the same revenue as a decrease in tax rate to the same percentage (a kind of hysteresis). Furthermore, the Laffer curve does not take explicitly into account the nature of the tax avoidance taking place. It is possible that if all producers are endowed with two survival factors in the market (ability to produce efficiently and ability to avoid tax), then the revenues raised under tax avoidance can be greater than without avoidance, and thus the Laffer curve maximum is found to be farther right than thought. The reason for this result is that if producers with low productive abilities (high production costs) tend to have strong avoidance abilities as well, a uniform tax on producers actually becomes a tax that discriminates on the ability to pay (Amadeo, 2018).

3. METHODOLOGY

This study is descriptive and causal in nature. The conceptual, theoretical and empirical review of literature; analyzed and described the effects of taxation on revenue generation in Nigeria. The variables for the study were selected based on tax practice in Nigeria, revenues generated from taxes in Nigeria and other revenue-related indices in Nigeria. The research basically identified and selected the variables connected with the research periods of the existing empirical studies that were reviewed as reflected in the literature reviewed in this work. In generating data, descriptive and causal research design was adopted in which historical method was used in collecting the data. The method concentrated on quantitative and qualitative data which this study used to determine the effects of taxation on revenue generation in Nigeria. The design was adopted due to its effectiveness in measuring cause-effect relationship among independent and dependent research variables. Under the design, only secondary source of data was used for data collection. In generating data from the secondary source, existing literature from the libraries and on the internet that related to the subject of the study were extensively reviewed by the researcher.

4. RESULT AND DISCUSSION

An internal view of all the concepts surrounding the topic have been highlighted, from which the following are discovered. Taxation through its tax system of tax administration and tax laws hugely contributes towards revenue generation in Nigeria and that it assists in fostering economic growth and development of the nation. This requires adoption of a good, effective and efficient tax system by emphasising strict practice and adherence to the general canons of taxation as it is the case in many parts of the world.

The problem of tax administration in Nigeria is the inability of the tax system to invoke all the provisions in the various tax laws and fight tax evasion and tax avoidance, which have become prevalence in the country;

5. CONCLUSION AND RECOMMENDATIONS

The issue of taxation and revenue in Nigeria is critical in this present economic quack mire. Issues that bother on the poor administration of taxes and its impact on revenue generation have been brought to the fore. An internal view of all the concepts surrounding the topic have been highlighted, from which the following are discovered. Taxation hugely contributes towards revenue generation in Nigeria and that it assists in fostering economic growth and development of the nation. This requires adoption of a good, effective and efficient tax system by emphasising strict practice and adherence to the general canons of taxation as it is the case in many parts of the world. Also the problem of tax administration in Nigeria is the inability of the tax system to invoke all the provisions in the various tax laws and fight tax evasion and tax avoidance, which have become prevalence in the country.

In the light of the forgoing findings, it is concluded that Nigerian government can earn substantial revenue from taxation if the principles of a good tax system are adhered to and appropriate strategies are adopted to checkmate tax avoidance, tax evasion and to block revenue leakages from the system. In line with the study discoveries, the following recommendations are made:

i. The Nigerian government should employ and ensure a good, effective and efficient taxation system by emphasising strict practice and adherence to the tax laws, tax administration and general canons of taxation as it is the case in many parts of the world;
ii. The authorities that are saddled with the responsibility of administering taxation in Nigeria should invoke relevant provisions of the tax laws in the case of tax avoidance and tax evasion. In addition, prosecuting agencies should ensure the prosecution of tax evaders and when necessary;
iii. Any tax consultant and tax auditor that aided and abetted tax fraud or conspired to commit it should be severely dealt with as this will truly go a long way in improving internally generated revenue using tax sources; and
iv. The Nigerian government should revisit the three classifications of taxes that are collected by the federal, states and local governments with a view of dealing with all cases of double taxation within the system.

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Impact of Electronic Payment Systems on Nigerian Economic Development

AKANNI, Bola
Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: akannibola2k3@yahoo.com, Phone No: +234 8034251757

Abstract

The study examines the impact of electronic payment Systems on Nigeria development. The electronic payment system is a platform that settles financial transactions between the buyer and seller. Payment system are meant to ease the stress of both parties making an easy exchange or flow of money in a safe and secure environment. This study statistically estimated the relationship between electronic (e-payment) systems and economic growth in Nigeria. Monthly available Data for Nigeria on values of various payments systems were analyzed using Autoregressive Distributed Lagged regression (ARDL) method covering the period of (2009 - 2018). The result indicates a significant positive relationship between the electronic payment system and economic growth in terms of real gross domestic product (GDP) growth. Automated teller machines have a positive significant impact on economic growth, based on a the table of regression showed the Autoregressive Distributed Lag (ADRL) results obtained from the empirical analysis of the relationship between electronics mode of payment and economic growth in Nigeria. The dependent variable used is Real Gross Domestic Product (RGDP), while the independent variables are automated teller machine (ATM), Mobile Payment (MOP), Point of Sale (POS), and Web Payments (WEP). All variables were estimated using their raw state as the use of natural logarithm, run into loss of data for some variable and estimation problem. But INTERBANK transactions, has an insignificant impact on GDP growth while MOP has a negative contribution to the impact on real GDP growth. Point of Sales (POS) transactions is also the most patronized electronic banking tool and this is seen from the descriptive analysis, followed by web base transaction (WBT). POS AND WBT are significantly part of the major determining factors influencing and contributing to the real GDP growth output in Nigeria, while other variables such INTERBANK transactions are although relevant but contributes minimally and drive real GDP output negatively down, as reflected in the results. Since the successful implementation of the e-payment systems which has much to do with internet connectivity and mobile banking, efforts should be made to design or improve the internet security framework to check online fraud. There should be adequate legislation on all aspects of the operations of the e-banking and cashless system so that both the operators of the system and the public can be adequately protected.

Keywords: Electronic Payment, Nigerian Economy, GDP Outpt

1. INTRODUCTION

Years ago, a number of consumers used cash or checks to buy goods and services, with cash predominately used for smaller purchases and checks for more costly transactions. While cash remains the predominate form of payment in some places in the world, it has become a less common method of transaction as the advent of general purpose payment cards has allowed consumers and businesses to buy and sell with greater convenience. Today, consumer can make electronic payments with credit, debit and prepaid cards and more recently, using all kinds of devices, from watches to mobile phones. Greater worldwide card use raises a number of questions. Foremost, do electronic payments bring macroeconomic benefits? Moody's analytics attempted to answer this question by analyzing macroeconomic data for 70 countries/regions between 2011 and 2015. By calculating the impact of card usage on per capita consumption, Moody's Analytics was able to extrapolate the effect that the increase in spending on goods and services had on consumption and thereby GDP. In the last decade, there has been explosion of different forms of remote access to financial services, i.e., beyond bank branches. These have been provided through a variety of different channels, including mobile phones, Automatic Teller Machines (ATMs), Point-of-Sale (PoS) devices and agent banking services. In many countries, these branchless channels have made an important contribution to enhancing financial inclusion by reaching people that traditionally, branch-based structures would have been unable to reach. One of the main obstacles to financial inclusion is cost: both the cost to banks involved in servicing low value accounts and extending physical infrastructure to remote rural areas, and the cost (in money and time) incurred by customers in remote areas to reach bank branches.

Agent banking and Mobile Payments, especially in developing economies are rapidly evolving and having tremendous impact on the economies and lives of its citizenry. In addition to reducing costs, these new service offering channels help to encourage customers to use financial services more often, as the locations are close by and in places where the customers are familiar with. In light of the afore-mentioned, the CBN noted the rapid growth of mobile telephony and the need to leverage existing business network infrastructure as a practical and well thought-out strategy for driving financial inclusion at the unbanked in Nigeria. In climes where Agent banking and Mobile Payments are rooted, financial institutions have successfully expanded their outreach by engaging local agents to offer their outreach by engaging local agents to offer their services. These services include: cash in/cash out, electronic transfer, bill payments, pre-approved credit lines, accounts opening, international remittances, government and other micro credit payments and other banking transactions that may be permissible by the financial institution and CBN. Nigeria began the process as far back as 2007 with the development of the Payments System Vision 2020 document, which has charted the course for the recent developments in the Payments system. Despite being the most populous African nation, Nigeria is a middle-level player in the sub-saharan financial sector and trails some its peers in African with respect to financial inclusion. As such, the CBN designed a financial inclusion strategy that is executable and achievable. In setting out the financial inclusion agenda, the Bank identified Agent Network for banking as well as mobile payments services as channels with great potential to overcome the distribution challenges and increase the use of financial services to the unbanked and under-banked. Leverage mobile payment and agent banking networks will allow financial institutions to focus on product innovation and diversification. The document provides for agent banking and by so doing, enhances the linkage of rural cooperatives to microfinance banks like it was done in Kenya.

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of Banking

The traditional concept of banking activity relates to the intermediary role of banks in the mobilization of deposits and channeling same to investors. In this context, a bank may be viewed as a lawful and legal institution that accept deposits from economic agents which is repayable on demand, and also make loans available to a broad spectrum of credit-constraint individuals that require it for investment and productive uses. Specially, Businessdictionary.com defines banking as “An establishment authorized by a government to accept deposits, pay interest, clear checks, make loans, acts as an intermediary in financial transactions, and provide other financial services to its customers” (Businessdictionary.com). The notion of banking originated from England in the seventeenth century through the activities of goldsmiths who kept gold and silver bars in safe custody and in turn, issued receipts to depositors to seal the transactions. By and large, the depositors became aware that further transactions with third parties can be effected through the endorsement of receipts issued by goldsmiths. Moreover, the goldsmiths realizing that the precious metal deposits in the vaults lie idle for long periods of time therefore began the practice of creating credits through the issuance of receipts whose values exceeded vault deposits. This activity metamorphosed into the modern banking practice of today, although the current banking system is highly differentiated into commercial and other categories of banks, yet, the basic banking activity remain broadly the same. In other words, banking institutions regardless of structure in liabilities, which constitute the sources of funds and create assets as uses of funds. Bank liabilities usually include deposits, equity capital, reserves, and borrowing (for on lending). Bank’s assets include loans to individuals and businesses as well as investment in securities with high liquidity, among others (Jhinghan, 2011).

2.1.2 Concept of Economic Development

It is imperative to adopt a working definition of economic development in order to better appreciate the link to the banking system. However, it is difficult to precisely define economic development which frequent result in the synonymous usage of the terms "economic growth" and "economic development" (Jhingan 2011). Regardless of this conundrum, the emerging view as a sustained rise in the aggregate output of an economy over a long period of time. Growth is more of a near-term objective with greater focus on quantity, of output rather than quality and is usually measured in terms of changes in gross domestic product (GDP). On the other hand, development connotes a longer-term agenda and its meaning has continuously been upgraded over time. Todaro and Smith (2009) provide a somewhat historical evolution on the notion of economic development which traditionally occurs when a more or less static economy experiences a sustained rise in GOP at rates of 5% and above.

Consequently, for several decades, the development policies of underdeveloped countries hinged on rapid gains in aggregate and per capita income growth failed to trickle down to the masses of the population. This resulted in widespread and escalating problem of poverty, rising unemployment and unacceptable level of income inequality. National economies grew but prosperity and the quality of life plummeted, leading to the maxim of growth without development. Therefore, in order to capture the various development desiderata, economic development has been re-conceptualized as a multi-dimensional process involving major structural, institutional and qualitative changes that expand a country's production capabilities (economic growth), reduce income inequality and eradicate poverty (Todaro and Smith 2009). Thus, development must necessarily take place within the context of a growing economy for there to be income redistribution.

2.1.3 Banking System and Economic Development

The banking system is usually the largest segment of the financial system which mobilizes domestic resources and channels it to productive investment. The vicious cycle of poverty thesis brings out clearly the potential role the banking sector could play in the process of capital accumulation and economic development. According to Nurkse (cited in Jhingan, 2011), the vicious cycle of poverty "implies a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty (and underdevelopment). "For instance, low level of real income in a country results in low aggregate demand and low rate of investment which – in – turn cascades to capital deficiency, low productivity and back to low level of real income thereby completing the demand side of the vicious cycle. Similarly, the supply side of the poverty cycle in backward countries may be construed as trending from low productivity to low real income and low saving which inhibits investment and leads to deficiency of capital and ultimately back to low productivity. It is evident from the vicious cycle of poverty hypothesis that the most debilitating impediment to economic emancipation is the shortage of capital Levine (1997) and Marwa and Zhanje (2015) provide a good survey of literature on the finance (bank) growth nexus as summarized below: Bagehot (1873) shows that capital spillovers from the financial system accelerated the pace of the industrial revolution in Britain as resources were not only pooled together, but allocated to entrepreneurs with the most profitable opportunities. Schurn peter's theory (1912) indicates that a sound credit or banking system will engender technological innovations through an efficient-allocation of resources from unproductive industrial enterprises. Inter alia, the innovative entrepreneur must have access to requisite technical knowledge and be able to implement new methods of production that will reduce cost and improves profit. To attain this goal, credit and capital from the banking system becomes imperative in providing the purchasing power to acquire new techniques, equipment and machinery which enhances capital accumulation, growth and economic development other notable works in the supply leading financial paradigm include Patrick (1966), Shaw (1973) and Mckinnon (1973).

The finance-led growth hypothesis may be further streamlines to account for the school of taught, which believes that, the importance of banking and credit system in a country depends on its stage of development. It is believed that financial system development plays significant role in different stages of development. For instance, Schumpeter distinguished between loans that are crucial in the early stages of creating new innovations from what would be required at an advanced stage, when the excess of revenue over can comfortably finance new projects or innovations. Thus, the role of finance may become auxiliary in nature at later stages of development in the same vein, Gerschenkron (1962) avers that the degree to which financial impact on economic growth is a function of its state of development with finance playing substantial role in economically backward countries and much less in more developed nations (Marwa and Zbanje, 2015).

Claus, Lacobsen and Jera (2004) noted that the impact of the financial system and economic growth involves at least two channels capital accumulation and technical innovation. Growth is promoted via the capital accumulation channels because the banking system (BS) lowers the cost of financial intermediation, BS affect the saving decision of economic agents by making longer term investment more attractive; and by re-allocating resources to the most productive use thereby increasing the rate or return to savings which enhances capital accumulation. With regard to the innovation channel, Claus et al maintained that the financial system through diversification and specialization can promote economic growth by incentivizing small savers to invest in new, novel and innovation business ventures with high risk and returns. The second approach to examining the nexus between banking system and economic development is the demand following finance paradigm (Blum et al 2002). A useful statement in this regard is that of Robinson 1952 (cited 1997), “finance follows where enterprise leads” and this indicates that economic growth precedes financial sector development. Thus, the growth of manufacturing and other productive enterprises generates demand for expansive and new financial services that act as catalyst for banking and financial development.

The third type of casual relationship between finance and growth is captured by the interdependence paradigm (bidirectional causality). The idea is that a mutually reinforcing relationship between finance and growth exist. A well-functioning financial or banking system is expected to spur investment and boost aggregate real output while a booming economy will engender demand for more financial services (Blum et al. 2002). Furthermore, Blum et al. identified two other possible scenarios between finance and economic growth. First is that, the finance-growth link tend to be anti-developmental in times of financial crises occasioned by the activities of speculative portfolio investors who move their funds in droves at the slightest sign of down turns in developing and emerging market economies. The second scenario is that there is no link between finance and growth in the neo-classical context of zero transaction cost and perfect information (Blum et al.)

3. METHODOLOGY

The study uses the National Bureau of Statistics (NBS) and the Central Bank of Nigeria as sources of information in the pursuit to emphasize the impact of electronic payment system on Nigeria economic development. Data used in the form of secondary data and in particular the following data was used; cheques, ATM, PoS, web page, Mobile pay, NIP, NEFT, M-cash, E-bill pay, Remitta, NAPS, and central pay between 2009 – 2019. The secondary data was collected from Central Bank and National Bureau of Statistics. The data collected helped answer the research. In order to measure the relationship between the adoption of e-payment systems and economic Growth, the following mathematical ARDL construct were developed:

$$RGDP = F(E\text{-}payment) \qquad (1)$$

$$RGDP = F(ATM, POS, MOP, WEP) \qquad (2)$$

Using equation (2) the general ARDL representation is specified as:

$$\Delta \mathrm{RGDP}_{t} = \propto_0 + \sum_{i=1}^{n} \varphi_i \Delta \mathrm{RGDP}_{t-i} + \sum_{i=0}^{p} \vartheta_i \Delta ATM_{t-l} + \sum_{i=0}^{q} \sigma_i \Delta POS_{t-l} + \sum_{i=0}^{k} \gamma i \Delta MOP_{t-l} + \sum_{t=0}^{s} \omega_i \Delta WEP_{t-l} + \pi_2 ATM_{t-l} + \pi_3 POS_{t-l} + \pi_4 MOP_{t-l} + \pi_5 WEP_{t-l} + \varepsilon_t$$

Where all variables are as previously defined, Δ is the difference operator and e_t is the error term. To trace the existence of cointegration, F-statistic is computed from OLS regression of equation (3). The null hypothesis of no cointegration is tested by restricting the lagged level variables equal to zero i.e. $\pi_1 = \pi_2 = \pi_3 = \pi_4 = 0$… against the alternative hypotheses that $\pi_1 = \pi_2 = \pi_3 = \pi_4 = 0$. The bounds tests provided two asymptotic critical value bounds. The lower bound assumes variables are *I (0)* whilst the upper bound *I (0)*variables. The null hypothesis of no cointegration is rejected if the computed F-statistic is greater than the upper critical value bound; otherwise the null hypothesis is not rejected. Based on equation (3) the following ARDL based error correction model required for the short run result is specified as follows:

$$\Delta RGDP_t = \alpha_0 + \sum_{i=l}^{n} \varphi_i \Delta ATM_{t-l} + \sum_{i=0}^{p} \vartheta_i \Delta ATM_{t-l} + \sum_{i=0}^{q} \sigma_i \Delta POS_{t-l} + \sum_{i=0}^{k} \gamma_i \Delta MOP_{t-l} + \sum_{i=0}^{s} \omega_i \Delta WEP_{t-l}$$

Variable definitions: RGDP = Real Gross Domestic Product; ATM = Automated Teller Machine; POS = Point of Sales; MOP = Mobile Payment; WEP = Web Payments.

In order to make the data stationary, the series was differenced once.

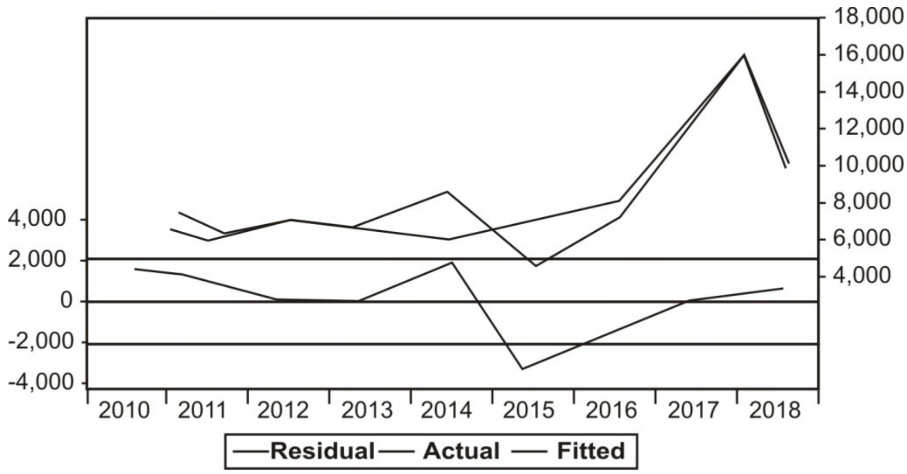
Descriptive Statistics

	DATM	DPOS	DMOP	DWEP	DRGDP
Mean	659.0544	263.5644	203.2700	35.60556	9275.217
Median	844.2800	236.4400	111.2900	26.72000	8733.540
Maximum	1449.460	973.3000	728.7000	220.0000	5101.340
Minimum	-148.8900	1.690000	5.380000	-59.10000	5101.340
Std. Dev.	536.4479	334.8328	234.6724	77.56074	3024.187
Skewness	-1.124013	1.275316	1.288753	1.464191	1.225245
Jarque-Bera	0.554569	2.460421	2.709945	4.527387	3.049836
Probability	0.757839	0.292231	0.257954	0.103966	0.217639
Sum	5931.490	2372.080	1829.430	320.4500	83476.95
Sum Sq. Dev	2302211	896904.3	440569.0	48125.34	73165670
Observations 9	9	9	9	9	

Regression Results

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	6940.977	1590.989	4.362681	0.0120
DATM	1.310968	1.449098	0.904678	0.4168
DPOS	21.51783	8.761801	2.455869	0.0700
DMOP	-14.24076	15.05755	-0.945755	0.3978
DWEP	-36.69025	25.67831	-1.428842	0.2263
R-squared		0.750047	Mean dependent var	9275.217
Adjusted R-squared		0.500094	S.D. dependent var	3024.187
S.E. of regression		2138.222	Akaike info criterion	18.47352
Sum squared resid		18287974	Schwarz criterion	18.58309
Log likelihood		-78.13083	Hannan-QUin criter	18.23707
F-statistic		3.000753	Durbin-Watson stat	1.689786
Prob(F-statistic)		0.156197		

Table of Stationary



Correlation

	DATM	DPOS	DMOP	DWEP	DRGDP
DATM	1	0.0203	-0.0401	-0.0192	0.3433
DPOS	0.0203	1	0.9644	0.8885	0.4854
DMOP	-0.0401	0.9644	1	0.9248	0.3129
DWEP	-0.0192	0.8885	0.9248	1	0.1493
DRGDP	0.3433	0.4854	0.3129	0.1493	1

4. Results and Discussion

In this study, data was collected for five years (2009 - 2018) from National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) to establish the impact of electronic payment systems on Nigerian economic development. The data used was collected and statistically annualized. The table of regression showed the Autoregressive Distributed Lag (ADRL) results obtained from the empirical analysis of the relationship between electronics mode of payment and economic growth in Nigeria. The dependent variable used is Real Gross Domestic Product (RGDP), while the independent variables are automated teller machine (ATM), Mobile Payment (MOP), Point of Sale (POS), and Web Payments (WEP). All variables were estimated using their raw state as the use of natural logarithm, run into loss of data for some variable and estimation problem.

The results of the ADRL regression show that at all levels of significance, the coefficients of the first and third years real GDP (lagged), POS (lagged first and third years), WEP (first and third lagged years), mobile banking payment (MOP), current and third year, and ATM lagged second period shows that they are statistically significant. This implies that point of sales transaction (POS), web pay (WEP), mobile banking system (MOP), and automated teller machine (ATM) transactions are part of the major determinant factor influencing real GDP growth output in Nigeria, while other lagged years especially the second period are not statistically significant and are less important in driving real GDP output, as reflected in our results. The R-squared shows that all the independent variables in our model explain approximately 75% of the variations in output growth per capita (dependent variable) in the period under consideration.

5. CONCLUSION AND RECOMMENDATION

The analysis investigated the impact of electronic payment Systems on Nigeria economic development, taking into consideration, the PoS, ATM, MOP, Web and the GDP data available between 2009 and 2018. The study finally concluded that there is a great impact of electronic payment Systems in Nigeria economic development. However, from the foregoing the following recommendations are made:

i. Despite the availability of electronic payment Systems solutions, cash remains dominant. This is because there are not enough POS terminals deployed.

ii. To get people to use credit or debit cards you must get local merchants to accept it. POS terminals are now available at super markets, shops, restaurants, fast food joints, filling stations, hotels and other such places. However, a large proportion of retailers and service provided are yet to upgrade to POS.

iii. There is also a need to educate the citizens (merchants and card holders) on the benefits of electronic payment Systems. There is also a need to educate them on how to use ATM, debit and credit cards to reduce the phobia for such technologies. Electronic transaction security education should be intensified to protect card holders.

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CBN July 2012 – March 2013; viable Agent Banking and mobile payments system in Nigeria

Paschal Okafor, September 2019 Naija TechGuide Team Lead

Effect of Foreign Direct Investment on Capital Market Development in Nigeria

ONUIGBO, Nnenna Comfort

Department of Accounting
Bingham University
Karu, Nasarawa State
E-Mail: comfortqueen247 @gmail.com, Phone No. +234 7069026515

Abstract

The aim of this paper work is to assess the effect of foreign direct investment on Capital market development in Nigeria. The study employed an Augmented Dickey- Fuller (ADF) unit root test and Johansen co-integration test to analyze the secondary data obtained from Central Bank of Nigeria statistical bulletin from 1999-2018. The absence of co-integration between foreign direct investment and market capitalization informed the resort to Ordinary Least Squares (OLS) regression result which shows that foreign direct investment influence positively and significantly on market capitalization. Since foreign direct investment is a significant determinant. Efforts should be made by government and monetary authority to encourage foreign direct investment into Nigeria. However, given the lack of co-integration and low beta weight suggest that emphasis on foreign direct investment as a way of stimulating long run growth in the developing countries like Nigeria does not worth the while.

Keywords: Market Capitalization, Investment, Capital Market, Exchange Rate and Economic Growth

1. INTRODUCTION

The slow spate of development in the third world is usually traceable to inadequate resources to speed up economic growth and development. Saving in this part of the world is usually less than the investment needs. Most economies have resorted to foreign borrowings while others geared efforts toward attracting foreign contributions to stimulate development. Hence, the importance of foreign investment either by private or public agencies in promoting growth and development in developing countries cannot be overemphasized. Foreign investment is expected to serve as a means of complementing Nigeria's domestic resources in order to ensure development and improve the standard of living of the people. Foreign Direct Investment (FDI) is that investment which gives foreign owners control over the behavior of firms in which the investment is made. According to Isiaq and Olufemi (2011), the first the key motives for FDI is to globalize production and competition and second reason is to move some production to more profitable locations. Firms in advanced countries have moved much of their labor-intensive production to developing nations where wages are lower. It is doubtful that many (or any) of today's poor countries could achieve sustained, rapid growth paths without a substantial amount of FDI brought in by foreign owned transnational. Without such FDI, both the transfer of technology and foreign networking would be difficult to achieve.

In essence, the purpose of foreign investments is to complement indigenous efforts. Specifically, foreign direct investment may be defined as a situation whereby the concern of the investing countries is to exercise control over the assets created in the capital importing countries by means of that investment. Also, foreign public investments are investments by governmental entities in another country. It is generally recognized that government in developing economies have not only directed efforts to creating enabling environment for business to grow but also tried to create attractive business environment for foreigners to participate. Financial markets, and especially capital markets, have grown considerably in developed and developing countries over the last two decades this is as a result of rapid financial and political transformation. To increase their share of FDI flows, most of the countries easy restrictions on FDI, strengthened macro stability, privatization of state-owned enterprises, domestic financial reforms, capital account liberalization, tax incentives and subsidies have been instituted. For many emerging countries, the best policy will involve continuing the establishment of sound fundamentals and attracting

FDI, but not necessarily the trading or even listing of securities locally. In addition, capital markets have been established to intermediate funds towards investment projects.

Capital markets are a virtual or physical place for the exchange of long-term financial securities, including shares, long-term debt securities such as debentures, unsecured debt and convertible bonds. In addition, government bonds and other public sector securities such as treasury bills and sharp capitals, are also traded on the capital markets. In fact, the structure of a global capital market has three components: the first component is the primary capital market for new capital issues by firms and other institutions, including governments; the second is the secondary market, for the exchange of existing securities; and the third is the derivatives market, which is used to exchange securities created through exchange and whose value comes from the underlying securities. It can therefore be argued that by functional classification, capital markets play three main roles. Firstly, companies that want to invest, such as financial institutions and private investors, can raise long term funds. By fulfilling this role, they act as primary markets for new equity and debt issues. Secondly, financial markets offer investors a convenient way to sell capitals and bonds they own or buy others to increase their portfolio. In fulfilling this role, capital markets act as secondary markets for the trading of existing securities. Thirdly, the markets provide for future and potential debt swaps based on the value of the underlying assets; hence the derivatives market.

However, at the global level, the evolution of emerging capital markets over the past two decades has been dichotomous; that is to say, the markets have experienced both integration and segmentation. On the one hand, some emerging capital markets have experienced a remarkable increase in foreign direct investment and an entrepreneurial process due to the expansion of privatization, the use of bond instruments in international debt settlements and successful implementation of economic stabilization programs. Thus, foreign capital inflows into mature capital markets have allowed these markets to better integrate into global markets. On the other hand, some very small, less developed capital markets, defined as "frontier markets" by Standard & Poor's International Finance / Emerging Markets database, have not received much of foreign capital. Markets have therefore become segmented into global markets. Consequently, dichotomous integration and segmentation patterns have important consequences for the role played by these markets in emerging economies, particularly in Africa and the CEMAC zone. Foreign direct investment (FDI) refers to an international investment in which the investor acquires a lasting interest in a business in another country.

Although, the drive towards the establishment of capital markets in African countries during the last few decades may be linked to other important developments in the global economy. The financial markets of many advanced countries have undergone tremendous changes and become increasingly integrated. These changes have resulted from the operation of a number of interrelated factors (Cosh, Hughes, & Singh, 1992). Such as; the progressive deregulation of financial markets both internally and externally in leading economies; the internationalization of these markets; the introduction of a number of financial products allowing riskier and bigger financial investments; and the emergence and the increasing role of new actors in the financial markets particularly, institutional investors. These developments in the financial systems of advanced countries have led them to seek liberalization in the international trade and exchange of services in world trade negotiations. The establishment of capital markets in African countries and the liberalization of capital accounts can be seen as parts of this global liberalization trend. Thus, it is expected to boost domestic savings and increase the quantity and quality of investment. More generally, capital markets are seen as enhancing the operations of the domestic financial system in general and the capital market in particular (Kenny and Moss, 1998). Critics, however, argue that the capital market might not perform efficiently in developing countries and that it may not be feasible for all African markets to promote capital markets given the huge costs and the poor financial structures (Singh, 1999). Also, there has been a considerable research on the relationship between financial market development and macroeconomic variables, financial reform, and other country –specific factors, and the relationships among the development of the various parts of a financial system. It is clear from the previous studies that financial markets tend to develop as the economy grows and financial reform progresses. Capital market development is embodied in the general financial sector development. In other words, capital market complements the development of other parts of the financial system. For instance, Singh (1997) find positive relationship between economic growth and capital market development and a large number of empirical studies on the role of FDI in host countries suggest that FDI is an important source of capital, complements domestic private investment, is usually associated with new job opportunities and enhancement of technology transfer, and boosts overall economic growth in host countries. However, attention has not been centered on joint effect of capital market development and foreign direct investment on growth in Nigeria. Thus, this study intends to fill this gap. In order to realize the major objective of the study, the following hypothesis is formulated:

H_o: Foreign Direct Investment has no significant impact on the Nigerian Capital Market Development

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Capital Market

Capital market is a subset of financial market that deals with the mobilization and channeling of long term funds for investment purposes by bring together economic units requiring funds and economic units desirous of parting with funds for relatively long period of time. It is a framework of institutions that arrange for long term financial instruments entailing shares debentures stocks and mortgages (Adeusi, 2000). Osita, (1990) stressed the element of control in his definition of foreign private investment as "investment in a foreign country where the investing party that is, corporations, firms and so on retain control over the investment. The heart of any Foreign Private Investment is control". According to International Monetary Fund (IMF), Foreign Private Investment is defined as "investment that is made to acquire a lasting business in an enterprise's operation on economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprises". Essentially, the functions of capital market includes the promotion of liquidity and safety of financial assets in order to encourage saving and investment; ensuring a more refund allocation of resources by equating the demand and supply of loanable funds; enabling the transfer of funds from one sector or country to another for economic or commercial growth and enhancing successful implementation or monetary and indigenization policy (Adeusi, 2000). Sustainable economic growth and development can be realized through lot local and foreign investment efforts which made it possible with presence of a well-functioning capital market. (Ekundayo, 2002)

Jenkin and Thomas (2002) are of opinion that FDI is expected to contribute to economic growth include the provision of foreign capital as well as crowding in additional domestic investment. By promoting both forward and backward linkages with the domestic economy, additional employment is indirectly created and further economic activity stimulated. Adegbite and Ayadi (2010) stated that FDI helps fill the domestic revenue-generation gap in a developing economy, given that most developing countries' governments do not seem to be able to generate sufficient revenue to meet their expenditure needs. Other benefits are in the form of externalities and the adoption of foreign technology. Foreign direct investment includes; external resources including technology, managerial and marketing expertise and capital. All these generate a considerable impact on host nation's productive capabilities and the success of government policies of stimulating the productive base of the economy depend largely on her ability to control adequate amount of FDI comprising of managerial, capital and technological resources to boast the existing production capacity (Omankhanlen, 2011). Kumar (2007), described Direct Foreign Investment (DFI) in several ways. First and most likely it may involve parent enterprise injecting equity capital by purchasing shares in foreign affiliates. Second, it may take the form of reinvesting the affiliate's earning. Third, it may entail short-or foreign investment as a share of Gross Domestic Product has grown rapidly, becoming the largest source of capital moving from developed nations to developing nations.

2.2 Empirical Literature

Abel, Ebere and Ndi (2009) conducted a study on nature of relationship between stock market development and levels of domestic or foreign private investment flows in Nigeria. This research revealed a positive link between capital market development and domestic private investment while a negative relationship is found between stock market development and foreign private investment in Nigeria. Afeeze and Kazeem (2010) concluded that there exist a unidirectional relationship between market capitalization and economic growth, and an absence of causal linkage between economic growth and total value traded and bidirectional causality between economic growth and turnover ratio. Ultimately, the result of the granger causality test shows that capital promote economic development. Olawoye (2011) conducted a study on the impact of capital market on economic growth of Nigeria. He used Gross Domestic Product(GDP) as a proxy for economic growth and market capitalization, new issues, value of transaction and total listing as capital market variables. Multiple regression techniques were used for analysis and the results revealed a positive relationship between capital market and economic development.

Okwu and Obiakor (2011) employed Ordinary Least Square to analyze the impact of capital market development on Nigerian Economy Growth from 1981 to 2008. They found that market capitalization gross capital formations of foreign private investment are significant determinant of Nigerian Economic Growth while the volume of share traded relate positively but insignificantly. Baghebo and Edoumiekumo (2012) used group unit root and Johansen co-integration test to examine the relationship between Foreign Private Capital Accumulation and Economic Development in Nigeria from 1970 to 2010. It was discovered that current and lagged Foreign Portfolio Investment(FPI) have positive impact on economic development. However, while the latter is statistically significant, the former is not. Thus formulating policies that encourage such investment would be a way forward. Uremadu (2010) examined the impact of Foreign Private Investment on Capital Formation in Nigeria from 1980 to 2004 using Ordianry Least Square method. The result showed a negative influence of foreign exchange rate, gross national savings, inflation rate, debt service ratio, lending rate, exchange rate all discourage gross capital formation in Nigeria. However cumulative foreign privateinvestment, index of energy consumption and banking system credit to domestic economy showed a positive influence.

Ugochuckwu, Okore and Onoh (2013), investigating the impact of foreign direct investment on the Nigerian economy that from 1981 to 2009 employed Ordinary Least Square method in order to derive the relationship between them. The study found a positive but insignificant relationship between foreign direct investment and growth of Nigerian economy for the period studied and the same hold for interest rate while domestic investment is positive and significant. There exists a long run relationship between capital market and economic growth and bidirectional causation between gross domestic product and value of transactions while only market capitalization causes economic growth. In essence, capital market plays a significant positive role in economic development of less developed countries. However, Kolapo and Adaramola (2012) submitted that continuous flow of foreign investment to developing economies has not been able to solve problems confronting these countries. Osinubi (2010), used secondary data from 1970-2005 to assess the effect of foreign private investment on Nigerian economic growth. Empirical results show that foreign private investment, domestic investment growth and net export growth have significant positive impact on Nigerian economic growth.

2.3 Theoretical Discussion

2.3.1 Capital Market Theory

This theory, also sometimes referred to as the “currency area theory”, is considered one of the earliest theories which explained FDI. Based on the work of Aliber (1970; 1971), it postulated that foreign investment in general arose as a result of capital market imperfections. FDI specifically was the result of differences between source and host country currencies (Nayak & Choudhury, 2014). According to Aliber

(1970; 1971), weaker currencies have a higher FDI-attraction ability and are better able to take advantage of differences in the market capitalization rate, compared to stronger country currencies. Aliber (1970; 1971) further adds that source country multinational companies (MNCs) based in hard currency areas can borrow at a lower interest rate than host country firms because portfolio investors overlook the foreign aspect of source country MNCs. This gives source country firms the borrowing advantage because they can access cheaper sources of capital for their overseas affiliates and subsidiaries than what local firms would access the same funds for.

2.3.2 Institutional FDI Fitness Theory

Developed by Wilhems and Witter (1998), the term FDI fitness focuses on a country's ability to attract, absorb and retain FDI. It is this country ability to adapt, or to fit to the internal and external expectations of its investors, which gives countries the upper-hand in harnessing FDI inflows. The theory itself attempts to explain the uneven distribution of FDI flows between countries. Wilhem's institutional FDI fitness theory rests on four fundamental pillars Government, market, educational and socio-cultural fitness. At the base of the pyramid are socio-cultural factors which according to Wilhelms and Witter (1998) are the oldest and most complex of all institutions.

2.3.3 Location Based Theory

Location theory addresses questions of what economic activities are located where and why. Location theory or microeconomic theory generally assumes that agents act in their own self-interest. Firms thus choose locations that maximize their profits and individuals choose locations that maximize their utility Together, modern portfolio theory and capital market theory provide a framework to specify and measure investment risk and to develop relationships between expected security return and risk (and hence between risk and required return on an investment). These relationships are called asset pricing models.

3. METHODOLOGY

This study covers a period of 19 years (1999-2018). For the purpose of this work, data are gathered from published or secondary sources such as publication by the Central Bank of Nigeria, Economic and Financial bulletin, Nigerian Stock Exchange fact books. The ordinary least square regression technique is used to measure the impact of foreign private investment and capital market development in Nigeria. The dependent variable which is the capital market development is proxy by all market share index, while the explanatory variables includes: foreign direct investment and foreign portfolio investment. The hypotheses will be tested using the Ordinary Least Square (OLS) method. Hence the multiple regressions technique is used to estimate the parameters the objective being to minimize the error term with a view of finding the regression equation that explains the data. This is preferred for its unbiaseness, consistency, efficiency and simplicity. The model to be used in testing the above hypothesis contains the dependent and independent variables. This model is specified as follows:

$$MCAP = f\,(FDI) \qquad (1)$$

Presenting equation 1 in linear form

$$MCAP = a_o + b_1 FDI + U \qquad (2)$$

Where:

MCAP = market capitalization;

FDI= Foreign Direct Investment;

U= Error term or stochastic term of the estimates; a_o, b_1 are beta weight or regression coefficient.

Representing in time series form, equation 2 becomes:

$$MCAP_t = a_o + b_1 FDI_t + U \qquad (3)$$

Where: t = time series

On a priori, the following relationships are expected:

δ MCAP> positive relationship (4)
Δfdi

β_1 is expected to be > 0. On a priori, we expect that the relationship between market capitalization and foreign direct investment to be positive. The sign of the estimated coefficient is thus expected to be greater than zero since rise in foreign direct investment will lead to an increase in market capitalization.

4. RESULT AND DISCUSSIONS

Table 1. Results of the ordinary least square regression

Model specification MCAP	Constant	FDI
B Standard Error t-statistics	-789.7491 318.0557 -2.483052	0.017021 0.001335 12.74767
F= 162.5032, DW= 1.6398, R^2= 0.8486		

Source: computation using E-view 6 stat package

MCAP= -789.7491+ 0.017021FDI

This equation shows that constant relates negatively with MCAP. That is, if FDI were taken to be constant, for every unit rise in other factors other than FDI, MCAP will be reduced by 789.749 units. However, FDI relates positively with MCAP such that a unit rise in FDI will bring about 0.017021 units rise in MCAP. It must be noted however that the slope of the constant parameter is very high which means that there are various other factors which affect GDP that are not included in the study, hence there is room for further studies. f-statistics with appropriate probability value of 0.0000 shows that the model is fit. The correlation coefficient (R=0.9212) shows a very high positive correlation between MCAP and FDI. The degree of determination (R^2=0.8486) shows that FDI accounts for 84.86% of the variation in MCAP while the degree of non-determination (1-R^2=0.1514) shows that FDI cannot account for 15.14% of the variation in GDP. Moreover, the degree of alienation ($\sqrt{1-R^2}$=0.3891) shows that 38.91% of variation in GDP is alien to FDI.

Standard Error Test

Table 2: Result of Standard Error Test

Variables	Coefficient	coefficients/2	Standard Error	Remark
FDI	0.017021	0.0085105	0.001335	Significant

Source: computation using E-view 6 stat package

The standard error result in table 2 shows that FDI has a significant impact on Nigerian Capital Market growth because the average of the coefficient of FDI in greater than the standard error

Unit Root Test

Table 3.Result of ADF Unit Root Test

Variables	ADF test statistics	Mackinnon Critical Value @ 5%	Order of Stationarity	Remark
MCAP	2.502288	-2.998064	1(0)	Stationary
FDI	3.242743	-2.998064	1(0)	Stationary
ECM	-1.856664	-2.998064	-	Not
ECM	-1.491626	-2.991878	-	Stationary
ECM	-5.408563	-2.998064	1(2)	Not

				Stationary Stationary

Source: computation using E-view 6 stat package.

From table 3, it can be seen that MCAP and FDI are stationary at level, because the ADF test statistics are greater than Mackinnon critical value at 5%. Only ECM is stationary at 2nd difference.

Johansen Co-integration test

Table 4: Johansen Co-integration test Results

Hypothesized number of EC(s)	Eigen Value	Trace Statistics	5% Critical Value	Probability **
None*	0.375333	13.93116	15.49471	0.0849
at most 1	0.009800	0.285609	3.841466	0.5930

Source: computation using E-view 6 stat package

The result of Johansen Co-integration test shows that there is no Co-integration between MCAP and FDI in the long run, because the Trace statistics is less than 5% critical value at none hypothesized. The implication is that there's no long run relationship between the two variables.

5. CONCLUSION AND RECOMMENDATION

The Ordinary least Square result revealed the existence of positive relationship between Foreign Direct Investment and Capital Market Development in Nigeria. The coefficient of multiple determination shows that the model has a good fit while the degree of determination shows that FDI accounts for 84.86% of the variation in MCAP. Co-integration test however shows a lack of long run relationship between market capitalization and foreign direct investment and hence the reliance on regression results for our discussion. Durbin Watson shows that data are free from serial autocorrelation.

The fundamental objective of this research work is to assess the effect of foreign direct investment on Nigerian capital market development. The result of the analysis shows that the relationship between capital market development and foreign direct investment is positive and significant in the short run. This is consonance with apriori expectation and in agreement with the findings of Ugochuckwu, Okore and Onoh (2013) and Baghebo and Edoumiekumo (2012) even though they use GDP as dependent variables. The effect would be the same through a multiplier process. Ideally, the objective of foreign direct investment is to encourage growth and development of the receiving economy. One could never have thought of the absence of long run relationship between market capitalization and foreign direct investment as revealed by the result of the co-integration test. The implication of this is that emphasis on foreign direct investment as a way of stimulating growth in the developing country like Nigeria does not worth the hype given the relationship that does not last. For instance, special concession offered by the host countries government to encourage direct foreign investment by the way of free tax, free landscape and so on will only drain our limited resources that should have been committed to development project. As if that is not enough, competition between foreign and local firms reduces the profit of the later and affects their abilities to make further investment that would have enhanced the trading activities in the stock exchange. Lastly, foreign firms having become established are found continuously repatriating profit to their home country rather than reinvestment.

This research work has been able to discover that a significant relationship exists between foreign direct investment and capital market development in Nigeria. It is therefore recommended based on research findings that the present democratic dispensation should be sustained so as to have more foreign inflows into Nigeria because the attraction of foreign investment, no matter under any policy measure depends largely on the economic and political situation of the country. As a corollary to this, a sustained democratic dispensation will boost foreign investors' confidence in Nigeria and this will lead to more inflow of foreign investment.

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Capital Market as a Tool for Mobilizing Capital Investment in Nigeria

AKINPELU Femi, Olusegun

Department of Accounting
Bingham University
Karu, Nasarawa State
E-mail: eaglewing2410@gmail.com, Phone No. +234 8061584636

Abstract

Capital market is an important source for mobilizing idle savings from the economy. It mobilizes funds from people for further investment in the productive channels of an economy. The market raises resources for longer periods of time. Thus provides a pool of Investment avenue for discerning entities, government inclusive, hence the importance of the importance of this study. The study seeks to appreciate the capital market as a tool for the mobilization of investment in Nigeria from 1988-2017. Data was collected from CBN statistical bulletin while the regression method of analysis was applied. Findings revealed that R^2 =97.27% relationship exist between capital expenditure and all share index, value of new issues and value of transaction while R^2 = 91.03% relationship exist between capital expenditure and market capitalization, value of new issues and value of transaction. Based on the findings, the study recommends that the capital market be more transparent in its dealings to encourage more investors. It also urged that government appraise her investments properly and monitor the execution to ensure that capital investment result in desired returns. The Nigerian capital market authorities need to do more in enlightening the public on how to access their already existing shares and new investors to know the various securities they can subscribe to in Government securities.

Keywords: Capital Market, Value of transaction, Market capitalization, GDP, Capital Investment

1. INTRODUCTION

Capital market is one of the significant aspects of every financial market. Hence it is necessary to study its correct meaning. Broadly speaking the capital market is a market for financial assets which have a long or indefinite maturity. Unlike money market instruments the capital market instruments become mature for the period above one year. It is an institutional arrangement to borrow and lend money for a longer period of time. The Capital market in any country is one of the major pillars of long-term economic growth and development. The market serves a broad range of clientele, including different levels of government, corporate bodies and individuals within and outside the country. Capital formation entails accumulated savings out of the current incomes of either organization or individual. It is investment in fixed assets which in part is financed with monies raised through the capital market (Al-Faki, 2006). The Capital market has been one of the major means through which foreign funds are injected into most economies and the tendency towards a global economy is more visible there than anywhere else. It is therefore, quite valid to state that the growth of the capital market has become one of the barometers for measuring the overall economic growth of a nation (Abu, 2009).

The financial system of any given society is therefore the framework within which capital formation takes place. It is the framework within the savings of the surplus sectors of the economy are made available to the deficit sectors for productive investment. This process is made possible by the intermediation of financial institutions, which are basically the money and capital market. The rapid industrialization and modernization of an economy depends among other things, chiefly on ready access to adequate financial resources. The desire of the government to develop capital market in Nigeria is therefore intrinsically connected with the objective of accelerated industrial and agricultural development of the economy (Okoye, Nwisienyi & Eze, 2013). The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies (Donwa & Odia, 2010). This is made possible through some of the vital roles played such as channeling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy. It helps to channel capital or long-term resources to firms with relatively high and increasing productivity thus enhancing economic expansion and growth (Alile, 1997).

Over the years, many corporate concerns have gone public in Nigeria. It represents a conscious effort to access greater quantum and diversified funds for investment in various sectors of the Nigerian economy. The capital market has continued to grow as evidenced by the entry of substantial new investors. Also, various business combinations involving corporate mergers and acquisitions have occurred. Further, the second tier market has also developed to accommodate quotation of less capitalized firms on less stringent terms and conditions. It is evident that some firms have listed additional securities in order to achieve diversified funding necessary to achieve lower cost of funds. As business opportunities continue to expand in modern day free enterprise economy, identification and implementation of varied investment programmes will continue to grow and deepen in various sectors of the Nigerian economy (Nwakanma & Nnamdi, 2012). The capital market has a one of its core function the Mobilization of savings to finance long term investments; the recognition of this role in driving the growth of industries has necessitated the government to embark on reform policies to make the market more effective and efficient as a tool for mobilizing capital investment and economic growth. Despite these laudable reform policies, little has been achieved as per the level of capital investment in Nigeria. This raises the question on if the market has actually the capital market is instrumental to mobilizing capital investments in Nigeria. Thus, the main aim of this study is to examine the role of capital market as a tool for capital investment in Nigeria. In addition, he following hypotheses have been postulated to guide the study:

H_0: Capital market activities have no significant relationship with capital investment in Nigeria.

H_{02}: Capital market activities has no significant impact on Nigeria's Gross fixed capital

2. LITERATURE REVIEW

2.1 Conceptual Clarifications

2.1.1 Concept of Capital Market

Capital Market is used to mean the market for long term investments that have explicit or implicit claims to capital. Long term investments refer to those investments whose lock-in period is greater than one year. In the capital market, both equity and debt instruments, such as equity shares, preference shares, debentures, zero-coupon bonds, secured premium notes and the like are bought and sold, as well as it covers all forms of lending and borrowing. Capital Market is composed of those institutions and mechanisms with the help of which medium and long term funds are combined and made available to individuals, businesses and government. Both private placement sources and organized market like securities exchange are included in it. The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed countries (economies). This is made possible through it vital role in intermediation process in those economies (Oke and Adeusi, 2011). Capital investment is a sum of money provided to a company to further its business objectives. The term also can refer to a company's acquisition of long-term assets such as real estate, manufacturing plants, and machinery (Will Kenton, 2019)

The origin of the Nigeria capital market can be traced to the period of the colonial masters, who at that time sought for fund to run the local administration. It became necessary to set up the basic infrastructure as well as the development of an organized private sector for the establishment of a smooth financial system. The first step in this regard according to Odife (2000) was to secure the necessary finance for the development of this infrastructure and long term capital projects. In 1946, he went ahead to promulgate a 10 year plan local ordinance to float the first N300, 000 3% government stock 1963/61 with its management vested on the Accountant General. In 1951, the colonial administration also enacted a law in order to create loan funds for the financing of public utilities. The colonial government also set up the Professor Barback Committee to examine the ways and means of fostering a share market in Nigeria. Part of the agenda of this committee included the possibility of establishing a capital market in Nigeria. In 1958, the central bank of Nigeria was established following the central bank Act of that same year. These various legislations were aimed at establishing the infrastructural and legal framework for the take-off of viable securities/capital market in Nigeria. As a follow up to these laws, the colonial administration issued the first N2m federation of Nigeria development loan stock in May 1959.

2.1.2 Primary and Secondary Markets

The stock exchange creates a market place where companies can raise capital, often referred to as primary market. At this market shares are issued for the first time to the public and shareholders can trade in shares of listed companies, that is, secondary market. At this market, shareholders buy and sell existing shares (Ozurumba and Chgbu, 2013). This market is concerned with the offering of new issues or the initial issuance and sale of securities in the Nigerian stock exchange (NSE), previously Quoted companies can seek expansion funds through the issuance of supplementary securities in this market while new companies (companies not hither to quoted on the exchange) will have to go public before they can issue securities to the public through the market. Types of instruments) securities issued at the primary market include debt instruments (comprising federal government development stock (FGDSs) and industrial loans, Corporate bodies) and equity capital (ordinary shares of corporate entitles, which place on the holders some owners right to the business in concerned).

The existing issues or secondary market constitute the stock exchange since it is the mechanism, which gives liquidity to the securities listed on the exchange. Ozurumba and Chgbu (2013) see the secondary market as the market where shareholders buy and sell existing shares. According to Nneji (2013), the secondary market, is one in which buyers and sellers trade on previously issued securities. Indeed the efficiency of the primary market rests on the efficiency of the secondary market. This follows from the fact that very few people will be willing to buy new securities if they do not have an assurance of being able to convert it to cash when they deem fit. The secondary market thus provides liquidity to investors. The ease of securities' conversion into cash is an important determinant of the efficiency of the secondary market and indeed the capital market in general. Therefore the secondary market facilitates the savings and investment process, and ultimately, the growth and economic development of a nation (Mbat 2001).

Chinwuba and Amos (2011) argued that the distinguishing factor between the two segments is that in the primary market, the funds raised from investors go to the issuing entity, while in the secondary market, the proceeds from the transactions go to investors. The two levels of the market complement each other. While the primary market feeds the secondary market with new securities, the success of the new issues of securities in the primary market depends to a large extent on the receptivity of the securities in the secondary market and the level of liquidity the secondary market affords investors. A security that is either unpopular or illiquid in the secondary market indicates lack of investors' confidence in the company's financial performance and therefore unlikely to attract investors in the primary market when new issues are offered for sale. The flexibility and the lowering of risk that a secondary market affords investors, makes the primary market deepened. The ability of investors to switch between investments allows the market to rationally and efficiently allocate resources. This is a critical element in the efficiency of the whole economy.

2.1.3 Concept of Capital Investment

A capital investment is the acquisition of a fixed asset that is anticipated to have a long life of use before it has to be replaced or repaired. Two of the most easily recognizable examples of these types of investments are land and buildings. However, a capital investment is made any time that a company purchases goods that will be benefit the operation of the business, but will not be used to cover the operational costs of the business. Capital investment is a sum of money provided to a company to further its business objectives. The term also can refer to a company's acquisition of long-term assets such as real estate, manufacturing plants, and machinery. (Will Kenton, 2019)

2.2 Empirical Framework

Odetayo and Sajuyigbe (2012) examined the impact of Nigerian capital market on economic growth and development between 1990 and 2011. Data collected were analysed using ordinary least square method of regression with aid of STATA version 10 software packages to analyze the data. The result showed that capital market indices have impact significantly on the GDP. The study recommends among others that government should put up measures to build up investors' confidence in the capital market by fair transactions, increase investments instruments in the market, provide basic infrastructures and disabuse the mind of investors from buying and hold securities syndrome. Alawiye-Adams and Babatunde (2013), investigates the controversial issue of the continuous lingering ineffectiveness, inefficiency and under performance of the Nigerian capital market in providing the much expected support for the growth and development of the Nigerian economy particularly as it concerns the real sectors. Data was collected and analyzed using Chi Square analysis, tables from secondary data sources and graphical illustrations were employed in the analysis. The result of the study shows that the Nigerian capital market has not been efficient enough to impact on the country's economic growth. The limited contribution of the market to the development of the industrial sector, as a result of the absence of stimulating encouragement and liberality of the cost mechanism required for listing on both the primary and secondary markets, were highly inhibitive, ineffective and restrictive to firms that would have come to be listed on the capital market, especially small and medium scale enterprises. On the strength of these evidences, the paper recommends that government should introduce more tax incentives to motivate and encourage investors in organizations listed on the stock exchange, and indeed more capital and tax relieves for new startups and newly enlisted small and medium scale industries.

Nneji (2013) investigated the efficiency of the Nigerian capital market from 1986 to 2009 through the Random Walk Theory, the rate at which stock information is reflected in stock price and its impact on Nigeria's economic development. This study made use ADF unit root test, the ARMA Test, the VAR-based granger causality test, the Cointegration analysis and the Vector Error Correction Test. The results revealed that there is still room for improvement of the efficiency level of the Nigerian Capital Market. This was due to the fact that the speed of adjustment of stock price to stock information was not very high and the market was also found to be inefficient within the period under review. The result also showed that a significant relationship exists between capital market performance and economic development. The study ended by recommending that there should be an increased level of public enlightenment on the gains of capital market, an increased level of regulation that would check the vice of all forms of market manipulations and an increased level of operators in the market by relaxing stringent entry requirements of companies. These would increase the efficiency level of the Nigerian capital market enabling it to have an improved impact on the development of the Nigerian economy.

Oke (2013) examined capital market operations and economic growth in Nigeria from (1985 -2011). In this study, the Gross domestic Product was regressed on the Capital market variables (Market capitalization, Number of Dealings and All share indexes) to check the long run effect of capital market activities on the growth of the economy. The study records a positive relationship between capital market operations and economic performance in the short-run with all the variables showing positive relationships with the Gross domestic product. The long run relationship tested by Johansen cointegration test also reveals a long term relationship between the explained and explanatory variables. However, market capitalization and number of dealing show a negative impact on the economic growth while the all share index shows a positive impact on the economic growth.. The study concludes the deviation in the long –run is due to sharp practices in the Nigerian capital market and recommends a total overhauling coupled with strict regulation as the possible solutions. Okoye and Nwisienyi (2013) examined the impact the capital market has on the Nigerian economy, using time series data for 10-year period; 2000 – 2010. The model specification for the analysis of data is multiple regression and ordinary least squares estimation techniques. The gross domestic product was adopted as the dependent variable while the all-share index, market value and market capitalization were the independent variables. The result showed that there are significant relationship between share index, market value and market capitalisation on GDP. This implies that the GDP is affected by the movement of the capital market's share index, market value and market capitalisation. In other words, the capital market has impacted significantly on the economy for the years under review.

Ozurumba and Chigbu (2013) investigated the econometric analysis of capital market performance economic growth of Nigeria. The data were collected from Central Bank of Nigeria (CBN) statistical bulletin. The data were consequently analyzed using statistical package E-view 7.0. The methodology used was multiple regression analysis to capture the impact of capital market on economic development and the transmission mechanism between the variables, while Granger causality tests was used to determine the direction of causality between the variables. The ADF test shows that the variables are non-stationery at level form but became stationery after first differences suggesting that the variables are random walk series. Evidence from Johansen co-integration test shows that the variables are co-integrated implying that there is a long run equilibrium relationship between capital market and economic development in Nigeria. The results further showed that there is a significant impact of capital market on economic development in Nigeria. In the case of causality test, evidence of the result showed that there is a unidirectional causality running from economic development to capital market in Nigeria while Capital market affect economic development through all share index (ASI), value of shares traded (VST) and number of deals (NOD). Recommendations were made based on empirical findings which includes; policies that will deepening the capital market should be pursued as well as strengthening of supervisory and regulatory bodies in the market and among others.

2.3 Theoretical Discussion

The capital market is a market for the mobilization and utilization of long term funds for development (Anyanwu, 1999). It is a market for long term instrument. In a capitalist society like Nigeria, the existence of such financial market can greatly ease the process of exchanging loan able funds for financial claims. The instrument traded in the market includes: government securities, corporate bonds and shares (stocks) and Mortgage loans. The market is for channeling funds for development. Osaze (2000) sees the capital market as the driver of any economy to growth and development because it is essential for the long term growth capital formation. Capital market is defined as the market where medium and long terms finance can be raised (Akingbohungbe, 1996). Capital market offers a variety of financial instruments that enable economic agents to pool, price and exchange risk (Kolapo and Adaramola, 2012). There are two lines of arguments in the analysis of the importance of financial system to economic growth. One line of argument is that the financial system is not important for economic growth; another line of argument stresses the importance of the financial system in mobilizing savings, allocating capital, exerting corporate control and easing risk management. More importantly, and in relation to this study, Levine and Zervos (1996) indicated that some theories provided a conceptual basis for the belief that larger, more efficient stock markets boost economic growth. Bencivenga, Smith and Starr, (1996) and Levine (1991) argue that stock market liquidity, i.e., the ability to trade equity easily, is important for growth. However, Conte and darrat (1988) argues that stock market liquidity, no matter how large, is an unimportant source of corporate finance. Similarly, Spears (1991) says that stock market liquidity will not enhance incentives for acquiring information about firms or exerting corporate governance because of the agency problem involved between stockholders and management of firms. In fact, in contrast to the position of Robison (1952), Devereux and Smith (1994) emphasize that greater risk sharing through internationally integrated stock market can actually reduce savings rates and slow economic growth. The suggestions that stock market development can limit economic growth by making it easy and counterproductive have also been asserted by researchers Levine Rose (1996).

Oke (2013) opined that theoretical literature on financial development and growth identifies three fundamental channels through which capital markets and economic growth may be linked. First, capital market development increases the proportion of savings that is funneled to investments; second, capital market development may change the savings rate and hence, affect investments; third, capital market development increases the efficiency of capital allocation. In compliance to these channels, introducing an efficient capital market to link between the net savers (households) and net investors (entrepreneurs) results in reduction of transactions costs associated with funneling savings, making the household savings highly liquid, enabling selection of efficient investments by gathering information on investment returns efficiently, and providing markets for diversification of risks by households and corporate. If the capital markets are not efficient, the public offering largely disappears as a result of high transaction costs or the uncertainty of getting a fair price in the stock market. Thus, inefficient capital markets may reduce the incentive to enter new ventures, reducing overall long-term productivity of the economy. On the other hand, an efficient capital market reduces the transaction costs of trading the ownership of the physical assets and thereby paves the way for the emergence of an optimal ownership structure. Thus, efficient and liquid capital markets provide avenues for the effective utilization of funds for long-term investment purposes by mobilizing them from the surplus spending economic units to the deficit spending economic units (Ekineh, 1996).

3. METHODOLOGY

This study makes use of time series data which are sourced from the National Bureau of Statistics through the publication of the Central Bank of Nigeria from 1988-2017 which is a sample size of 30 years. In this research work, the model is used to show the relationship between the variables. The regression analysis makes use of a major tool which is the linear regression. In linear regression, the model specification is that the independent variable (y) is a linear combination of the parameters (but need not be linear in the independent variables) (Freedman, 2005). In linear regression for modeling "n" data points there is one and more than one independent variable: x, (or X2, X3 and Xn) and two parameters, b_0 and b_1:
Straight line: $y = b_0 + b_1x_1 + Ei$, i= 1,…,n.

Hypothesis One

H_{01}: There is no significant relationship between stock market activities (using All Share Index: ASI) and Nigeria's capital Expenditure

$y=0.003x+235.0$

Where Y = Capital Expenditure (dependent variable)
X = all share index (independent variable)

Hypothesis Two

H_{02}: There is no significant relationship between capital market activities and Nigeria's gross fixed capital formation.

Y = f (X1, X2, X3)
Y = Gross fixed capital formation (dependent variable)
X = market capitalization (independent variable)
X2 = Value of transactions (independent variable)
X3 = Value of New Issues (independent variable)

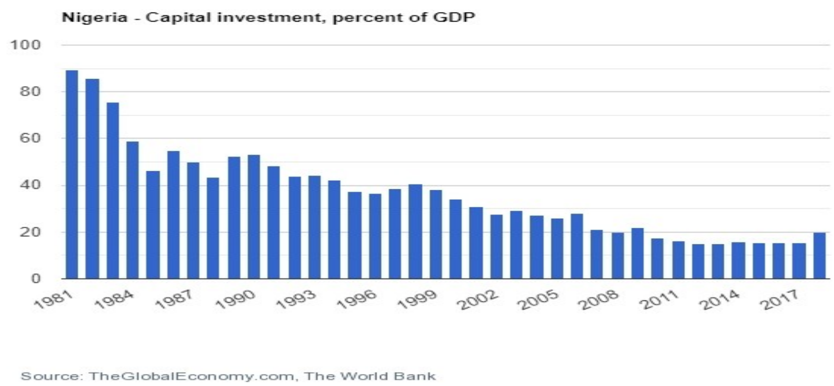
Standard error test: The standard error will show that the estimates are accurate only if they are less than the half of the coefficient.
T-test: It is carried out in order to ascertain the significant of the parameters. The student t distribution will test the null hypothesis $H_0 = \beta_1 = 0$ against the alternative hypothesis. $H_1 = \beta_1 \neq 0$.

R^2 Coefficient of Determination: This reveals the proportion variation variable in the dependent variable that is explained by the independent variables.

F-Test: It reveals the significant of the overall regression equation for further prediction. This test, at (k-1) (n-k) degree and N is the number of observation and at 5% level of significant will indicate whether or not the expected variables is likely to have occurred by chance or not.

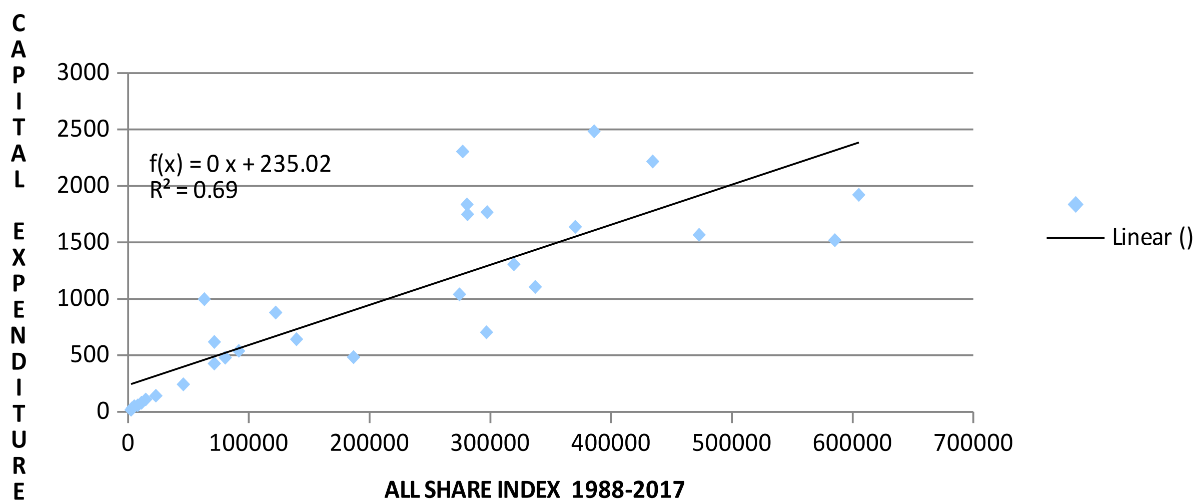
4. RESULT AND DISCUSSION

Analysis of data is presented according to the order of the stated hypothesis. However, the data were analysis through the aid of E-view software while results extracted were summarized as follows:



The above figures show the pattern of Nigeria capital investment. the 2017 experience a rise after sustaining a stable figure in the preceding years.

SCATTER PLOT OF CAPITAL EXPENDITURE VERSUS ALL SHARE INDEX



Hypothesis One

H_0: There is no significant relationship between capital market activities and Nigeria's economic growth.

From the above there is a significant relationship between capital market and capital investment; with a correlation at 0.69 or 69%. The implication of this is that any decision or policy which affects the capital market will also have a significant impact on capital investment all things being equal.

Hypothesis Two

H_0: There is no significant relationship between stock market activities and Nigeria's gross fixed capital formation.

Estimated variable	GFC = 195732.+134.9703MCP+3.954461VN+2179.77VTR
Coefficient of determination (R^2)	0.910333 or 91.03%
Standard error Test (S)	(115617.6), (64.84456), (0.775280), (398.0071)
Student's T-test (t)	(-1.692925), (2.081444), (5.100685), (5.476712)
F – test	74.45060

GFC is positively and strongly related to MC, VN and VTR which means that the higher the variables, the higher Nigeria's gross fixed capital formation and also strongly fitted at R^2 = 91.03% implying that 91.03 percent of the total variation found in Gross fixed capital is explained by the presence of the variables. The t–cal values for MC, VN and VTR at 2.081444, 5.100685 and 5.476712 respectively are significant at 5% confidence level. The result indicates that value of new issues and value of transaction have stronger influence on GFC while market capitalization has a lesser influence on GFC. Moreover, the f-cal at 74.45060 is significant at 5% confidence level which implies that the overall regression is statistically significant thus we accept the alternative hypothesis that there is significant relationship between stock market activities and Nigeria's gross fixed capital formation.

The findings supports the work of Nwakanma and Nnamdi (2012) who using multiple correlation established a significant relationship between the Nigerian Stock Market Capitalization and Corporate net sectoral investments, while net corporate investments in four sectors of capital market activity – petroleum marketing, building materials, packaging and banking are found to significantly contribute to variations in Nigeria's GDP. In the same vein, Okpara (2006), Isu and Ndubuisi (2002), Iyoha and Ogun (2005), Akujuobi and Akujuobi (2007), Ogbulu (2009) and Okpara (2010) all found significant relationships between capital market activity and Nigeria's economic growth. However, Ewah et al; (2009) 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, low absorptive capitalization, illiquidity, misappropriation of funds among others. Harris (1997) did not find hard evidence that stock market activity affects the level of economic growth. And also Osinubi and Amaghionyeodiwe (2003) did not support the claim that stock market development promotes economic growth.

5. CONCLUSION AND RECOMMENDATIONS

The capital market is intended to be for the issuance and trading of long-term securities, the lack of an advanced and vibrand capital market can lead to underutilization of financial resources. The developed capital market also provides access to the foreign capital investments for domestic industry. Thus capital market definitely plays a constructive role in the mobilization of capital investments. In order for the Nigerian capital market to be a pivotal force in Nigeria socio-economic growth and development and encouragement of local investment, the following suggestions are put forward:

i. First, improvement in the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practices, electronic fund clearance and eliminate physical transfer of shares.
ii. There is also need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transactions and dealings in the stock exchange. It must also address the reported cases of abuses and sharp practices by some companies in the market.
iii. Efficient awareness of the opportunities available in the capital market making is it possible for capital investments.
iv. Proper supervision and controls of capital expenditures to ensure that the intent of capital investments is achieved.

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Impact of Investor's Risk Perception on Investment Decisions in Nigeria

LAWAL, Mary

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E-Mail: moyiza28@yahoo.com, Phone No: +234 8035668566

Abstract

Risk is an inherent feature of all types of financial investments due to the variability in the actual and expected returns on investment .The concept 'risk perception' means the way in which investors view the risk of financial assets, based on their concerns and experience. The risk perception of investors is an important factor that influences the investment decisions. Hence, in the present study, based on the review of literature and discussions with experts in the field, a number of factors influencing the risk perception of investors were identified. These factors include unpredictability of returns, knowledge about the financial assets, chance for incurring loss, diversification of portfolios, and dependence on professional investment advice. The study utilized secondary data and is explorative. The study concludes that investors' risk perception impacts positively on investment decision. The study recommends that investors have a better understanding of an investments' potential return of fixed-income products. Finally, future researches in this area should be conducted that will utilize more statistical techniques

Keywords: Investors, Risk Perception, Investment Decisions, Financial Assets

1. INTRODUCTION

The impact of risk perception on the investment decisions of a prudent investor is an emerging subject in the behavioral finance literature. Risk is the chance that an outcome or investment's actual gains will differ from an expected outcome or returns. Risk is an inherent feature of all types of financial investments. Lazarte and Tranchard (2011) defined risk as 'the effect of uncertainty on objectives. According to Pandy (2006), risk is the variability that is likely to occur in the future returns of a project. To an investor, risk could be the probability that the actual return on an investment will be lower than the expected return. Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). Perception is the process by which an individual is in search of pre-eminent clarification of sensory information so that the investor can make a final judgment based on their level of expertise and past experience. Therefore, risk perception means the way in which investors view the risk of financial assets, based on their concerns and experience. Risk perception is the belief, whether rational or irrational, held by an individual, group, or society about the chance of occurrence of a risk or about the extent, magnitude, and timing of its effect is a critical success factor that promotes effective decision-making in risky situations.

According to modern portfolio theory, the objective of an investor is to select the investment in such a way as to diversify the risk and at the same time, not reducing expected returns. Risk is described as 'the possibility of loss, or other adverse or unwelcome developments. Farounbi (2006) supported this view by stating that risk occurs where it is not known what the future outcome will be, but where the various possible outcomes may be expected with some degree of confidence from knowledge of past or existing events, in order words probabilities of alternatives could be estimated. He described uncertainty on the other hand as a situation where future outcome cannot be predicted with any degree of confidence from knowledge of past or existing events thus probability estimates are not available for possible outcomes. This is an indication that risk and uncertainty affects investment decisions and therefore directly or indirectly affect the organizational goals and objectives in focus. This explains why Damodaran (2003) view risk to include both downside and upside risk. Risks and uncertainties are evident in investment decisions thus the investors' perception of risk guides them on making investment decisions. Complicating the analysis of financial risk is the fact that each investor has his or her own tolerance of risk and perception towards risk. The risk perception of investors is an important factor that influences the investment decisions. This study therefore seeks to examine the impact of investors' risk perception on investment decisions.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Investment Decisions

The Investment Decision relates to the decision made by the investors with respect to the amount of funds to be deployed in the investment opportunities by selecting the type of stock in which the funds will be invested by the firm or individual.
Investment decision generally means the determination made by investors as to where,when,how, and how much funds will be invested on various avenues of financial products or instruments with the objective of generating income or appreciation in value.Also, the concept, investment decision is defined as the decision taken by individual investors while investing in the capital market. The behavioral finance scholars found out that decisions could be influenced by unavoidable psychological and emotional factors. Better understanding of these factors will help the investors to take an appropriate investment decision and also help them to avoid their repeating mistakes in future in extracting the best financial investment avenue. Also Barber and Ordean (2011), there is an ample impact of various factors on the decision making process of aninvestor while making any kind of investment in a particular security.

Riaz (2012) found that the propensity to take risk, the available information and how it is presented to investors have influenced the decision making of investors in an obvious strength. Another contribution in behavioral finance concluded that the demographical factors including Investor's age, Income, and psychological factors such as Awareness concerning investment channel and Past experience have most common effect on the decision making behavior of individual investors (Sohan & Patidar; 2010). Factors like financial statement elements, real EPS (earning per share) were considered important than economy and industry related factors (Khanifar, 2012). For many years of research and investigation, researchers have been doing serious studies of how individual investor state of mind has to do while making investment decisions.

2.1.2 Concept of risk

Risk is the chance of loss due to variability of returns on an investment. Incase of every investment, there is a chance of loss. It may be loss of interest, dividend or principal amount of investment. However, risk and return are inseparable. Return is a precise statistical term and it is measurable. But the risk is not precise statistical term however, the risk can be quantified. The investment process should be considered in terms of both risk and return. Common concepts in risk such as risk-averse, risk seeker and risk neutral give an understanding of the various positions from which investors view risk in their investment decisions.

A risk-averse investor is one who when given a choice between more or less risky investments, with identical expected money returns; he will select the less risky investment. Investors usually prefer the least spread of variance, if expected return is supposed to be held constant. People always prefer a sure outcome rather than a risky prospect with the same expected values. The risk averse investor is not interested in high risk investment especially those requiring heavy capital outlay. For this type of investor, he may, unknown to him be losing to inflation as a result of holding the cash loosely without investing it. The risk seeker tends to be on a gaining side because this investor pursues investments with high risk for high capital gain. The risk neutral investor does not have regard for the presence of risk or the uncertainty that follows investment decisions. He attempts any investment that comes his way whether the gain is high or not. For each of these groups, the presence of risk is identified from risk of loss of cash that could have been invested profitably as compared to the risk of losses that can be pre-empted and managed in order to eliminate or reduce risk. Various components cause the variability in expected returns, which are known as elements of risk. There are broadly two groups of elements classified as systematic risk and unsystematic risk.

2.1.3 Concept of Risk Perception

Each and every investor is different from the other. They perceive risk differently. The variance of portfolio returns is generally said to be the most important risk measure, used in the risk-return trade-off. On the other hand, in the common perception risk is mostly related to the possibility and magnitude of negative deviations from the pre-set benchmark. Veld and Merkolova (2007) in their study of individual investor's risk perception revealed that individual investors use a variety of risk measures at the same time. They tried to test which risk measures influence the individual investor's decision-making. The variance is one of the risk measures, but besides the variance, investors also use several measures of shortfall risk. In particular, semi-variance of returns is found to reflect the investors risk perceptions most often.

2.1.4 Concept of Risk Tolerance

Financial risk tolerance is defined as the maximum amount of uncertainty that someone is willing to accept when making a financial decision. Although the importance of assessing financial risk tolerance is well documented, in practice the assessment process tends to be very difficult due to the subjective nature of risk taking (the risk of investor willing to reveal their risk tolerance) and objective factors such as Grable and Joo (1997), Grable and Lytton (1999), and Grable (2000). Risk tolerance represents one person's attitude towards taking risk. This indicated is an important concept that has implications for both financial service providers (asset management institution or other financial planner) and consumers (investors). For the latter, risk tolerance is one factor which may determine the appropriate composition of many assets in a portfolio which is optimal and satisfied investors invest preference in terms of risk and return relative to the needs of the individual investors Droms, (1987), Hallahan (2004).

2.1.5 Investor's Socio-Economic Status and Risk Tolerance

Some researchers have indicated that the validity of widely used demographics as determinants of risk tolerance is noteworthy as the relationship between socio-economic status differences including gender, age, income level, net assets, marital status, educational level and investment decision or portfolio choice. With regard to the financial risk tolerance literatures, there is much interest in the demographic determinants and risk attention (involving three risk types: risk aversion, risk moderate and risk seeking) is particularly focused on age, gender, education level, income level, marital status, the number of dependents and net assets. Specifically, although debate remains on some issues, a range of common findings are generally observed. There are five phenomenons in socio-economic status variables differential and portfolio choice as the following; Risk tolerance decreases with age; females have a lower preference for risk than males; risk tolerance increases with education level; risk tolerance increases with income level and net assets; single (i.e., unmarried) investors are more risk tolerant than married (Roszkowski, Snelbecker, & Leimberg 1993; Grable 2000).

2.2 Empirical Literature

Aregbeyen and Mbadiugha (2011) in their study in Nigeria found that the ten most influencing factors on investor's decision in order of importance are: motivation by people who have attained financial security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of the board of directors of companies, recent financial performance of the company, ownership structure of the company, reputable predictions of future increment in share value and bonus payments. Tomola, Marshal and Obamuyi (2013), posits in their study that investment decisions of investors in Nigeria are influenced by certain identified factors. The most important principal factors are past performance of the company stock, expected stock split/capital increases/bonus, dividend policy, expected corporate earnings and get-rich-quick. These factors were significantly influenced by gender, age, marital status and educational qualification of investors in the Nigerian capital market. Specifically, the investment decisions of investors relating to past performance of the company's stock differ based on their socio-economic characteristics (age, gender, marital status and educational qualification).

Investment Company Institute (1993) conducted a study based on the objective to examine mutual fund shareholder perceptions of risk. In examining investors' perception of risk-return trade-off, the ICI findings suggested that mutual fund shareholders have a better understanding of an investments' potential return of fixed-income products. A shareholders' family history could influence his or her investment behavior and tolerance for financial risk. Madhumarthi (1998) carried out a research to find out the preferences of the investors and their perception about the risk in the Indian markets. Three classes of investors had been identified based on their risk perception namely, risk seekers, risk bearers and risk avoiders. The result indicated that a majority of the investors were influenced by the operating performance of the companies. The risk perception influenced the investment decisions of the investors and the profit earned by them. Diacon (2004) presented the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various personal financial services' products. Factor similarity test showed that there were significant differences between expert and lay investors in the way financial risk were perceived. Financial investors were likely to be less loss averse than lay investors, but were prone to affiliation bias, believed that the products were less complex, and were less cyclical and distrustful about the protection provided by the regulators. The traditional response to the finding was that experts and non experts had different perception and understanding about risk.

2.3 Theoretical Framework

2.3.1 Target MOTAD model

The Target MOTAD model is also applied in this study. The study makes use of the linear programming model referred to as Target MOTAD (i.e Minimization of Total Absolute Deviation programming developed by Tauer (1983). The model is criticized because they can only be used when an individual decision maker exists who is risk-averse and whose utility function is available. The Target MOTAD model is said to be superior to other programming models under risk because it is computational, efficient and generates solutions that meet the second –degree stochastic dominance test (Tauer1983). This is characteristic of the model will enhance the process of analyzing the impact of risk.

2.3.2 Cultural Risk theory

The Cultural Risk theory is one of the prominent theories of risk perception. The theory treats risk perception as manifesting individuals' implicit weighing of costs and benefits. Cultural theory asserts that structures of social organization endow individuals with perceptions that reinforce those structures in competition against alternative ones. This position is however criticized by Douglas and Wildavsky (1982) arguing that it ignores the role of cultural ways of life in determining what states of affairs individual see as worthy of taking risks to attain. Other criticisms indicate that the theory does not present reliable measures of individual attitudes and the amount of variance in individual perception of risk. Dake's (1991) measures are however refined to show that risk perceptions are distributed across persons in patterns better explained by culture other than other asserted influences. In actual fact, risk is common to every facet of business and human life. This agrees with Pandy (2009), Horngreen (2007) and Dennis L (2006). Within the context of risk, it is a phenomenon that has determined the success or failure of investments in projects and businesses in general where adequate care is not taken to prepare ahead for possible uncertainties.

As defined by Pandy (2006), risk is the variability that is likely to occur in the future returns of a project. Risk exists in investments because the decision maker cannot make perfect forecasts due to uncertainties in future events and forecast of cash flows. Several factors like the internal political situation of the organization, unanticipated environmental factors, natural disasters and inconsistent government policies may militate against investment plans and result in alternative sequences of cash flows which a manager may not have expected. Gate, Nicholas and Walters (2012) posited that objective setting, risk identification and reaction as well as the need for information and communication will enhance the process of risk management. A combination of all these will positively enhance performance to achieve the enterprise goal. Categorizing risk in order to pave way for effective risk management, Kaplan and Mike (2007), identified the following as types of risks: preventable risks, strategic risks and external risks.

2.3.2 Sequential decision-making Theory

This is a decision theory where decisions making proceeds into a step by step rationality, in this context Drury (2000), posited that this decision model includes seven stages that follow each other. The first five stages of this model belong to the decision making process also called the planning process described as "making choices between alternative". At the end of the decision making process he added other two stages called the control process that should measure and correct the concrete performance of the alternative selected or chosen (In investment context, the control and correction stages may record losses or low return on investments).

3. METHODOLOGY

The research presented here builds on an analysis of discourses within the range of archival evidence. The study relies on many previous studies from internet, books and already existing journals using an explorative research design.

4. RESULTS AND DISCUSSION

This study seeks to investigate the impact of investors' risk perception on investment decisions. Building on the exploratory approach, the United State Securities and Exchange Commission issued an Investor Alert to give the investors tools to make an informed decision. Before an investor makes any decision, these areas of importance need to be considered. This case in point is used as a reference based on its wide acceptability.

i. Draw a personal financial roadmap

The first step to successful investing is figuring out your goals and risk tolerance – either on your own or with the help of a financial professional. There is no guarantee that you'll make money from your investments.

ii. Evaluate your comfort zone in taking on risk

All investments involve some degree of risk. If you intend to purchase securities - such as stocks, bonds, or mutual funds - it's important that you understand before you invest that you could lose some or all of your money. The reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals. The principal concern for individuals investing in cash equivalents is inflation risk, which is the risk that inflation will outpace and erode returns over time.

iii. Consider an appropriate mix of investments

By including asset categories with investment returns that move up and down under different market conditions within a portfolio, an investor can help protect against significant losses. Historically, the returns of the three major asset categories – stocks, bonds, and cash – have not moved up and down at the same time. Market conditions that cause one asset category to do well often cause another asset category to have average or poor returns. By investing in more than one asset category, you'll reduce the risk that you'll lose money and your portfolio's overall investment returns will have a smoother ride. If one asset category's investment return falls, you'll be in a position to counteract your losses in that asset category with better investment returns in another asset category. In addition, asset allocation is important because it has major impact on whether you will meet your financial goal. If you don't include enough risk in your portfolio, your investments may not earn a large enough return to meet your goal.

iv. Be careful if investing heavily in shares of employer's stock or any individual stock

One of the most important ways to lessen the risks of investing is to diversify your investments. It is common sense: don't put all your eggs in one basket. By picking the right group of investments within an asset category, you may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.

v. Create and maintain an emergency fund

Most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it.

vi. Pay off high interest credit card debt

There is no investment strategy anywhere that pays off as well as, or with less risk than, merely paying off all high interest debt you may have. If you owe money on high interest credit cards, the wisest thing you can do under any market conditions is to pay off the balance in full as quickly as possible.

vii. Consider rebalancing portfolio occasionally

Rebalancing is bringing your portfolio back to your original asset allocation mix. By rebalancing, you'll ensure that your portfolio does not overemphasize one or more asset categories, and you'll return your portfolio to a comfortable level of risk.You can rebalance your portfolio based either on the calendar or on your investments. Many financial experts recommend that investors rebalance their portfolios on a regular time interval, such as every six or twelve months. The advantage of this method is that the calendar is a reminder of when you should consider rebalancing. Others recommend rebalancing only when the relative weight of an asset class increases or decreases more than a certain percentage that you've identified in advance. The advantage of this method is that your investments tell you when to rebalance. In either case, rebalancing tends to work best when done on a relatively infrequent basis.

viii. Avoid circumstances that can lead to fraud

Investment decision of individual investors in financial assets is usually affected by their risk perception. Hence, in the present study based on the review of literature and discussions with experts in the field a number of factors influencing the risk perception of investors were identified.

5. CONCLUSION AND RECOMMENDATIONS

From the forgoing analysis, it is clear that investors are financial conservatives. They are aware about the principle higher the risk, higher will be the return and at the same time they understand that diversified portfolio will reduce the risk. So, the investors should consider investing in a combination of schemes to achieve their specific goals. There is a need for Nigeria Mutual Funds to come out with innovative products that cater to the ever-changing customer requirements. Diversified products will keep the present momentum going for the industry in a more competitive and efficient manner. The Asset Management Companies must consider the changing perceptions, especially risk perception of investors while launching new products. This will help the Mutual Funds to capture the market.

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Nexus between E-Revenue Generation on Local Government Development in Nasarawa State

DOGO, Polycarp Paul

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E-Mail: dogopolycarp@gmail.com, Phone No. +234 08035321034

Abstract

Local government is faced with various challenges to source adequate funds for development drives and as such, E-Revenue generation has been introduced to boost internally Generated Revenue in Karu Local Government Council (LGC). This study investigated the impact of E- Revenue Internally Generated on the actual revenue collected by Local Government in Nasarawa State and to analyze the extent to which E-Revenue generation is linked tothe development of the selected local Government. Two Research questions and Two Hypotheses were formulated for the study. The study period covered six (6) years and three (3) quarters, spanning from the first quarter of 2013 to the fourth quarter of 2019. the period for pre E- Generation covered thirteen (13) quarters, spanning from the first quarter of 2013 to the third of 2016 while the period for post E-Revenue Generated covered thirteen (13) quarters, spanning from the second quarter of 2016 to the second quarter of 2019.The data analysis was carried out using Trend analysis and simple least square regression method (SPSS version 17) were adopted for the study. Karu Local Government Council was purposefully selected for the study. Secondary data from the financial statement of the Council for the stated period were sourced from the office of the Auditor General for Local Government. The t-statistics analysis was employed in testing the hypotheses. Findings of the study that E-Revenue Generation has a positive significant effect on actual revenue collected in the Council and secondly that there is a significant relationship between revenue generated and developmental effort of the Local government. The study concluded that Tax revenue and Non Tax revenue electronically generated are vital ingredients in improving the development drives of councils in Nasarawa State. Some recommendations were therefore offered in this regard.

Keywords: Local Governments, Development, E-revenue Generation, Council.

1. INTRODUCTION

The Nigerian nation in the Sixties was made up of the central Government and constituent regional Governments. One of these regions as it then was could be compared to the present day ten or more states, put together. The wide geographical spread of the regions greatly impaired the effectiveness and efficiency of governance at the Local Area. There existed a large communication gap between the rural dwellers and the regional Government, existence of thick bureaucratic bottlenecks that militated against the development of the rural communities as well as an ineffective representation of the rural communities at the regional governments to mention but a few (Andrew, 1982). These challenges triggered the creation of states out of the Regions in the late 1960s. The states became the federating units of the federation, with smaller units called the Local Government Councils. The Local Government Councils were created in response to the yearnings of the people (particularly the rural dwellers), and also the need and burning desire by Government to get closer to the governed, with a view to delivering the dividends of good governance. According to Edogbanya et al (2013) the principal aims of creating Local government Councils in Nigeria include; to serve as the third tier of government through which appropriate services and developments are made in response to the wishes of local community through their representatives. The local government is equally to serve as an intermediary between government at the center and local communities.To mobilize and utilize both human and material resources by engaging the people at the local level in the government activities and to facilitate the exercise of democratic self – government closer to the grass root of the society and to exchange initiative and leadership potential

In recent times, with the advent of technologically driven information system and the proliferation of social media, the electorates and indeed the general public have become more politically and socially aware of the workings and responsibilities of the local Government system towards her citizens. To this end, there has been an increased demand for accountability and stewardship by the electorates. Suppliers and contractors demand performance profiles to ascertain the liquidity and other financial measures, so as to assure themselves, of the capability of

Government to meet their contractual and financial obligations. Often times also, the Government will indulge in borrowing from commercial and other financial institutions. These institutions as a practice would retrospectively dig into Government"s performance with a view to projecting their future financial capacity before granting any facility. Electronic revenue collection in developing countries has gained increased prominence. According to Cobham (2010) the electronic tax system was introduced globally about 30 years ago. It started in 1986 as a little computer test program in which only five tax payers from Cincinnati, Raleigh Durham, and Phoenix agreed to participate. Since then, electronic tax system has become a common channel, serving various tax payers across the global yearly. Wasao, (2014) describes electronic tax system is an online system or channel where taxpayers are able to have access or permit to the platform through the use of internet, in other to have access to all the services provided by the tax authority such as the registration for a tax identification number, electronic tax filing of tax returns, the Electronic taxation system that was introduced in Nigeria in the year 2013 by the Federal Inland Revenue service (FIRS).

FIRS for instance is one of the financial and tax authorities in the world that conducts this Electronic tax payment system through the Business Process Improvement (BPI) and increases scope of electronic interface with various taxpayers so as to increase the efficiency and effectiveness of staff and services .According to Crede (2008) governments world-wide, have invested highly in electronic systems for the past two decades. Harold (2011) wrote that revenue collection system is the hub of every public administration system and the cornerstone of sound fiscal management.The researcher argued that there is a need to look into the structural and operational frameworks governing the national revenue authority, increase treasury control system of all revenue sources, increase legislative overview and credibility. Karu Local Government Council (LGC) is one of the thirteen LGCs in Nasarawa State created by law in 1992.Karu LGClike any other LGC in Nasarawa State and Nigeria at large is confronted with paucity funds to carry out its core mandate. Dwindling revenue from Federal Allocations, the Council allocated funds continue to decline on monthly basis where is cannot pay full salaries to staff, talk more of provisions of basic social amenities to the people. This has led to deployment of innovative approaches by the application of Information and Communication Technology (ICT) in the entire process chain of Internally Generated Revenue (IGR) in Karu LGC.

An empirical study carried out by Ehule, O (2015) on the impact of internally generated revenue on the performance of a public sector, reveals that permits and rates have significant positive impact on performance. Edogbonya, D (2013) studied the impact of revenue generation on government developmental efforts. The study found out that internally generated revenue has positive relationship on government capital projects. The relationship between tax revenues and economic growth vis-à-vis performance has been extensively studied at the federal and state levels with empirical study on non tax revenuesOjo L (2014). Again, the few studies carried out on internal revenues and performance at the Local Government levels are centered on the relationship between tax revenues and performance by Musa D.(2016), again a study was out studies on non tax revenues which are equally an important aspect of internal revenue. empirical study on performance have dealt with payment of salaries and allowances of employees, which are considered as implied responsibilities to governments as prescribed by the 1999 constitution, (Ironkwe, U. 2016). There are no much studies on the link between E-Revenue Generation and the development of Local Government. The study therefore intends to harp in on the observed gap with a view to bridging it.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Taxation

Taxation like most topics or subject matter in management sciences is difficult to give a universal definition acceptable to everyone. Despite this fact however, some literature on taxation have attempted to define it in such a way that it will at least give insight or a general picture of what it is all about. The international Encyclopedia of social sciences defines taxation as "A general concept or device used by government to extract money or other valuable things from people and organization by the use of law. Attamah (2004) Defined tax as a compulsory levy imposed on individuals and organizations by government. He concluded that tax is a good source of revenue to government, thereby bring about economic growth Udabah (2002) sees tax as a levy necessary to meet the cost of services and infrastructural development desired by the community which should be provided by the government. Primarily, he argued that taxation was initially introduced to raise revenue to meet government expenditure. From the definitions above among several of its kind, it could clearly be seen that taxation is therefore, one among other means of revenue generation of any government to meet the desires of the citizens. The purpose of taxation as stated by the French law is for the provision of the armed forces and administrative expenditures. Miller and Oats (2006) maintain "taxation is required to finance public expenditure. However, there are other sources of revenue generation for government these include but not limited to Fines and Charges, Foreign aides and grants, Loans etc.

2.1.2 E-Taxation Conceptualized

E-taxation is the process of collection and administration of tax procedure through an electronic medium. According to Che-Azmi and Kamarulzaman (2014) E-tax payment system is one of the ways through which governments globally make use of information and communication technologies to enhance the provision of public services and the circulation of public administration information to the society. Wasao (2014) describes electronic tax system as an online system or channel where taxpayers are able to have access or permit to the platform through the use of internet, in other to have access to all the services provided by the tax authority such as the registration for a tax identification number, electronic tax filing of tax returns. E-tax payment system was introduced in 1986 in the U.S.A. In Australia electronic tax payment was introduced in 1987. In 1993, Canada started the usage of electronic tax payment other developed countries of the world such as Malaysia and Netherlands introduced electronic payment of tax to their taxpayers in 2009. In Africa, Uganda introduced electronic tax payment system in 2009, while Egypt started in March 2013, so as to maintain a close proximity with the international trades towards automated payments systems, for e-government.

In Karu LGC E-Revenue payment system was introduced in 2015 in conjunction with an ICT firm (Byteworks Technology Solution Ltd) and Interswitch respectively.According to Okunowo, (2015). Electronic tax payment was introduced so as to increase revenue Generation and for easy accessibility as tax payers are able to pay taxes from different locations and at various time. Karu LGC has built a data base and platform where taxpayers data are housed, Harmonized Demand Notice are generated, payment are received and monitored as well generation of receipts. The main aim is to increase revenue generation as leakages are blocked and all revenue payment aremade strictly via the platform from any bank of choice by taxpayers. In the authority of Abdulrazaq (2015) Elements of Electronic Tax Payment systems in Nigeria are:

i. Taxpayers in Karu LGC can pay the following taxes online, e.g. Harmonized Demand Notice (HDN) for Sanitation Levy, Business Permit, Advert Display Permit, Liquor License, RSTV are computed, generated and pay online via the platform call Karu Local government Internal Central Revenue System (KICKS).

ii. More so, tax payers can pay their taxes directly from their various banks account and this is achieved by Karu LGC in conjunction with Interswitch.

iii. Tax receipts and certificates can now be easily applied for and processed online without having to visit the office of the tax authority

iv. All business both formal and informal as well as properties are enumerated and issued with Karu Local government Number (KLIN) and Property Identification (PID) thereby making the process of documentation, retrieval and classification easy

v. Electronic exchange of information between tax payers and Karu LGC Revenue Official.

vi. Charging of fines and fees for lateness:

The online system automatically calculates and updates the default list for enforcement of defaulters of revenue payment.

2.2 Empirical Review

Lai (2008) examined the effect of e-filling on revenue generation in Malaysia; it revealed the extent to which tax revenue generation has contributed towards the economy's revenue and Gross Domestic Product and also the effect of tax evasion and tax avoidance on revenue generation in Malaysia. The study employed both primary and secondary sources of data. Using a survey research design, both descriptive and regression analysis were carried out on the data. Findings from the study revealed that taxation has a significant contribution on revenue generation, taxation has a significant contribution on Gross Domestic Product (GDP) and tax evasion and tax avoidance have a significant effect on revenue generation in Malaysia. Amabali (2009) studied the antecedents of paperless income tax filing by young professionals in India using Regression analysis. The antecedents of young Indian professionals depended on the perceived ease of the tax system, personal innovativeness in information technology, relative advantage, performance of filing service, and compatibility. Pippin and Tosun (2014) examined electronic tax filing in the United State of America. The study summarizes and analyses the demographic, socio-economic, and geographic factors affecting electronic tax filing (e-filing) in the United States for the years 1999, and 2004–2007 and the growth in e-filing between 1999 and 2007. Secondary data sourced from the IRS Statistics of Income ("SOI") Division and additional demographic and geographic information from the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS) and the census bureau were used; Analyses was carried out using regression, the rates of e-filling are noticed to be lower in rural communities with low population and with a lower share of females, Surprisingly, educational attainment is negatively correlated with e-filing rate and growth in e-filing.

Nasir (2015) examined implementing electronic tax fillings and payments in Malaysia; the main objective was to point out the benefits of maintaining a good e-tax system as opposed to a manual system. The study made use of secondary data from Malaysian Inland Revenue report from 2004 to 2011 using trend analysis to highlight the increase in tax returns since the adoption of an e-tax system in 2004. For the first two years, the number of taxpayers using the e –filling system remained far below expectation at about 5% and the tax authorities were still tackling the challenges posed by the new system such as timely and costly adaptation of the system, uncertainty and security problems, lack of technological exposure in the country etc. all of which had little or no impact on tax returns. 2006 to 2011 brought an increase in the users of the system from the disappointing 4% to an Encouraging 34% and37% in 2012,over the same period tax returns increased from 14.5% of 52GDP to 15.3%. It also showed how compliance was increased and fewer hours used in collecting taxes. The conclusion of the study was that Electronic systems for filling and paying taxes, if implemented well and used by most taxpayers, benefit both tax payer and tax authorities and guarantees a better standard of living for all citizens.

Allahverd, Alagoz and Ortakapoz (2017) examined the effect of e-taxation system on tax revenue and cost in Turkey, the study used secondary data gotten from the Turkish revenue authority, the data were examined in two groups which are pre-electronic tax period of 1993-2004 and post-electronic tax period of 2005-2016. Mann-Whitney U Test was used to analyze the data. The research also provided information on the electronic transformation of the tax system and the Turkish Tax System. According to the empirical result of the research, the transition to the electronic tax system positively affected the tax revenues and reduced the cost per tax. Barati and Bakhshayesh (2015) examined electronic tax system and the challenges facing kermansah province tax payers in Iran. The researcher made used of primary data gotten from questionnaires administered to resident of kermansah province, analyses were carried out using Spearman correlation coefficient, variance analysis, superiority indexes, the agent exploring analysis, structural equations model, in which high sensitivity is used to check their compliance and review. Results show that: technical and infrastructural variables(95/0), social influence(90/0), the expected effort (51/0), legal issues(40/0), expected performance(32/0), information access (18/0) and perceived risk(11/0) are factors of importance and more influence on the affecting factors for the adoption of electronic tax, respectively.

2.3 Theoretical Framework

2.3.1 Technology Acceptance Model (TAM)

This theory was propounded by Fred Davis in 1989, the theory was later modified by Venkatesh and Bala, (2008). Its states that an individual intention towards using a new system is determined by perceived usefulness, and perceived ease of use (PEOU), the degree to which the user expects the target system to be free of effort and more so help to increase the degree of efficiency and effectiveness of performance. Accordingly the perceived ease of use also has a direct effect on predicting usage. TAM models are very useful within and across organizations setup for accessing the applications or technologies, or to make comparisons between user groups or applications. However, the limitation of TAM is when it is used outside of the work place Perceived usefulness (PU) – This refers to the extent to which an individual believes that using a specific system would enhance and improve job performance Perceived ease of use (PEOU) –This refers to the extent to which an individual believes that by using a specific system would be easy to use and free from using a lot of pressure or effort (Davis, 1989).

2.3.2 Theory of Innovation Translation

Theory of Innovation Translation was developed by Arthur Tatnall in 1990. It is an alternative view of theory of innovation diffusion, it is a theory of innovation in which instead of using an innovation in the form it is agreed upon or proposed, potential adopters translate into a form that suits their needs that is the potential users of the innovation decides to modify the innovation in a way that best fit its current system and not adopting the innovation the exact way it was proposed. In the case of this study the innovation at hand is E-Revenue Generation, while the actor is the Karu LGC, it is expected that Karu LGC adopt E-Revenue generation in Nasarawa State not in the way it was adopted in other nations of the world rather it should be adopted in a way that suit the level of economic and technological development in the Council.

3. METHODOLOGY

The study examined the links and connection between Electronic Revenue Generation and the actual revenue generation in the development of Local Government in Nasarawa State, Nigeria.The study adopted the ex-post facto design or causal comparative design. The population for the study consists of all the thirteen Local Government Councils in Nasarawa State as contained in part 1 of the first schedule of the constitution of the Federal Republic of Nigeria 1999 as amended. Secondary data were utilized for this work and sourced from the financial statement of the Council for the stated period were sourced from the office of the Nasarawa State Auditor General for Local Government. The data sourced were revenue paid to Karu LGC in form of Levies, Permits, License and Fine. The study period covered six (6) years and three (3) quarters, spanning from the first quarter of 2013 to the fourth quarter of 2019. The period for pre E- Generation covered thirteen (13) quarters, spanning from the first quarter of 2013 to the third of 2016 while the period for post E-Revenue Generated covered thirteen (13) quarters, spanning from the second quarter of 2016 to the second quarter of 2019.

The data analysis was carried out using Trend analysis and simple least square regression method (spss version17) were adopted for the study. Karu Local Government Council was purposefully selected for the study. Secondary data from the financial statement of the Council for the stated period were sourced from the office of the Auditor General for Local Government. The t-statistics analysis was employed in testing the hypotheses .In view of the research design, paired sample t-test otherwise known as Pre-Post Test was used as the data analysis technique. The appropriateness of this method can be justified from the fact that each variable was grouped into two observations (before E-Revenue Generation adoption and after E-Revenue Generation adoption). The predictor variable for this study is E-Revenue Generation and measured by the actual amounts of tax revenues and non-tax revenues generated by the council. The criterion variable for the study is development of Local Government Council and measured by the movements in actual expenditure on road maintenance, staff salaries/wages, construction/renovation of Primary Health Care Centers/Primary Schools, drilling of Boreholes, etc by Karu LGC within the perions under investigation.

4. RESULT AND DISCUSSION

Table was used to present the data while the analysis was carried out using line and symbol graph, descriptive statistics of mean and standard deviation, paired sampled t-test. All these were achieved through E-view 9 and SPSS version 20.

4.1 Trend Analysis of the Variables

4.1.1 Trend Analysis of Actual Internal Revenue Generated Before the Advent of E-Revenue in Karu LGC

Table 1.Revenue generated from the Formal Sector, Tenement and Informal Sector in Karu LGC befor adoption of E-Revenue Generation

Periods	**Formal Sector**	**Tenement**	**Informal Sector**
Pre-E-Revenue	**₦**	**₦**	**₦**
Q1-2013	116, 507.4	175.8575	0.5878
Q2-2013	289, 081. 3	178.9823	2.7694
Q3-2013	2544492	170.6901	4.1601
Q4-2013	156.4812	185.0252	1.3993
Q1-2014	154.2939	192.1964	0.1667
Q2-2014	400.6694	180.6144	16.7834
Q3-2014	240.7724	207.0707	0.1395
Q4-2014	167.8149	222.802	2.5663
Q1-2015	174.1639	212.3853	0.7838
Q2-2015	556.2703	197.2551	0.2904
Q3-2015	273.129	211.3232	1.5191
Q4-2015	176.8439	201.2417	0.0565
Q1-2016	160.9244	193.3893	0.2486

Periods	**Informal Sector**	**Tenement**	**Informal Sector**
Post-E-Revenue	**₦**	**₦**	**₦**
Q2-2016	501.6561	64.9922	10.2796
Q3-2016	65.2876	56.399	0.2634
Q4-2016	265.3192	183.4499	0.2995
Q1-2017	166.0176	198.7343	0.228
Q2-2017	305.3955	197.7765	72.5931
Q3-2017	297.3369	207.214	24.1888
Q4-2017	164.7873	224.474	2.3935
Q1-2018	152.4191	221.3805	0.1106
Q2-2018	364.2424	246.3033	0.8258
Q3-2018	384.9345	250.5607	1.8449
Q4-2018	313.4608	254.1039	0.399
Q1-2019	203.6832	269.7938	0.318
Q2-2019	471.5832	266.7317	6.1663

Source: *Office of the Auditor General for Local Government, Nasarawa State Quarterly Report from 2013 to 2019.*

From the table above, the trend analysis of Informal Sector revenue before the advent of E-Revenue from 2013 to 2016 is presented. Overview of the trend showed that Informal Sector revenue trended up from the first quarter of 2013 to the third quarter before it declined from the last quarter of 2013 to the first quarter of 2014. It rose sharply in the second quarter of 2014, declined greatly in the third quarter before it rose again in the fourth quarter of 2014. In the same vein, from the first quarter of 2015 to the first quarter of 2016, Informal Sector revenue trended downward. The analysis further revealed a zigzag trend of Tenement revenue from the first quarter of 2013 to the second quarter of 2014, before a sudden sharp upward trend from the third quarter of 2014 to the fourth quarter of the same years. The outcome also showed a zigzag trend of Tenement revenue from the first quarter of 2014 to the first quarter of 2016. The table also revealed that there was an upward trend of company Informal Sector revenue from the base period, the first quarter of 2013, a downward trend from the second quarter to the first quarter 2014 before it rose sharply in the second quarter of 2014 and trended downward to the last quarter of 2014. It rose gently from the first quarter of 2015, before it trended up sharply from the second quarter of 2015 and decline greatly from the third quarter of the same year to the first quarter of 2016.

A cursory look at the trend analysis reveals that there was a sharp increase in the second and third quarters of 2016 in formal sector revenue after the introduction of E-Revenue generation, a sharp decrease in the fourth quarter before it maintained a parallel trend from the last quarter of 2016 to the first quarter of 2018. Averagely, it rose from the second quarter of 2018 to the third quarter before it trended downward to the first quarter of 2019 and finally rose in the second of the same year.

The trend analysis revealed that Tenement revenue from the second quarter to the third quarter of 2016 trended downwards slightly, before it rose sharply from the fourth quarter of the same year to the second quarter of 2019. This reveals the efficiency of e-taxation in the generation of tenement revenue. This drastic increase could also be attributed to adoption of E-Revenue generation system. Lastly, the table reveals the trend analysis of informal sector revenue after the introduction of E-Revenue generation. Obviously, it could be clearly seen that informal sector revenue has maintained an unstable trend on the rise in karu LGC from the second quarter of 2016 to the second quarter of 2019.

Table 2. Summary of Projects executed before E-Revenue Generation period

S/N	Projects	Before E-revenue		After E-Revenue	
		No.	Period	No	Period
1	Street/Road Construction	-	1st Qtr. 2013-1stQtr. 2016	5	2nd Qtr. 2016-1st. 2019
Q	PHCN	-	,,	12	,,
3	Blocks of Class room newly constructed and renovated.	-	,,	15	,,
4	School Desks	-	,,	700	,,
5	Drilled Motorized Boreholes	-	,,	17	,,
6	Public Toilet newly built	-	,,	32	,,
7	Reconstruction and expansion of office accommodation	-	,,	4	,,
8	Purchase Transformer	-	,,	7	,,
9	Constructions of concrete culvert	-	,,	21	,,
10	Staff Salary payment	20-50% payment	,,	Full payment	,,
	Total				

Source: Field Survey, 2020

4.2 Regression Result from all the Parameters
Dependent variable: Y

Variable	Coefficient	Std Err	T-Statistics	Prob
FSR	**0.91905**	**0.013800**	**6.659685**	**0.0949**
TTR	**1.201855**	**0.058925**	**20.39650**	**0.0312**
ISR	**71.97584**	**3.547486**	**20.28925**	**0.0315**

R-SQUARED (R2) 0.998927
Durbin Watson Statistics 2.443913
Recall that:
Y= Development in Karu LGC
FSR = Statutory Revenue Allocation
TTR= Excess Crude Revenue
ISR = Internally Generated Revenue

4.3 Discussion of Findings

From the regression result, the Durbin Watson(DW) of 2.443913 shows that there are no positiveautocorrelation among all the variables. The coefficientof determination (R2) at 99% indicates a positiverelationship between the dependent variables (thedevelopment effort of government) and the explanatoryvariables. This suggests that 99% of the changes in visible development in Karu Local government are explained by the changes in the FSR, TTR and ISR. The remaining 1% is explained by thevariables not included in the model. With regards to Statutory FSR, aunit change induces 0.09 unit increase in visible development in Karu LGC. A unit change in TTR, induces 1.2 unit increases the visible development on ground while a unit change in ISR, induces 71.9 unit increasein the visible development going on in all around Karu LGC.

5. CONCLUSION AND RECOMMENDATIONS

Literature affirmed that over the years tax compliance levels remain low and tax collections are below the targets set by most revenue collection authorities. The introduction of electronic tax systems in most countries across the global divide, developing countries like Nigeria, still face the challenges of low tax compliance and tax administration. It was argued that E-Revenue generation systems are rapidly replacing paper-based tax reporting systems. Promising many advantages over the traditional method of hard copy tax filing, these systems promise faster processing, lower cost and increased efficiency. This was the basis on which this research work was conducted to examine the link or connect between E-Revenue generation adoption and actual revenue generation in Karu LGC on one hand, and to examine the effect of E-Revenue generation on the development of Karu LGC.
Based on the outcome of the analysis carried out, it was concluded that; There is a very strong link or connect that exist between E-Revenue generation and the actual revenue generated in Karu LGC; and there is generally significant positive relationship between all the independent variables and the developmentefforts in all the sampled local governments asindicated by t-statistics deductively, most of thedevelopment efforts in the local governments are purelya function of all this important variables. Hence all thenull hypotheses are thus rejected while the alternativestands accepted.

The following recommendations were made in line with the findings of the study:

i. All other Local Government Chairmen in Nasarawa State should immediately adopt E-Revenue generation sytem so as to further maximize the expected positive impact of the initiative.
ii. To ease accessibility by taxpayers, mobile version of electronic tax portal should be created. This will no doubt increase the adoption rate by tax payers as mobile phones are being increasingly used.
iii. The Legislative Arm of Karu LGC should as a matter of urgency legislate on E-Revenue generation system making is mandatory to every administration to continue to implement it and improve it.

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Effect of Digital Economy on the Nigeria Financial Structure

ADESINA, Blessing Adenike

Department of Accounting
Bingham University,
Karu, Nasarawa State
Phone No: +234 8163840127

Abstract

This study examines the effect of digital economy on the Nigeria financial structure. The literature developed was guided by the diffusion of innovation theory and technology acceptance theory. The study adopted exploratory and ex-post facto research designs with the aid of computer based regression analysis. The Nigeria Deposit Insurance Corporation (NDIC) and the National Financial Inclusion Structure were used as source of data to establish the effect of digital economy on the Nigeria financial structure and also the report of the united nation conference on trade and development was used to explain the opportunity and challenges of digital economy. The data used were the number of e-transactions and the value of e-transaction for ATM and Mobile Money in the deposit money banks as proxy for digital economy and also the percentage of loan to deposit of the deposit money banks as proxy for Nigeria financial structure. The test of hypothesis of this study is a null hypothesis.The R-square value is 0.71; it means that the model has successfully predicted the variables. This implies that 71% changes in the loan to deposit of Deposit Money Banks are explained by the changes in the ATM and Mobile Money. The Adjusted R-squared value of 0.43 is positive and not significant; this therefore indicates that there is no strong relationship between digital economy and financial structure of the Nigerian Deposit Money Banks. Finally, the P-value is 0.29, greater than 0.05. Therefore the study conclude that there is no significant relationship between digital economy and financial structure of the Nigerian Deposit Money Banks.In line with the findings of the study, it is recommended that deposit money banks should remove the bottlenecks associated with the use of their automated teller machines and mobile money and strive to meet international best practice. Also, to prevent the evolving digital economy from exacerbating, more concerted efforts should be made to help countries strengthen their readiness to capture the opportunities arising from digitalization. To prevent the evolving digital economy from exacerbating, more concerted efforts should be made to help countries strengthen their readiness to capture the opportunities arising from digitalization.

Keywords: Digital Economy, Electronic Transaction, Nigeria Financial Structure

1. INTRODUCTION

One of the most significant changes that we experience today is the move to an Internet-based society. Some of the changes are already here, and they are spreading around the globe, others are just beginning. One of the most significant changes is in the manner we conduct business, especially in how we manage the marketplaces and commerce. Digital Economy is derived solely or primarily from digital technologies (ICT) with a business model based on digital goods or services. Digital economy is one collective term for all economic transactions that occur on the internet. It is also known as the Web Economy or the Internet Economy. With the advent of technology and the process of globalization, the digital and traditional economies are merging into one.The twenty first century movement towards advanced technology in telecommunication, information, and innovations brought up the concepts of digital technology and digital economy (Tsyganov and Apalkova, 2016). Digital economy is an economy based on digital technologies and the primary use of information technology hardware, software, applications and telecommunications in all areas of economy, including internal and external activities of organizations (Domazet and Lazić, 2017, Sutherland and Jarrahi, 2018). At the same time, digital economy refers to an economy based on professional and market knowledge, creativity, and an innovation society. Digital economy is a paradigm of global information society that is centered on technology platforms, such as the Internet, mobile or other electronic devices, used for producing, distributing, exchanging and consuming goods and services in global markets (Tsyganov and Apalkova, 2016, Balcerzak and Pietrzak, 2017). New products and needs are generated now at the rapid pace, due to the speed and volume of information, thereby opening up significant opportunities for business creation and development. Digital technologies are currently the target of investment flows and global resources throwing, human and financial (World Investment Report, 2017). So far, European countries are forecasting staffing needs that may hit when digitalizing various sectors of economy.

Digital economy plays a significant role in accelerating the economic development of a country by improving its financial structure via executing the trade of goods and services through electronic commerce on the internet,(According to OECD), manufacturing of digital equipment, publishing media production and computer programming, (According to the UK Government). The Economist Intelligence Unit and IBM joint study defines digital economy as a system that can provide a high quality of ICT infrastructure and harness the power of it to benefit consumers, businesses and governments. Despite a rapid increase in business spending on capital and services in ICT, the New Digital Economy (mobile technology, the internet, and cloud) has not yet generated any visible improvement in productivity growth (Van Ark, 2016; Nelson *et al.,* 2017). However, one should note that digital economy is still in the middle of formation, so any effects on productivity will occur only with a developed digital technology. This study therefore seeks to examine the extent to which digital economy has effect on the Nigeria financial structure.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Digital Economy

Digital economy is defined as economy based on digital technologies that cover mostly the sector of e-services and e-goods. The more enhanced approach interprets digital economy as production process based on the use of digital technologies (Yudina, 2016). Digital economy can be described as economic activity based on digital technologies and divided into auxiliary infrastructure, online services and electronic commerce (e-business). The development of a digitalized environment requires the maintenance of existing digital platforms and the creation of new know how technologies and software. M.V. Matyunina (2017) Digital economy is defined as an economy that focuses on digital technologies, i.e. it is based on digital and computing technologies. It essentially covers all business, economic, social, cultural etc. activities that are supported by the web and other digital communication technologies. Digital economy has given rise to many new trends and start-up ideas. Almost all of the biggest companies in the world (Google, Apple, Microsoft, and Amazon) are from the digital world. Some important merits of the digital economy include; Promoting use of the Internet; Rise in E-Commerce, Digital Goods and Services and Transparency

2.1.3 Concept of Financial Structure

Financial structure is the mix of short-term liabilities, short-term debt, long-term debt, and equity that a business uses to finance its assets. A significant reliance on debt funding allows shareholders to achieve a higher return on investment, since there is less equity in the business. However, this financial structure can be risky, since the firm has a large debt obligation that must be paid. A firm positioned as an oligopoly or monopoly is best able to support such a leveraged financial structure, since its sales, profits and cash flows can be reliably predicted. Conversely, a business positioned in a highly competitive market cannot support a high degree of leverage, since it experiences volatile earnings and cash flows that could cause it to miss debt payments and trigger a bankruptcy filing. A business in this latter position needs to skew its financial structure in the direction of more equity, for which there is no payback requirement. Consequently, one of the most critical issues for a CFO to deal with is the proper mix of debt and equity to employ in a company's financial structure.

2.1.4 Concept of the Components of Digital Economy

According to the OCED, Digital economy is an umbrella term used to describe markets that focus on digital technologies. It refers to the full range of our economic, social and cultural activities supported by the Internet and related information and communications technologies. These typically involve the trade of information goods or services through electronic commerce. It operates on a layered basis, with separate segments for data transportation and applications (OECD 2012). A widely accepted understanding about digital economy is its activities on and around the digital world. Thomas Mesenbourg (2001) has provided three main components for Digital Economy; E-business infrastructure (hardware, software, telecoms, networks, human capital, etc.); E-business (how business is conducted, any process that an organization conducts over computer-mediated networks) and E-commerce (transfer of goods, for example when a book is sold online).

2.1.4 Concept of Electronic Transaction

Electronic transaction also refered to as electronic banking is the best innovation that has happened in the banking industry in the 21st Century. Electronic transaction has made transacting possible away from banking premises. Transaction can now take place anywhere using various electronic devices like mobile phones, automated teller machines, point-of-sale systems, smart televisions, computers, tablets, among others. Today different baking transactions can be completed or initiated from different locations outside banking premises such as transfer and receipts of funds, balance enquiry, purchase of airtime, payment of bills and account opening. The question therefore is what is electronic banking? The concept of electronic transaction has been defined in many ways by researchers. Daniel E. (1999) defines the concept as the delivery of information and services by banks to customers via different delivery platforms that can be used on different electronic devices such as personal computers, mobile phones or digital televisions with browsers or desktop software. As good as this definition appears, it does not take into cognizance other platforms for electronic banking such as automated teller machines and point-of-sales which are the focus of this study. Similarly, Abid H. and Noreen U.C. (2006) defined electronic banking as any use of information and communication technology and other electronic means by a bank to conduct transactions and have interaction with stakeholders. This definition is broader than that of Daniel E. (1999) as it focuses on information and communication technology. Also, electronic banking is a system of payment whereby transaction takes place electronically without the use of cash. Magembe s. and Shemi A.P. (2002) defined electronic banking (e-banking) as nothing but e-business in the banking industry. Tiwari and Buse (2007) defined electronic banking as provision of banking and financial services with the help of telecommunication devices such as mobile telecommunication devices. The scope of offered services may include facilities to conduct bank transactions, to administer accounts and to access customized information. In the broader sense electronic banking enables the execution of financial services in the course of which within an electronic procedure the customer uses communication techniques in conjunction with telecommunication devices. The most easily accessible electronic platform is mobile banking.

2.2 Empirical Review

Edwin and Peter (2018) sought to understand the challenges which serve as barriers to E-Commerce adoption by small and medium scale enterprises in the Nigerian context. Findings indicates that small and medium scale online present is at best unknown. The most common e-commerce applications used by most SMEs include but not limited to the use of e-mails for communication purposes and a simple website for basic product information – information contained are usually outdated as most of these websites are hardly updated. Ogechi, Adeola and Olaniyi Evans, (2018) examined the relationship between information and communication technology (ICT), infrastructure, and tourism development in Africa between 1996 and 2016, the study identified relevant factors including bilateral real exchange rate and gross domestic product per capita of the origin countries, suggesting a major role for the variables measured in the region of origin and for those that serve as a comparison between origin and destination. Overall, the empirical results provide evidence that ICT and infrastructural development have opened huge opportunities for growing and strengthening tourism in Africa. Akinwale, Sanusi and Surujlal, (2018) examined the relationship and impact of ICT on economic growth in Nigeria. The study used secure internet server per 1 million, mobile cellular subscription per 100 people, and investment in telecoms with private sector participation (in current USD) as proxies for ICT, and GDP as proxy for economic growth for the period 1997 to 2016. The panel of data set was analyzed using autoregressive distributed lag (ARDL) which revealed that there is a co integration between ICT and economic growth, which establishes the existence of a long-run relationship between them. In the short run, only secure internet server per 1 million and mobile cellular subscription per 100 people have a positive and significant impact on economic growth, whereas investment in telecoms with private sector participation was not significant. Ustyuzhanina, Sigarev and Komarova, (2017) examined the Impact of the digital revolution on the paradigm shift in the economic development. Result viewed that the transformation of the paradigm of economic development is characterized by changes in the nature of labor division, the dominant way of interaction among business entities, and the basis of economic power. Changes in the nature of labor division imply intellectual and organizational centers getting separated from production and service departments.

Asare and Sakoe (2015) examined the effects of electronic banking on financial services in Ghana using qualitative research method. The study found out that the advent of electronic banking in Ghana has enhanced accessibility to a wide range of banking products and also delivery of banking services has been made increasingly faster to cover a wide range of customers or people referred by existing customers. Therefore, the study concluded that electronic banking has fundamentally changed the business of banking in Ghana from a financial intermediary to a financial shopping mall providing a one-stop-shop for various financial services. Musa (2014) examined the Effects of Cashless Economy Policy on financial inclusion in Nigeria. The study is an exploratory study. The result showed that Awareness, Consumer or User Value Proposition, and Infrastructure were found to have strong significant relationship with Financial Inclusion while Business Model of Financial Service Providers did not show any significant relationship with Financial Inclusion. Kumbhar (2011) observed that today almost all banks are adopting information and communication technology as a means to enhance service quality. They are providing information and communication technology-based e-service to their customers in form of electronic banking, internet banking or online banking. It brings convenience and customer centricity, enhances service quality and cost effectiveness in banking and increases customer satisfaction in banking services. Al-mutawkkil, Heshmati and Hwang, (2009) examined the Development of telecommunication and broadcasting infrastructure indices at the global level The study introduced a number of telecommunication and broadcasting sub-indices, which include the fixed telephone network, the Internet, and mobile networks, which are aggregated into a composite Telecommunication Index (TI). Results suggest that the parametric index approach may be preferred over those methods in which the subjective weighted summation of normalized variables used (non-parametric indices).

2.3 Theoretical Framework

2.3.1 Diffusion of innovations Theory

Diffusion of innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread. Everett Rogers (2003) argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system and it must be widely adopted in order to self-sustain. According to E.M. Rodger's definition, Diffusion process is the spreading or deployment of a new idea from the initial source (developer) to the end-user or adopter. The diffusion of innovations in the digital economy thus is described as a process by which the innovation is spread via communication channels between the members of the social system in a given period of time. examples are e-commerce (e-business), e-learning programs, on-line sales of games, videos, mobile applications, films, taxi aggregator programs, food delivery via electronic applications, e-banking, booking services etc. All the mentioned services become widely spread and used in everyday life. In other words, the diffusion of the digital economy is the spreading and development of once used innovation to other spheres of life. This is the process of innovation adaptation and applicability to end-users and its further deployment to the market.

2.3.2 Technology Acceptance Theory

The technology acceptance theory (TAM) postulated by Davis, F.D (1989) is an adaptation of the Reasoned Action Theory (TRAT) specifically tailored for modeling user acceptance of information systems. The goal of (TAM) is to provide an explanation of the determinants of computer acceptance that is general, capable of explaining user behavior across a broad range of end-user computing technologies and user populations, while at the same time being both parsimonious and theoretically justified. Thus, this study believes that the acceptance of contemporary digital technology by organizations is fundamental to their performance as well as improving their financial structure.

3. METHODOLOGY

Using exploratory research design, the study sourced secondary data on opportunities and challenges from united nation conference on trade and development (2019). Also, data on E-transaction (ATM and mobile money) and loan to deposit of deposit money banks whichranged between 10 banks to 22 banks from 2014 to 2018. The data were sourced from theannual reports of Nigeria Deposit Insurance Corporation (NDIC) and the National Financial Inclusion Structure to establish the effect of digital economy on the Nigeria financial structure. This study used ex-post facto research (after the event research) and correlational design for a period of years (from 2014 to 2018). The technique of data analysis for the research is regression analysis and this technique is preferred for the analysis because the research is empirical in nature and data for the study is time series. The dependent variable for this study is Nigeria financial structure which loan to of the deposit money banks is a surrogate. The independent variable is digital economy which E-transaction is a surrogate and is represented by Automated Teller Machine (ATM) and Mobile Money.

4. RESULT AND DISCUSSION

In this study, data was collected for 5 years (2014-2018) from the annual reports of Nigeria Deposit Insurance Corporation (NDIC) and the National Financial Inclusion Structure to establish the effect of digital economy on the Nigeria financial structure. The data used were the number of e-transactions and the value of e-transaction for ATM and Mobile Money in the deposit money banks as proxy for digital economy and also the percentage of loan to deposit of the deposit money banks as proxy for Nigeria financial structure.

4.1 Regression Result

The intension of this study is to establish the relationship between the Automated Teller Machine (ATM), Mobile Money and the Loan to Deposit of the Deposit Money Banks in the years between 2014 and 2018. The table below is a summary of the secondary data used for regression analysis table and the data below, was run using Ordinary Least Square of the Regression model via the use of E-views, version 10

Table 1: Time SeriesRegression Data

	Digital economy (independent variable)						Nigeria financial structure (dependent variable)	Modifier
	Number of E-transactions of DBMs		Value of E-transactions of DBMs		Value of E-transactions (%) of DBMs			
years	ATM	Mobile Money	ATM	Mobile Money	ATM	Mobile Money	Loan to deposit of DMBs	No-account opened
2014	400.3M	27.7M	3.7TN	0.3TN	8.4%	0.8%	68.11%	64,314,151
2015	433.7M	43.9M	4.0TN	0.4TN	7.9%	0.9%	73.76%	67,014,525
2016	590.2M	47.1M	5.0TN	0.8TN	7.2%	1.1%	87.29%	83,016,654
2017	800.5M	47.8M	6.4TN	1.1TN	6.5%	1.1%	72.30%	99,114,035
2018	875.5M	59.9M	6.5TN	1.2TN	4.9%	0.9%	64.69%	112,005,516

Source, NDIC and Nigeria Financial inclusion (2018)

Test of Hypothesis

Ho: There is no significant relationship between digital economy and financial structure

Decision Rule

The hypothesis is tested using Ordinary Least Square of the Regression model via the use of E-views, version 10. The significance of the variables tested in the model is assessed by comparing the p-value against the level of significance (0.05). The H_O is rejected if the p-value is less than the level of significant and we thus conclude that the variable under consideration is significant. Otherwise we accept the null hypothesis and conclude that the independent variable under consideration does not have significant effect on the dependent variable.

Dependent Variable: LOAN TO DEPOSIT OF DMBS

Method: Least Squares

Date: 03/10/20 Time: 16:10
Sample: 2014- 2018
Included observations: 5
Table 2.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ATM	3.308027	2.476746	1.335634	0.3134
MOBILE_MONEY	52.49663	25.22420	2.081201	0.1729
C	-0.256792	33.39566	-0.007689	0.9946

R-squared	0.714042	Mean dependent var	73.23000
Adjusted R-squared	0.428084	S.D. dependent var	8.630982
S.E. of regression	6.527190	Akaike info criterion	6.873539
Sum squared resid	85.20843	Schwarz criterion	6.639202
Log likelihood	-14.18385	Hannan-Quinn criter.	6.244601
F-statistic	2.497018	Durbin-Watson stat	3.055930
Prob(F-statistic)	0.285958		

Source: Compilation of the author, based on the analysis results using E-views

4.2 Discussion of Findings

According to the table above it shows that there is no significant relationship between digital economy and Nigeria financial structure.The R-square value is 0.71; it means that the model has successfully predicted the variables. This implies that 71% changes in the loan to deposit of Deposit Money Banks are explained by the changes in the ATM and Mobile Money. The Adjusted R-squared value of 0.43 is positive and not significant; this therefore indicates that there is no strong relationship between digital economy and financial structure of the Nigerian Deposit Money Banks. Finally, the P-value is 0.29, greater than 0.05. We therefore, accept the null hypothesis and conclude that there is no significant relationship between digital economy and financial structure of the Nigerian Deposit Money Banks. According to the trade and development board united nation conference (2019), the rapid spread of digital technologies is disrupting production and trade, generating both opportunities and challenges for sustainable development.

5. CONCLUSION AND RECOMMENDATION

The analysis investigated the effect of digital economy on the Nigeria financial structure with specific reference to automated teller machine (ATM), mobile money and loan to deposit of deposit money bank which were represented in numbers, naira and percentages all information from 2014 to 2018. Adopting digital has been the target of governments around the world, especially underdeveloped and developing economies. Thus, digital economy is seen by researchers as one of the key drivers of economic growth and development which informed this research effort. This study shows that digital economy has positive effect on the Nigeria financial structure, while the challenges associated with its adoption made it have no significant effect on the Nigeria financial structure. In line with the literature review, analysis and findings of this study, it is recommended that:

i. Deposit money banks should remove the bottlenecks associated with the use of their automated teller machines and mobile money transaction and strive to meet international best practice.

ii. Governments should take a holistic approach that involves multi-stakeholder dialogue With a view to securing the benefits from and minimizing the risks of digitalization. In addition, national policies and strategies should focus on harnessing digital data for development by developing relevant infrastructure, skills and regulations.

iii. The use of e-transaction in the deposit money banks should be further discussed.

iv. To prevent the evolving digital economy from exacerbating, more concerted efforts should be made to help countries strengthen their readiness to capture the opportunities arising from digitalization.

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Impact of Financial Accounting Policies on Business Performance in Nigeria

OLAFUSI, Olaseinde Samuel

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E-Mail: olafusiolaseinde@gmail.com, Phone No. +234 8036198663

Abstract

Accounting records dating back several thousand years have been found in various parts of the world. These records indicate that at all levels of development, people desire information about their efforts and accomplishments. Therefore, accounting as a profession has a very important role to play in the economic development of any nation such as Nigeria. This study concluded that that there is a strong positive relationship on the adoption of IFRS and has imparted immensely on financial performance of Organizations in Nigeria, IFRS improves business efficiency and productivity for effective business performance, more than one set of accounts for different national jurisdictions. It is recommended that the financial reporting practice in Nigeria should cut across the public and private sector to bring uniformity in accounting practice regarding annual preparation of financial reports that will guarantee investment.

Keywords: ; Organization, Financial Statement, Performance, Investment

1. INTRODUCTION

Prior to the information of the international accounting standards committee (IASC) on 29th June, 1993, by a group of pioneer accounting bodies in united kingdom, United State of America, Australia, Canada, France, Germany, Japan, Mexico, the Neither land and Island. Merge (1979) says that there existed differences both inform of these accounting standards. It was in the light of these differences that the international accounting standards committee (IASC) come with their objective to harmonize these standards and made their application world-wide. Amore (1986:16) says that the standards issue by the (IASC) however, does not meet our local conditions environment, thus the need for Nigeria to have local accounting setting body that would give due economic environment when setting these standards become necessary. Further, Falyse (1984:22) stressed that if accounting standards are to contribute effectively to the accounting development and business environment effort, they must be turned to our social legal and business environment. However, with the global movement towards single financial reporting standard, the previous initiative of the Nigeria accounting standards Board (NASB) Now replaced with financial Reporting Council (FRC) of Nigeria with convergence with international financial reporting standard (IFRS) by adaptation. Nigeria IFRS road map was released in 2010 and recommended them to adopt the IFRS in Nigeria from 2012

The IASB (International accounting standards Board) is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing or using financial reports, and in accounting education. The international accounting standard Board (IASB) members are responsible for the development and publication of IFRS standards, including the IFRS for SME's standards. The Board is also responsible for approving interpretations of IFRS as developed by the IFRS interpretations committee (formerly IFRIC). All meeting of the (IASB) follows a thorough open andtransparent due process of which the publication of consultative documents such as discussion paper and exposure drafts for public comment is an important component. The (IASB) engage closely with stakeholder around the world including investors analysts, accounting standards letter and the accounting profession the IFRS interpretation committee comprises 14 voting members appointed by the trustee's and drawn from a variety of countries and progression background. The financial reporting council has been pre-occupied with exposure drafts and the issues of international facilities, reporting standard. To date Nigeria has 13 accounting standards wholly developed to suit the economic business environment.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Accounting

It is obvious that accounting standards are important to all users of the statement of accounting and allied course as they are usually subject of examination. Preparation of accounting information includes: The financial statement and the auditor. The financial accountant who may be acting in the capacity of Chief Accountant prepares the annual accounts of the organization with attempts of complying with the accounting standards. The auditor must audit the financial statement prepared by the financial accountant and find out if the statement complies with specific requirements of the accounting standards and the express his opinion as to whether the financial statement shows a true and fair view or not.Users of financial information include:

i. **Management:** They use the standard to get better understanding of the financial statement for analyzing the organization's performance and position and taking appropriate measures to improve the company results and objectives.

ii. **Creditors:** They include both present and potentials ones for determining the credit worthiness of the organization. Terms of the credit are set by creditor according to their assessment of their customers financial health. Creditors include suppliers as well as lenders of finance such as banks.

iii. **Investors:** For analyzing the feasibility of investing in the company. Investors want to make sure they can earn a reasonable return on their investment before they commit any financial resources to the company. Example are lenders and debentures holders.

Other users of financial statement include banks financial analysts, economists and statistics among others.

2.1.2 Financial Data Quality

Miller, (2002) acknowledged the concept of accounting information quality as a new model to achieve tremendous benefits that indicate the need of administration to communicate with shareholders to understand their needs and serve them fast and in the best possible way. Such characteristics aim to help administrators when developing accounting standards and assist accountants in the preparation of financial statements in assessing the accounting information that results from the application of alternative accounting methods and distinguish between what is a necessary clarification and what is not according to the users of accounting information. Accounting information provided by financial statement is used by various people. These groups of users need the knowledge of accounting standards to have thorough understanding of the financial statements.

2.1.3 Concept of Information System

Idris, (2005) defined the information system as "A system which includes a set of elements and reactants components of the relevant reciprocity that work together to collect, operate, store, distribute necessary information for the decision- making process in the organization". Information system is a system consisting of a set of parts and procedure interacting with each other in order to collect, process, and store the appropriate data, and deliver the appropriate information in the appropriate time and place and accuracy suitable for the process of decision-making in the organization and in a form which contributes to achieve its objectives". Romney andsteinbart (2012), and Gel, (2010) defined an accounting information system as a collection of parts and sub systems that are connected with each other and with the surrounding environment and operate as a single overlap relationship between each other and between the system that combines, where each part depends on the other in achieving the goals sought by the comprehensive system of accounting, in order to provide data and information to decision makers. It then means, accounting information systems collect, record, store and handles data to provide information to decision-makers via advanced technology or simple system or in between of the two. Ahmad (2006) assert "in order for accounting information to achieve its desired goals, it should have the following basic properties; it should be; Appropriate, Credible, Timely, Understandable, Important, and posses' financial data quality

2.2 Empirical Framework

Chang (2001) asserts that accounting information plays a significant role in enhancing organizational effectiveness in a global competitive environment. Dorms, Jarmin and Klimek (2004) say that financial statements still remain the most important source of externally feasible information on companies. In spite of their widespread use and continuing advance, there is some concern that accounting practice has not kept pace with rapid economic and high technology charges which invariably affects the value relevance of accounting information. The importance of changes assertion is reinforced by massive accounting fraud in developed countries especially United States of America (USA) and in almost all developing countries like Nigeria, rapidly changing business environment and reports by some researchers that value relevance of accounting information has declined due to rapid economic and high innovative accounting packages or software. However, a number of researchers claim that accounting information has not lost its value relevance irrespective of this. Borthick and Clark (1990) believe that accounting exists because it satisfies a need primarily for information. In order to be relevant, accounting data must be quick to respond to users' need (particularly the investors). Generally, investors are not in a situation to directly access the performance of companies in which they intend to invest. They usually depend on financial reports prepared by the management of such organizations. Financial report is one of the best sources of accounting information about a company`s performance. Financial reporting is an essential part of disclosure that helps investor to discover investment opportunities. The primary purpose of financial statements is to provide information concerning the financial situation of the company, its operational results, any changes of control in the company and cash flow.

Khaled and Abdulqawi (2015), analyzed the role of accounting information systems and the effect of their use in improving the value chain of the business organizations using a study tool (questionnaire) based on the theoretical framework and previous studies. Using the appropriate statistical analysis tools for the study data (arithmetic mean, standard deviation, and testing of T-test One Sample) the research found a deficiency in the level of the availability of the basic components of accounting systems and the level of the quality of accounting information required to improve the value chain of business organizations in public shareholding industrial companies in the Kingdom of Bahrain in general, and recommended the need to work on improving the level of the basic components of accounting systems to improve the quality of accounting information, in order to improve the value chain of public shareholding industrial companies in the Kingdom of Bahrain; specifically in regards to the existence of clear and specific work procedures in the accounting system, the level of the effectiveness of internal control measures, clear definition of responsibilities and authority, and management's attention in training and continuing education programs for employees. Hla and Teru (2015), examined the efficiency of Accounting Information System on performance measures using the secondary data in which it was found that the biggest impact Information technology has made on accounting is the ability of companies to develop and use computerized systems to track and record financial transactions in facilitating management decision making, internal controls, and quality of the financial report. The study recommends that businesses, firms, and organization should adopt the use of AIS because adequate accounting information is essential for an effective decision-making process and enables all levels of management get sufficient, adequate, relevant and true information for planning and controlling activities of the business organization.

2.3 Theoretical Framework

2.3.1 Contingency theory

A contingency theory is an organization theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. A contingent leader effectively applied his own style of leadership to the right situation. Financial accounting has been suggested as one of important management techniques, which distinctly adds values, by continuously probing whether resources are used effectively by people and organizations, in creating value for customers and shareholders. Financial accounting information is the information relied upon to provide information to managers for making decisions that will lead to effective performance. These systems traditionally apply a variety of techniques, including the standard costing of products, absorption costing and budgeting to provide timely and accurate information managers/shareholders, which will assist them in controlling costs, measuring and improving productivity and thus ensure the achievement of the business goals (Amey & Egginton 1973). These accounting systems according to Gordon and Miller (1976), maybe custom-designed to improve poorly functioning organizations, by providing information most relevant to the key organizational problems and opportunities; Based on views expressed in other studies Adelegan (2001) also noted that information produced by the financial statement and the way it is used, can support or hinder impact in organizations. These arguments which appear to suggest that improving performance will necessitate the adopting appropriate of design of financial accounting information by companies are in line contingency theory. The theory is providing explanation of the functioning of financial accounting information in their organizational context, views the systems as decision facilitating mechanisms, which should be tailored to an organizations structural, environmental and strategic situation to bring about good organizational performance (Gordon and Narayarn, 1984)

2.3.2 Political Perspective

Under this view, standard-setting process suggests that politics can havea first order effect on how accounting standards is set. Watts (1977) and Watts and Zimmerman(1978) have sought to develop and test economics-based theories of standard-setting thatcapture these political forces. They see political influence over standard-setting as a"purposeful intervention" in the standard-setting process by an economic entity with the goalof affecting the outcome of that process and to increase that entity's economic value or wealth.It can also be said that political influence occurs when it shifts the standard setters' positionaway from what they see as the "right answer," meaning a standard that achieves its objectives. This gives rise to the question of the objectives of standard setting (Kothari et al., 2010).Assuming a pragmatic approach of the consistent with the Financial Accounting Standard Board mission which states the following:

i. Move accounting to a position that is moreconsistent with conventionally-accepted definitions of financial statement items based oneconomics;
ii. Improve transparency; and
iii. Eliminate accounting alternatives that provide managers with additional flexibility in reporting; the Security and Exchange Commission being a government regulatoryagency can face political pressures that force it to take positions inconsistent with those of the FASB. More so, accounting firms, although, with objectives that are less clear and likely to be complex may likely participate in the process of accounting standard setting to improve the quality of financial reporting. For example, specifying accounting in an area of reporting that has become ambiguous.

2.3.3 Policy Network Theory

Heclo's (1978) issue network (also called Issue network) approach provides a theory of participation that can be applied to the standard setting process. In such application, it argues that there are individuals and organizations that have long-running interests (intellectual, economic, ideological and political) in the development and characteristics of new accounting standards. The interactions between these groups and individuals, and their ability to capture the allegiance of the standard setters themselves for their preferences, determine the contents of the new standards produced. The outcome of these standards then can be seen as the outcome of negotiations between sometimes competing groups with different interests and ideologies. All the groups involved face negotiations within themselves in order to arrive at a position, and then seek to foster negotiations with interested parties in order to achieve their preferred outcome.

2.3.4 Regulatory Capture Theory

The regulatory capture theory explains situations where regulatory agencies are captured by the industry they are supposed to be regulating (Uche, 2002). In other words, regulatory capture is the domination (capture) of a regulatory agency by the industry it seeks to regulate, thus rendering it unable to balance

competing interests when making social decision choices. In this case, the industry can then direct topics for possible legislation and reject others, which are not seen as important or in the interests of the industry. The application of this theory has focused on the relationship between an industry and the state.
Regulatory capture explains the predisposition of regulated industries to capture the regulatory body, in this case the International Accounting Standard Committee (IASC)/International Accounting Standard Board (IASB) (Mitnick, 1980; Walker, 1987). Regulatory capture theory was derived from economic theories of regulation, which sought to explain the pattern of regulation by governments (Posner, 1974). Developed by "an odd mixture of welfare state liberals, muckrakers, Marxists, and free market economists", regulatory capture theory was used to argue that regulation was supplied in response to the demands of particular interest groups (Posner, 1974). Mitnick's (1980) conception of regulatory capture focused specifically on the relationship between regulatory bodies and the industries they were intended to regulate.

It considered how aspects of this relationship can promote, capture and result in the regulatory body making decisions and taking actions consistent with the preferences of the regulated industry (Mitnick, 1980). A study by Walker (1987), a former member of the Accounting Standards Review Board (ARSB) in Australia, who provided a personal account of the Australian accounting standard setting process used Mitnick's (1980) theory of regulatory capture to argue that the accounting standard setting process in Australia had been captured by the interest groups it was established to regulate. In developing his argument, Walker (1987) traced the early history of the ASRB and noted the lobbying power of the accountancy bodies in the early stages of the ASRB's formation, which ensured that the ASRB would not have independent research capabilities. He also argued that the profession had "managed to influence the procedures, priorities, and output of the Board", and further, that it had influenced appointments to the Board so that "virtually all members of the Board might reasonably be expected to have some community of interests with the profession" (Walker, 1987). Having provided a convincing argument for the regulatory capture of the ASRB, Walker (1987) concluded by stressing the importance of highlighting the process of accounting standard setting and examining the political arrangements surrounding the process.

3. METHODOLOGY

The data for this study were collected from the secondary source. These data were gotten fromthe Institute of Chartered Accountant of Nigeria Membership Year Bookand online research materials (Projects, Journals and Paper presentations).

4. RESULT AND DISCUSSION

The key role players in the practice of accounting in Nigeria are those organizations that aresaddled with the responsibility of providing established rules and standards in the preparation ofcorporate financial statements, its audit and investigation. In general, the accounting profession and the Federal Government of Nigeria have alwaysbeen entwined. Before Nigeria gained political independence in 1960, it had no registered body for professional accountants. The development of the accounting profession in Nigeria became feasible only with the movement towards political independence in the country. Comparatively, however, the accounting profession lagged behind most other professions in Nigeria. It was, for instance, observed that: Although clergymen, lawyers and doctors have been recognized as professionals in Lagos asfar back as the later part of the nineteenth century… accountants were not so recognized because the handful of this group of skilled practitioners at that time were either civil servants or employees of the foreign trading companies based in Lagos (Aribaba, 1990, pp.304).

Further, the handful of accountants in the country as at the time were foreigners and it was notuntil 1950 that Akintola Williams became the first Nigerian to qualify as a chartered accountant when he was admitted into the Institute of Chartered Accountants of England and Wales (ICAEW). By 1960 there were 15 Nigerian members of ICAEW, one Nigerian member of the Institute of Municipal Treasurers and Accountants (now the Chartered Institute of Public Finance and Accountancy) and 24 Nigerian members of the Association of Certified and Corporate Accountants (now the Chartered Association of Certified Accountants). The foundation and historical step has been a force of organization excellence in Nigeria, which have encourage foreign investors to Nigeria and its economy has appreciates immense development in the global market.

5. CONCLUSION AND RECOMMENDATION

Based on the findings of this study, it has been deduced that Accounting setting standards/policies have evolve over the years to guarantee business performance in Nigeria.The vast directions ofaccounting policies and information on financial reporting quality presents the most important relations between the challenges and technological responses in pointing out the way for future research in order to improve the alignment between adopted technology and organization performance. Like many other aspects of education, accounting education is of paramount importance and it embodies the task of instructing accountants systematically. The instructions given in this regard will educate accountants and help them realize the skills and expertise that should qualify them to improve organization performance in the competitive market. In addition, accounting education polishes accountants and widens their understanding of accounting practices.

It cannot be ruled out that Accounting policies have developed business and economy of Nigeria since independent by various sound achievements that the FIRS and GAAP has recorded over the years on financial statements of different organization in the various Industries. The study therefore recommends further investigations into the relationship between accounting information system and financial reporting quality especially in technological adapting economies such as Nigeria. For organization performance to be deepened, it must avoid the negative effect of political perspective theory - standard-setting process suggests that politics can have a first order effect on how accounting standards is set. Watts (1977) and Watts & Zimmerman (1978) have sought to develop and test economics-based theories of standard-setting that capture these political forces.They see political influence over standard-setting as a "purposeful intervention" in the standard-setting process by an economic entity with the goal of affecting the outcome of that process and to increase that entity's economic value or wealth. It can also be said that political influence occurs when it shifts the standard setters' position away from what they see as the "right answer," meaning a standard that achieves its objectives. On both sides politics should have positive effect on accounting setting standard to ensure business performance.

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