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EDITORIAL

The publication of this maiden edition of *Ilorin Journal of Management Sciences* has become necessary to serve as a platform to disseminate knowledge of research and teachings in the field of management, social sciences and other related disciplines.

There are over forty papers submitted by different authors from various institutions of higher learning in Nigeria, but only twenty of these papers are able to scale through the hurdle for this edition. All these papers have been subjected to rigorous blind peer review and suggested corrections effected by the various authors. This unprecedented response to our call for paper attests to the high level of academic integrity and quality education which have continued to be the hallmark of our great university – the University of Ilorin, Nigeria; in recent times.

In the first paper in this issue, Monye - Emina and Jeroh write on determinants of credibility of audit reports in Nigerian Insurance sector. The study found that auditors' independence, auditors' experience and auditors' report have positive influence on the credibility of audit report.

The second paper by Abubakar addresses the issue of Islamic Banking in Nigeria, employing regression analysis the study found that social influence ($\beta = 0.2720$), service quality ($\beta = 0.177$) and religious reasons ($\beta = 0.444$) strongly influence decision to patronize Islamic Bank.

The third paper on informal sector and employment generation by Abdullahi, examines the contribution of informal sector to employment generation with reference to car wash enterprises in Zaria. It was discovered that most of the youth engaged in the car wash enterprises are not gainfully employed. The author suggested that the enterprise should be integrated into SURE – P programme of the Federal Government in order to make the enterprise to become more viable for the youth.

In the fourth paper, Dahiru presents a discourse on democracy and internal security in Nigeria. The paper found that apparent irregularities in the conduct of elections and poor governance are the bane of insecurity in Nigeria. The paper suggested genuine democracy and good governance as the solution to these problems.

The fifth paper by Gbadeyan and Olorunleke considers the consumers' attitude towards Multi – Level Marketing in Ilorin. The authors employed Fisbein model to measure consumers' attitude towards the multi – level marketing companies selected for the study and found that they had favorable attitude toward it. The paper recommends to the MLM companies, the use of information technology and effective internet marketing of product and services, in order to achieve success.

The sixth paper by Mohammed focuses on the consequences of Central Bank Governor's suspension on Nigerian stock market. The paper, using event study methodology reveals

that sudden announcement of the suspension of the Central Bank of Nigeria Governor led to a negative market reaction by Deposit Money Banks (DMB) in the Nigeria Stock Exchange floor. The paper recommends for the release of information that will minimize asymmetry between policy makers and the stock exchange market preceding the removal of such chief executive officers of public institutions like the CBN, where it become inevitable.

The seventh paper is the work of Gunu, Oni and Tsado, and it examines the extent to which pension funds have facilitated financial capital formation in Nigeria. The study reveals that out of the five assets classes considered, pension fund invested majorly in three. The paper recommends that pension fund investors should be encouraged to invest in all facet of the Nation's economy.

The eighth paper by Yahaya discusses the impact of corporate Governance on the performance of privatised enterprises in Nigeria. The author utilized t- test and Pearson correlation for his data analysis. The paper indicates that despite increase on selected firms' financial performance, the relationship between the performance and Corporate Governance was not significant. The paper suggests, Government appointing reputable regulatory body to monitor the practices of the privatized firms as a way out of these problems.

The ninth paper is on corruption, political violence and challenges of 2015 general election in Nigeria. Haliru in the paper stresses how political violence and corruption had affected the social economic development of the nation. The paper also reveals that the gaps in the electoral act had encouraged the idea of rigging, manipulation and lack of transparency.

The paper by Abubakar and Gadzama aims at examining the causes of nomadic pastoralists and sedentary farmers' conflict in Katsina State. The paper suggests that apart from the traditional methods of managing the conflict, the western alternative dispute resolutions such as negotiation, reconciliation and arbitration should be used.

The next paper by Sabo was on the issue of University autonomy, under funding and academic staff productivity in selected Federal Universities in North Western Nigeria. The paper discovered that lack of autonomy and proper funding of the Universities will undoubtedly affect the quality and quantity of the output of the academics. The paper recommends for Federal Government's adequate funding, autonomy and provision of good working conditions for the Universities' staff.

The study by Kwanbo sought to examine the effect of Public Governance and internal control mechanism on the control of cost in selected Local Governments in Kaduna State. The paper reveals a significant relationship between the interface of Governance and control mechanism on the accountant attitude towards producing a judicious cost control process. The paper recommends staff training and recruitment of degree holders as one of the means of promoting competency in managerial staff in the local government service.

Babaita's work was on competitor analysis. The paper attempts to provide guidelines to

all ventures on how to analyse their competitors' strengths and weaknesses. The paper suggests a change of strategy, supply of products or services that competitors cannot deliver and tracking of competitors' activities as some of the steps to be taken by firms in order to have edge over their competitors.

The next article by Sanni *et. al.*, established that effective lending portfolio construction is one of the problems which the management of financial institutions across the globe has to tackle on a continuous basis. The study found that commercial banks deposit have the greatest impact on commercial bank lending institutions in Nigeria, while inflation and liquidity ratio proved not to be significant. The study recommends that the Central Bank should moderate the Monetary Policy Ratio (MPR) and promotes liquidity of the bank, so as to facilitate investment and price stability in the economy.

The contribution by Ijaiya and others was a review of the impact of regional monetary integration on West African countries. The study found that the monetary integration involves establishing universal Central banks managed by nationals of the integrating countries, which implies that each of the integrating countries sovereignty would be lost over their determination of monetary integration. The paper recommends for low inflation, sustainable fiscal policies and structural policies, necessary for strong growth and monetary integration.

The next article by Sofoluwe and others, examined the effect of cashless policy on financial institution and E-business in Nigeria. It was revealed that political and economical instability may serve as hindrance to the successful implementation of the policy. The paper recommends for collaboration between CBN and the National Assembly to enact proper legislation that would ensure the policy effectiveness.

The main purpose of the paper by Iroye, is to examine those factors responsible for abysmal performance in water supply situation in the country. The paper reveals that with increasing global climate change coupled with existing un-sustainability factors inherent in conventional water management, residents in Nigeria in the near future may experience scarcer and less reliable water resources. The paper recommends that the Government should find means of conserving excess water during the raining season through the use of big and micro dams.

The second paper contributed by Sabo aims at examining the implication of the Academic Staff Union of Universities (ASUU) and the Federal Government of Nigeria (FGN) dispute on the Nigerian educational sector. The study like other similar studies such as Obasi(1991), Ajayi and Awe(2008) and others ; identified three dominant factors for the lingering crisis between the Academic Staff Union of Universities(ASUU) and the Federal Government. These are the issues of University autonomy, under-funding and poor working conditions. The paper recommends for more Government emphasis on funding issues, improve staff working conditions and caution on matters bordering on the University autonomy and academic freedom.

The paper by Sanni and others, aim to elaborate on the issue of corporate social responsibility (CSR) and profitability in Nigerian Banks. The study revealed that expenditure on CSR has no significant impact on selected Banks' profitability. The paper therefore suggests that banks should exercise care on the amount committed to CSR so as not to jeopardize their profit and wealth maximization objectives

In the final paper included in this issue, Abdulquadir and Abubakar outlined the importance of customer service failure recovery (CSFR) on marketing performance in Nigeria. The consumers, despite service failures experienced by them from these telecommunication operators are willing to retain their patronage if such issues are addressed. The paper recommends that the telecommunication operators should train their service representatives to be more polite and relate well to customers.

Acknowledgements

I wish to express my appreciation to the Pioneer Dean, Faculty of Management Sciences, Professor J.O. Olujide; for his mentorship, support and confidence bestowed upon me for this onerous responsibility, I am eternally grateful to him. I would like to thank the numerous anonymous reviewers contacted for this edition. I really appreciate the excellent and valuable assistance they have provided in selecting the papers for this maiden edition.

I also, acknowledge the support given by all members of the editorial board. I hope we would be able to sustain the tempo that we have already set in motion.

Thank you.

Dr. R.A. Gbadeyan

*Editor-in-chief,
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ABOUT THE JOURNAL

Ilorin Journal of Management Sciences is published bi-annually (June and December) by the Faculty of Management Sciences, University of Ilorin, Ilorin, Nigeria. The journal publishes well researched and well articulated papers/articles on all issues in management, social sciences and other related disciplines. It also considers the conduct of research and inquiry in theoretical, empirical and experimental studies. The editors invite submission of manuscripts from contributors for publication. Manuscripts are subjected to rigorous blind peers review, and those that are accepted are published in the following issue of the journal.

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DETERMINANTS OF THE CREDIBILITY OF AUDIT REPORTS IN THE NIGERIAN INSURANCE SECTOR

BY

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ABSTRACT

This study examines the determinants of audit report credibility in Nigeria, with a focus on the Insurance sector of the country. Secondary data in respect to sampled insurance companies quoted on the floor of the Nigerian stock Exchange as at 31st January, 2013 were obtained and used in this study. The Ordinary Least Square (OLS) and the correlation coefficient technique were used to test the hypotheses formulated in this study. The study however found that Auditors Independence, Auditors experience and Audit report lag has positive relationship with the credibility of audit report, while Auditors tenure has a negative relationship with audit report credibility. On the basis of the findings of this study, we therefore recommend among others that firms should ensure that independence of their auditors is guaranteed. Similarly, firms should endeavour to engage only qualified auditors and such should not stay too long in an organization as this will affect the audit report credibility.

Keywords: Auditor, Audit Report, Credibility, Financial Statements, Insurance Sector

1. Introduction

An audit report simply refers to a report expressing the opinion of an auditor on whether or not, a company has followed due process in the preparation and presentation of her accounts, in addition to whether or not the accounts so prepared show a true and fair view of the state of affairs of the company at a particular point in time. The credibility of an audit report is very essential to investors as it assists them in making informed judgment about an entity. It enables stakeholders to ascertain whether or not, the financial statements of a firm were prepared in conformity with existing accounting principles. Over the years there have been a general call by regulators, accounting practitioners, and auditing academia towards restoring public trust in the profession through improvement in the credibility of financial reporting *vis-a-vis* audit reports following accounting scandals in the past (Hung-Chao, 2006).

This is because, according to Suyono (2012), some corporate scandals such as Enron Corporation and WorldCom in U.S.A around 2001 and 2002 as well as Kimia Farma, Indo Farma, Agis and Bank of Century in Indonesia between 2001 and 2008, have to an extent decreased user's trust in the auditors of public accounting firms. Thus, the need to improve audit report credibility in recent times cannot be overemphasized. In line with this assertion, Adeyemi, Okpala and Dabor (2012), opine that the quality of financial reporting has to be maintained in order to ensure some measure of credibility on the information contained in it. Quoting The Treasury (2010), Suyono (2012) noted that lack of independence on the part of auditors impairs the ability of auditors to exercise objective audit judgment which will affect public confidence in the audit process.

Since the audit report is the final outcome of the audit process and likely the only external means of communicating the findings of an audit exercise to external users of financial statements, it is believed that the audit report plays a crucial role in warning financial statement users of impending problems with the firm's financial reporting or internal controls, including going concern problems. This is why Beattie and Fearnley (2002) pointed that financial audit remains an integral part of corporate governance. It is however disheartening to notice that despite the prominence ascribed to external audit function, the sovereignty of the external auditor remains an issue that is currently attracting scholarly scrutiny (Adeyemi and Akinniyi, 2011). It is on the basis of this that this study is designed to ascertain the determinants of the credibility of audit reports in Nigeria, using the Insurance sector as a case study. In view of this, we hope to establish whether there is a relationship between:

- i. auditor's independence and audit report credibility;
- ii. auditor's experience and audit report credibility; and
- iii. audit's tenure and audit report credibility.

In the light of the specific objectives of this study stated above, the following hypotheses have been formulated to guide this study:

H₁: There is no positive relationship between auditor's independence and audit report credibility

H₂: There is no positive relationship between auditor experience and audit report credibility

H₃: There is no positive relationship between audit tenure and audit report credibility

2. Literature Review and Theoretical Framework

2.1. Theoretical Framework

The past few years had witnessed criticisms on auditors resulting from the perceived roles they played in corporate scandals both in developed and developing economies. Notable examples of such scandals include, but not limited to Enron, WorldCom, Global Crossing, ImClone Systems, Tyco International, Kimia Farma, Indo Farma, and Merck (Shafie, et. al., 2009; Suyono, 2012; and Hung-Chao, 2006). In fact, it was in view of these series of corporate scandals that the Sarbanes Oxley Act (SOX) was promulgated in July, 2002. Following the promulgation of the SOX, deliberate efforts have been made by scholars to analyze some explanatory variables or determinants of audit quality. Such studies include, but not limited to Chan and Wong (2002); Favere-Marchesi (2000); Chung (2004); Salehi and Bizhan (2008); Shafie et. al. (2009); Iskander, Rahmat and Ismail (2010); Zureigat (2011); Suyono (2012); Mgbame, Eragbhe and Osazuwa (2012); Adeyemi, Okpala and Dabor (2012); Al-Khaddash, Nawas and Ramadan (2013); and Enofe, Mgbame, Aderin and Ehi-Oshio (2013).

Despite the extent of the vast literature on the measurement of audit quality, Al-Khaddash, *et al.* (2013) strongly believes that to date, no single generally accepted definition or generally accepted measure of audit quality has emerged. It therefore follows that for a clearer and broad understanding of the concept of credibility of audit report, the need to have an overview of the theoretical sources generating the demand for different level of audit credibility cannot be overemphasized. It must be pointed out at this juncture that in ensuring credibility of audit reports, the auditors are guided by several theories in the discharge of their duty as auditors.

Quoting Hayes, Schilder, Dassen and Wallage (2005), Ajide (2014) identified four major theories guiding auditors in the performance of their duties. These are:

- a. The Policeman Theory,
- b. The Lending Credibility Theory,
- c. The Theory of Inspired Confidence, and
- d. Agency Theory.

❖ **The Policeman Theory:** This theory claims that the auditor is responsible for searching, discovering and preventing fraud (Ajide, 2014). By implication, the auditor's job as explained by this theory is to focus on the arithmetical accuracy of financial statements and on prevention and detection of fraud. This was the case in early 20th century. However, following decided cases over the years, the main focus of auditors have shifted from the discovery and prevention of fraud towards providing reasonable assurance on the truth and fairness view of the state of affairs of an entity at a particular point in time.

- ❖ **The Lending Credibility Theory:** This theory suggests that the primary function of the audit is to add credibility to the financial statement (Ajide, 2014). The general argument under this theory is that users of financial statements tend to have more confidence on the contents of audited financial statements than those of unaudited financial statements. This is because the auditor's accent is believed to be enough elements which to a large extent lend credence to the quality of financial reports.
- ❖ **The Theory Of Inspired Confidence:** This theory addresses the demand and supply for audit activities or services. The demand for audit services as noted by Ajide (2014) is the direct consequence of the participation of third parties in the company. These parties as Ajide (2014) further noted, demand accountability from the management, in return for their investment in the company. Quoting Ittonen (2010), Ajide (2014) stated that accountability is realized through the issuance of periodic financial reports. It therefore means that an audit is needed to guarantee the reliability of the information contained in financial statements of companies since the information provided by the management of such companies may be biased yet external users of such statements have no direct means of monitoring their preparation. The theory therefore stresses that the function of an auditor is anchored on the confidence that society places in the effectiveness of the audit in addition to the confidence that is also placed on the opinion of the accountant or auditor. This confidence is consequently a condition for the existence of that function. It follows therefore that where this confidence is betrayed; the auditors' function is automatically destroyed and becomes useless
- ❖ **Agency Theory:** This theory states that the auditor is appointed in the interest of both third parties as well as the management. According to Al-Khaddash, *et al.* (2013) audit quality as an agency relationship arises when one or more principals engage another person as their agent to perform a service on their behalf. Under this theory, auditors are appointed not only in the interest of third parties, but also in the interest of management. The relationship between the auditors and the board of directors is a good determinant of audit report credibility.

The auditor has to be careful so as not to get influenced by the board. Furthermore, the independent audit committees are considered to be a mechanism that enhances the auditor's independent position in negotiations and this increases the effectiveness and quality of the audit engagement (Ng and Tan, 2007).

This study is however anchored on the 'agency theory' since the theory is most often used in research contexts as it incorporates parts of the Policemen Theory and the Lending Credibility Theory. Another reason for our decision to anchor this study on the agency theory is because it is the most important theory explaining the demand for audit. Similarly, the theory explains the purpose of audit services in communication between a company and its environment. This in addition to the fact that perceiving the principal-agent relationship in which the principal and the agent have partly differing goals and risk preferences, the financial statement audit is therefore functioning as a monitoring mechanism. The audit is also believed to be capable of making management accountable to shareholders for its stewardship of the company.

2.2 Review of Empirical Literature on Audit Quality

Auditors have the responsibility of carrying out independent assessment on the accounts of companies and at the end of the audit exercise, they are expected to present a report which expresses their opinion on whether the accounts so prepared by management show a true and fair view of the state of affairs of such a company at a particular point in time. Several factors are believed to in one way or the other affect the credibility of the report given by the auditor at the end of the audit exercise. Over the years, prior studies (DeAngelo, 1981; Wan,Shahnaz and Nurasyikin, 2008; Suyono, 2012; and Adeniyi and Mieseigha, 2013;) have examined various factors affecting audit quality in different economies.

Adeyemi, Okpala and Dabor (2012) examined the factors affecting audit quality in Nigeria, using both primary and secondary data. In their study, they found that multiple directorship is the most significant factor affecting audit quality in Nigeria. They also found that the provision of non-audit service would likely have a significant effect on audit quality in Nigeria. In a similar study, Adeniyi and Mieseigha (2013) examined the relationship between the tenure of audit and audit quality in Nigeria, by using the Binary Logit Model estimation technique. They found that there is a negative relationship between auditor tenure and audit quality, though according to them, the variable was not significant. In consonance with the findings of Adeniyi and Mieseigha (2013), Enofe, Mgbame, Aderin and Ehi-Oshio (2013) in an attempt to examine the determinants of audit quality in Nigerian business environment found that audit tenure exhibited a negative relationship with audit quality which was also not significant. In addition, they found that audit firm size, board independence and ownership structure were positively related to audit quality.

Existing studies (DeAngelo, 1981; Dang, 2004; Alim, Trisni and Lilik, 2007; Xu and Wang, 2008; Adeyemi and Akinniyi, 2011; Oladipupo and Izedonmi, 2011 and Suyono, 2012) have however revealed that independence of statutory auditors goes a long way in determining the credibility of financial and audit reports respectively.

This is why Lindberg and Beck (2004) argued that auditor independence is the cornerstone of the auditing profession since it is believed to be the foundation of the public's trust in the accounting profession. In view of the above, we must understand that there are two aspects of independence; the real independence of the individual practitioner in the performance of his/her work and the apparent independence of auditor as a professional group (Mautz & Sharaf, 1961; Salehi, 2009a; Salehi, 2009b; and Suyono, 2012). These two concepts according to Salehi (2009b) have been referred to as 'practitioner independence' and 'professional independence'. Practitioner Independence refers to the ability of the individual practitioner to maintain a proper attitude in the process of planning the audit program, while professional independence has to do with the image of auditors as a group brought to mind when the term "audit" is used. In the views of Arens, Elder and Beasley (2010), independence is an expected audit behaviour such that auditors do not have personal interests in the course of doing their jobs since it will be contrary to the principles of integrity and objectivity. It follows therefore that where public accountants are not independent of their clients, their audit opinion may become useless because the purpose of independence itself is to enhance the credibility of financial statements.

3.0 Research Methodology

3.1 Data Type and Source

The data used in this paper was obtained from secondary sources. The study covers reports and accounts of twenty one (21) insurance companies quoted on the floor of the Nigerian Stock Exchange. Purposive sampling method was adopted in the course of selecting companies to be included in this study. This method was adopted since it conveniently helped the authors in selecting only companies with consistent data set for inclusion in the sample of this study.

3.2 Model Specification

$$ARC = f(AI, AEXP, ARL, ATEN, \mu)$$

$$ARC = B_0 + B_1AI + B_2AEXP + B_3ARL + B_4ATEN + \mu$$

Where:

ARC = Audit report credibility (using a dummy variable as a proxy for audit report credibility. Where the report was issued by a Big 4 firm, we assign the value 1, if otherwise; we assign the value 0).

AI = Auditors independence (using audit fee as a proxy).

AEXP = Auditors experience (measured by the number of years the audit firm has been Operating).

ARL = Audit report lag (measured using log of lag days which is gotten from the difference in days in which the financial statement was prepared and when audit report was signed).

ATEN = Auditors tenure (measured using number of years spent by the auditing firm in the company).

μ = Error term.

4.0 Data Analysis, Results and Decisions

In analyzing the data used in this study, the Ordinary Least Square (OLS) regression technique in addition to correlation coefficient was employed. Audit Report credibility was the main variable of interest (the dependent variable), while the explanatory variables were auditors' independence, auditors' experience, audit report lag and auditors' tenure. The descriptive statistics of the variable used in the analysis are presented in Table 4.1.

Table 4.1 Descriptive Statistics on Determinants of Audit Report Credibility

CREDIBILITY	ARC	AI	AEXP	ARL	ATEN
Mean	0.3732727	6216.573	44.71818	158.1	5.609091
Median	0	500	39	145	5
Maximum	1	25200	162	275	19
Minimum	0	600	9	51	1
Std -Dev	0.485743	5115.208	36.52249	55.96459	3.751686
Skewness	0.526431	1.429908	2.087295	0.19564	1.23382
Kurtosis	1.27713	5.125489	6.977752	2.263912	4.970248
Jacque-Bera	18.68534	58.19115	152.3945	3.185074	45.68155
Probability	0.000088	0	0	0.203409	0
Suit	41	683823	4919	17391	617
Sum sq-D	25.71818	2.85E+09	145394.3	341391.9	1534.191
Observation	110	110	110	110	110

Source: Authors' Computation, 2013.

Table 4.1 shows that audit report credibility has a mean value of 0.3732727 and a median value of 0. It has a maximum value of 1 and a minimum value of 0. Table 4.1 also reveals that audit report credibility is positively skewed with a value of 0.526431. The Jacque-Bera value is 18.68534 with a standard deviation of 0.485743. As can be noticed from the above, the standard deviation value is not far from the mean value which suggests a low degree of variability between time series. Audit Independence has the highest mean value of 6216.573. The highest maximum value is found to be Auditor independence while all the data are positively skewed.

4.1 Correlation Analysis.

Correlation analysis is used to examine the relationship amongst the variables used in this study as presented in Table 4.2 below. Auditor independence and Auditor experience has positive relationship with audit report credibility. Similarly, auditor report lag and Auditors tenure has positive relationship with audit report credibility. In terms of coefficient of correlation, Auditor independence has the highest coefficient with a value of 0.614668.

Table 4.2 Correlation Analysis

Covariant Analysis: Ordinary					
Sample : 1110. Included Observation: 110					
Correlation Probability	ARC	AI	AEXP	ARL	ATEN
ARC	1				
	-				
AI	0.614668				
	0				
AEXP	0.562415	0.566249	1		
	0	0	-		
ARL	0.091087, 0.344	0.173928, 0.0692	0.103586, 0.2815	1 -	
ATEN	0.035377 0.7137	0.030722 0.75	0.125333 0.192	0.01209 0.9002	1 -

Source: Authors' Computation, 2013

4.3 Regression Analysis

The results of the initial and final output are in Tables 4.3 and 4.4 respectively. From the initial output, auditor independence and auditor experience has positive relationship with audit report credibility while audit Report Lag and Auditor Tenure has negative relationship with audit report credibility. The R-squared (R^2) value is 0.45 indicating that about 45 percent of the systematic variations in audit report credibility have been explained by the explanatory variables. This still leaves 55 percent unaccounted for. Hence we can argue that the model do not have a good predictive power. In terms of individual significance, auditor independence and auditor experience have significant relationship with audit report credibility.

The above however implies that audit report credibility do not have significant relationship with all the independent variables combined. The Durbin-Watson statistic has a low value of 0.74 indicating the presence of autocorrelation in the model.

Table 4.3

Variable	Coefficient	t-ratio	Prob
C	-0.03695	-0.302638	0.7628
AI	4116 E-05	41916198	0
AEXP	0.004237	3.583852	0.0005
ARL	-0.0016	-0.248306	0.8044
ATEN	-0.00236	-0.248639	0.8041
$R^2 = 0.45$		D.W = 0.74	

Sources: Authors' Computation (2013)

The final output is presented in Table 4.4. It is observed that auditor independence, and auditor experience and audit report lag have positive relationship with audit report credibility while auditor tenure has negative relationship with audit report credibility. These findings are as expected in the literature (DeAngelo, 1981; Dang, 2004; Alim, Trisni and Lilik, 2007; Xu and Wang, 2008; Adeyemi and Akinniyi, 2011; Oladipupo and Izedonmi, 2011; Suyono, 2012; Adeniyi and Mieseigha, 2013; Enofe, Mgbame, Aderin and Ehi-Oshio, 2013).

Table 4.4 also shows that the R-squared (R^2) value is 0.72 indicating that 72 percent of the systematic variation in audit report credibility is explained by the independent variable. The implication is that the model has a good predictive value. In terms of individual significance, auditor independence and auditor experience have significant impact on audit report credibility.

From the above, the study concludes that a significant relationship does not exist between audit report credibility and all the independent variables combined together. The Durbin-Watson value is 2.0 meaning that it can be relied upon for policy direction.

Table 4.4

Variables	Coefficient	t-ratio	Prob
C	0.122875	0.696607	0.4876
AI	2.06E-05	2.729165	0.0075
AEXP	0.006503	6.634646	0
ARL	0.000159	0.214636	0.8305
ATEN	-0.03229	-3.36854	0.0011
$R^2 = 0.72$		D.W= 2.0	

Source: Authors' Computation (2013)

5.0 Conclusion and Recommendations

Audit report credibility has been a very topical issue as it is believed to have the capability of giving the verdict on the health of any company or firm under review. Resulting from this assertion, users of financial statements depend on audit reports in order for them to make informed judgment and sound decisions about entities whose accounts have been audited. The aim of this study therefore, was to examine the determinant of audit report credibility in Nigeria, with a focus on the insurance sector of quoted firms in the country. In a bid to achieve the objective of this study, variables such as audit independence, auditors' experience, audit report lag and audit tenure were examined *vis a vis* audit report credibility. It was found that auditors' independence had a positive relationship with audit report credibility. Similarly, auditors' experience and audit report lag had positive relationship with audit report credibility, whereas, auditor tenure had a negative relationship with audit report credibility.

Resulting from the findings of this study, the study recommends therefore that auditors' independence should be guaranteed by firms if credible reports must be obtained. It therefore means that every attempt to manipulate auditors in order to distort audit information should be discouraged in its entirety. In addition, the study recommends that organizations must learn to employ the services of experienced auditor to carry out the auditing of their firms. Similarly, the audit of companies should be done as at when due so that reports emanating from such exercises could be made available as quickly as possible. Thus, every form of delay must be discouraged.

At the end of every financial year, firms should endeavour to get their books audited as quickly as possible. This is because delay in the process of getting the books audited may lead to various forms of distortions of records/books of account.

Finally, the provisions of ethical codes/ codes of conduct of professional bodies must strictly be followed. To this end, the tenure of auditors should be closely regulated. Professional accounting bodies should endeavour to monitor the practices of their members, while firms on their part should ensure that auditors do not spend too much time in a firm so as to avoid familiarity thereby causing threat to auditor's independence.

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DETERMINANTS OF CUSTOMERS' PATRONAGE OF ISLAMIC BANKING IN NIGERIA: THE CASE OF JAIZ BANK PLC.

By

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ABSTRACT

This paper examines the factors that determine the decision of customers to patronize Islamic bank in Nigeria. More than past three decades, Islamic banking has emerged as one of the fastest growing industries which has spread to all corners of the globe and has received wide acceptance by both Muslims and non-Muslims alike. The study was undertaken to fill an existing gap of lack of previous studies in Nigeria on what factors determine customers' patronage of Islamic bank which came into operation after long period of delay and in the face of stiff resistance from some non Muslims. The objectives of this study include the examination of the main factors that influence customers' decision to patronize an Islamic bank in Nigeria and also to examine the attitude of customers towards Islamic banking and the level of familiarity of customers with Islamic bank products. The study relies on data obtained from self administered questionnaires served on 500 randomly selected Jaiz bank customers in Abuja; Kaduna and Kano of which 223 were analyzed using spss. Regression analysis was carried out which revealed three predictor variables were statistically significant in their association with a decision to patronize Islamic bank. The paper recommends greater improvement in service quality by the bank and sustained adherence to Islamic injunctions by the bank with respect to its operations

Key words: Islamic banking, Islamic bank patronage, customers, Patronage factors, Nigeria,

1. INTRODUCTION

An essential difference between conventional practices of financing otherwise known as interest based systems and non interest system, is the non existence of 'Riba' in the Islamic dispensation as against its dominance in the conventional set up. The Quran verse clearly states: "And whatever you give on 'Riba' so that it may increase in the wealth of the people, it does not increase with Allah" (30: 39). Allah (SWT) said in another verse: "O those who believe do not eat up 'Riba' (that is) doubled and redoubled" (3: 130). Another verse in the Quran sounds a stern warning on 'Riba' as follows: "Those who take 'Riba' will not stand but as stands whom the demon has driven crazy by his touch.

That is because they have said that trading is but like 'Riba'. And Allah has permitted trading and prohibited 'Riba.' So, whoever receives an advice from his Lord and stops, he is allowed what has passed, and his matter is up to Allah. And the ones who revert back, those are the people of fire there they remain forever. Allah destroys 'Riba' and nourishes charities. And Allah does not like any sinful disbeliever.

Islamic banking prohibits not only 'Riba' (usury) but also involvement in other activities such as speculation, liquor, gambling and any other activity which are inconsistent with Islamic injunctions.

Islamic banking is a booming industry in the world today and is now globally accepted by all groups of people, irrespective of their faith (Iqbal and Molyneux, 2005 cited in Dusuki and Abdullahi 2006). According to Ahmad and Malek (2011) Islamic banks have positioned themselves competitively in the banking landscape, competing with conventional banks. Mansoor, Abdelhamed, Masood and Niaze (2010) noted the growing importance of Islamic banking institutions in Western Countries in addition to Islamic societies. Only recently, the United Kingdom announced its plans to broaden the scope of Islamic financial services. In Nigeria, the first full fledged Islamic banking institution, Jaiz bank is taking shape while Sterling bank plc was recently granted license to operate and others are expected to come on board through either opening of Islamic windows or full fledged operations.

This study examines what factors determine customers' patronage of Jaiz bank. The focus on Jaiz bank stems from the fact that the bank was the pioneer bank in full fledged Islamic banking operations in Nigeria with commencement of operations precisely on January 6, 2012 in three locations in Nigeria namely: Abuja, Kaduna and Kano.

2. PROBLEM STATEMENT

Studies on bank patronage factors focused on conventional banks and others were on Islamic banks of which are foreign based. For example, Javalgi *et al* (1989), Anderson *et al.* (1976), Laroche *et al.* (1986) and Hokanson (1995), and came up with different conclusions of the important criterion for bank patronage. The criterion were paying highest interest rates on savings, "location", "reputation", "availability of loans", "low interest rates on loans: "ease of qualifying account by maintaining a minimum balance", "Saturday banking". "friendliness of staff", "hours of operations", "size of waiting lines", "convenience of location", "efficiency of personnel", "speed of processing items", parking facilities and accessibility", "availability of credit", "bilingualism of staff", and "interest on savings" helpful and knowledgeable employees, Metawa and Almosawi (1998) and Naser *et al.* (1999) in their work concluded that adherence to Islamic tenets as being the main motivating factor for customers to patronize Islamic banks in Bahrain and Jordan respectively. Dusuki and Abdullah (2007) who also confirmed religious factor as a determinant of customers' Islamic bank patronage however noted the study undertaken by Erol and El-Bdour (1989) which established that, religious reason is not the most important factor.

A look at all the above studies indicate a clear gap of lack of investigations on what factors determine the decisions of customers to patronize Islamic bank in Nigeria which is a new development.

3. RESEARCH QUESTIONS AND OBJECTIVES OF THE STUDY

The study will attempt to find answers to the following research questions which are:

1. What is the extent to which proximity determines customers' patronage of Islamic Bank in Nigeria?
2. What is the extent to which social influence determines customers' patronage of Islamic Bank in Nigeria?
3. What is the extent to which adherence to religious teaching determines customers' patronage of Islamic Bank in Nigeria?
4. What is the extent to which service quality determines customers' patronage of Islamic Bank in Nigeria?

The main objective of this study is to examine the main factors that influence customers' decision to patronize an Islamic bank in Nigeria. It will also seek to understand the attitude of customers towards Islamic banking and the level of familiarity of customers with Islamic bank products.

4. LITERATURE REVIEW

The concept of Islamic Banking

Islamic modes of financing have been in existence since the birth of Islam. The Holy Prophet (SAW) was for example involved in 'mudarabah' business with his first wife Khadijah prior to their marriage when he was appointed by her to handle her business. Islamic banking which is a platform for Islamic mode of financing in contemporary times can be simply defined as a banking operation that abides by Sharia (Islamic law), under which a key tenet is the prohibition of interest or 'Riba.' The Islamic banking activities consist of two broad areas: sources of funds and uses of funds. The sources of funds come from depositors and shareholders and the deposits from the depositors are classified into two types; 'Mudharabah' (profit sharing) and non 'Mudharabah' (non profit sharing; 'Wadiah' or 'Qard').

Arif (2007) sees Islamic bank as “... an institution that deals in money and its substitutes and provides other financial services. Banks accept deposits and make loans and derive a profit from the difference in the profits-shares and fee incomes that are consistent with the Shari'ah common law principles governing such a bank.”. Al-Jarhi (2004) in Ali and Ahmad (2007) described Islamic banking as “a system through which finance is provided in the form of money in return for either equity or rights to share in future business profits, or in the form of goods and services delivered in return for a commitment to repay their value at a future date”.

Ahmad (2006) states that Islamic 'Fiqh' academy in Jeddah has issued a fatwa which declared bank interest as 'Riba.' Rahman (1964) mentioned that 'Riba' was deeply ingrained in the life-texture of the Arabs of pre-Islamic days.

He further defines 'Riba' to literally reflect Quranic usage to mean to grow, to increase, to prosper, to rise (for example of a hill), to swell (for example, foam), to nurture; to raise (a child); etc. Islam was not the only religion that banned and abhorred interest taking as recognized by Obiyo (2008) who maintained that other religious faith have equally equivocally condemned 'Riba.' The objective behind such injunctions by Shariah is to forestall unwarranted gains at the expense of society by few individuals and the institutionalization of fairness among people.

Besides being banned from earning 'Riba,' Islamic banks are not allowed to be involved in direct and or indirect unlawful activities as defined under sharia, such as pork, alcohol, and pornography and gambling. An Islamic bank must also minimize '*Gharar*' (ambiguity) in its contracts. '*Gharar*' literally means risk or hazard. In jurisprudence however, the definition embraces three broad scenarios which are undoubtfulness, unknown and a combination of the two.

Islamic bank patronage factors

The mind of the customer wanders and is unpredictable and unknown to others. The factors that shape, influence or determine his/her action are not stable and sometimes reflect situation and environment. An interesting guiding theory in many of customer related studies is the Theory of Reasoned Action (TRA) which was introduced by Fishbein and Ajzen (1975) in order to determine the nature of relationships between beliefs, attitudes, intentions and behaviors (Taib, Ramayah and Abdulrazak., 2008). Past studies have underscored the need to adapt the TRA in contexts similar to this one since it is generic and is relevant to behavioural studies. This theory has been applied in different contexts ranging from gauging customers perception by Taib *et al.* (2008) to examining undergraduate students' acceptance of Islamic accounting by Amin et al. (2009) cited in Amin et al (2011).

Patronage factors of bank customers for both conventional and Islamic banks have been variously studied at different times and in different countries. One of the earliest and most commonly cited works in literature pertaining to Islamic banking based customer related studies is the work of Erol and El-Bdour (1989). However, the amount of time that has since elapsed may render some of its findings insignificant such as the opening of new branches not being an important factor of Islamic bank selection as it has since been proved by numerous studies that branch number is an important factor of Islamic bank selection (Okumus., 2005; Amin and Isa, 2008).

Another interesting finding of the early studies is that religion, which is measured by five indicators of adherence to religious teachings which are; commitment, motivation, affiliation, knowledge about a religion and awareness of the social consequences of following a religion is not an important motivation to attract people to Islamic banks and other factors include the pricing of Islamic banking products (Haron *et al.*, 1992; Haron et al., 1994; Gerrard and Cunningham, 1997; Awan, H, M and Bukhari, K. S 2011).

Yet, similar studies have come to different conclusions. For instance, Okumus (2005) and Metawa and Al-Mossawi (1998) in their survey based study conducted in Bahrain, concluded that religion is the most important bank selection factor.

Proximity is defined to mean convenient location to home or place of business and is seen by Kaufman (1967) as a major factor in customer's selection of a bank- Social influence was viewed as one's perception that those who are important to her or him should or should not perform the behaviour in question (Fishbein and Ajzen, 1975)

A major limitation of these studies is the fact that the size of the various populations of the studies is not sufficient to make generalized conclusions and for all countries.

5. HYPOTHESES OF THE STUDY

The following sets of hypotheses are to be tested in the course of this study which is:

- H₁ Social influence of others determines customers' patronage of Islamic bank
- H₂ Adherence to Islamic teaching determines customers' patronage of Islamic bank
- H₃ Proximity to bank branch determines customers' patronage of Islamic bank
- H₄ Service quality determines customers' patronage of Islamic bank

6. METHODOLOGY AND DATA ANALYSIS

The Data for this study were generated from 500 questionnaires randomly served on Abuja, Kano, and Kaduna and Gusau branch customers of Jaiz bank, out of which 223 were returned representing 44.6%. It is established by some researchers that the response rate of 30% is acceptable for surveys. Likert scales were used to measure responses from 1= Strongly Disagree to 5= Strongly Agree. This is adopted from the work of Amin *et al* (2011).

The questionnaire contained two sections: first section was designed to gather information about the sample's personal, demographic and economic characteristics. In the second section, the respondents were asked to indicate the factors that influence their patronage of Islamic bank. Most of the factors used in questionnaire were adapted from previous studies on bank selection criteria like (Gerard and Cunningham, 1997; Abdul Rehman and Masood, 2012)

The relationships were analyzed using multiple regression which is in line with similar work by Taib, Ramayah and Abdulrazak (2008) on Factors influencing intention to use diminishing partnership home financing which is synonymous to patronage.

Thus, the following regression formula will be used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where Y is the dependent variable of the respondents' patronage of Islamic bank; X₁, X₂, X₃, X₄, represent the independent variables (X₁ – social influence, X₂ – adherence to religious teaching, X₃ – proximity to bank, X₄ – service quality and e denotes the error terms.

7. FINDINGS AND DISCUSSION

Regression analysis was conducted to determine the relationship between proximity, adherence to religious teaching, service quality and social influence and Islamic bank patronage in Nigeria. Regression analysis identifies the most contributory explanatory variables among the set of independent variables that best predict a decision to patronize an Islamic bank. The results are shown in the tables below.

TABLE 7-1

Coefficients

Model	Unstandardized Coefficients		Std. Error	Beta	T
	B				
1	(Constant)	-.412	.614		-.671
	Religiousreason	.344	.043	.444	8.083
	Socialinfluence	.264	.052	.272	5.072
	Servicequality	.126	.038	.177	3.302

a. Dependent Variable: Patronage

Three predictor variables were found to have statistically significant association with a decision to patronize Islamic bank. The three variables were social influence (Beta=.272 p=.000.), service quality (Beta=.177, p=.001), and religious reason (Beta=.444 P=.000). The multiple regression R^2 , and adjusted R^2 indicate how well the combination of independent variables predicts the dependent variable. The Standard multiple regression results demonstrated that the regression equation with the predictor's social influence, service quality and religious reason were significant, $R=.696$, $R^2 =.484$ adjusted $R^2 =.477$, $F(3, 223)=$, $P<0.001$.

This means that 47.7 % of the variance in the decision to patronize Islamic bank can be observed with the variables under study while the rest of 52.3% is due to those factors not included in this study.

8. CONCLUSION AND RECOMMENDATIONS

The study aimed at examining patronage factors of customers of Islamic bank in Nigeria. Multiple regression analysis was carried out to determine the most contributory determinant variable that explains Islamic bank patronage in Nigeria with focus on Jaiz bank plc. A model of regression was developed that was statistically significant at 1% level. The result shows that social influence, service quality and religious reason were significant. The multiple regression results indicate that the factors jointly explained 47.7% of the variance of the customers toward patronizing Islamic bank products.

This means that more factors can be jointly considered as determinants of customers' patronage of Islamic bank in Nigeria.

The study recommends the development of regression models that recognize maqaasidil sharia (objectives of Islamic law and jurisprudence) in trying to determine factors which shape patronage of Islamic bank.

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INFORMAL SECTOR AND EMPLOYMENT GENERATION: THE CASE OF SELECTED CAR WASH ENTERPRISES IN ZARIA, NIGERIA

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Abstract

The alarming rate of formal unemployment in Nigeria has provided the informal sector the opportunity to contribute to employment generation for the citizens. The study examines the contribution of the informal sector to employment generation with reference to car wash enterprise in Zaria. The enterprise is dotted in every nook and crannies of the urban areas. To what extent has Car Wash enterprises contributed to employment generation is one of the problems of this study. The study was anchored on the Human Capital Development Theory, It employed both primary and secondary data while convenience sampling technique was used. The data collected were subjected to Pearson's Product Moment Correlation Coefficient to test the relationship between Car Wash Enterprise and employment generation. The study found that a significant number of youths are not involved gainfully in the car wash enterprise. One of the recommendations include that the Car Wash Enterprise should be integrated into the SURE-P Programme of the government in order to make the enterprise more viable.

Key words: Informal Sector, Employment, Generation, Youths and Development

Introduction

Employment generation has attracted much attention due to its implication for national growth and development. To that extent it has become one of the major strands of the Millennium Development Goals (MDGS) for global eradication of poverty. It is also in tandem with Nigeria's current economic and development programme, christened the National Economic Empowerment and Development Strategy (NEEDS) which focuses on employment generation. It is generally believed that through this concept, the much needed empowerments will eventually be bestowed on the citizens and the issue of poverty will be tackled. (Essien, 2010).

However, the taking of employment generation as a political thrust by any government may not in itself be enough. Yet, it is important to address how employment is being generated in each sectors of the economy. This will lead to the issue of how much of employment is adequately generated to satisfy the yearnings of the unemployed people. (Ogunrinola, 1991).

Nigeria is rated the fifth (5th) fastest growing economy among African countries over the period of 2002- 2012 and thirteenth (13th) globally. This growth is driven by the formal and informal sectors which also support job creation and employment generation.

The rate of unemployment has already reached an alarming rate affecting both professionals, skilled and unskilled labour. In fact, unemployment rate was 13.1% in 2000, 13.6% in 2001, 12.6% in 2002, 14.8% in 2003, 13.4% in 2004, 11.9% in 2005, 12.3% in 2006, 12.7% in 2007, 14.9% in 2008, and 19.7% in 2009 (CBN, 2006; NBS 2007, 2009, 2010). This implies that unemployment generation in the country has not only been advancing but also, is deep and widespread, cutting across all facets of age groups, educational strata and geographical entities.

The informal Sector in Nigeria has been associated with the generation of employment, income investment, growth and poverty reduction. (Onwe, 2013, Oladeji, 1987) However, despite this great contribution of the informal sector to the Nigerian economy, specific studies on specific sectors of the informal sector to employment generation such as the car wash enterprise have been very low.

The car wash enterprises are not being accorded the deserved recognition in major policy documents such as NEEDS, SURE-P, SMSE etc. These existing gaps maybe justified due to the difficulties in the measurement and quantification of the car wash enterprises. But an empirical study is necessary so as to justify the need to include the enterprise in the nation's policy documents.

The characteristic of the car wash enterprises that make up the informal sector is in relation to the legal status of the enterprises which in most cases are not formally registered with the Corporate Affairs Commission, (CAC). Besides, the people engaged in the enterprises in most cases are not legally registered as workers. The operation of the enterprise is also not based on any standard bookkeeping practice or procedure.

An enterprise is therefore considered as informal when it is not registered under specific forms of national legislation such as Factories' or Commercial Acts, Tax or Social Security Laws, Professional Groups' Regulatory Acts). While the issuance of a trade license or business permit under local regulations does not qualify as a form of registration.

Furthermore, an enterprise is considered small when its size in terms of employment is below a specific threshold (e.g. five persons engaged) to be determined according to national circumstances (Fasanya and Onakoya, 2012).

This study is to empirically investigate the contribution or otherwise of the car wash enterprises towards employment generation in Zaria, Nigeria.

Literature Review

Several empirical studies have been carried out to examine the nature and character of employment situations in developing nations in general and Nigeria in particular covering different units of the employment sector. Such sectors include Paper and paper products, wood and wood products, food, Beverages and Tobacco etc. (Onwe, 2013).

At a CBN/NISER collaborative workshop in 2001 in Nigeria, the informal sector is defined as that which operates without binding official regulations, as well as one which operates under official regulations that do not compel rendition of the official returns on its operations or production process. The workshop classifies the conceptualization of the informal sector production units into four categories (CBN/FOS/NISER, 2001).

- (i) Informal production unit operating under binding official regulations with autonomous internal regulations;
- (ii) Informal production unit operating under binding official regulation with internal regulations;
- (iii) Informal production unit operating without binding official regulations with autonomous internal regulations;
- (iv) Informal production unit operating without binding official regulations without autonomous internal regulations.

The last category above is in consonance with the operation of Car Wash Enterprise in Zaria, as an informal production unit operating without binding official regulations and without autonomous internal regulations.

Its heterogeneity and complexity has also made it difficult to reach an international consensus on its definition. For instance, the distinction between legal and illegal aspects of the sector such as prostitution, drug trafficking, the sale of stolen goods, contraband and the production and sale of pirated goods is not so clear, or easy to differentiate. Nonetheless, the ILO defines the urban informal sector as a range of economic units in the urban areas, which are mainly operated by individuals either alone or in partnership with members of the same household (family self-employment) and which employs one or more employees on a continuous basis in addition to the unpaid family worker and/or casual employee. (ILO, 2012)

Nonetheless, their activities are often tolerated in recognition of the helplessness of government to improve their economic condition otherwise, as well as the inadequacy of the laws. Indeed, they have become a means for many countries to address the nagging problems of population growth, rural-urban migrations, economic crises, poverty and indebtedness.

Turnham *et al*, (1990) shared this view in a study, when he submitted that the lower the level of development of a country, the larger its informal sector. In a seminal collection of articles on “The informal economy studies in advanced and less developed countries”, the existence of an informal economy in all countries was emphasized by including case

studies ranging from New York City and Marid to Uruguay and Colombia. Indeed, with the industrial revolution and subsequent change in the modes of production in the advanced developing countries, many workers were forced out of their formal sector work into informal employment (ILO, 2012).

Examining the relationship between economic growth, employment and unemployment in the European Union (EU), Walterskirchen (1999) analyzed the link between economic growth and the labour market. He found that the relationship between GDP growth and change in unemployment is divided into two components viz: those changes in employment and unemployment rates governed by economic factors as well as those governed by demographic influences and labour market policies. He employed time series analysis for individual EU country, while for all the countries he employed the use of panel data. The finding of the study showed a strong positive correlation between GDP growth and change in the level of employment.

In an empirical survey of the link between employment and growth in sub-Saharan African countries, Yogo (2008) is of the view that the employment issues in sub-Saharan Africa are mostly a matter of quality rather than quantity. According to him, the reason for the observed weak employment performances could not be found in labour market rigidities; but that the observed increase of working poor could be explained by the weakness of economic growth over time.

The informal sector in Nigeria remains largely unquantifiable in terms of size, structure and character, so that its contribution to the national income and employment generation has continued to be mere guess work by economic analysts.

Many studies have been conducted in an attempt to capture a vivid picture of this important segment of the national economy, which has the characteristics of a moving target. For instance, previous studies appeared to have given the sector more than its share of importance, as against other studies, which revealed that, indeed, the contribution of the sector (excluding agriculture) to Nigeria's GDP in 1998 was only 7.2 percent, and when agricultural production is included, the figure was 37.8 percent (CBN/FOS/NISER, 2001; Fasanya & Onakoya, 2012).

Overall, the informal sector in Nigeria is highly labour intensive and as expected, is dominated by small-size enterprises which are mostly sole proprietorships that employ less than 20 people, paying little to nothing in terms of labour wages.

Surplus labour is therefore a good ground for the growth of the informal sector, where labour intensive system of production is needed, as against capital equipments in the formal setup. In terms of gender distribution of labour, there is no definite outcome on gender dominance in any of the sub-sectors of the Nigerian informal sector, but culturally there are areas regarded as taboo or in effeminate for a woman to engage in, such as, taxi-cab driving, commercial motorcycle operation, etc. (Fasanya & Onakoya, 2012).

Ogunrinola (1991) examines the relationship between employment in the urban informal sector at Ibadan and Earnings. The study indicates that Earnings in the sector contribute significantly.

Oladeji (1987) investigates the issue of graduate unemployment, the structure of educational system and employment relationship in Nigeria and he concluded that a re-orientation of the educational system towards the employment needs of the economy would go a long way towards promoting productive employment in Nigeria.

The rate of unemployment in many countries has increased and the consequences of unemployment in terms of deteriorating living standard are readily visible. Since much of the formal sector employment in developing countries is concentrated in or around urban locations. They have a clear repercussion on the urban employment situations. The reasons behind this retarded growth or even negative growth in employment or what the UNDP Human Development Report (1993) described as “Jobless growth” are many, chief among them, being cut in government expenditures due to Structural Adjustment Programme (SAP), and rising capital intensity in the production and distribution of goods and services in the modern private sectors (Sethuraman, 1997).

Akintoye (2008) study on reducing unemployment through the informal sector in Nigeria states the potentiality of the informal sector though, if there is more accessibility to credit through the micro finance Banks. The study has limitation as it is not empirical and on a specific sectors of the informal economy.

Fasoranti (2008) study indicates that if the deregulated Tele-communication sector has more access to credit and other facilities, the informal sector will generate more employment opportunity.

Okorie *et al* (2009) in their study indicate that the majority of the respondents were highly involved in Car Wash Activities, despite its shortcoming in terms of ensuring Job satisfaction and asset acquisition. It showed that the high level of involvement in Car Wash Activities despite its failing, could be a reflection of dearth of skills for exploring alternatives livelihood strategies and quest for immediate gratification among the respondents. This is similar to the conclusion of the study.

Theoretical Framework

The theoretical framework for this study is the Human Capital Development as development scholars have asserted that to achieve economic growth and development in any nation; human capital development must be made the focal point of the development program. Human capital is taking as the stock of productive skills and technical knowledge embodied in labour. (Ovenseri-Ogbomo, 2006).

The basic assumption of the theory is that investment on education can increase the incentive to innovate in any enterprise, thereby, increasing the rate of the enterprises. As the more educated the more ability of learning-by-doing thereby, improving the knowledge and skills of labour in the production sector. The expense is then repaid with profit overtime.

Some scholars even stated categorically that, any development program or effort that does not create the enabling environment for human capital development will not see the light of the day. This is because, it is the human capital that coordinates other resources to achieve development in the long – run. It is the most important factor in social and economic development as people constitute the ultimate ends of development, as well as the primary agents of development (Monimah, 2010).

Romer (1996) in his work titled “Increasing Returns and Long Run Growth” broadened the concept of capital to include human capital. He argues that the law of diminishing returns to scale phenomenon may not be true as in the case for the East Asian economics. The theory holds that if a firm or an economy which invests in capital (physical) also employs educated and skilled workers who are also healthy, not only will the labor be productive, but it will also be able to use capital and technology more effectively. This will lead to a “neutral” shift in the production function and, therefore, there can be increasing rather than decreasing returns to investments. This means that technology and human capital are both endogenous to the system.

Methodology

The major sources of data for this research were primary and secondary sources. The Secondary sources were obtained from Central Bank of Nigeria (CBN), and International Labour Organization (ILO) etc and Primary data were obtained through administration of questionnaires, interview and Focused Group Discussion (FGD). Questionnaires were administered to owners of Car Wash Enterprise in Zaria. And triangulation technique was employed on this research, which is the application and contribution of several research methodologies in the study of the same phenomenon.

Sample Size and Sampling Technique

The population of the study includes all those engaged in the car wash enterprise either as operatives or non- operatives. Since the population is homogenous, 280 were selected using convenience sampling.

Subjects for the study were two hundred and eighty (280) respondents who engage in the Car Wash Enterprise in Zaria, Kaduna state of Nigeria. The selection of the respondents was done in such a way to include all categories of operatives out of a sample population of almost one thousand operatives working in the car wash enterprise. This was done in anticipation that such a sampling of subject will provide the necessary variety of information required for this study.

Data Presentation and Analysis

The data for this study were collected through observation, interviews and questionnaire. The analysis was done using descriptive and inferential statistical tools.

The self-designed questionnaire on the Car Wash Enterprise and Employment Generation is divided into two sections. Section A is on demographic factors of respondents, section B contains Likert- Type Questions, in which respondents were requested to indicate their preference on a 4-point scale ranging from Strongly Agree (SA) (4); Agree (A) (3), Disagree (D) (2), to Strongly Disagree (1) (SD). This is used to elicit data.

The data collected for the study is presented as follows:-

Table 1 on the Socio-economic characteristics of Respondents, shows that, 78% of total respondents were within the age bracket <20-29 years. While the data also shows that most of the people involved in the Car Wash Enterprise in the study area are youths below age 40 years, which is about 93.6%.

The data on Educational Status in Table 2 shows that 86% of total respondents have just secondary school education or less. The rest is 14% which are those with HND/BSC and above. This shows that the level of literacy among operators in the study area is very low. This cannot ginger efficient management of the business that will enable it access credit and process other formal business transactions.

The data on Personnel of the Car Wash Enterprise from Table 3 indicate 6.4% are Owners of the Business while 3.6% are Working Proprietors/Active Partners, 60% are Hired/casual workers/Operatives and 30% are unpaid workers/Apprentice.

The data on sources of loans from Table 4 indicate that the major source of finance was personal savings in form of self finance or finance from friends and relative as reported by 80% of total respondents. However, 5% had access to microcredit while 10% and 5% sourced their finance from cooperative societies, and formal financial institution respectively. This implies that 90% of total respondents sourced for finance outside the formal financial markets.

Table I. Age Distribution of Respondents

Age Bracket	Frequency	Percentage (%)
<20	70	25
20 – 24	100	36
25 – 29	50	17
30 – 34	30	11
35 – 37	20	7
40 and Above	10	4

Total 280

100

Source:-Field Survey, 2014

Table: 2 Educational statuses of Respondents

Educational status	Frequency	Percentage
No Primary Education	30	10.7
Primary Education	120	42.8
Secondary	90	32
OND/NCE	20	7
HND/BSC	10	3.5
>HND/BSC	10	3.5
Total	280	100

Source:-Field Survey, 2014

Table: 3 Personnel of the Car Wash Enterprise

Source of Finance	Frequency	Percentage (%)
Owners of the Business	10	6.4
Working Proprietors/Active Partners	18	3.6
Hired/casual workers/Operatives	168	60
Unpaid workers/Apprentice	84	30
Total	280	100

Source:-Field Survey, 2014

Table: 4 Sources of Finance

Source of Finance	Frequency	Percentage (%)
Formal Financial Institution	14	5
Micro – credit	14	5
Cooperative society	28	10
Friends/Relatives	140	50
Self finance	84	30
Total	280	100

Source:-Field Survey, 2014

Test of hypothesis

The hypothesis postulated for this study is that:-

H0: there is no significant relationship between the activities of Car Wash Enterprise and the generation of employment among the operatives in Zaria.

Test of hypothesis

H0: $r=0$

Decision rule:

The Null hypothesis is rejected if the Computed Value of T is greater than the Critical Value at a given level of significance and the Alternative hypothesis is accepted. While if the Computed Value of T is less than the Critical Value at a given level of significance the Alternative hypothesis is rejected and the Null is accepted.

In this study the Pearson's Product Moment Correlation Coefficient test indicate that at 5% level of confidence and the T at 7, the calculated value is -0.2016 and the critical value is 1.8946.

From the above, it means the Null hypothesis is accepted and the Alternative rejected which also indicate that there is a weak positive relationship which is not significant.

FINDINGS

The findings of this study are based on inferences from the Tables and the statistically analysis of the data generated. The findings include the following:-

The Educational Status shows that the level of literacy among operators in the study area is very low. This cannot ginger efficient management of the business that will enable it access credit and process other formal business transactions. From the above it can be infer that the educational level of respondents could also by one of the reasons behind the inability of the respondents to access funds from formal financial institutions, thereby making it impossible for the Car Wash Enterprise to graduate to a formal business enterprise.

Over two hundred and fifty two, which is 90%, are engaged in the Car Wash Enterprise as Hired/ casual workers and operatives while the remaining 10% are the owners of the Car Wash Enterprise or working proprietors and active partners in the business. This indicates that the business is run on seasonal basis.

The source of loans implies that 90% of total respondents sourced for finance outside the formal financial markets. This indicated that most car wash operators don't have access to formal financial markets that can assist them in expanding the scope of their business, which will have a multiple effect of generating more employment.

This study shows that though the Car Wash Enterprise has provided opportunity for employment, but its generation is not significant enough to move it to greater heights.

CONCLUSION

The study has analysed the car wash enterprises in many verifications, and has arrived at the conclusion that the car wash enterprises is very common in most urban areas in Nigeria. It is a good avenue for addressing the employment needs of the unskilled poor and mass underemployed in the Urban and it can generate employment if more incentives and facilities are made available for the sector.

RECOMMENDATIONS

Base on the above, the following recommendations are made:-

Measures should be taken to improve the educational status of those engaged in the car wash enterprises in such a way that will enable them to be skilful, thereby be gainfully employed.

Government should provide financial and material assistance to the operators to stimulate the enterprise through integrating them with the Federal Government Subsidy Reinvestment and Empowerment Programme (SURE-P) and other small middle scale enterprises programme.

Provision of infrastructural facilities such as water, electricity and modern Car Wash machineries, which has been one of the major constraints to its operation should be subsidised to the car wash operators. This will ginger the growth of the enterprises.

Car Wash enterprises should be encouraged to form partnership and enlarged to take advantage of the capital market, for funds mobilization, and absorption of more labour.

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DEMOCRACY AND INTERNAL SECURITY IN NIGERIA: LESSON FROM THE 2011 POST ELECTION VIOLENCE

BY

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Abstract

The history of Independent Nigeria is marred by uncountable political mishaps of varying intensities and consequences. However, Nigeria is blessed with enormous resources, which if utilized judiciously the country could have attained an enviable height of development. After decades of political turmoil, Nigeria returned to democratic dispensation in 1999, with high and greater expectations by the citizens. But this glory is fading gradually due to spate of political, economic, communal, etc. problems, which shake the acclaimed democracy with great violence, to the extent that Nigerians do not feel very safe in places outside their state of origin. Temporary migration is noticed within the country whenever a major election is about taking place, people run to safety; an example was that of the April 2011 post election violence. The paper argued that apparent irregularities in the conduct of the elections and poor governance are the causative agents of such dismissal happenings; and genuine democracy and good governance are the only solution.

Keywords: Democracy, Elections, Internal Security, Sectarian crises, Violence and Governance.

1. Introduction

Since the return of the Nigerian state to democratic rule in 1999, the country witnesses persistently several security threats unprecedentedly, as against the initial euphoria and expectation of the citizens that under a democratic rule, their lots will be significantly bettered. Mijah, (2009:30) submitted thus:

Among the generality of the people of Nigeria, the transition was a welcome development, not only because it signaled the eventual termination of ... military rule, but more so because it was perceived as the dawn of an era of great optimism and realization of ... a good life.

Contrarily, ethnic, religious and sectarian crises prevail in the country in a persistent manner. Organized crime; such as armed robbery, assassinations and insurgencies rock Nigerians with great violence, Niger Delta and Boko Haram insurgencies are good examples. This dismal scenario is also observed by Elaigwu (2005:57-76) that: ... since the return to civil rule in 1999, Nigeria is said to have witnessed over 90 violent ethno-religious, communal and political conflicts of varying intensities and magnitude. Mohammed added that there is a palpable feeling of great insecurity ... due in large parts, to rising crime rates and the increasing constriction of space for effective popular participation. (Mohammed, 2005: 18-19)

The recently concluded presidential election of April, 2011, which saw President Goodluck as the winner of the race and which is revered by some; including the internal bodies as the greatest of all elections in Nigeria, threw the country into another version of socio-political turmoil. In northern part of the country in states like Kano, Kaduna, Gombe, Sokoto etc., chaos broke out and people took the laws into their hands, consequent upon which so many lives and properties were destroyed, thousands of people were displaced. There was also violence in Southern Zaria, in Kaduna state. This resulted in the imposition of curfew and invitation of the military, in order to bring back normalcy in these places; unfortunately, both the curfew and the military interference, are direct abnegation to the core principles of democracy and are indication of the failure of the policing agencies and the acclaimed democratic rule in the country. Democracy which is purportedly supposed to engender national unity and cohesion in the country paradoxically generates tension and national disunity. This paper is therefore compelled to ask some pertinent questions; such as: Is the persistent erosion of insecurity in Nigeria the result of highly defective democracy practiced in the country? Can the police and other security agencies in the country be capable of preventing the reoccurrence of such violence in the country? If uncorrected, would democratic elections continue to be source of fear and animosity in Nigeria? Attempt is made to provide answers to these questions in the subsequent sections of this work.

2. Literature Review

Right from the olden days, democracy symbolizes a form of government whereby the power to govern lies with the people, who exercise such powers directly in a village assembly or forum. The rulers are accountable to the people for what they do therein. On classical doctrine of democracy, Joseph Schumpeter holds that:

... Men have natural rights to participate equally in political power, just as they have a natural right to be free from enslavement or to appeal on equal terms to judicial tribunals for protection of their lives and property against assault, trespass or encroachment of any kind. What is known as democratic method is that institutional arrangement for arriving at political decisions which realizes the common good by making the people itself decide issues through the election of individuals who are to assemble in order to carry out its will ... Schumpeter J in Johari (2007:504).

In contemporary period, democracy remains the most widely acclaimed form of government, because of the freedom and participatory elements in it. Democracy is seen as a form of government whereby the citizens rule their country through a body of elected representatives, who hold unto power for a specified period of time. Heater argues that:

There are ... five basic elements without which no community can call itself truly democratic. These elements are equality, sovereignty of the people, respect for human life, the rule of law and liberty of the individual. Heater (1964:117).

These elements reflects, free and fair election of 'one man one vote' regardless of ethnicity, greed and so on, and the notion of sovereignty means that the power lies with masses who decide what take place during and after elections.

Heater (1964), submits further that: respect for dignity and worth of human mind and body, is a basic ingredient for democratic ... government being based on impersonal law, rather than ... the whims of men. In other words, rule of law should prevail. Internal security on the other hand, can be best understood within the framework of this work, when this predicate on security, which according to Lippman (1987: 143) "a nation is secure to the extent that it is not in a position to lose core values, life, property and liberty, and if it wishes, to deter aggression or win war when avoidable". Shinkaiye (2004:2) also, sees security as "the protection of a nation from all types of external (and internal) aggression, espionage, hostile reconnaissance, sabotage, subversion, annoyance and other inimical influence".

This view of security is from the classical perspective which sees security as the employment of the military by the nation-states in order to protect and preserve its nation's interest from a probable or real threat / aggression. Contemporarily, concepts like peace makes national security to have a wider perception, now it includes economic strength, internal cohesion, technological ability, good governance; national cohesion and strong nationalism. All these are considered as parts of national security. Thus, securing the lives and property of the citizenry and freeing them from fear and anxiety, in such a way that they pursue their lawful activities without hindrances, is what security at national level implies. Imobighe in Mbachu and Eze (2009:33) submits that internal security means:

Freedom from or the absence of those tendencies which could attenuate internal cohesion and the corporate existence of the nation and its ability to maintain its vital institutions for the promotion of its core values ... as well as meet the legitimate aspirations of the people ... internal security also implies freedom from danger to life and property and the presence of a conducive atmosphere for the people to pursue their legitimate interests within the society.

Ability or failure of a given state to effectively meet those basic legitimate aspirations of its populace has a direct bearing on its internal security, in terms of making or undoing a democracy. It flows from all the above that, security forces & Institutions would be mere gadgets and ineffective in ensuring internal peace and safety if the human and development elements are not well catered for.

Democracy and Internal Security in Nigeria: A Contextual Analysis

Prominent scholars like Easton (1963), sees politics as an authoritative allocation of values in the society. Flowing from this we may deduce that without politics, society will become highly chaotic, because of the unregulated struggle that men will engage themselves in, while attempting to get their share out of the very scarce societal values. But with politics, particularly under the aegis of democracy, the assumption is that man is moral and rational animal more particular because of the existence of laws designed to curtail his excesses.

Liberal democracy has four main principles three of which are pointed out by Fansworth in Mbachu (2006:86):

(i) ... a belief in the individual, based on the idea that the individual is both moral and rational (ii) a belief in reason and progress based on the belief that growth and development are natural conditions of mankind with politics and art of compromise (iii) a consensus theory of society based on the belief that society is a kind of mutual benefit association based on the desire for order and cooperation, rather than disorder and conflict.

This depicts the ideal situation where things go on in an organized manner and where the state is functional and discharging its functions for the good of its people, dutifully. This is the main thrust of the liberal political theory, that the state exists to promote the welfare of the citizenry and to protect their lives and property.

It flows that where the state has apparently fall short of ensuring the welfare and security of lives and property of its people like the case of Nigerian state, legitimacy and relevance will be drastically eroded, and the state will fall back on brutality to assert its authority. This is what generates the heat that translated into a full blown crisis in many parts of Northern Nigeria, during the April 2011 Presidential Polls. The people are actually desiring for a change which is assumed would turn around things for the better; due to apparent instability in the political order of the country.

These negative traits undermine democracy and internal security in the country; they further aggravate the divides along primordial lines, as noticed right from the second republic.

The country fell into the dungeon of economic crisis due to the fall in the proceeds of oil in the international market; and the neglect of the agricultural sector. Consequently, austerity measures were imposed in the country. The economic downturn impacted negatively on the country such as making the scramble for resources among the elites to be intensified and ravenous, because of the shrinkage of the economic frontiers - the scene of their prebendal character ... Thus, factions of the state elites get excluded from the largesse of the state; they began to fall back on their ethnic/religious constituencies and to manipulate such sentiments in the struggle for state resource ... (Mbachu and Eze, 2009).

Soludo (2006:49) argues that: the programme of economic reform in Nigeria is exclusionary and de-participatory ... the so-called attempt at the democratization of the economy by the Nigerian state can be said to have constricted the room for participation ... of the mass majority of Nigerians. Consequently, numerous threats to the country's internal security become pervasive and persistently destructive to the core values of the country. As noted succinctly by Mijah (2009:42), "the ... failure of democratic governance and the growing insecurity it engenders, elicited violent, forms of reactions that threatens internal security and the consolidation of democracy in Nigeria..."

3. Methodology, Data Analysis and Interpretation

The scope of this study is the entire country, but the target population are drawn from the northern part of the country who partook/witnessed the events (the election and violence) surrounding the April 16th 2011, presidential election. Zaria town is the location of data gathering by way of (In-Dept Interviews) held with 22 respondents purposively selected among the electors, party stalwarts, INEC staff, Corp-members, victims and witnesses to the violence. The researcher's direct/systematic observation is equally employed. Secondary sources, articles and news magazines were utilized. Data analysis in this study was qualitatively done.

4. Preparation and the conduct of the Election

The appointment of an academic of great repute in person of Prof. Attahiru Jega on June 30th, 2010 was the starting point of the preparation for the 2011 General Elections.

The Chairman stepped immediately into action and came out with a provisional elections schedule in October 2010, which slated the election for January, 2011; before the rescheduling of the elections time table. He also presented an enormous bill of N87 million (later jacked-up to N100 million) which the government approved. The 2010 Electoral Act and the Constitution were equally amended twice to capture the shifts in the elections time table. Direct Data Capture (DDC) machines were procured for voter's registration, though not without so many disappointments. Unfortunately, these machines turned out to be great disappointments to the electors who came out in large number to register. 15 of the respondents interviewed lamented about the difficulties they encountered during the registration exercise, and they attributed their difficulties to the ineffectiveness of the operators and the machines.

The main issues are: (i) Lack of electricity to power machines and charge the back-up batteries (ii) slow function of the machine (iii) Insufficient working material, like cartridge, lamination materials, delay in getting voter's card etc. These and other numerous failures at the preparation stage, pointed to the fact that INEC as usual cannot stop electoral malpractice, right from the on-set. This perception is supported by a submission by TELL Magazines of 7th March, 2011, as paraphrased by Seidu (2011:970): It provided evidence that many DDC machines were being redirected by politicians in collaboration with INEC officials to inaccessible centres to facilitate multiple registration, buying of registration cards ... The sharp practices were carried-out because, the politicians know that voting will not be done electronically, and that the DDCs are not networked to detect multiple registrations.

Coming to the Election proper, the electors began to lose hope in the credibility of the election, when the exercise was halted half-way on the day of the first election according to the first schedule, this frustrated many voters. In the conduct of the election, the high expectation it supposed to receive from Nigerians did not come to be true, as the usual obstacles and challenges known in the previous elections also surfaced, even more forcefully in some places. These problems were: late arrival of voting materials and late commencement of the exercise among others.

But on the general note, the respondents agreed that presidential election in Zaria, was conducted smoothly. Noteworthy, is the large number of electors in the north and the country as a whole, who had lost their confidence in the entire system and had thus stopped participating in such election exercises. This is however, due to the wind of change that permeated the country.

4.1 2011 Post-Election Violence and the aftermath

As noted by Adejumbi (2000:59), "elections constitute an important element in liberal democracy; they are a viable means of ensuring the orderly process of leadership succession ... and an instrument of political authority and legitimization" In Nigeria, the issue is quite different from the ideal; due to the failure of the system to uphold the principles of elections under liberal democracy. Former military autocrats keep recycling themselves and their 'Yes Boys' in the garb of pure democrats and manipulate their ways back to the corridors of power. While others, are systematically de-participated through massive injection of their ill-gotten monies into the system. Adejumbi supported this view thus: "The present tendency is to regard elections not as a catalyst, but as a devalued element and a fading shadow of the democratic process ..."

The most lucrative business in Nigeria is for one to get into the corridors of power at all the three levels of government in the country. Very huge amount of salaries, allowances and other benefits are allotted to the political office holders. The suspended Central Bank Governor Sanusi declared that 25% of the country's budget are expended on the national legislators alone. For example, federal legislators receive an average pay of N24 million per month, while the annual Constituency Allowance of a Senator is as high as N1.6 billion (ASSU Bulletin 15/07/2011).

Non-political professionals; civil servants, academics, engineers, etc are battling with the government for N18, 000 minimum wage. This over concentration of the nation's distributive resources in the hands of the so-called politicians attracts mad rush by Nigerians who want to have a bite on the national cake, to the scene of politics and elections; thus wining elections become a 'do or die' affair, hence the employment of the divisive elements by the power brokers amidst the alienated broad masses. Thus, poor economy and not other factors is what actually triggered the post-election violence of April, 2011 in Northern Nigeria. Poverty is more in the north than in the southern part of the country, it is the resultant effect of bad governance and excessive corruption by the leadership. The electors resolved to bring forth change peacefully through elections, but the democratic norms of rigging and electoral malpractice prevailed. Nigeria Times News Network of Friday, April 22, 2011, reported that:

President Goodluck Jonathan desperately set his ministers and PDP Governors to campaign for him and ensure that they win their states in the presidential election. So the PDP flush with slush funds went to work to win by all means and all costs by using political bribery and power of incumbency to manipulate the electoral process and rig the elections ... using National Youth Service Corps members and others to rig the election were reported online and offline and with over 75 million users of GSM phones in Nigeria the reports from BlackBerry pings were circulated fast. Two female NYSC members working for INEC were caught thumb printing in Enugu and the video of massive thumb printing by indentified members of the PDP in Rivers was circulated widely on YouTube.

These and other proofs of election rigging are the major reasons for the post of election violence in the north. This was in contrast to the confidence given to the masses by the authorities by appointing highly respected academic like Prof. Jega to captain the electoral body thus making the masses to register and cast their votes in the election. However, the unexpected result provoked the violence by the millions of the supporters of the opposition; they went on rampage. In a speech at the White House in 1962, J.F. Kennedy submits: "those who make peaceful revolution impossible will make violent revolution inevitable" Ogbemudia, (2011:9) asserts that the ... April general elections have come and gone, leaving behind sorrow, tears, anguish and pains ... This is exactly what happened. The democratic election that is supposed to be a blessing to the country turned out to be a curse. Many lives and properties were destroyed and more unfortunate some of the victims were innocent; apart from thousands of displaced persons languishing in refugee camps. Reuters, May 18, 2011, reported that: more than 800 people were killed and 65,000 displaced in three days of violence following a presidential election in April. In Kano alone according to the Director General of National Emergency Management Agency (NEMA), as reported by Reuters; at least 10,000 people were displaced following the crisis that engulfed some northern cities shortly after the last Saturday's presidential elections.

In Zaria, people went on rampage and attacked prominent PDP stalwarts and even community leaders that gave the support to the ruling party, while in the southern part of Kaduna state, non indigenes Hausa-Fulani, were viciously attacked by the predominantly Christian indigenes. The example of such attack was Matsirga village in Jema'a local government. Eminent traditional rulers like the Emirs of Zazzau, Kano, the Sultan, etc. came under attack by the provoked electors, due to the suspicion of their support to the ruling party. Mbachu, (2009: 18) says: "Nigerian politicians seem not to have learnt any good lesson from Nigeria's immediate past political history. They still exhibit, according to Elaigwu, "residual military psyche in their actions" They are more concern with the material accumulation and looting of state treasury. The tactics employed include stifling of opposition parties ... covertly corrupting the electoral process or embarking on outright election rigging". The respondents submitted that: in the future, Nigerians would hardly stay in a place where they do not belong to vote in an election. Thus, whenever, any general election is by the corner unprecedented internal migration would continue to be witnessed in the country.

Conclusion and Recommendations

The attempt is to point out a connection between democracy and internal security in Nigeria. This is supported by practical evidences of crises, insurgencies and other internal threats that manifested in the country from 1999 to date. Democracy by name alone is not capable of unifying and moving Nigeria forward, until the noble principles are at play, for good governance, national cohesion and development.

Incredible elections, corruption and inequality in the distribution of the country's resources, will continue to create animosity and divisions among the nationalities in the country. Politicians too, can only stop the suicidal rush to grab power if the national resources ceased to be war booties to those in power. The only antidote to this is genuine democracy, elections and good governance. In the light of the findings and discussions in this study it is recommended that Nigerian leadership must entrench a genuine and acceptable elections that will be capable of ushering in a genuine democracy for national security as against the unfortunate occurrence of April, 2011. Adedayo's (2011:524), recommendations are handy, thus: national consciousness, good democratic process and governance; provision for basic services and human security; job opportunity for the unemployed members of the citizens; rule of law and stringent anti-corrupt practice crusade (not like the one at hand), provision against money bag politicking; refresher courses for security personnel and re-equipment with modern day facilities; better educational and research training, skills acquisition and development orientation; and better long term developmental planning and implementation.

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MEASURING CONSUMERS' ATTITUDE TOWARDS MULTI-LEVEL MARKETING IN ILORIN NIGERIA.

By

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Abstract

Multi –Level Marketing (MLM) as an alternative means of distribution, involves direct selling of products and services to the people as opposed to the traditional or single – level marketing which involves exchange of products or services through intermediaries. The main problem is that, this form of marketing is still new in Nigeria and there is need to provide more information about it to the people. The objective of this paper is therefore, to measure consumers' attitude towards MLM in Ilorin Nigeria. The study adopts both the primary and secondary data for analysis. The convenience sampling method was used to select 328 respondents and three Multi – level Marketing companies considered for the study. Fishbein's Model was used to measure the consumer's attitude towards the MLM companies while ANOVA was also employed to test the hypothesis developed for the study. The finding indicates that members of the Multi – level marketing companies have favourable attitude towards MLM and social relationship amongst members. This helps in growing the network and this means better performance for the Multi – level Marketing Companies, ($P= 0.005$) at 5 per cent significant level. The study concludes that Multi – level Marketing is another avenue for self employment for those individuals with the needed entrepreneurial skill. The paper recommends that Multi – level marketing companies should employ Information Technology for their success through effective internet marketing of their products and services.

Key Words: Multi – level Marketing, Up – line distributors, Social relationship, Attitude, Consumers & Pyramid Scheme.

1.0 Introduction.

Multi-level Marketing (MLM) offers itself as a suitable alternative to Traditional Marketing. Multi – level marketing started about seven decades ago in developed countries and it is becoming one of the means of organising direct selling businesses to customers. Traditional Marketing is basically an exchange process involving intermediaries who stand between the manufacturer and the final consumer (Ylikoski & Oksanen, 1999; Hossan, Ahammad and Ferdous, 2012). This makes Product price to be high in traditional marketing, because cost of transferring goods amongst intermediaries forms part of the price. In Traditional marketing, only the seller gets financial benefit from the earning and the consumer must pay to be offered the products or services. This in essence means that Traditional marketing is a single – level marketing where the sales person gets reward for selling product directly to consumer (Hossan, Ahammad and Ferdous, 2012; Paul, Edward and Economy, 2010). Multi – level marketing in contrast, sells products directly to consumers. This probably might have been one of the reasons why it is described as a method of direct selling (Xardel, 1993). It is also described as a marketing process through which customers earn a lot of commission by creating new customers. Multi – level Marketing is thus recommended, as suitable for unique and unconventional products while Traditional Marketing is suitable for any type of products (Hossan, Ahammad and Ferdous, 2012).

According to Gaddy (2004), MLM is an efficient method of distributing products or services to consumers. There are many companies that now use this type of marketing system to distribute their products or services to consumers. Multi – level marketing use word – of – mouth, or friend – to – friend referral; each person involved in this method of marketing is an independent distributor doing his or her own business for the company. This makes the Multi – level marketer works for the company and not works with the company. In other word, the Multi – level marketer is not a company's employee but an independent distributor who works for himself (Gaddy, 2004).

In Nigeria, there is little knowledge about the operational system of the MLM, thereby making the concept rather new. However, some Asian or American companies are operating their businesses in Nigeria through Multi – Level Marketing. These companies probably due to market saturation for their products in their home countries had consequently decided to look for alternative markets in Nigeria and many other countries. The popular ones amongst these companies are: Forever Living, Tianshi and GNLD. The companies sell products ranging from drugs, diet drinks, vitamins supplement, herbal products, bio disc, cosmetics, concentrated and environmental household cleaners, phone services to toy products (Gaddy, 2004). There have been increasing trend in the operations of these MLM companies in United States, Canada, Mexico, South America, the United Kingdom, Europe, Australia, New Zealand, Israel, Japan and the Pacific Basin; where they are in thousands.

Malaysia is now regarded as the biggest market for Multi – Level Marketing companies and there are more than 800 active Multilevel Marketing companies there; while it has also started in India, Pakistan and Bangladesh. (Gaddy, 2004; Hossan, Ahammad and Ferdous, 2012).

The last decade has witnessed rapid expansion in the direct selling industry with Global retail sales increase of more than 2.4 times than before now (Ylikoski & Oksanen, 1999). The World Federation of Direct Selling Associations (1998) reports also indicated that in 1997 the estimated global retail sales through direct selling were US\$80.47 billion and there are more than 30.9 Million direct sales persons in the world. This revealing scenario further attests to the growing trend not only in direct selling but also in Multi – level Marketing. These direct selling organisations though, have been using standard direct sales force to distribute their products however, had 70 per cent of their direct sales revenue being generated by Multi – level Marketing organisations and business units. The Multi – level Marketing companies have been experiencing significant growth not only in the United States but throughout the world, including Nigeria (Coughlan & Grayson, 1998). This paper therefore, examines customers' attitude towards Multi – level Marketing Companies in Ilorin, Nigeria. The specific objective is to examine the effect of social relationships on the performance of Multi – level Marketing Companies.

2.0 Literature Review.

2.1 Conceptual definitions: Multi – level Marketing.

Multi – level Marketing is called several names such as: Network Marketing, Direct Marketing, Customer – Level Marketing and Referral Marketing (Edwards, 1997; FTC, 1998; Merrilees & Miller, 1999; Clegg, 2000; Kitching, 2001; Vander Nat, Peter & William, 2002; Carroll, 2003; Pratt & Rosa, 2003; Mendelsohn, 2004; Kumar & Petersen, 2005; Cahn, 2006; Marcarson, 2006; Higgs & Smith, 2007; Wikipedia, 2013). In this study, the name Multi – level Marketing was adopted for clarity and consistency purposes.

According to Vander Nat & Keep (2002), Multi – level Marketing (MLM) is a way of distributing products or services in which the distributors earn income from their own retail sales made by their direct and indirect recruits. In this definition, effort was made to describe the role and benefit of Multi – level Marketer as somebody who distributes products or services and earn income from performing that function and at the same time also earn income for involving others in the distribution of such goods and services. In other word, those who sponsor the distributors are known as up – line distributors while those they recruit as additional representatives are called down – line distributors (Koroth & Sarada, 2012). The distributors therefore, get paid for their own sales and at the same time earn commission for recruiting down – line distributors. The recruits get new members to join their down – line, and their down – line recruits get their own down – line, thus making the levels continue to grow and a pyramid structure is formed (Hossan, Ahammad and Ferdous, 2012). This probably explains why MLM is also called pyramid selling (Wikipedia, 2013).

MLM is described as a form of direct selling involving non – store retailing based on “face – to – face” communications between a selling representative and a potential buyer (May, 1979; Peterson and Wotruba, 1996; Direct Selling Association, 2001). This definition highlights the importance of face – to – face communication in MLM and also view this form of direct selling as a non store retailing of products or services.

The face – to – face communication involved in the distribution of the products or services means that the sales people are expected to sell products directly to consumers by relationship referrals and word of mouth marketing (Xardel, 1993). Other terms used to describe MLM that is closely related to this term includes: interactive distribution and relationship marketing (Hossan, Ahammad and Ferdous , 2012).

Koroth and Sarada (2012) define MLM as a method of product distribution through independent distributors who are given opportunity to introduce other distributors to the business. This definition like others earlier discussed attempts to explain that products or services are distributed through middlemen who are given opportunity of bringing more people to the business. In his own contribution Snook (2005) said that, MLM is a retail selling (non – store) channels that use independent distributors not only to buy and resell company products at retail, but also to recruit new distributors to grow an independent sales network. This definition tries to emphasise that in MLM the distributor not only sells the company's products but also recruits sales people for the company. Gaddy (2004) defines MLM as an efficient method of distributing a product or service to the end consumer through word of mouth or friend – to – friend referrals. The definition like the other ones earlier discussed, attempts to emphasise the importance of word of mouth and social relationships in Multi – level Marketing. The various definitions given above have shown that in Multi – level Marketing, there are independent distributors who are giving opportunity to sell products or services and at the same time recruit new distributors to increase the sales network. These definitions also described MLM as a form of distribution based on word of mouth communication and friend to friend referrals. In other word, this form of Marketing grows the sales network through social relationships.

2.2 Consumer Attitude.

Attitude has been defined in various ways but an attempt was made to consider the few ones among these definitions and their relevance to the subject matter of this study. Allport (1935) defined attitude as a mental or neural state of readiness, organised through experience, exerting a directive or dynamic influence on the individual's response to all objects and situations to which it is related. In this definition, attempt is made to explain one's behaviour towards object or situation. According to Pickens (2005) Attitude cause us to behave in a particular way toward an object or person. This means that attitude enables us to explain somebody's behaviour towards a situation or an object. Attitude comprises three components: cognition, affect and behaviour (Schiffman & Kanuk, 2004; Solomon, 2004; Pickens, 2005; de Run & Florence, 2007). In the cognitive, affective and behavioural (CAB) paradigm, the cognitive component of an attitude represents person's belief, perception and knowledge about an object; the affective component is the emotional feelings toward an object.

This may be either positive or negative feeling. The behaviour component is the person's intended or actual behaviour response to the given object(Peter & Olson, 1996; Blythe, 1997; Hawkins, Best & Coney, 1998; Solomon, Bermossy & Askegaard, 2002).

The behavioural component tends to be an observable outcome which is driven by a person's cognitive and affective component as they relate to a given object (de Run & Florence, 2007; Hanna & Wozniak, 2001). Consumer behaviour as a discipline has borrowed a lot from psychology and it is characterised by four dimensions of effect: cultural, social, personal and psychological. Perception is situated in the psychological dimension with motivation, learning, beliefs and attitudes (Armstrong & Kotler, 2000; Maenpaa, 2010). Perception can therefore, be said to be closely related to attitudes. Perception is defined as the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). This suggests that perception means providing meaningful explanation for feelings through prior experiences (Pickens, 2005). In other word, perception, belief and behaviour form attitude, which is one of the factors influencing consumer decision making. In this regard, consumers' attitude can be measured toward Multi – level Marketing. This can be in terms of those who are involved in Multi – level Marketing and those not involved as a result of their positive or negative feeling or perception about it. This study therefore set out to measure consumers' attitude towards Multi – level Marketing.

There are other researches done in the area of attitudes and attitude change amongst which include the following: Petty & Cacioppo, 1986; Eagly & Chaiken, 1993; Petty, Priester & Wegner, 1994; Albarrachin, Johnson, & Zanna, 2005; Eagly & Chaiken, 2005; Eagly & Chaiken, 2005; Gawronski, 2007.

2.3 Empirical Review of Literature.

There have been several researches on MLM and the trend now seems to be growing as a result of the popularity of this type of Marketing amongst the people not only in Europe & Asian countries but also from African countries. The work of Vander Nat *et. al.*, (2002) was carried out to examine similarities between the multi – level approach to marketing and activities associated with illegal pyramid schemes. A mathematical model was used to differentiate between the two and the results suggest key factors that marketers interested in MLM will need to consider when developing this type of distribution channel. The major drawback to this model is that it cannot be easily understood by many who are not quantitatively inclined and there is no comprehensive definition of some variables used in the study.

There is another study on ethical issues in Multi – level Marketing by Muncy (2004). This paper attempts to differentiate legitimate marketing practices from unethical ones through five guidelines provided to ascertain the ethical and legal legitimacy of a Multi – level Marketing opportunity. This paper focuses mainly on students and educators; not taking in to consideration the business practitioners and those who are not in the academics. This serves as a major reservation to the work. The paper has no methodology and as such it is very difficult to determine how the variables used in the study are defined and measured.

There is possibility of gathering a huge sum from illicit versions of Multi – level Marketing, and this has inspired more of these kinds of illicit versions also known as Pyramid schemes or Ponzi schemes or Pyramid scams, to be in operation (FTC, 1998; Emek, Karidi, Tennenholtz & Zohar, 2011).

Ponzi scheme is named after Luigi Ponzi who started the celebrated investment scam and the birth of Ponzi machine. The David Rhodes electronic chain letter is another example of Pyramid Scheme (Snook, 2005; Koehn, 2001). There are so many examples of these Pyramid schemes and sometimes it is very difficult to distinguish them from the legitimate Multi – level Marketing. In Nigeria, they are in different forms such as wonder banks, unregistered finance houses and illegal business opportunities on the Internet. The primary distinction between legitimate Multi – level Marketing companies and the illegal Pyramid schemes is that the legitimate Multi – level marketing companies compensate their salespeople for selling products or services to ultimate consumers and not for simply recruiting people. In Pyramid schemes, sales representatives are paid for recruiting only and not for selling products or services (Muncy, 2004).

The study conducted by Korothe & Sarada (2012) examined the influence of relationship in Multi – level Marketing and its effects on business outcomes. One of the results revealed that members of the multi – level marketing organisations are influenced by friends and relatives who used their personal relationship to enrol them as distributors. The authors argued that this is quite unethical using personal relationship to make money. There is a similar research to the above which discusses on Social relations to Business relationships. The paper examines the dissimilarities and similarities between Multi – level Marketing and more conventional choices. It also examines Multi – level Marketing as a social channel that differs from other direct marketing channels in several respects but has certain similarities with online channels (Ylikoski & Oksanen, 1999). The study is purely a descriptive and not quantitative research

3.0 Research Methodology.

This survey was conducted in Ilorin, Kwara State Nigeria between 15th to 24th of July 2013. The area of study was basically Ilorin metropolis. This comprises three local government areas but excluding the outskirts part of the three local governments. The study obtained both the primary and secondary data for its use.

The primary data were collected through the administration of questionnaire to 400 respondents out of which 328 respondents filled and returned their completed forms. The questionnaire contains 27 structured – item questions which were designed to measure the respondents' attitude toward Multi – level Marketing, methods used to recruit members of Multi – level Marketing companies, benefits and challenges experienced from Multi – level Marketing companies, demographical background of respondents, information about the Multi – level marketers' year of experience in Multi – level companies and the influence of social relationship on performance of the selected Multi – level Marketing Companies. The respondents attitude toward some attributes of Multi – level Marketing Companies were measured through a five point likert scale, ranging from 5 indicating strongly agreed and 1 strongly disagreed. The secondary data were obtained from various publications such as: published articles, journals, textbooks, newspapers, magazines and other materials obtained from internet which were found relevant to the study. In order to measure the overall evaluation (e_i) regarding the selected attributes of the specific respondents, a 7 point rating scale, ranging from extremely good to extremely bad (+3 to – 3) was used.

The Multi – attribute attitude Model was computed by grouping the respondents based on the three popular Multi – level marketing companies in existence in Ilorin during the period of the study. This makes possible the calculation of the overall attributes of the specific respondents in each Multi level company considered for the study. The convenience sampling method was used to select the respondents and the three Multi – level Marketing companies considered for the study are: GNLD, Forever Living and Tianshi. The Fishbein's Model was used to measure the consumer's attitude towards the MLM companies. This is because of the model been considered as the most influential tool for analysing consumer's attitude (Neger, 2011). The Fishbein's model proposes that salient beliefs cause overall attitude. This means that people have favourable attitude toward object with good characteristics and unfavourable attitude toward object with bad characteristics. The Fishbein's Multi – attribute model assumed that overall attitude toward an object is a function of two factors: the strength of the salient beliefs associated with the object and the evaluations of those beliefs (Fishbein, 1963).

The model can be shown mathematically as:

$$A_o = \sum_{i=1}^n b_i e_i$$

Where A_o = *attitude towards object*

b_i = *Strength of the belief that the object has attributed (i)*

e_i = *The evaluation of attribute (i)*

n = *The number of salient attributes*

The Analysis of Variance statistical technique was also used to test the hypothesis developed for the study.

4.0 Results and Discussion

The study revealed that there are more female (61%) than the male respondents (39%) involved in Multi – level Marketing companies' business. In other word, this show that women are involved in Multi level marketing because of their ability to recruit and convince more people to participate in the business. The female respondents exhibit more skill for recruitment drive of new members than their male counterparts. The greater proportion of the respondents are between 18 – 25 years old (30%), followed by those who are between 26 – 33 years old (25%), 34 – 41 years old (17%), above 66 years old (13%), 42 – 49 years old (7%), 50 – 57 years old (5%) and 58 – 65 years old (3%). The age distribution above shows that most of the respondents involved in the Multi – level Marketing are Adult below 50 years old while lesser percentage are 50 years old and above. The respondents are mostly students (46%), civil servants (30%), Self employed (21%) and retirees (3%). The respondents below 18 years are not considered for the study because they are minors. There are legal requirements that have to be taken before entering in to any legal transaction with this category of people for the contract to be a valid one.

It was discovered that 65% of the respondents were recruited as members of Multi – level Marketing through persuasion, 15% through radio or television advertisement, 13% through information about the expected benefit from Multi – level Marketing and 7% through the information about the success story of members of Multi – level Marketing companies. This indicated that persuasion is the popular method used in recruiting members to the Multi – level Marketing companies.

In terms of the respondents' level of education, the distribution reveals that 36% have at least Primary education, 52% have secondary education while the remaining 22% have tertiary education. This indicates that those involved in multi – level Marketing are educated and knowledgeable. This makes it easier for the members to attend seminars and conferences usually organised by these Multi – level Marketing companies. It helps the members to easily digest most of the information usually passed on to them during such events.

The respondents' opinion about the benefits of Multi – level marketing indicated that 54% of the respondents are attracted to it because of the profit, 21% respondents are attracted because it is convenient, 12% of the respondents are attracted because small capital is required to start the business, 8% of the respondents are attracted because they are not employees of the Multi – level Marketing companies while 5% are attracted because it makes the respondents to be self – dependent. The study revealed that the respondents' challenges are: it is difficult to distinguish the Multi – level Marketing companies from the illegitimate ones (42%), it exploited relationship for business gain (32%), it is involved in misleading, deceptive and unethical behaviour (20%) and it required substantial sign up and registration fees (6%). In considering those who influenced new recruit as members of Multi – level Marketing it was revealed that 44% were influenced by friends, 30% were influenced by relatives, 15% by colleagues and 11% made independent decisions by themselves. This shows that 89% of the respondents were influenced through social relationship.

Results of respondents' attitude towards Multi – level Marketing Companies.

Table 1 in the Appendix reveals that there are five attributes that influence respondents' attitude toward Multi – level Marketing and they are: Small Capital required for being member of MLM, No need to be employed as a full time staff, It is a convenient form of doing business, Members enjoy profit or benefits and it enables the members to be self dependent. Table 1 shows that for both GNLD and Forever living the most important attribute was small capital requirement, while for Tianshi it was Profit. This means that customers of GNLD and Forever Living are attracted to the Multi – level Companies because of the small capital required to be recruited as members. The customers of Tianshi are attracted to the Multi – level Company because of the profit they enjoyed as members. The strength of belief (b_i) and the overall evaluation of attributes (e_i) of the attitude toward Multi – level marketing is shown in Table 3 in the Appendix. The Fishbein's Multiattributes Attitude (A_i) Model computation for GNLD = 10.553, Tianshi = 16.874 and Forever living = 15.768. This indicates that Tianshi had the most favourable position with total ($e_i b_i$) of 16.874 on the desired attributes.

Forever living had the second favourable position and GNLD came last. In other word, members of the Multi – level marketing companies have favourable attitude toward Multi level marketing. There are various reasons that might have accounted for this , apart from the one discussed above, amongst which include: the promptness of profit payment to members, the percentage pay as commission, the other kinds of benefit enjoyed apart from profit, the years of operation of the Multi – level marketing companies and the degree of confidence that members have in the company. In this study, Tianshi could be said to be the one that enjoyed the most favourable attitude by it members from the selected Multi – level Marketing companies.

Hypothesis H₁ with ANOVA to determine the effect of Social relationships on performance of Multi – level marketing companies.

The hypothesis examined the effect of Social relationship on the performance of the selected Multi – level companies. There are two variables used to test this hypothesis namely: Var11 and Var 17. The dependent variable(Var 11) measured the respondents' response to the statement that members of Multi – level Marketing companies are mostly relations while the independent variable (Var 17) measures the respondents' response to the statement that members' relationship greatly influence Multi level Marketing performance. The result of the analysis indicated that 84% of the respondents agreed that members of the Multi – level Marketing companies are mostly relations while 16% disagreed with the statement. The information earlier on discussed on the means through which new recruits become members of Multi – level Marketing Companies further attested to this position. The members of Multi – level Marketing are mostly friends, relations and colleagues while fewer respondents are not socially related or acquaintances. In regard to the statement that members' relationship greatly influence Multi – level Marketing performance, 85% of the respondents agreed while 15% disagreed. On this basis, the Analysis of Variance was computed to determine the effect of Social relationship on the Multi – level Marketing Performance at 5% significant level.

It was revealed that social relationship has significant effect on performance ($P= 0.005$) of the selected Multi – level Marketing Companies as shown in Table 4 in the Appendix. In other word, the social relationship amongst members of the Multi – level Marketing companies contribute greatly to their performance. The members because of their closeness, trust one another and exploit the relationship to do business. This study is thus in agreement with the earlier work done by Mathews, Manalel & Zacharias (2007). The social relationship amongst members help in growing the network and this means better performance for the Multi – level Marketing Companies. The larger the Network becomes the better the performance of the Multi – level marketing companies.

5.0 Conclusion and Recommendations.

Multi – level marketing as an alternative to Traditional marketing is no doubt becoming popular as another means of getting goods and services to the customers. The result of this study reveals that female respondents exhibit more skill for recruitment drive of new members for Multi – level marketing than their male counterparts. The members of the selected companies have favourable attitude toward Multi level marketing.

The study also confirms that social relationships amongst members make it easier for the expansion of the network formed and this means better performance for the Multi – level Marketing Companies. It offers some benefits which make it a suitable alternative to the traditional marketing of products or services despite a few problems identified in the study. However, Multi – level Marketing seems to be an evolving area in marketing that will require some time to develop as a discipline both in theory and practise. This study has therefore proffers the following recommendations:

- (I) Illegal Multi – level marketing should be discouraged through strict rules and appropriate regulations by government. In this regard, the public should be educated and given more enlightenment about Multi – level marketing that would make them distinguish the legal from the illegitimate ones. It is hoped that if Multi – level marketing companies are engaged in legitimate business that will increase customers favourable attitude toward it.
- (ii) The members of Multi – level marketing companies should not exploit their social relationship for business gain by engaging in unethical practices. This can be done on the basis of honesty and transparency.
- (iii) Multi – level marketing companies should employ Information Technology for their success. This can be done through effective internet marketing of their products and services.

Multi – level marketing has provided another business opportunities for those who are ready to work and build a highly profitable direct selling activities. It is another avenue for self employment for those individuals with the needed entrepreneurial skill. It is definitely going to be great business for the future.

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APPENDIX

Table 1: Computation of Respondents' attribute toward
Multi – level Marketing Companies

GNLD	5	4	3	2	1	Weighted Average	Ranks
	SA	A	U	D	SD		
Small Capital	21	108	0	0	0	$537/129 = 4.16$	1
No employees required	0	60	0	0	69	$307/129 = 2.40$	5
Convenience	0	83	0	0	46	$378/129 = 2.93$	2
Benefit/Profit	0	83	0	0	46	$378/129 = 2.93$	2
Self Dependence	0	83	0	0	46	$378/129 = 2.93$	2

Tianshi	5	4	3	2	1	Weighted Average	Ranks
	SA	A	U	D	SD		
Small Capital	0	8	66	11	6	$258/91 = 2.84$	3
No employees required	0	0	0	69	22	$160/91 = 1.76$	5
Convenience	31	7	37	7	9	$317/91 = 3.48$	2
Benefit/Profit	29	3	57	0	2	$330/91 = 3.63$	1
Self Dependence	0	0	0	88	3	$179/91 = 1.97$	4

Forever living	5	4	3	2	1	Weighted A verage	Ranks
	SA	A	U	D	SD		
Small Capital	9	98	0	1	0	$439/108 = 4.06$	1
No employees required	30	26	0	51	1	$357/108 = 3.31$	4
Convenience	0	9	99	0	0	$333/108 = 3.08$	5
Benefit/Profit	1	87	20	0	0	$413/108 = 3.82$	2
Self Dependence	30	3	66	9	0	$378/108 = 3.50$	3

Source: Authors' Field work, 2014.

Table 2: Computation of Respondents' Strength of belief about the attributes toward Multi – level Marketing Companies.

GNLD	3	2	1	0	-1	-2	-3	Weighted Average	Ranks
	EG	FG	G	U	B	F	EB		
Small Capital	51	34	0	12	14	0	18	$155/129 = 1.20$	1
No employees required	5	57	10	18	27	4	8	$80/129 = 0.62$	2
Convenience	0	53	27	9	21	0	19	$55/129 = 0.426$	5
Benefit/Profit	5	55	8	0	49	8	4	$56/129 = 0.434$	4
Self Dependence	5	52	15	0	53	0	4	$69/129 = 0.53$	3

Tianshi	3	2	1	0	-1	-2	-3	Weighted Average	Ranks
	EG	FG	G	U	B	F	EB		
Small Capital	8	53	5	5	3	8	9	$89/91 = 0.98$	2
No employees required	15	4	51	3	8	0	10	$66/91 = 0.73$	4
Convenience	31	15	3	15	0	27	0	$73/91 = 0.79$	3
Benefit/Profit	72	0	10	6	0	3	0	$223/91 = 2.45$	1
Self Dependence	16	0	34	25	4	12	0	$54/91 = 0.59$	5

Forever Living	3	2	1	0	-1	-2	-3	Weighted Average	Ranks
	EG	FG	G	U	B	F	EB		
Small Capital	6	15	56	5	21	0	5	$68/108 = 0.63$	4
No employees required	6	11	18	6	23	0	24	$-17/108 = -0.16$	5
Convenience	52	19	0	0	14	19	4	$130/108 = 1.20$	3
Benefit/Profit	61	4	0	5	34	4	0	$153/108 = 1.42$	1
Self Dependence	24	37	30	0	5	8	4	$143/108 = 1.32$	2

Source: Authors' Field work, 2014.

Table 3: Respondents overall evaluation (e_i) and Strength of belief(b_i) for different Multi – level Marketing companies based on their different attributes.

Attributes	GNLD			Tianshi			Forever Living		
	e_i	b_i	$e_i b_i$	e_i	b_i	$e_i b_i$	e_i	b_i	$e_i b_i$
Small Capital	1.20	4.16	4.992	0.98	2.84	2.783	0.63	4.06	2.558
No employees required	0.62	2.40	1.488	0.73	1.76	1.285	-0.16	3.31	-0.530
Convenience	0.43	2.93	1.260	0.79	3.48	2.750	1.20	3.08	3.63
Benefit/Profit	0.43	2.93	1.260	2.45	3.63	8.894	1.42	3.82	5.42
Self Dependence	0.53	2.93	1.553	0.59	1.97	1.162	1.32	3.50	4.62
$A_0 = \sum e_i b_i$			10.553			16.874			15.768

Source: Authors' Field work, 2014.

Note: SA – Strongly Agreed , A – Agreed, U – Undecided, D – Disagreed, SD – Strongly Disagreed.

EG – Extremely good, FG – Fairly good, Good – Good, U – Undecided, B – Bad, FB – Fairly, EB - Extremely Bad.

Table 4: ANOVA for the effect of Social relationship on MLM Performance

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.980	1	.980	8.133	.005
Within Groups	39.285	326	.121		
Total	40.265	327			

Source: Authors' Field work, 2014.

CONSEQUENCES OF SUSPENSION OF THE CENTRAL BANK OF NIGERIA'S GOVERNOR ON NIGERIAN STOCK MARKET: EVIDENCES FROM THE BANKING SECTOR

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Abstract

Previous studies have established that news of the removal of Chief Executive Officers (CEOs) of corporate organisation has been associated with significant stock market reaction. The sudden announcement of the suspension of the Governor of the Central Bank of Nigeria (CBN) created mixed reactions among analysts and market participants in Nigeria and beyond. However, information available on the reaction of stock prices of Deposit Money Banks (DMBs) can at best be described as mere conjecture. Thus, the objective of this study is to empirically establish the reaction of DMBs' stock prices to the announcement of the suspension of the Governor of the CBN. Using the standard event study methodology on a sample of thirteen out of the fifteen DMBs that traded on the floor of the Nigeria Stock Exchange (NSE) on the fateful day, the study sought to establish the significance of abnormal return and cumulative abnormal return on the announcement day, and fifteen trading days after the announcement became public. The study found the presence of statistically significant abnormal return and cumulative abnormal return of -3.7117 percent and -5.8895 percent on the announcement day. It also established the presence of statistically significant cumulative abnormal return of approximately -0.03 percent fifteen trading days after the announcement. The study concluded that the sudden announcement of the suspension of the Governor of the CBN gave rise to a negative market reaction by DMBs in Nigeria, and the negative trend persisted for the fifteen trading days after the announcement. It was recommended that subsequently, policy makers should as much as possible avoid sudden announcements of the suspension or removal of the Chief Executive Officers (CEOs) of public institutions that have close links with the stock market. Where the need for such action becomes inevitable, the announcement should be preceded by the release of information that will minimize asymmetry between policy makers and the stock market.

Keywords: Stock prices, DMBs, Governor of the CBN, Event studies corporate Boards and market efficiency

JEL Classification Codes: G12, G14, G21

1. Introduction

The role of the financial system in mobilizing funds from the deficit to the surplus units of any economy cannot be overstressed. The financial system ensures that resources are directed from the surplus spending units to the most productive sectors of the economy. At the centre of this important intermediation function is the stock market, which ensures channeling of resources into long term productive investments. The stock market of any economy therefore, sees to the mobilization of funds on long term basis to stimulate economic growth. Thus, it is not surprising that a number of studies in developed and emerging markets have empirically documented the role of the stock market in fostering economic growth (Atje & Jovanic, 1993; Yartey, 2007; Aruwa, 2009).

A central question to the operation and performance of stock markets all over the world is the extent to which such markets instantaneously and unbiasedly impound new information into stock prices. Thus, a market is considered efficient if it quickly and automatically adjusts to reflect new information. This process of stock prices adjustment to new information is referred to as market efficiency in finance. Fama (1970) identified three forms of efficiency associated with stock markets. According to him, a stock market is said to be weak-form efficient if information on past stock prices is fully reflected in current prices, semi-strong form efficient if all publicly available information is captured in stock prices; and strong-form efficient if all information including the one held by insiders is fully reflected in stock prices.

On the other hand, banks complement the functions of the stock market by providing short term credit and liquidity to the various players within the financial system. Hence, banks also play a very crucial role on the intermediation process by mobilizing resources from the surplus to the deficit spending units albeit on short term basis. Being profit maximizers, the resource allocation process of banks is highly regulated and often done within the framework provided by the apex bank, which core mandate is to ensure macroeconomic and financial stability. The Central Bank of any economy therefore plays an indispensable role in promoting the stability of its financial system. Central banks are headed by CEOs who are referred to as governors in some economies and presidents in others.

According to Lassoued and Attia (2013), CEO attitude can have serious effect on the financial, investment and operational decisions of his/her organization. Thus, like the CEO of a corporate organization, the integrity and independence of the CEO of a central bank plays a crucial role in determining the confidence the general public will have in the economic system locally and internationally.

Most of the extant studies on CEO turnover centre exclusively on corporate organizations, thereby ignoring public institutions. Previous studies on CEO changes such as those of Adelegan (2009a) and Bonnier and Bruner (1989) have argued that since CEOs and boards of organizations have power of influence over the firm's strategy, policy and decision making, change of CEOs or board members will be a significant event that could have implications for the firm's market value. This implies that the removal or suspension of the CEO of a sensitive public institution such as the Central Bank will have market consequences. This is especially true for banks that are most of the time the direct target group of the Central Bank.

Like other value-relevant announcements, stock prices reaction to the announcement of the removal or suspension of CEOs are studied using the event study approach because of its ability to accurately capture the impact of an event announcement (Ball & Brown, 1968). This methodology involves the thorough analysis of the difference between the return earned as a result of the announcement and the return that would have been earned had the announcement not been made (Brown & Warner, 1985). The analysis is usually for a defined time period around the date of announcement (event window). The presence of abnormal return at whatever level is an evidence of semi-strong form inefficiency (Peterson, 1989).

In Nigeria, the sudden announcement of the suspension of the Governor of the CBN on the 20th February, 2014 has generated controversy and many reactions among observers and market analysts as to the likely consequences of such an action on the market value of listed firms, especially the banking sector which had recently gone through turbulent times and is directly regulated by the CBN. It was worrisome to many stakeholders that policy makers could take such an abrupt decision without recourse to the likely consequences such action may have on the banking sector in particular and the Nigerian capital market in general. While a number of opinions exist on the extent of Deposit Money Banks (DMBs) stock prices reaction to the announcement of the suspension, they can at best be considered as mere conjectures and not products of empirical research. The need to conduct an empirical study to establish the extent of this reaction therefore becomes imperative.

Consequently, this study aims at empirically analyzing the reaction of DMBs' stock prices to the announcement of the suspension of the Governor of the CBN. The specific objectives include to:

- (i) Establish the significance of DMBs' abnormal return on the announcement day of the suspension of the Governor of the CBN.
- (ii) Establish the significance of DMBs' cumulative abnormal return on the announcement day of the suspension of the Governor of the CBN.
- (iii) Establish the significance of DMBs' cumulative abnormal return fifteen trading days after the announcement day of the suspension of the Governor of the CBN.

To achieve this, the paper hypothesized that there exists no significant abnormal and cumulative abnormal return within DMBs' event window on the announcement day of the suspension of the Governor of the CBN. The hypotheses are presented in statement and notational forms as follows:

- (I) **H₁**: There is no significant abnormal return on the announcement day of suspension of the CBN Governor ($AR_{(0)} = 0$)
- (ii) **H₂**: There is no significant cumulative abnormal return from fifteen trading days before the announcement day to the announcement day of suspension of the CBN Governor ($CAR_{(t-15,0)} = 0$)

- (iii) H_3 : There is no significant cumulative abnormal return from fifteen trading days before the announcement day to fifteen trading days after the announcement day of suspension of the CBN Governor ($CAR_{(t-15,t+15)} = 0$)

2. Literature Review

Studies on stock prices reaction to value-relevant announcements are usually conducted by examining the market's response to the disclosure of an event. Identifying previous studies, whether in developed or emerging markets, where the governors (or presidents) of their central banks have been suddenly suspended or sacked becomes very difficult for two reasons. First and foremost, policy makers always avoid such kind of decision because of its likely effect on the economy as a whole, and secondly, the central banks of most economies have clearly established laws and excessive checks regarding the suspension and sack of CEOs of public institutions that are economically and financially sensitive. Thus, the closest link between previous studies and this paper is the study of stock market reaction to changes in CEOs of corporate organizations.

Despite the sharp contrast between the operations of corporate organizations and important public institutions such as the CBN, the review of such studies could provide useful insights to understanding the context of this study better. This section therefore presents a review of some studies on stock prices reaction to CEO/board changes and sudden ouster of corporate boards in developed and emerging markets.

Adelegan (2009b) investigated the reaction of stock prices of firms listed on the NSE to the announcement of change in top management, with a view to establishing whether or not the Nigerian stock market is informationally efficient in that regard. The study employed the traditional event study methodology on a sample of firms listed on the NSE from 1997 to 2005. The study documented a significant positive pre-announcement, announcement and post-announcement price reactions. Furthermore, negative stock price reaction was recorded for the announcement of resignation of top management; while the concurrent announcement of resignation, retirement and new appointment of top management gave rise to a positive market reaction. The study concluded that top management changes in Nigeria is perceived by the market as a positive signal in favour of shareholders' interest. However, a proportion of the scope of the study falls within the period when the NSE was not automated, and the study did not attempt to correct for thin trading and volatility effects in the return series.

Furthermore, Lassoued and Attia (2013) examined the market effects of CEO turnover in post-revolution Tunisia, using a sample of 16 turnover announcements by 53 firms listed on the Tunisian stock market. The work employed the standard event study methodology in their analysis and found that the announcement of a CEO turnover is on the average bad news for equity investors. The results showed negative abnormal returns following the announcement of CEO change. They concluded that their results are affected by the bear market. A close look at the analysis conducted by the study revealed the absence of unit root, serial correlation test and the test in ARCH effects as these tests increase the robustness of computed abnormal return.

In Nigeria, Osuala, Nto and Akpan (2013) investigated the reaction of the banking sector to the sudden removal of corporate CEOs of some DMBs. Using a sample of five DMBs whose CEOs were suddenly sacked by the board of the CBN on the 14th August 2009, the study utilized the event study methodology to report that positive but statistically insignificant abnormal return was observed for the sample banks. The study concluded that the non-significance of the observed positive abnormal return could be explained by the prompt intervention of the CBN through its timely injection of N420 billion in the affected banks. On the contrary however, the statistical insignificance of abnormal return could be as a result of the violation of the requirement for normality of abnormal return as the evidence of such test was not presented in the work.

In a related study, Pessarossi and Weill (2013) analyzed the consequences of CEO turnover on the stock prices of majority of the state-owned listed firms in China. The work employed the standard event study methodology on a sample of 1155 CEO turnover announcements by 658 listed Chinese firms between 2002 and 2010. The study's findings revealed that CEO turnover announcements are associated with positive market reaction for Chinese listed firms. However, the positive reaction is significantly positive only for firms owned by the central government, and not significant for their state and privately owned counterparts. The study concluded that their results provide evidence that CEO turnover in a central state-owned enterprise is an indication of renewed commitment to the economic performance of the firm. Being a relatively volatile market, the study did not take into account the likely effects of volatility on the estimated return.

Similarly, Suchard, Singh and Barr (2001) employed a sample of 59 CEO change announcements by 89 out of the 150 listed public firms on the Australian Stock Exchange (ASX) between June 1989 and July 1995 to examine the market effects of CEO turnover for Australian firms. Using the standard event study methodology, the study found a negative lagged market reaction on the announcement day of the CEO change. It concluded that the negative market reaction could be explained by two potential effects: the short term damage from the CEO dominates the potential long term benefits from a change in CEO, and secondly, the news of change in CEO might trigger the release of previously unknown potential problems or managerial behaviour at the firm. The latter explanation closely resembles the circumstances surrounding the suspension of the Governor of the CBN when shortly after the announcement of his suspension, information about a number of financial allegations against him filtered into public domain. However, the results would have been more robust had the study modelled the effect of serial correlation and heteroskedastic effects.

Warner, Watts and Wruck (1988) utilized a sample of 351 top management changes by 269 firms listed on the New York and American Stock Exchanges (NYSE and AMEX) between 1962 and 1978 to examine the reaction of stock prices to changes in top management. Using the standard event study methodology, the study found no average stock price reaction at announcement of a top management change. However, there is an inverse relationship between the probability of management change and a firm's stock performance. Being one of the oldest studies, the work did not model for the effect of serial correlation and ARCH effects.

The evidence from the studies reviewed on CEO change announcements in developed and emerging markets is overwhelmingly in favour of negative stock prices response to such announcements. It was also seen that some of the studies reviewed had methodological challenges such as the absence of correction for thin trading, serial correlation and ARCH effects.

This study adopts the efficient market theory as the bedrock upon which the analysis rests. The efficient market theory developed by Fama (1970, 1991) holds that in an efficient market, stock prices adjust instantaneously to reflect new information such that it becomes difficult for an individual to trade on such information exclusively. New information could negatively or positively impact on stock prices, depending on the market's judgment of the information. According to the work, managers can communicate to the market about the prospects of firms through information releases. This theory adequately explains the study in that the announcement of the suspension of the CBN Governor may be an attempt to convey to the market the information at the disposal of policy makers in Nigeria. Thus, it will not be out of place to say that stock prices of listed firms in Nigeria (particularly DMBs) will definitely react to the announcement, especially considering the role the CBN plays in achieving financial and economic stability.

Methodology

The population of this study consists of the fifteen DMBs listed under the "Banking" and "Other Financial Institutions" sectors of the Nigerian Stock Exchange (NSE) as at February, 20, 2014 (NSE, 2014). The DMBs listed under the Banking sector include Access Bank Plc, Diamond Bank Plc, EcoBank Transnational Incorporated, Fidelity Bank Plc, Guaranty Trust Bank Plc, Skye Bank Plc, Sterling Bank Plc, United Bank for Africa Plc, Union Bank Nigeria Plc, Unity Bank Plc, Wema Bank Plc, and Zenith International Bank Plc. Other listed firms under the Other financial Services sector include FBN Holdings Plc, FCMB Group Plc and Stanbic-IBTC Holdings Plc.

The banking sector and other financial institutions sectors were chosen for the study because of the obvious close relationship between the CBN and these institutions. The study utilized all DMBs in Nigeria that traded on the floor of the NSE on the 20th February 2014, which was the day the news of suspension became public. For a DMB to be part of the sample however, the following criteria must be met:

- (i) Data on daily stock prices must be available for the bank atleast over the period of 120 trading days before the announcement and another fifteen trading days after the announcement.
- (ii) The bank did not undergo technical suspension within the 120 trading days before the announcement day, and fifteen trading days after it.
- (iii) No other simultaneous important announcement such as earnings and bonus issues announcement have taken place and contaminated the effect of the event within the event window.

An application of the above criteria resulted in a total observation of thirteen DMBs. Specifically, the filters applied eliminated two listed DMBs (EcoBank Transnational Incorporated and Unity Bank Plc) from the final sample.

The study utilized the standard event study methodology advocated by Mackinlay (1997) where abnormal return is computed as the prediction errors of the market model. The methodology have been found over time to be consistent and valid in measuring the impact of important corporate events such as stock splits, bonus issues, mergers and CEO sudden ouster (Bonnier & Bruner, 1989; Shaheen, 2006). In this study, the event is defined as the announcement of the suspension of Sanusi Lamido Sanusi as the Governor of the CBN. This study treats the announcement of the suspension as technically synonymous to removing the Governor because the two events are likely to have very similar market effects since they both suggest discontinuity in the policies and programmes of the suspended or ousted CEO.

An event window of thirty one trading days, covering fifteen trading days prior to the announcement day, the announcement day itself, and another fifteen trading days after the announcement day was utilized by the study. Furthermore, the study also utilized a parameter estimation window of one hundred and twenty trading days (from day -16 to day -135) over which the parameters for normal return were estimated.

This study relied solely on data collected from secondary sources. Specifically, the study utilized secondary data relating to the daily stock prices of sample DMBs for the period under study. Similarly, the corresponding NSE daily All Share Index (ASI) was collected for the same period. Both the daily series of stock prices of the sample DMBs and the corresponding NSE All Share Index (ASI) were retrieved electronically from the online database of Cashcraft Asset Management Limited.

The daily stock price data collected was then converted to daily continuously compounded stock return using the procedure suggested by Strong (1992), Brooks (2008) and Adelegan (2009a):

$$R_{i,t} = \ln \frac{P_{i,t} + D_{i,t}}{P_{i,t-1}} \dots\dots\dots (1)$$

where:

$R_{i,t}$ is the return on the security of bank i at time t ;

$P_{i,t}$ is the stock price of bank i at time t ;

$D_{i,t}$ is the dividend received from security i at time t ; $P_{i,t-1}$ is the stock price of bank i at time $t-1$; and

$\ln$ stands for natural logarithm.

Given that the study utilized an event window and estimation window of less than a year, dividends were constant at zero. The logarithmic transformation of the time series data became necessary in view of the need to keep the effect of outliers under control. The

same approach was also applied to the NSE ASI to create daily continuously compounded market return as follows:

$$R_{m,t} = \ln \frac{ASI_t}{ASI_{t-1}} \dots\dots\dots (2)$$

where:

$R_{m,t}$ is the return on the market at time t ;

ASI_t is the NSE ASI at time t ;

ASI_{t-1} is the NSE ASI at time $t-1$; and

$\ln$ is as defined above.

The log daily returns of sample DMBs and those of the NSE ASI were the main variables employed to estimate the model for generating individual bank and market returns. Being time series data, the daily stock and market return series were subjected to stationarity test using the Augmented Dickey-Fuller (ADF) test for the presence of unit root

Although the daily bank and market returns were computed using the market model, they are not free from inherent statistical bias due to the effect of thin or infrequent trading. According to Abuzarour (2005) and Sohawon (2006), emerging markets like Nigeria are typically characterised by low liquidity and thin trading. Furthermore, the study by Tijjani, Brown, Fifield and Power (2009) clearly revealed the presence of significant thin trading in the Nigerian stock market, especially the petroleum and banking sectors. Thus, given that the observed index in thinly traded markets does not represent the true underlying index value, there is always a systematic bias towards rejecting the efficient market hypothesis (EMH).

Against this backdrop, this paper corrected for the effect of thin trading in the series data. The study employed the correction procedure introduced by Miller, Muthuswamy and Whaley (1994). According to them, thin trading correction reduces the negative correlation among returns. The methodology proposed by Miller *et al.* (1994) suggests that a moving average model (MA) that reflects the actual number of non-trading days should be estimated and then returns adjusted accordingly. However, given the difficulty in identifying the actual non-trading days, Miller *et al.* (1994) have shown that it is similar to estimating an AR (1) model from which the trading adjustment can be obtained. The model, as advanced by Miller *et al.* (1994), involves estimating the following equation:

$$R_t^{adj} = \frac{\varepsilon_t}{(1 - \alpha_2)} \dots\dots\dots (4)$$

Where:

R_t^{adj} is the return at time t adjusted for thin trading, and
 ε_t and α_2 are as defined above.

The model above assumes that the adjustment for non-trading is constant overtime.

In order to capture the abnormal returns in the event window, the study utilized the market model pioneered by Ball and Brown (1968), Fama, Fisher, Jensen and Roll (1969) and Brown and Warner (1985). The single factor market model was employed to estimate the return within the event window and the parameter estimation window. The model is presented as follows:

$$R_{i,t} = \alpha + \beta R_{m,t} + \varepsilon_t \dots\dots\dots (5)$$

Where:

$R_{i,t}$ is the return on bank i at time t ,
 α and β are parameters to be estimated,
 $R_{m,t}$ is the return on the market index at time t , and
 ε_t is the stochastic error term.

To ensure robustness of the estimated residuals from the model, equation (5) was estimated using the Newey-West's (Newey & West, 1987) Heteroskedasticity and Autocorrelation-Consistent (HAC) estimator, which automatically corrects for autocorrelation and heteroskedastic effects in residuals. Furthermore, the Doornik-Hansen (Doornik & Hansen, 2008) normality test, the Shapiro-Wilk W test (Shapiro & Wilk, 1965) for normality, the Lilliefors test (Lilliefors, 1967) for normality, and the Jarque-Bera (Bera & Jarque, 1981) test were conducted to ensure the normality of residuals.

The cumulative abnormal return of bank i in the sample for a given period was obtained by summing up the abnormal return in a given period. The procedure is demonstrated by the following formula:

$$CAR(t_0, t_1) = \sum_{t=t_0}^{t_1} AR_{i,t} \dots\dots\dots (6)$$

where:

$CAR_i(t_0, t_1)$ is the cumulative abnormal return of bank i from time t_0 to t_1 ;
 $AR_{i,t}$ is the abnormal return of bank i at time t ; and $\varepsilon_{i,t}$ is the residual of bank i at time t .

The null hypotheses of no significant cumulative abnormal return for bailout announcement on the announcement date and over the entire event window was tested using the t-test for the significance of abnormal returns. According to Brown and Warner (1985), the test statistic is simply the ratio of period t_0 to period t_1 CAR to its estimated standard deviation over the estimation window as shown in the equation below:

$$t(CAR) = CAR(t_0, t_1) / [S(AAR_t)] \dots\dots\dots (7)$$

where:

$t(CAR)$ is the test statistic for cumulative abnormal return;

$CAR(t_0, t_1)$ is as defined above; and $S(AAR_t)$ is the standard deviation of average abnormal return over the parameter estimation window.

The t-test for the significance of abnormal return takes the $N-1$ degrees of freedom. For the decision criteria, the null hypothesis of no significant abnormal return is rejected if the computed t value is greater than the critical value at a given apriori alpha level and vice versa.

The statistical and econometric analysis in this study was carried out with *gretl* version 1.9.12. The choice of this package was warranted by the researcher's belief in its flexibility and robustness over its peers.

Results and Discussion

Analysis of the results started with establishing the stationarity of the variables utilized for the study. Thus, the ADF test was employed to establish the stationarity of the stock return series and the corresponding market return series within the event window. Conducting the test became necessary in order to avoid dealing with non-stationary variables that may give rise to spurious results. Table 1 provides a summary of the results for the unit root test conducted on the thirteen bank stock return series and the corresponding fourteen market return series for the respective sample DMBs using the ADF test.

Table 1 ADF Test for Event Window Variables

Variable	ADF Test Statistic	Order of Integration	Stationary
ACCESSSTOCK_RETURN	-5.9682***	I(0)	Yes
ACCESSINDEX_RETURN	-6.67398***	I(0)	Yes
DIAMONDSTOCK_RETURN	-4.46771***	I(0)	Yes
DIAMONDINDEX_RETURN	-6.67398***	I(0)	Yes
FBNHSTOCK_RETURN	-4.8105***	I(0)	Yes
FBNHINDEX_RETURN	-6.67398***	I(0)	Yes
FCMBSTOCK_RETURN	-6.20151***	I(0)	Yes
FCMBINDEX_RETURN	-6.67398***	I(0)	Yes
FIDELITYSTOCK_RETURN	-9.69143***	I(0)	Yes
FIDELITYINDEX_RETURN	-6.67398***	I(0)	Yes
GUARANTYSTOCK_RETURN	-7.28472***	I(0)	Yes
GUARANTYINDEX_RETURN	-6.67398***	I(0)	Yes
SKYESTOCK_RETURN	-5.62763***	I(0)	Yes
SKYEINDEX_RETURN	-6.67398***	I(0)	Yes
STANBICSTOCK_RETURN	-2.07568	N/A	No
D(STANBICSTOCK_RETURN)	-5.25244***	I(1)	Yes
STANBICINDEX_RETURN	-6.67398***	I(0)	Yes
STERLINGSTOCK_RETURN	-6.02383***	I(0)	Yes
STERLINGINDEX_RETURN	-6.67398***	I(0)	Yes
UBASTOCK_RETURN	-5.30681***	I(0)	Yes
UBAINDEX_RETURN	-6.67398***	I(0)	Yes
UNIONSTOCK_RETURN	-6.92582***	I(0)	Yes
UNIONINDEX_RETURN	-6.67398***	I(0)	Yes
WEMASTOCK_RETURN	-3.92552***	I(0)	Yes
WEMAINDEX_RETURN	-6.67398***	I(0)	Yes
ZENITHSTOCK_RETURN	-1.59589	N/A	No
D(ZENITHSTOCK_RETURN)	-5.34372***	I(1)	Yes
ZENITHINDEX_RETURN	-6.67398***	I(0)	Yes

Source: *gretl* 1.9.12 Output, 2014

* **and*** imply significance at the 10%, 5% and 1% levels respectively.

NB: All ADF regressions contain an intercept and one lagged difference. D(X) connotes first difference of a variable X

It can be seen from table 1 that eleven out of the thirteen stock return series of the sample DMBs were found to be stationary at levels, all at the one percent level of significance. This implies that the eleven stock return series are integrated of the order I (0). However, the stock return series of Stanbic-IBTC Holdings and Zenith Bank were found to be non-stationary at levels. To correct the anomaly, the ADF test was repeated on the first difference of the stock return series for the two banks. At the first difference, the stock return series of the banks were found to be stationary at the one percent level. This means that the stock return series of Stanbic-IBTC Holdings and Zenith Bank were integrated of the order I(1).

On the other hand, the table also shows that the corresponding thirteen market return series are all stationary at the one percent level. This means that all the thirteen market return series are integrated of the order I (0) and have no unit root in them.

As described under the methodology section, the abnormal return in the event window for each of the sample DMBs was estimated by substituting parameters estimated over the estimation window using the OLS technique. Accordingly, the residuals realised from the estimation of equation (5) over the event window for each of the sampled banks were considered as the abnormal return for the bank. The residuals from the market model were estimated using the Heteroskedasticity and Auto-correlation Consistent (HAC) estimation. This automatically corrected for the violation of the assumptions regarding autocorrelation and heteroskedasticity.

The individual sampled bank abnormal return was then aggregated across banks to arrive at the abnormal return. Furthermore, the abnormal return was aggregated across time to arrive at cumulative abnormal return. Table 2 presents summary descriptive statistics for the abnormal return and cumulative abnormal return for the thirteen sample banks.

Table 2 Descriptive Statistics of Abnormal Return and Cumulative Abnormal Return

	AR	CAR
Mean	-3.11E-08	0.00053
Maximum	0.033718	0.06316
Minimum	-0.037117	-0.05516
Std. Dev.	0.017639	0.0235
Skewness	-0.046176	-0.04377
Kurtosis	2.809289	4.22217
Doornik-Hansen Test	0.392726	6.93318
Doornik-Hansen Probability	0.821714	0.03122
Shapiro-Wilk W Test	0.974345	0.95694
Shapiro-Wilk W Probability	0.645049	0.24161
Lilliefors Test	0.116271	0.1093
Lilliefors Test Probability	0.34	0.44
Jarque-Bera	10.779580	2.638755
Probability	0.004563	0.267302
Observations	31	31

Source: gretl 1.9.12 Output, 2014

It can be seen from table 2 that the mean or average values for the abnormal return and cumulative abnormal return are approximately 0.0000 (or 0.0000 percent) and 0.0005 (or 0.0526 percent) respectively. Furthermore, the standard deviation, which measures the dispersion around the mean, stood at 0.0176 for abnormal return and 0.0235 for cumulative abnormal return.

The table also revealed minimum abnormal return and cumulative abnormal return values of -0.0371 (or -3.7117 percent) and -0.0552 (or -5.155 percent) respectively. On the other hand, the maximum value recorded for abnormal return was 0.0337 (or 3.3718 percent), while that of cumulative abnormal return was 0.0632 (or 6.3159 percent). The relative wide gap between the minimum and maximum values of abnormal return and cumulative abnormal return is indicative of the high rate of variability among the return series.

The table also shows the skewness of the distribution of abnormal return and cumulative abnormal return. Skewness measures the length of the tail of the distribution. The skewness value of -0.0462 indicates that the distribution of abnormal return is negatively skewed, and thus has a longer left tail. Similarly, the distribution of cumulative abnormal return has a skewness value of -0.0438, which is also evidence that the distribution is negatively skewed and thus has a longer left tail.

The descriptive statistics table also indicated a kurtosis of approximately 2.8093 for abnormal return, implying that the distribution exhibits flatness at the surface and is therefore platykurtic. For the cumulative abnormal return series however, the approximate kurtosis value of 4.2222 suggests leptokurtosis or peakedness of the distribution at the surface, since the value is greater than the threshold of three.

According to Ball and Brown (1968) and Brown and Warner (1985), the normality of abnormal return and cumulative abnormal return is a precondition for the t-test for the significance of cumulative abnormal return. Given the importance of normality to the test of hypothesis, the paper reports four variants of normality test for abnormal return and cumulative abnormal return. For the abnormal return series, the table shows an approximate Doornik-Hansen test statistic of 0.3927, Shapiro-Wilk W test statistic of 0.9743, Lilliefors test statistic of 0.1163, and a Jarque-Bera value of 0.0580, all of which are statistically not significant. This results in the failure to reject the null hypothesis which states that the abnormal return series is normally distributed. Thus, results from the various normality tests revealed that the abnormal return series is normally distributed. For the cumulative abnormal return series, Doornik-Hansen test statistic of 6.9332, Shapiro-Wilk W test statistic of 0.9569, Lilliefors test statistic of 0.1093, and Jarque-Bera value of 1.9393 were all statistically insignificant at the one and five percent levels, resulting in the failure to reject the null hypothesis. This implies that the cumulative abnormal return series is also normally distributed. In a nutshell, it can be said the descriptive statistics showed that the abnormal return and cumulative abnormal return series are normally distributed and can conveniently be used for the t-test.

Accordingly, the non-parametric t-test was employed to test for the significance of abnormal return on the announcement day, significance of cumulative abnormal return on the announcement day, and the significance of cumulative abnormal return fifteen trading days after the announcement became public. Table 3 shows abnormal return and cumulative abnormal return (in percentages) over the thirty one days' event window.

Table 3 Abnormal Return and Cumulative Abnormal Return

DAY	AR(%)	CAR(%)	DAY	AR(%)	CAR(%)
-15	-0.1214	-0.1214	+1	-1.5343	-7.4238
-14	1.8421	1.7207	+2	2.9440	-4.4798
-13	1.3664	3.0871	+3	3.3718	-1.1080
-12	-0.6715	2.4156	+4	0.3235	-0.7845
-11	0.4168	2.8324	+5	0.2655	-0.5190
-10	-0.7889	2.0435	+6	0.6307	0.1117
-9	-0.5955	1.4480	+7	1.4989	1.6106
-8	0.1648	1.6128	+8	0.2029	1.8135
-7	-1.1130	0.4998	+9	-0.9307	0.8828
-6	0.2971	0.7969	+10	-0.7358	0.1470
-5	-3.2644	-2.4675	+11	0.3273	0.4743
-4	-2.2510	-4.7185	+12	1.4178	1.8921
-3	3.3419	-1.3766	+13	0.0726	1.9647
-2	-2.9073	-4.2839	+14	-0.3356	1.6291
-1	2.1061	-2.1778	+15	-1.6294	-0.0003***
0	-3.7117***	-5.8895***			

Source: Researcher's Computations, 2014

*,**and*** imply significance at the 10%, 5% and 1% levels respectively.

The hypotheses of the study were tested using the t-test for the significance of abnormal return over three periods. In each of the cases, the t-statistic sought to establish whether the abnormal return or cumulative abnormal return over the period of interest is significantly different from zero. Thus, the three points at which the significance of abnormal return and cumulative abnormal return were tested include announcement day abnormal return, announcement day cumulative abnormal return, and post-announcement day cumulative abnormal return. Table 4 presents the summary statistics for the test of hypothesis one.

For the first hypothesis, the null hypothesis of no significant abnormal return on the announcement day was tested using the abnormal return observed on day zero. The abnormal return of -3.7117 percent observed on day zero, as shown in table three, was tested for statistical significance using the standard deviation of 0.9164 obtained over the parameter estimation window and a degree of freedom of 15. The result revealed a test statistic of -16.2012, which was statistically significant at the one percent level. The result therefore, suggested the rejection of the null hypothesis which stated that the abnormal return exhibited by stock prices of DMBs in Nigeria on the announcement day of the suspension of the CBN Governor is not significantly different from zero.

The second hypothesis of no significant cumulative announcement day abnormal return was tested using the observed cumulative abnormal return of -5.8895 percent over the event window of sixteen trading days, running from day -15 to day zero.

The parameter estimation window standard deviation still remained 0.9164, with 15 degrees of freedom. The t-statistics value of -7.00829 was also found to be statistically significant at the one percent level, and this implies the rejection of the second null hypothesis. The result therefore, suggests that the cumulative abnormal return of -5.8895 percent is significantly different from zero at the one percent level.

The third hypothesis tested sought to establish the statistical significance of cumulative abnormal return fifteen trading days after the announcement of the suspension of the CBN Governor became public. The cumulative abnormal return on the fifteenth day is approximately -0.03 percent. Similarly, the estimation window standard deviation of average abnormal return still remained at 0.9164, while the degrees of freedom under the t-distribution for the window is thirty. The result revealed a t-value of -11.9387 over the thirty days event window period, which is statistically significant at the one percent level. Hence, the null hypothesis which states that stock prices of DMBs in Nigeria did not exhibit significant cumulative abnormal return fifteen trading days after the announcement day of the suspension of the CBN Governor could not be rejected. This therefore implies that the cumulative abnormal return of approximately -0.03 percent for the period is significantly different from zero at the one percent level.

Results from the test of the first hypothesis revealed the presence of negative and statistically significant abnormal return of -3.7117 percent on the day the announcement of the suspension became public. This implies that the stock prices of DMBs that traded on the fateful day reacted negatively to the announcement of the suspension, and investors of these banks lost -3.7117 percent in the value of their investments. Although studies on the sudden ouster of CEOs holding strategic positions such as the Governor of a central bank are not common because of the sensitive nature of such action, the finding of significant negative abnormal return on the announcement day is consistent with the findings of existing studies on change of CEO such as Lassoued and Attia (2013), and Suchard, Singh and Barr (2001), and negates the findings of Osuala, Nto and Akpan (2013) and Adelegan (2009b).

Furthermore, the study established the presence of negative and statistically significant cumulative abnormal return of -5.8895 percent for the banks on the day the announcement of the sudden suspension of the CBN Governor became public information. This means that an investor who held stock in the banking sector from fifteen trading days prior to the announcement up to the announcement day has experienced a -5.8895 percent decline in the market value of his/her investment. The evidence of statistically significant announcement day cumulative abnormal return is consistent with previous studies on change of CEO such as Lassoued and Attia (2013), and Suchard, Singh and Barr (2001), but negates the findings of Adelegan (2009b).

The study also found evidence of the persistence of negative cumulative abnormal return for the fifteen trading days after the announcement day. A statistically significant cumulative abnormal return of approximately -0.03 percent was observed over the period after the announcement day. This finding is a pointer towards the persistence of negative market trend in the banking sector even after the information became public.

Previous studies on change of CEO such as Lassoued and Attia (2013), and Suchard, Singh and Barr (2001) have also established evidence of the persistence of negative cumulative abnormal return for the period after the announcement day. On the other hand, the finding is inconsistent with those of Osuala, Nto and Akpan (2013) and Wagner, Watts and Wruck (1988).

Conclusion, Recommendations and Policy Implications

It can be concluded from the foregoing, that the evidence of negative abnormal return and cumulative abnormal return on the announcement day indicate that market participants in the Nigerian banking sector adjudged the sudden announcement of the suspension of the Governor of the CBN as bad news. Fear of the sustainability of policies and programmes initiated by the suspended Governor may have accounted for the sharp negative reaction on the announcement day. By whatever name it was called, the market interpreted the news of suspension as synonymous with removal.

Furthermore, the fact that negative cumulative abnormal return persisted for days after the announcement date confirms that even subsequent efforts by policy makers to provide more information on the circumstances surrounding the suspension of the Governor of the CBN did not help reverse the initial downward trend of stock prices in the Nigerian banking sector. This means that investors in DMBs continued to suffer losses up to fifteen days after the announcement became public.

This study has shown that there exist high economic and social costs associated with the sudden ouster of CEOs occupying sensitive public offices like that of the CBN Governor as such offices may be either directly or indirectly linked to delicate institutions like the stock market. It is obvious that the most manifest managerial implication of the sudden removal of the Governor of the CBN on the Nigerian banking sector is that investors in the sector have suffered losses on the announcement day and several trading days beyond it.

In line with the revelations of this study, certain recommendations are pertinent to policy makers. First and foremost, there is need for policy makers to refrain from sudden and unjustifiable suspension/removal of CEOs of sensitive institutions, especially if the interdependence between such institutions and the stock market is glaring.

Secondly, where the need to suspend/remove the CEO is inevitable, the announcement of such action should be preceded by the release of information that adequately justifies such action by policy makers. The release of such information is expedient as it will help the stock market to correctly interpret the philosophy underlying the suspension/removal of the CEO by policy makers.

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ASSESSMENT OF THE IMPACT OF CONTRIBUTORY PENSION SYSTEM ON CAPITAL FORMATION IN NIGERIA

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Abstract

This study examines the extent to which pension fund has facilitated financial capital formation in Nigeria. The study uses secondary data which are sourced from the annual reports of National Pension Commission (PenCom). Data are analysed using percentages and linear regression analysis. Major findings indicate that out of the five asset classes examined, Pension Fund is invested majorly in three. It accounts for less investment in Local Money Securities and Local Ordinary shares. Thus, based on the findings of the study, it was concluded that Pension Fund is facilitating capital formation in Nigeria. The study therefore, recommends that Pension Fund investors should be encouraged to invest in all facets of the nation's economy.

Key words: Pension, Market, Capital, Formation, Growth and Asset.

Introduction

There is growing awareness of importance of pension fund all over the world. Apart from its social benefits, pension fund serves as source of saving mobilization for investment in critical sectors of the economy (Edogbanya, 2013 and Gunu and Tsado, 2012). It is an instrument which allows governments to raise capital, or support the private sector in raising capital (Della Croce, Kaminker, and Stewart, 2011).

It is seen as a promoter of liquidity in the Capital Market (Channarith and Wade, 2010). World Bank Analysis on Contributory Pension System (CPS) indicates that pension fund are included in a National Policy to develop new financial institutions and deepen capital markets by mobilizing long-term saving and allocating it to the most productive uses, including uses in the private sector (Singh, 1996).

According to Towers Watson (2013), the United States (US) in 2012 had the highest amount of pension assets all over the world. This amounted to 16,851 billion US dollar which was about 108% of the country's Gross Domestic Product (GDP). While Japan had 3,721 billion US dollar which was about 62% of the country's GDP. In United Kingdom (UK), the pension asset amounted to 2,736 billion US dollar (an equivalent of 112% GDP) in the same year. Similarly, in South Africa, the pension asset amounted to 252 billion US dollar (about 64% of the country's GDP) in 2012. However, in terms of the size of GDP, Netherlands had the highest percentage of pension assets to GDP (about 156%) in 2012. It was followed by Switzerland with about 118% of the GDP (Towers Watson, 2013). Despite being in its early stage of development, the pension fund in Russia accounted for about 1.5% GDP in 2006 (BGL, 2010). Nigeria pension industry, like Russia is still in its infancy. Furthermore, statistics have shown that in most Latin American countries who fully adopted CPS, it is estimated that Pension Fund will account for 30% of those countries GDP by the year 2015 (BGL, 2010).

According to Luis, (nd), 'Many of the factors driving the transition towards a Defined Contributory system in developed economies also affect developing economies'. It is argued that developing economies like Nigeria are generally open economies which are subjected to global competition in product, services and capital markets.

This argument was proved right during the period of global economic crisis sometime in 2007, in which Nigerian stock market was affected and a decline in the value of pension assets was recorded. Although, the economy is gradually improving, it is still not clear whether the pension fund is contributing to this.

It is to this extent that this study is focused on the 'Assessment of the Impact of Contributory Pension System on Financial Capital Formation in Nigeria'. To achieve this, the study examines and compares the annual pension contributions of public and private sectors, and the total amount of pension fund that was invested in some classes of asset.

Literature Review

Pension Fund and Financial Capital Formation

According to Luca and Luis-Alvaro (1999), well-designed social security policies can contribute to a better environment for economic growth in Africa. However, there is no substantial evidence to support this argument. While the pension industry in South Africa and Kenya have developed to some extent (Amos and Cecil, nd), pension industries in countries like Ethiopia (Emerta, 2010), Nigeria and many other African countries are still in their early stages of development.

Poor coverage of low income earners have always been the problem of many of the developing countries most especially where they have changed fully from Defined Benefits to Funded Systems. Most of the authors (Gunu, Abdulkadir and Tsado, 2011) argue that in spite of the gradual development of the pension industry in Nigeria, the scheme is operating below its capacity as more savings could be realised if the scheme had made a provision for informal sector coverage.

However, this seems to be a general challenge to the pension industry in Africa. Chile and other Latin American countries also have similar experience (BGL, 2010). Unlike Australia, UK, Switzerland, Netherlands and USA where private sector contributions accounted for over 70% of total pension assets. Most of these countries use both Defined Benefits and Contributory System.

A large number of labour force in developing countries is private sector or self employed (Emerta, 2010). However, Luca and Luis-Alvaro (nd) argue that formal social security systems cover a small portion of the population in most African countries. Although, research findings (Gunu and Tsado, 2012; Edogbanya, 2013 and Ojonugwa, Isaiah and Longinus, 2013) have shown that pension assets under CPS in Nigeria is growing, the major issue remains lack of trust and transparency among the players in the industry. Edogbanya (2013) raises some questions as to the remittance of the pension contributions to the Retirements Savings Account (RSA) by the employers, and agents of the Pension Fund Administrators (PFAs).

Like Chilean, Nigerian pension assets are concentrated in domestic market (PenCom, 2009). This according to BGL, (2010) is as a result of the level of development of the financial sector, particularly the stock market. Thus, the potential areas of investment for the mean time will be in the following areas: Bank Deposits, Real Estate, and Direct Investment in companies (BGL, 2010).

Empirical Findings on Pension Fund and Economic Growth in Nigeria

Since the inception of funded scheme, scholars in the field of economics and finance have been drawing our attention to the benefits attached to the scheme. For example, Gunu and Tsado (2012) examine the relationship between pension fund and economic growth. Part of the conclusions of their study was that the CPS, which permits contributions from both employees and employers, has contributed to economic growth in Nigeria.

However, they fail to look into private sector contributions. Similarly, Edogbanya, (2013) investigates the impact of Scheme on Nigerian Economic Development. The author uses primary data and also fails to examine private sector contributions. Mesike and Ibiwoye (2012) conduct a detailed study using a time series data set of about 28 years. They observe a uni-directional relationship between pension reform and financial sector development. This work tries to build on the existing works of these scholars.

Methodology

Secondary data were used for this study. Data for a period of five years (2007 – 2011) were collected from the Annual Reports of National Pension Commission (PenCom).

Descriptive statistics (Percentages) were applied to measure the proportion of investment in each asset class and inferential statistics (Linear Regression Analysis as well as Analysis of Variance (ANOVA)) were adopted to measure the amount of variation in investment of pension assets' classes.

Study Measures

In this study, Total Annual Pension Asset was taken as the independent variable. While the amount of investment of pension asset in the following asset classes: Local ordinary Shares, Corporate Debt Securities, Local Money Securities, Real estate Properties and Unquoted Securities were taken to be the dependent variables. The objective was to examine the relationship between these asset classes and pension assets. This is expected to bring out the impact of pension fund on capital formation.

Results and Discussion

Table 1: Public and Private Sector Annual Pension Contribution

Year	Public Sector		Private sector	
	Amount in Billion	% of Total	Amount in Billion	% of Total
2004	15.60	1.96	-	
2005	34.68	4.36	-	
2006	37.38	4.70	23.03	4.74
2007	80.63	10.13	68.34	14.06
2008	99.28	12.47	80.81	16.63
2009	137.10	17.22	91.21	18.77
2010	162.46	20.41	103.03	21.20
2011	228.92	28.76	119.53	24.60
Total	796.05	100.00	485.95	100.00

Source: Authors' Computation from Pencom Annual Report (2004 – 2011).

The annual pension contributions of both public and private sectors since the inception of the scheme in 2004 is presented in Table 1. The study observed that the total contribution by the public sector amounted to 796.05 billion Naira.

It further shows that the contribution has been on the increase every year since 2004. This could be due to the participation of more State and Local Governments' employees and Federal Government agencies. On the other hand, the private sector pension contribution did not start until year 2006. The absence of value for years 2004 and 2005 was due to the fact that though, they commenced contributions in 2005 the transfer of their pension assets to Pension Fund Custodians started in 2006 following the licensing of Pension Fund Administrators (PenCom, 2007).

The private sector pension contribution though, started late, the total pension contribution by the private sector stood at 485.95 Billion Naira as at 2011. Thus, the overall total of pension asset as at 2011 was 1.282 Trillion Naira. The public sector contribution was 62.09% of the total pension asset, while that of private sector amounted to 37.90%.

Table 2: Annual Percentage Changes in Value of Specified Asset Classes

Asset classes	Unquoted Securities		Real Estate Properties		Local Money Securities		Corporate Debt Securities		Local Ordinary Shares	
Years	N Billion	% Changes	N Billion	% Changes	N Billion	% Changes	N Billion	% Changes	N Billion	% Changes
2007	9.26	-	79.08	-	159.92	-	0.24	-	240.38	-
2008	8.18	(11.63)	125.13	58.23	332.44	107.88	15.12	6200	220.54	(8.25)
2009	6.18	(24.45)	142.96	14.25	542.22	63.10	31.18	106.23	220.71	0.08
2010	6.86	11	170.52	19.29	489.25	(9.77)	50.73	62.70	358.03	62.23
2011	4.43	(35.42)	186.05	9.11	312.35	(36.17)	74.89	47.63	319.82	(10.67)

Source: Authors' Computation from Pencom Annual Report (2007 – 2011).

The pension funds invested in some specific asset classes between 2007 and 2011 are presented in Table 2. The study observed that the amount of pension fund invested in Unquoted Securities for these periods continue to decrease significantly but decreased a little in 2010. On the other hand, the amount of pension fund invested in Real Estate Properties had a continuous increase for these periods. For the Local Money Securities, the value of investment experience a high increase in 2008, reduced significantly with about 63.10% in 2009, while a high decrease in 2010 and 2011 respectively.

Furthermore, the total value of pension fund investment in Corporate Debt Securities like Real Estate Properties, witnessed a high increase throughout the period, with years 2008 and 2009 experiencing the highest increase of 6200% and 106% respectively. However, it started declining in 2010 to about 47.63%. Also, the amount of pension assets investment in Local Money Security reduced significantly in the years 2007 and 2011 respectively. However, it increased by 0.08% in 2009 and 62.23% in 2010.

Results of Regression Analysis

Each of the dependent variables (Asset classes: Local ordinary Shares, Corporate Debt Securities, Local Money Securities, Real estate Properties and Unquoted Securities) were regressed on the independent variable (Total Annual Pension Asset) to examine the relationship.

Unquoted securities

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919 ^a	.844	.792	.84600

a. Predictors: (Constant), Pension Asset

Source: Author's Computation, 2014.

For the first dependent variable (Unquoted securities), the study observed that the value of r^2 is .844 (Table 3). This explains that pension fund investment in Unquoted Securities amounted to about 84%. It also means that Pension Fund is actually contributing to capital formation in Nigeria.

Table 4: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.648	1	11.648	16.275	.027 ^a
	Residual	2.147	3	.716		
	Total	13.795	4			

a. Predictors: (Constant), Pension Asset

b. Dependent Variable: Unquoted Securities

Source: Author's Computation, 2014

The ANOVA result as presented in table 4 shows that the value of F.Cal is 16.275 with a significant value of .027. Since the significant value is less than .05 or 5%, it means that Pension Fund has impact on the Unquoted Securities which can be seen as a high level of economic growth. There is a positive impact on economic growth.

Real Estate Properties

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998 ^a	.995	.993	2.34938

a. Predictors: (Constant), Pension Asset

Source: Author's Computation, 2014.

For the second dependent variable (Real Estate Properties), the study observed that the value of r^2 is .995 as shown in Table 5. This suggests that as much as 99.5% of variation in Real Estate Properties is accounted by Pension Fund.

Table 6: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2225.683	1	2225.683	403.234	.002 ^a
	Residual	11.039	2	5.520		
	Total	2236.723	3			

a. Predictors: (Constant), Pension Asset

b. Dependent Variable: Real Estate Properties

Source: Author's Computation, 2014.

The ANOVA result in table 6 shows that the value of F. Cal is 403.234 with a significant value of .002. Since the significant value is less than .05 or 5%, it is an indication that Pension Fund investment is highly concentrated in Real Estate Properties. This result tallies with the result of the previous table (table 2) which also shows a continuous increase in the investment of Pension Fund in Real Estate Properties between 2007 and 2011.

Local Money Securities

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.430 ^a	.185	-.087	158.70492

a. Predictors: (Constant), Pension Assets
Source: Author's Computation, 2014

For the third dependent variable (Local Money Securities), the study observed that the value of r^2 is .185 (Table 7). This implies that Pension Fund investments accounts for 18.5% in Local Money Securities. This is low compared to real estate investment. However, it does not mean that pension fund is not contributing to capital formation in general, but has less concentration in this particular asset.

Table 8: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17148.218	1	17148.218	.681	.470 ^a
	Residual	75561.757	3	25187.252		
	Total	92709.975	4			

a. Predictors: (Constant), Pension Assets
b. Dependent Variable: Local Money Securities
Source: Author's Computation, 2014.

The ANOVA result shows that the value of F. Cal is .681 with a significant value of .470 (Table 8). Since the significant value is greater than .05 or 5%, it means that Pension Fund is not a significant variable that account for investment in Local Money Securities.

Corporate Debt Securities

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997 ^a	.993	.991	2.77385

a. Predictors: (Constant), Pension Asset

For the fourth dependent variable (Corporate Debt Securities), the study observed that the value of r^2 is .993 (Table 9). This suggests that 99% of investment in Corporate Debt Securities is caused by Pension Fund.

Table 10: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3432.014	1	3432.014	446.050	.000 ^a
	Residual	23.083	3	7.694		
	Total	3455.096	4			

a. Predictors: (Constant), Pension Asset

b. Dependent Variable: Corporate Debt Securities

Source: Author's Computation, 2014.

The ANOVA result as presented in table 10 above shows that the value of F. Cal is 446.050 with a significant value of .000. Since the significant value is less than .05 or 5%, it means that there is high concentration of Pension Fund investment on Corporate Debt.

Local Ordinary Shares

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783 ^a	.613	.484	45.37246

a. Predictors: (Constant), Pension Assets

Source: Author's Computation, 2014.

For the fourth dependent variable (Corporate Debt Securities), the study observed that the value of r^2 is .613 (Table 11). This implies that Pension Fund investments account for 61.3% of variation in Local Ordinary Shares.

Table 12: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9790.499	1	9790.499	4.756	.117 ^a
	Residual	6175.980	3	2058.660		
	Total	15966.479	4			

a. Predictors: (Constant), Pension Assets

b. Dependent Variable: Local Ordinary Shares

Source: Author's Computation, 2014.

The ANOVA result shows that the value of F. Cal is 4.756 with a significant value of .117 (Table 12). Since the significant value is greater than .05 or 5%, it means that Pension Fund is not a significant variable that accounts for investment in Local Money Securities.

Conclusion and Recommendations

Major findings in this study indicate that pension contribution by both public and private sectors is increasing annually in Nigeria. This could be due to increased compliance by employers (Pencom, 2010). The study also shows that out of the five asset classes examined, Pension Fund is invested majorly in three. It accounts for less investment in Local Money Securities and Local Ordinary shares. The study therefore, concludes that Pension Fund is facilitating capital formation in Nigeria. Based on this, the following recommendations are given:

- (i). Effort should be made on the sustainability of the scheme, as many studies (Gunu, Abdulkadir and Tsado, 2011) have pointed to the huge future benefits of the scheme.
- (ii). As observed in the literature (Gunu and Tsado, 2012; Edogbayan, 2013 and Ojonugwa et al, 2013), players in the Nigerian pension industry should be transparent and exhibit high level of trust.
- (iii). More so, only five asset classes were examined by present study, thus future research should consider more asset classes. Besides, a cross country study in this area is recommended.

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THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF PRIVATIZED ENTERPRISES IN NIGERIA

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ABSTRACT

Privatization has become a norm for an effective mechanism in allocating development resources and accelerating economic growth. The coordination and control of the privatized firms are the major requirements for the turn-around that is important for the expected positive change. The focus of this paper is therefore on the relationship between corporate governance practices and performance of the privatized firms. The study used secondary data collected from the selected firms' annual financial reports and the information on their Board of Directors, both during 10 years before and 10 years after privatization, for comparison. Return on Equity was used for financial firms' performance measurement while composition characteristics were used for the Corporate Governance. The data analysis tool was t-test for the comparison and Pearson correlation analysis tool was used for measuring the relationship between the two variables. It was discovered that while there was a reasonable increase on financial performance, the relationship between the performance and the corporate governance was not significant. This shows that the Corporate Governance was not adequately moving the firms' performance. The shareholders of privatized firms should appoint competent management team and build up formidable monitoring committees over the management. Government should also have reputable regulatory body that can monitor the practices of the privatized firms.

Keywords: Corporate Governance, Privatization, Performance, Nigeria

Introduction

The private sector is increasingly being recognized as the motivating force that can foster economic progress. Privatization has a very good theoretical background and many theories like those of Umar (2005), Igbuzor (2003) and Hamza (1992) have been propounded on why private firms should outperform State-Owned Enterprises known as (SOEs) or Public Enterprises. Besides, the Public Enterprises in Nigeria were badly run both economically, socially and administratively.

The public enterprises colossal loss to the government and the economy had prompted many Nigerian elites to call for privatization. The major reason for privatization in Nigeria therefore was to sanitize the public sector from its lethargy (Anyia, 2007).

Among the objectives of privatization which are found in the Privatization Decree No. 28 of 1998 according to Bureau of Public Enterprises (BPE) Handbook (2004) was to refocus public enterprises for improved performance, viability and overall efficiency. It was also aimed at promoting private investment for both local and foreign entrepreneurs and to benefit the economy through higher returns on capital. These objectives could only be achieved through effective management of the enterprises, thus the need for effective corporate governance.

Few studies like Nwoye (2005) and Kajola (2008) on the performance of Corporate Governance in Nigeria have shown that some corporate bodies of privatized firms had failed. In this wise, the objectives that were set for privatization were not substantially achieved. There are factors like, ownership structure, corporate governance, financial constraints and transition process that should be the main determinants of the performance of the privatized firms. The focus of this paper is on one of the determinants that is the relationship between governance practices and performance of privatized enterprises. It examines what private sector evidence has about this relationship and explores the extent to which that evidence is relevant to public enterprises. Giang (2010) claims that the central issue that emerges is that the relationship between players in the decision-making process is critical for organisational performance. Yet to-date, this aspect of corporate governance has been largely neglected in studies that test the links between governance attributes and organisational performance.

Once the concept of relationships is brought into the governance-performance equation, the perception of what good governance is and what to look for to enhance performance changes (Giang, 2010).

This study therefore aims at examining the impact of the corporate governance by the top management team on the performance of privatized enterprises.

Literature Review

Concept of Privatization

Anyia (2007) defines privatization as the widespread sale of publicly owned assets to local owners. Umar (2005) also defines privatization as free economy from strong government control and particularly, from government intervention in direct production of goods and services for the market. Privatization can also be seen as a gradual divestment of government from the public enterprises and state owned corporations that are selling its shares in these corporations to the private sector operator (Hamza, 1992).

Privatization has become a major strategy adopted in improving the performance of public enterprises. This according to Hamza (1992) emanates principally from the inefficiency of the public enterprises and the global change in attitude towards the management of economic resources.

From 1970s there had been a resurgence of the economic philosophy of the market as a more effective mechanism in allocating development resources and accelerating economic growth.

Anya (2007), Umar (2005), and Hamza (1992) suggest that when SOEs are privatized, their profitability increases for several reasons. Privatized firms tend to be more profit oriented and less focused on social or political objectives since under private ownership, managers are directly responsible to shareholders whose wish is to maximize their profit. Profitability can increase through efficiency gains, thanks to the reduction of redundant labour, which was previously maintained by the politicians for electoral reasons at the cost of firms (Boycko, Shelper, and Vishny, 1996). Similarly, after privatization, firms have incentives to use human, financial and technological resources more efficiently because of a greater stress on profit goals and more viable threats of bankruptcy and dismissal (Boycko *et al.*, 1996). Moreover, it is also expected that output (e.g., sales revenues) will increase following privatization, because of better incentives, more flexible financing opportunities, and greater scope for entrepreneurial initiatives (Megginson, Nash and Randenborgh, 1994).

A review of the achievement of State Owned Enterprises (SOE) reform can be done by looking into the performance of the reformed enterprises. Privatization suggests gains in form of profitability. Effectiveness of the reform will depend majorly on the corporate governance of the post reform (Yesufu, Nabeshima and Perking 2006).

Writing on First Bank Nigeria plc after its privatization, Adubi and Adam (2002) empirically showed that the bank witnessed several restructuring. The Board of Directors was immediately changed. The result was that the company's capital rose from N15m in May 1995 to N25m in 1997.

The study also found out that (after deducting inflation rate) the bank's Return on Asset (ROA) and profit margin increased. Labour productivity growth (best indicator of growth) rose by 33.78 percent.

Concept of Corporate Governance

Meredith and Robin (2005) claim that in its narrowest sense, corporate governance is about how an organisation is directed and controlled. It is also about the structures and processes in place to facilitate and monitor effective management of an organisation, including mechanisms to ensure legal compliance and prevent improper or unlawful behaviour. In addition, the Organisation for Economic Co-operation and Development (OECD, 2002) takes a broad view of corporate governance and defines it as the full set of relationships among a company's management, its board, its shareholders and other stakeholders. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance determined. Increasingly, the concept, 'corporate governance' is used in the public sector as well as the private sector. While there are some similarities between the two sectors in governance terms, there are also significant differences that shape the way government departments, authorities, corporations and even government business enterprises are organised and governed.

Barret (2002) noted that governance is concerned with “*how* an organisation is managed”. It is important to understand that governing is not the same as managing. Broadly, governance involves the systems and processes in place that *shape, enable* and *oversee* management of an organisation. Management is concerned with *doing* – with co-ordinating and managing the day-to-day operations of the business.

However, whilst theoretically distinct, in practice an inflexible division between those who govern and those who manage may be impractical and inefficient or simply not relevant.

In his paper, Stan (2012) narrated the seven characteristics of good corporate governance:

- i. Clear Strategy: Good corporate governance starts with a clear strategy for the organization. Creating a product line to meet the needs of the market.
- ii. Effective Risk Management: Even if your company implements smart policies, competitors might steal your customers, unexpected disasters might cripple your operations and economy fluctuations might erode the buying capabilities of your target market.
- iii. Discipline: Corporate policies are only as effective as their implementation. A company's management should be able to mobilize its workforce to implement the strategy, if not the initiative will fail.
- iv. Fairness: Fairness must always be a high priority for management. For example, managers must push their employees to be their best, by enhancing their morale and also must be fair to their customers, both for ethical and public-relations reasons.
- v. Transparency: Managers should make sure that employees understand management's strategies and are allowed to monitor the company's financial performance; and employees should understand their roles within the company.
- vi. Social Responsibility: Good corporate governance identifies ways to improve company practices and also promotes social goal by reinvesting in the local community.
- vii. Self-Evaluation: Mistakes will be made, no matter how well you manage your company. Employees and customer surveys can supply vital feedback about the effectiveness of your current policies or by hiring outside consultants to analyze your operations. It helps identify ways to improve your company's efficiency and performance (Stan, 2012).

There are those factors (proxies) that differentiate various corporate governance mechanisms and which influence the ways they perform their duties.

Proxy Variables of Corporate Governance: While there is no consensus on the optimal board size, it is however widely proposed that a not-too-large board will help in efficient decision-making by minimizing negative board dynamics. ASX (2003) recommended eight directors to be upper limit while Leblane and Gillies (2004) view that eight to eleven could be the optima size. In their own study Kiel and Nicholson (2003) claimed that 7 members should be mean board size for effective decision-making.

A comparative study of Australian and Japanese firms found that the conventionally large size of Japanese boards did correlate with poorer performance.

Another proxy for board's effectiveness is the rationale behind Board Independence. Psaros and Seamer (2002) explain that independence is critical to ensuring that the Board of Director fulfils its objective, oversight role and holds management accountable to shareholders. It is believed that a majority of independent directors (outsider) on the board will counter balance the power of the CEO in decision-making and provide assurance to shareholders.

Ownership structure is another important proxy variable for corporate governance. Ownership structure is an amount of ownership claims held by insiders (the management) and outsiders (investors) with no direct role in the management of the firm (Jensen and Mecking, 1976).

It is rational that with large ratio of management's shareholding they will be moved to be more committed to the success of their firm's performance. The three items- Board size, Board Independence and Directors' shareholding are the proxies used for this study. However there are other factors that can influence the performance of Board members, these are their education level and their emolument among others. For example, Hambrick (1994) agrees that it takes very well coordinated members of management to be able to work well. According to him some top management teams have few "team" properties. They consist primarily of solo operators who are largely allowed to run their own shows, who interact minimally, sometimes rarely seeing each other. Such a condition poses a problem for upper echelons theory or at least for that aspect that deals with how Top Management Team (TMT) characteristics affect firm outcomes. For, if TMTs are highly fragmented, then team characteristics will matter very little to firm outcomes. Instead, firm outcomes are the outgrowth of a host of narrow, specialized choices made by various individual executives (Hambrick, 1994). There are many financial measurements tools that researchers can use to determine the rate of performance of firms. Among them are Profit Before Tax (PBT), Return on Asset (ROA), which is Total Asset divide by PBT, Return on Equity (ROE) also termed as Return on Investment (ROI) that is PBT divide by total share assets. ROE is used in this paper because it directly reports the results of efficiency or otherwise of the Board members that direct the business.

Theoretical Framework

Privatization is a capitalist ideology typified by neo-liberalism which insists that a self-regulated system of market will bring about spontaneous process of development (Igbuzor, 2003). Some theoretical arguments for private ownership of enterprises for better efficiency and productivity are based on property agents, transaction costs, contract theory and public choice traditions among other advantages (Galal, 1994). It is the issue of efficiency that supports the clamour for significant private participation and leadership in productive activities.

Efficiency is often measured by the percentage of resources used in achieving a unit of production. That is, comparing the actual achievement of workers with the cost of that achievement during a given period. This is the cardinal objective of privatization since the expectation of privatization is cost consciousness, effective resources management and optimal input utilization (Awopegba, 2001).

Schindele (2003) posited that privatization is theoretically inclined on increased productivity. Human beings constitute the driving force in any productivity improvement effort. Productivity involves the technical and management skills and knowledge, motivation to perform, and workers attitude to work. The ability to increase output units when input remains constant is an increase in productivity. In order to achieve this, it is managerial skill and policy that can allocate resources so efficiently. This is why privatization can also be done through management contract i.e. when private management is contracted to change the fortune of a public enterprise.

Adnan (2005) wrote that the theoretical framework behind the idea of privatization is largely dependent on understanding the concept of property rights. In order to develop an expanded, specialized market system, a society must have an efficient way of dealing with numerous transactions that take place in a specialized economy. Specialization and allocation of resources depends on low transaction costs, which are dictated by prices in market economics. Competitive markets, in which transactions are effectively handled by market prices, rely heavily on formal well- defined property rights. Another fundamental aspect which plays an essential part in the efficiency improvement associated with privatization, is embedded in the Coase Theorem. Ronald Coase proposes that the private sector is effective in solving the problem of externalities, through costless bargaining, driven by individual incentives.

According to the Coase Theorem, individual parties will directly or indirectly take part in a cost-benefit analysis, which will eventually result in the most efficient solution (Mankiw, 2001).

However, Toyo (2000) analyzed a limitation dimension to the advocated theories in favour of Privatization. He argued that the alleged managerial efficiency, capital utilization efficiency, flexibility, consumer satisfaction and freedoms advocated for privatization could be a mirage.

Toyo added that the so called managerial efficiency is always measured by profitability as an indicator, which explains that the higher the profits the more efficient the management has been. But a high profit may be due to monopolistic position of the enterprises, inflation, poor consumer knowledge or favoured market position like patent protection or professional protection (Zakari, 2001).

Empirical Studies

Bodner (2002) studied the relationship between managers' autonomy and productivity, using a survey of 769 SOEs during 1980 – 94 in China. He uses four dummy variables: managers' performance contract, the share of contract workers, manager's output autonomy, and manager's autonomy in hiring/firing workers. The empirical results show that the first three variables have significant and positive effects on productivity, although employment reform yields a negative but insignificant outcome, suggesting that this had little effect on productivity. McGoldrick and Walsh (2004), using a panel of 681 firms during 1980-94, found that labor and business decision autonomy has led to higher productivity of firm, even accounting for selection bias. Upper Echelon theory was propounded by Kelvin in (1986). The theory says that Top Management Team (TMT) of an organization is associated with value creation of the organization.

The result of his research on seventy two technology firms proved that TMT's aggregate education level, social integration, internal and external networks are associated with increased organization's level of innovations. Hambrick and Mason (1984) made three major points. First, top managers act on the basis of their personal biases, experiences, and values. They added *“if we want to understand why organizations do the things they do, or why they perform the way they do, we need to understand the people at the top”*. Secondly, Hambrick, (1988) added that TMT's organization success depends on their personality, background, experience and former job performances. These are the quality points considered before appointing the Management Team of private or privatized companies. The higher these reference qualities, the higher the team's quality of decision making, and the higher the impetus for innovations that can yield fruits of development. Usually, the management team of State Owned Enterprises (SOE) referred to as Board of Directors or Board Members are made on federal quota system and political patronage rather than competent qualified personnel.

There are four key aspects of economic environment that are the determinants of performance of privatized enterprises. They are enterprise Ownership, Corporate Governance, Market structures and Competition and Financial Constraints.

Research Methodology

The population of the fully privatized public firms in Nigeria between 1990 and 2000 according to BPE (2004) was twenty five (25). They are in Oil and Gas, Banking, Manufacturing (cement), Agro-Allied, Hospitality and Motor Vehicle sectors. Only the first three sectors have their firms quoted in Nigerian Stock Exchange from where the study could get Annual Financial Reports and Corporate Governance information.

There are fifteen firms in the three sectors, 3 firms from Oil marketing, 6 firms from manufacturing and 6 from banking. The study used convenient sampling method to select one firm from each of the three sectors thus; National Oil (Conoil) was selected from Oil and Gas, Benue Cement Company (Dangote Cement) from Manufacturing and Afribank (Mainstreet Bank) from banking sector. These 3 firms represent 20% of the 15 firms. According to Gay and Diehi (1992) the sample for survey research should be 10% of the population but where population is small 20% may be required. The selection of three firms is therefore justifiable.

The study used secondary data which were retrieved from Fact Books of Nigerian Stock Exchange and each selected firm's annual financial reports. The study also got related information on the Corporate Governance of the Firms from the said documents.

Variable definition: the dependent variable used for this study which is the performance of the privatized firm is proxied by using Profit Before Tax (PBT) and Return on Equity (ROE). The independent variable which is used in this study is Corporate Governance which is proxied by Board Size that is Number of Board of Directors (NBD), Number of Non-Executive Directors (NNED) for Directors' Independence and Percentage of Directors' shares (%DS), which shows ownership rates of the directors. Comparison of the firms' performance in 10 years before and 10 years after privatization that is 1990 – 1999 for Before and years 2001 to 2010 were for After. Privatization implementation took off in year 2000, the transition year. This is for comparing the firms' performance in the two periods.

T-test was used because according to Osuala (1999) this tool is good when a research compare performance of two periods in an organization. We also used Pearson Correlation Analysis to test the relationship between the two variables.

Regression Model:

Performance and Corporate Governance is

$$\text{Per} = F(\text{BS}, \text{NED}, \text{NNED}, \% \text{DS} + E)$$

$$\text{Per} = a + b_1 \text{BS} + b_2 \text{NED} + b_3 \text{NNED} + b_4 \% \text{DS} + E$$

Where;

F = function of

BS = Board Size

BI = Board Independence (Number of Non-Executive Directors)

%DS = % of Directors Shares

Findings and Discussion

SPSS version 17 was used to generate the results from the data thus;

a. t-test

TABLE I: Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 VAR00001	3.6441	30	6.26655	1.14411
VAR00002	8.4029	30	24.79873	4.52761

Source: Computed by Author from Secondary data using

TABLE II: Paired Samples Test

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 VAR00001 - VAR00002	-4.75876	25.80427	4.71119	-14.39423	4.87671	-1.010	29	.321

SPSS 17.

The mean result of Before Privatization is 3.64 while that of After is 8.40 based on 10 years before i.e. 1990 – 1999 and 10 years after which is 2001 – 2010 and which is 10 years per each firm giving 30 years Number (N). the result of Standard Deviation is also derived as 6.26 for before and 24.7 for after with standard errors as provided in the table above.

The result of 0.321 for F-statistics shows that the performance result of before and after is not significant, which means that there is no significant impact of Corporate Governance on the Performance of Privatized firms. This therefore goes with our Null Hypothesis, hence alternate will be rejected.

b) **Test of Regression Model**

Table III: Regression Model Showing the Impact of Corporate Governance on the Performance of Privatized Firms.

Variables	Co-efficient	Std-error	T-statistics	Sig. Value
Constant	45.649	34.104	1.339	0.192
Board Size	-2.671	2.538	-1.082	0.302
Board Independence	-3.472	4.327	-0.802	0.430
% of Director Shareholding	-1912.659	-2826.880	-0.677	0.505

Source: Computed by Author from Secondary data using SPSS 17.

From the above table, all the Independent variables- the Board Size, Board's Independence and % Shareholding of Directors are not statistically significant in explaining the performance of privatized firms. This is evidenced by the low t-ratios that are below 2 and this is further confirmed by the high significant figures that are higher than 0.05 (5%). The overall test of the model indicates that the variables of Corporate Governance collectively are not relevant in explaining the performance of privatized firms. The F-statistics for this is very lower than 1 with significance value of 0.0656 which is more than 0.05.

TABLE IV: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.243 ^a	.059	-.049	25.4047155	.059	.544	3	26	.656	2.126

a. Predictors: (Constant), VAR00006, VAR00005, VAR00004

b. Dependent Variable: VAR00002

Source: Computed by Author from Secondary Data Using SPSS Version 17.

Above summary shows that F-statistics is 0.544 sig. F (stat. sig. Value) is 0.656. Adjusted R² is -0.049 showing that all the Corporate Governance variables perform below expectation in having impact on the performance of privatized firms in Nigeria.

Conclusion and Recommendations

There are many variables external and internal which have influence on corporate performance. The external refers to type of industry, legislation, financial and accounting systems among others. The internal refers to organization managing issues, types of boards, structure of boards, their knowledge, adopted rules and from perspective of transition process.

Based on the findings of this study Corporate Governance in some of the privatized firms are not actually influencing the performance of the firms. This could be due to lack of experience of the top management team, fragmented interest of the team members, or both. The performance of the firms after privatization therefore are subject to other variables of profitability like monopoly through high pricing, reduction in cost of production especially staff retrenchment among others.

The Board members have very low share ownership in the firms. This is evidenced by percentage of shares held by Director as shown on Appendix II Tables III and Table IV. Appendix II, Table III and IV show that there are more non-executive directors (outsiders) than the executive directors, the insider. Most of the board members were outsiders, the non-executive directors. This shows that there are no old experienced insiders who use their skill and influence to move the firms forward. This finding is in agreement with literature where Nwoye (2003) narrates that when the management of the Nation's ports are changed to private hands in 2001 they performed below expectation and Kajola (2008) which reports the high profile corporate governance scandal involving most of the corporate organizations in Nigeria banks

It is therefore suggested that:

- I. Members of new Board of Directors during and after privatization should be selected strictly by shareholders; based on the Directors' education, skill and transparency.
- ii. The Executive Directors should always include the old, tested and trusted managers from within the privatized firms because they could have their skills and competence useful to move the firms forward.
- iii. The shareholders should have formidable overseer bodies for both financial and legal compliance.
- iv. The suggested regulators among the shareholders themselves should be above board and should lead by example at all times.
- v. There should be regular structured training and attendance of seminars and workshops for top management in order to strengthen their leadership quality and skill competence.

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APPENDIX I

TABLE I: THE PERFORMANCE OF SELECTED FIRMS BEFORE PRIVATIZATION

YEAR	TURNOVER (N'm)	PROFIT BEFORE TAX (N'm)	SHARE ASSET (N'm)	RETURN ON EQUITY
1990	1,594,806	188,587	141,129	1.33
1991	1,882,620	184,380	155,120	1.19
1992	2,353,799	295,681	179,599	1.64
1993	4,176,511	509,653	179,975	2.83
1994	7,796,152	932,934	270,400	3.45
1995	13,286,055	1,450,233	270,400	5.36
1996	16,909,072	1,830,869	286,569	6.39
1997	22,398,975	2,295,149	286,569	8.01
1998	13,972,332	-264,469	369,881	0.71
1999	1,445,351	527,627	369,881	1.42
2000				
TOTAL	85,815,673	7,950,644	2,509,523	32.33

Source: Fact book from Nigeria Stock Exchange May, 2013

TABLE II: THE PERFORMANCE OF SELECTED FIRMS AFTER PRIVATIZATION

YEAR	TURNOVER (N'm)	PROFIT BEFORE TAX (N'm)	SHARE ASSET (N'm)	RETURN ON EQUITY
2001	18,436,756	170,237	419,552	0.40
2002	22,529,815	-622,685	419,552	-1.48
2003	31,886,992	1,409,510	537,751	2.62
2004	60,101,557	2,464,604	495,580	4.97
2005	79,609,095	5,236,256	596,830	8.77
2006	96,641,010	5,897,053	1,587,030	3.71
2007	92,456,632	5,638,704	1,741,718	3.23
2008	140,885,298	8,031,387	1,916,252	4.19
2009	291,723,654	67,330,316	853,764	8.57
2010	202,897,536	105,579,567	8,099,960	13.03
TOTAL	1,140,127,839	201,135,049	16,667,989	48.01

Source: Fact book from Nigeria Stock Exchange May, 2013

APPENDIX II

TABLE III: BOARD OF DIRECTORS OF SELECTED FIRMS BEFORE PRIVATIZATION

YEAR	Board Size	No. of Executive Directors	No. of Non-Executive Directors	% of Directors' Share
1990	11	5	6	0.001
1991	11	5	6	0.001
1992	12	6	8	0.001
1993	12	6	8	0.001
1994	12	5	8	0.001
1995	12	5	8	0.001
1996	12	5	8	0.001
1997	12	5	8	0.001
1998	13	5	7	0.001
1999	10	4	6	0.001
2000	12	4	8	0.001

Source: Fact book from Nigeria Stock Exchange May, 2013

TABLE IV: BOARD OF DIRECTORS OF SELECTED FIRMS AFTER PRIVATIZATION

YEAR	Board Size	No. of Executive Directors	No. of Non-Executive Directors	% of Directors' Share
2001	13	6	8	0.001
2002	13	6	8	0.001
2003	11	4	8	0.001
2004	10	4	6	0.001
2005	10	4	6	0.001
2006	10	4	7	0.001
2007	10	4	7	0.001
2008	10	4	7	0.001
2009	10	4	7	0.001
2010	10	4	7	0.001

Source: Fact book from Nigeria Stock Exchange May, 2013

CORRUPTION, POLITICAL VIOLENCE AND THE CHALLENGES OF 2015 GENERAL ELECTIONS IN NIGERIA

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Abstract

Grapple with the challenges of 2015 general elections in Nigeria; the political sociology of democratic governance appears to have been identified with corruption, political violence and insecurity. This work is drawn from secondary sources and supported by an analytical approach. The major objective of this study is to examine how political violence and corruption affects Nigeria's socio-economic development with a particular focus on the forth coming general elections in the year 2015. The paper discovers that; the political events during the 2011 elections consist of a pseudo-democratic system which brought about violent conflicts, poverty; terrorist attacks and exploitation by political elites. Therefore, the gaps in the Electoral Act also encourage the idea of rigging, manipulation and lack of transparency.

Key Words: Corruption, political violence, rigging, democracy, economic development.

Introduction

Nigeria had faced enormous political violence since 1960, even during the military rule the country experienced a series of ethno-religious and political violence. Despite the transfer of power from the military to democratically elected government these elections were marred by violence especially the elections of 2007 and 2011. Nigerians thought that democracy had arrived on May 29, 1999, with the inauguration of the elected president Olusegun Obasanjo. There were increasing hopes that the socio-economic and all other infrastructural development would improve. These among others include; security, good road network, health sector, education and issue of power supply (Jega, 2007).

Given that context, people believed that democracy was going to immediately cure all of Nigeria's hardship. They thought it would bring about near perfect security and stability, and re-launch the nation on the path of sustainable socio economic development. Besides, others also saw the return of democracy as the much-desired opportunity to correct some of the mistakes of 1914, which were compounded by reckless military rulers and which have further complicated the much talked about National Question (Jega, 2007)

In Nigeria despite the emergence of democracy, it is still sad that the much talked about system of government has not solved most of the socio, political and economic problems bedeviling the nation, despite its abundance human and mineral resources.

It have been generally revealed why Nigeria's greatness is being delayed or slowed down, and why majority of her people have failed to see democracy as a means to development. The thrust of this discovery is traceable to corruption. (Tunde, 2008).

Conceptual Definition

Corruption: This phenomenon has become a household word in Nigeria. Therefore, conceptualising corruption is not an easy task due to its different meaning as a concept.

According to Tanzi (1998: 51) “in several cases of corruption the abuse of public power is not necessarily for one's private benefit but it can be for the benefit of one's party, class, tribe, friends, family and so on. In the same vein, Nye (1967:14) sees corruption as “a behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gain; or violate rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses). In his view Fredrick (1972) asserted that,

“ corruption exists whenever a power holder who is charged with doing certain things is induced to take actions which favor whoever provides illegal rewards and thereby does damage to the public interest” .

Election: There are so many definitions of election. International Encyclopaedia of Social Science Vol. 5, defines election as one procedure and preferences of particular kind. The two features of this definition are procedure and preferences. By procedure, the concept is used to describe a special way of doing something. Preference connotes choice between alternatives. During elections the electorate is given the opportunity to choose between alternative programmes of contestants.

According to Chaturvedi (2005) election is an indispensable part of any political system; nonetheless, it can also involve explicit or implicit use of violence in the contestation either by the political parties contesting the elections themselves or outside agents like the military, labor unions or private militias William (1986) argues that elections serve two types of function: 'bottom up' and 'top down'. Put simply, the two types focus on the benefits to voters (bottom up) and politicians (top down) of elections.

Bottom up functions of elections include:

- (a) providing representation;
- (b) offering choice;
- (c) making governments;

- (d) influencing policies
- (e) influencing politicians

Top down functions include:

- (a) providing a mandate to govern;
- (b) adding legitimacy to government decisions;
- (c) educating voters about policies.

How well each of these functions is fulfilled depends on the nature of the electoral system.

Electoral violence: It is defines electoral violence as any form of physical force applied to end or disorganize the electoral process, ranging from the destruction of electoral materials to the act of intimidating of the electorates to vote against their wish. It includes physical force aimed at influencing electoral officials to work in favour of particular groups or parties or persons as against an established procedure. Also, it is a harmful act targeted at causing disharmony during elections(Nweke, 2005). Jegede (2003:31) expresses that, there are different manifestations of electoral violence e.g. murder, arson, abduction, assault, and violent seizure and destruction of electoral materials. These acts are perpetuated by individuals and groups with the intention of influencing the outcome of elections or deterring elected officials from consolidating their positions after elections.

Violence: The American Federal Bureau of Investigation (2007) defines violence as the expression of physical or verbal force against self or others, compelling action against one's will or pain of being hurt.

The Nature of Political Violence in Nigeria

Since Nigeria's return to democratic rule in 1999, there has been a rapid increase in political violence in the country. As the level of violence increases, the resultant effects on the locations often engender a serious declined in political, ethnic and religious tolerance. Kalu (2003) notes that, the sources of violence in Nigeria are within the context of ethnic and religious agitations, reckless manipulation of the electoral process, imposition of unpopular candidates, disrespect for the constitution, injustice, downward trend in the economy, poverty, unemployment, lack of patriotism, intolerance and cultism. The rising wave of corruption and political violence in Nigeria no doubt has a great impact on the socio-economic development of the nation and her people. Political analysts believed that this could not be divorced from such extraneous factors such as unemployment, bad leadership, poverty, electoral fraud, thuggery, assassination, kidnapping, terrorism and local and international drug trade. According to Douglas Dogo (cited in Alanamu, 2005)

Nigeria's political history was characterized by political thuggery, dichotomy, tribalism, electoral fraud and unbridled corruption, culminating in the people's disenchantment. The political instability was responsible for the past military interventions and demise of the previous republics.

Ethno-regional identities in Nigeria have developed along a tri-tangential trajectory. The first is the North/South divide that emerged at the beginning of the colonial period. The second is the tripolar framework related to the three colonial regions and the majority groups that dominated each region. The third and maybe the most important tendency in Nigerian politics is a persistent multi-polarity governed by micro-nationalism of the numerous minority ethnic groups in the country. Ethno-regionalism in Nigeria has always been played out alongside ethno-religious politics and this dimension makes the story more complex (Joseph, 1999).

According to primordialist approach, ethnic bonds is highly persistent and significant irrespective of contextual differences that have emerged throughout history. In his analysis Scott (1990) pointed out that Primordialists explain strong ethnic attachments with psychological or biological factors that, they think, have primary significance in the formation of a sense of belonging, in-group identity, and solidarity among the members of an ethnic group. Nigeria is suffering from a growing problem of corruption and political violence.

In contrast primordialists emphasize psychological or biological aspects of ethnicity as mobilizing forces; instrumentalists view socio-economic and political factors as major motivating causes of ethno-political conflict. It is generally accepted that Nigeria is a multi-religious, multi-ethnic and multi-cultural society with enormous potential for economic, social and democratic development.

Ibrahim (2003) explains that, in Nigeria authoritarian leadership, the emergence of an over-centralized state, elite manipulation, irresponsible mass media, corruption and prolonged conflict, have so far blocked its potential. In the process, Nigerians have been losing their freedom, their resources and the good relations they have hitherto enjoyed with their neighbours. He added that, the development of democratic culture is dependent on the existence of a modern nation that can protect the rights of its citizens and extract duties from them. Modern societies are characterized by the practice of equity, the rule of law and the search for legitimacy. The legitimacy is linked to its capacity to present itself as a provider of necessary public goods and more importantly, as a neutral arbiter that guarantees the security of all sections of society. When a country is generally perceived as serving the particularistic interests of one group, it starts losing its legitimacy, and indeed, its authority. As the state capacity declines, fear of 'the other' rises and inhabitants of the area resort to other levels of solidarity such as the religious, ethnic and regional forms in search of security.

It is in this context that the two major issues of ethnic and religious identity and mobilization have become so central to the resolution of the Nigerian project.

The first is the transformation in the country's ethnic equation linked to the dynamics of the majority/minority divide. During the First Republic, Nigeria had three major ethnic groups, each of which dominated the minority groups in its region. Following thirty years of a fissiparous process of state creation, the political map of majorities and minorities has been complexified by the creation of numerous new majorities and minorities.

According to Human Right Watch (2011), at least 100 people died in federal and state election in 2003; not less than 300 people were killed in violence linked to the 2007 elections and well over 800 people were victims of electoral violence in 2011 presidential elections alone in the North with more than 65,000 people displaced.

As campaigns developed, hitherto peace-loving neighbours in the state or local government had to be portrayed as the terrible/aggressive/settler 'other' who must be separated from 'our people' in the interest of peace, stability, good government and development. As this type of dynamics unfolds, traditional conflict resolution mechanisms break down and ethno-regional political actors feel obliged to take maximalist positions and treat both their neighbours and the spirit of compromise with disdain. In the process, each group develops a reading of Nigerian history in which they discover that they have had the worst deal in the political equation (Scott, 1990).

The second issue relates to the impact of the rise of religiosity on democratic political culture. The most significant sociological variable in Nigeria over the past twenty years is the astronomical growth of the level of religiosity in society. Growth is expressed both in the intensity of belief and in the expansion of time, resources and efforts devoted to religious practice.

The norms and practices of the growing number of religious movements and their activism are characterized by norms that are often antithetical to democratic ones. They include unquestioning faith in religious leaders, sectarianism and exclusiveness, intolerance and a propensity to hate free speech and undemocratic organizational practices. Not surprisingly, the relationship between the trajectories of religious pluralism and democratic culture in Nigeria has tended to work against each other (Ibrahim, 2000, and Toure, 2003).

Furthermore, it is worthy to note that political violence and corruption in Nigeria has root in neo-colonialism. Due to lack of proper orientation it has become a policy by the political elite to establish a way of manipulation, domination, election rigging, political struggle and regional disparity among Nigerians. Suberu and Osaghae (2005) complimenting the view above had argued that regional cleavages and identities evolved from the structures created and consolidated by the colonialists in the process of state formation in Nigeria. The most fundamental of the cleavages is that between the North and South, these being the initial structures of the colonial state which were administered separately even after the two units were amalgamated in 1914. The other cleavages emerged with the introduction of a three-region structure (North, East, and West) in 1946. A fourth region, Mid-West, was created in 1963, but partly because of its status as home to minorities, the creation did not fundamentally alter the tripartite regional structure existing before the First Republic was sacked by the military in 1966.

The ethnic majority-minority cleavage and the majoritarian basis of politics took roots within these structures. The emergent elite were regionalized from inception, and especially after 1946 when the political space was opened to more Nigerian participation, the majority elite segment deployed strategies of ethnic mobilization and exclusionary politics to establish hegemonic control of the regions.

Challenges of 2015 General Elections in Nigeria

In Nigeria today there is a serious fear about the issue of general election in 2015. Looking at the recent Anambra state governorship/ senatorial elections conducted on 26th November 2013, therefore these fears are not being misplaced.

Akinosho (2011) argues that it is the character of our politicians and the class character of our electoral system that have engendered the on-going political violence in Nigeria. Politics remains the most lucrative venture in Nigeria today. A few people plunder the country's resources and seek to enrich members of their immediate families in perpetuity. It is not surprising; therefore, that most people, even professionals, now prefer to engage in politics of the stomach as it is the easiest way through which people can enrich themselves through mindless plunder of the commonwealth.

Consequently, it would be safe to conclude that Nigerian political crisis has its ultimate origin in neo-colonialism. It has become a pattern for the ruling class to create and entrench its material base, thereby creating intra-class contradictions and conflicts. Like in the past, one of the most interesting features in the coming April elections is the alarming nature of violence taking place across the country. Violent uprisings have become a veritable tool of power politics. There is a growing army of "gainfully employed" youths ready to perpetrate heinous atrocities at the behest of politicians. Political opponents are freely assassinated or kidnapped. Members of their families are not spared the scourge of incontinence engendered by avarice (Akinosho, 2011).

The Chairman of Independent National Electoral Commission, INEC, Professor Attahiru Jega, warned that insecurity, funding and the attitude of the political class might threaten the success of 2015 general elections. Jega said this while addressing graduating participants of Senior Executive Course 35 of the National Institute of Policy and Strategic Studies, NIPSS, in Abuja Nigeria, November, 2013.

Represented by Ibiano, Jega said: "The heat and passion associated with elections in Nigeria often make it appear like war" It is not possible to predict all challenges that will face the management of an election. All we have done is to learn from past challenges and try to contain them. Still, some old challenges, willy-nilly, would persist and new ones are likely to emerge.

Pre-election violence has led to the death of many politicians, their supporters and innocent citizens. Wide-spread intimidation of voters persists and organized thugs spread fear across communities in the build up to elections. In any case, elections in Nigeria often produce winner-takes-all outcomes in which losers lose everything and winners win everything, akin to payment of reparations by an enemy defeated in a war.

In fact, election security has become a lasting issue facing the management of elections in Nigeria. The threats include physical attacks on INEC staff, facilities and databases, security personnel, political opponents, misuse of orderlies by politicians, violence at campaigns, intimidation of voters, snatching and destruction of election materials, among others. He said the threats were now exacerbated by insecurity in some parts of the country, making the conduct of election in those parts more difficult. He added that, the key challenge facing the 2015 election is a widespread absence of moderation among our politicians (Jega, 2013). In her view Usman (2013) aptly noted:

While Boko Haram is apparently the biggest security headache for Africa's most populous country, it certainly isn't its only security challenge. Pockets of violence in the oil-rich Niger-Delta, the rise of other militias in the South-West and the Middle-Belt, alarming incidents of kidnapping in the South-East, frequent eruptions of communal violence in Jos, and other forms of violent crime abound. Crucially, the increase in militant activity should be situated within the larger context of Nigeria's political economy and the 2015 general elections, on which most of the political elite and their networks are now fixated.

Citizens thrill at the non-enforcement of the rules that define the institutional basis of social, political and economic exchange, as corruption has become the dominant social norm and reflections on the first four decades of political independence no doubt indicate that citizens themselves are instrumental to the national decay, however, they are receptive to corrupt friendly regimes, thus, celebrating the potent force of mal-governance and underdevelopment (Olu-Adeyemi, 2004).

The World Bank describes Nigeria as a mixed economy with abundant natural resources which has the seventh largest trade surplus around the globe. But due to corruption, the economy has stagnated over the years. Unfortunately, after years of independence, Nigerians still harbor the mentality that public money belongs to no one and that any person who has access to it should convert it into his or her personal use. Corruption permeates every sector of the Nigerian society, "from millions of scam e-mail messages sent each year by people claiming to be Nigerian officials seeking help with transferring large sums of money out of the country, to the police officers who routinely set up roadblocks, sometimes every few hundred yards, to extract bribes of 20 naira, about 15 cents, from drivers" Polgreen (2005) cited in (Olu-Adeyemi, 2004).

Similarly, Electoral corruption is prevalent. This is a situation that includes the purchase of votes with money, promises of office or special favors, coercion, intimidation, and interference with freedom of election, sale of votes, killing and maiming of people in the name of election, and a situation where losers, end up as the winners in elections, and votes turn up in areas where votes were not cast. Apart from the above, Nigeria manifests the prevalence of prebendalism (client patronage) and all of these have undermined democratic governance in the country (Olu-Adeyemi, 2004).

Another dimension of how corruption in Nigeria serves as a stumbling block is generally characterized by looting of public funds and resources i.e. capital flight; misappropriation and mismanagement of public funds; taking advantage of possessions inherent in government offices for their personal interest; drug and human trafficking; possession of illegal arms; gratification such as financial, material or physical favor as a fastest way for performing official duty, violation of due process in the procurement of services. Many politicians and elected leaders in Nigeria are accused of one kind of corruption or the other, that is between 2003 to 2011, for instance some ministers indicted, about three Senate Presidents were removed from their offices due to corrupt practices. The Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Related Offences Commission (ICPC) handled several cases of corruption in Nigeria. Recently was the corruption scandal in the oil sector amounting to N1.7 trillion from the year 1999 to 2011, the Police Pension Fund of N18 billion as well as that of Mr James Ibori N450 billion corrupt case of money laundering in London.

Rigging and Manipulations used in the 2003, 2007 and 2011 General Elections in Nigeria and the Challenges ahead of 2015.

In his book the Rigging Ways, Umaru (2003) highlights on how the National Conscience Party (NCP) itemizes some of the despicable methods utilized by some politicians in subverting the popular will of the Nigerian People. The NCP argued that “we are in a position to elaborate fully on each of the vile procedures adopted by the criminals but find it sufficient here to do no more than an enumeration of some of them” as follows:

1. Recognition of non-existing polling units by INEC and allocation of voting materials to same.
2. Bribing of INEC officials, the police and security agents with irresistible amounts to perpetrate election rigging.
2. Use by INEC of partisan party supporters as electoral officers to man Polling Stations.
3. Diversion of electoral materials to private offices, residence and palaces of traditional rulers for manipulation and falsification.
4. Concealment or non-release of voters' register loaded with false names later used as a ghost.
5. Voters register used at polling units not numbered, thus permitting arbitrary addition of names to the register.
6. Unannounced and sudden change of location of polling stations and collation centers.
7. Pre-stuffing of ballot boxes with fake ballot papers before the day of the election.
8. Stuffing of illegal ballot boxes with illegal papers.
9. Sale of pre-stuffed ballot boxes to candidates.
10. Replacement or exchange of official ballot boxes with unofficial ballot boxes containing unofficial thumb-printed ballot papers (throwing ballot boxes into the water in riverine areas and replacing with freshly stuffed ballot boxes from illegal quarters).
11. Addition of unofficial ballot boxes to official ballot boxes containing already thumb-printed ballot papers.
12. Falsification of results and forgery of figure both at polling units and collation

- centers.
13. Multiple voting to which INEC officials and the police are indifferent.
 14. Use of under-aged children as voters to which INEC officials and the police are indifferent.
 15. Use of special ethylated spirit to clean off the so-called indelible ink of fingernails to facilitate multiple voting.
 16. Use of Vaseline on the fingernails before the so-called indelible ink is applied by polling officers in order to enable easy cleansing and facilitate multiple voting.
 17. Thumb printing of ballot papers by INEC officials.
 18. Thumb printing of ballot papers by security agents.
 19. Thumb printing of ballot papers by some domestic monitors.
 20. Accumulation and use of illegally acquired voting cards to vote on election days.
 21. Use of party agents as surveyors of voters' cards to facilitate impersonation and multiple voting.
 22. Dressing up party agents in police uniforms to intimidate opponents at polling and collation centers.
 23. Use of armed thugs to harass and intimidate opponents and rival party agents.
 24. Use of police and security operatives to terrorize opponents and rival party agents.
 25. Use of armed thugs, police and security operatives to intimidate party agents of rival parties to depart from polling center.
 26. Party members of the ruling parties bearing INEC tags on polling days to facilitate moving from polling station to polling station and from one collation center to another with a view to rigging elections.
 27. Printing and use of fake election results sheets with same numbers as authentic result sheets.
 28. Forcing some party agents at gunpoint to sign forged election results.
 29. Canvassing for votes at polling centers with impunity.
 30. Members of the ruling parties claiming falsely to be party agents for rival political parties so as to give cover to the rigging of election results.
 31. Intimidating and compelling voters, in some instances at gunpoint to vote for particular parties
 32. Ruling parties compromising agents of newly registered parties by offering them bribe.
 33. Exposure of voters to the full glare of party agents in the process of voting which denied voters of privacy and negated the legal requirement of secret balloting.
 34. Posting of false results by INEC on its website for internet consumption that had borne with results emanating from polling centers.
 35. Change of candidates for election few days before election and in some cases after election.
 36. Sale of mandate to the highest bidder.
 37. Use of different fingers to make imprints on ballot papers in order to prevent easy discovery of multiple voting.
 38. Agents of ruling parties forcefully seizing ballot papers from voters known to have voted against the favored party and deliberate invalidation of same by making additional finger imprints.
 39. Use of looted public money to bribe voters.

40. Distribution of foodstuffs and soup ingredients such as rice, garri, beans, maize, groundnut oil, maggi and other items like sugar, slippers, roofing sheets, clothing materials, etc to induce voters.
41. Refusing to count and discarding of ballot papers identified as thumb printed for political parties that are not favored (Umaru, 2003).

Conclusion

This paper assesses the relationship between the impact of political violence, corruption and the challenges of Nigeria's 2015 general elections. The issue of corruption has manifested itself in Nigerian political arena because the political leaders and the ruling class continued to enjoy the smell of domination, subjugation and looting of public funds. The development has led to violence, terrorism, poverty, ethno-religious conflicts and poor economic growth. The paper argues on the phenomenon of corruption and political violence as encouraged by the political culture of Nigerians due to impact of colonization. Therefore, it has become a great challenge to the actualization of hope for peaceful political and socio-economic growth ahead of April 2015 election.

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ENVIRONMENTAL INDUCED CONFLICTS: A REFLECTION OF NOMADIC PASTORALISTS AND SEDENTARY FARMERS IN KATSINA STATE

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Abstract

This paper examines the nature, causes, effects and management of environmental induced conflicts among nomadic pastoralists and sedentary farmers in Katsina State. Today, conflict, most especially, the ones that are induced by environment and which involved the nomads and farmers is a struggle over values and claims to scarce status, power and resources in which the aims of the opponents are to neutralize, injure or eliminate their rivals. Conflicts engendered by the struggle for resources are present among species from the ancient civilizations till today. This is evidenced by the fact that pre-Homo sapiens (humans) killed members of their own species in order to satisfy such a single need as hunger. Conflict among the nomadic pastoralists and sedentary farmers can best be described as an environmental resource which necessitates competition between and among multiple users. Having discussed this phenomenon, the paper suggests that apart from managing conflicts using the tradition methods; grassroots community-based activities, good governance, collaborations, negotiation, reconciliation, mediation, arbitration, adjudication and crisis management as elements of Western alternative disputes resolution could be used. The paper, also argued that conflict situation could be arrested at its infancy stage by understanding the nature, causes and the possible danger signals that may herald their eruption, and to act quickly and decisively before it explodes into open violence.

Keywords: Environment, Conflicts, Farmlands, Nomadic Pastoralists, Sedentary Farmers and Northern Nigeria.

1.0 Introduction

Today, across the globe, one major predicament confronting world peace is the manifestation of conflicts in different dimensions. From Europe to America, Africa to Asia, conflicts are common phenomena. *Fulani herdsmen and farmers conflicts have remained the most predominately resource-use conflict.*

Each year, 20 to 40 armed conflicts of various proportions rage around the world (Marshall Gurr, 2005 in Jeong 2008:1-5; Bello, 2013; Al Chukwuma and Atelhe, 2014), while some conflicts such as the ones that are induced by environment were successfully managed, others brought about devastating consequences, such as extra-judicial killings. For example, in Cambodia, the unheralded mass extermination of the regime's enemy classes in mid-1970s was marked by more than a million deaths and in Rwanda, the indiscriminate killing of civilians by militia groups' tagged "genocide" led to the loss of almost a million lives in April, 1994. In like manner, the civil war in Sudan and in the Congo represents the most brutal internal wars, involving the lives of as many as four million people, both caused by armed fighting (Gurr, 2005 in Jeong 2008:1-5).

A conflict in Northern Nigeria is that which is between pastoralists and sedentary farmers. Since the attainment of independence in 1960, environmental induced conflicts between these two groups have led to loss of properties worth millions of naira and the death of hundreds of thousands of lives (Adamu, 2007:210; Al Chukwuma and Atelhe, 2014). Despite all these, there seems to be no solution in sight. Nigerian communities have lost confidence in the capacity of their leaders to provide justice, law and order. People seem to be taking the law into their hands (Iyorwuese, 2003:89). This assertion can be supported with the level of murder, kidnapping, arson, armed robbery and terrorism taking place in the name of fighting for rights by groups of people, which has resulted in violent conflicts in different parts of the country. Conflicts among nomadic pastoralists and sedentary farmers in Nigeria seems to be going out of control as the governments at various level has not been able to bring them to an end. For instance, human conflict is ubiquitous and the potential for conflict exists whenever individuals or groups pursue goals that they perceive to be incompatible with one another. Conflict is an inescapable feature of social life, and its effects are often beneficial either because it helps to clarify differences among the people that are involved (Coser cited in Sandra, 2003:35).

Environmental induced conflict offers a mixture of the good, the bad, and the uncertain in Katsina State. The implication is that conflicts allow people to express feelings about important issues; they produce new and creative ideas; they release and built-up tensions. Whenever handled properly, conflicts can strengthen relationships; they can help groups and organizations to re-evaluate and clarify goals. Conflicts can also initiate social changes to eliminate inequalities and injustice in the society. However, the more familiar is the negative side of conflicts. Heated exchanges most times do spiral out of control, resulting in frustration, tension, hard feelings, and ultimately more conflicts. Violent conflict is not inevitable and so can be regarded as an anomaly.

In the conflict prone areas, palpable fear and anxiety have enveloped the residents as conflicts have resulted in the destruction of lives and property; Fulani herdsmen had lost many lives and an estimated number of 3.5 million heads of cattle, while the farmers have also lost lives, houses, and crops worth millions of naira. According to Bello (2013), the conflicts have demonstrated high potential to exacerbate the insecurity and food crisis particularly in rural communities where most of the conflicts are localized, with reverberating repercussions nationwide.

The rate of the incessant conflicts between nomadic pastoralists and farmers made the Local Governments, States and the Federal Government of Nigeria to employ different mechanisms in order to end the menace. For instance, the Federal Government of Nigeria has commenced the construction of grazing reserves, and has clearly delineated stock routes covering 1,000,000 hectares in Jangere village of Katsina State (NAN cited in Daily Trust 2009:7). This was done to strengthen the relationship between the two groups, but the relationship keeps on degenerating into worse. The best ways to improve the relationship among these important groups form the concern of this paper.

Given this background, the paper seeks to examine nature, causes, effects and possible ways by which environmental induced conflicts among nomadic pastoralists and sedentary farmers in Katsina State could be reduced.

2. Literature Review

2.1 Nature of Environmental Induced Conflicts among Nomadic Pastoralists' and Sedentary Farmers in Katsina State

Conflicts in general manifest in various ways, ranging from the mild and non-violent forms such as avoidance, ridicule and verbal exchanges to violent and destructive forms such as riots, assault, terrorist attack and war. Although not much has been written on the nature of nomadic pastoralists and sedentary farmers' conflict, scholars have made some efforts to give different dimensions of the conflicts. According to Bello (2013), *the competition between these two agricultural land user-groups, however, has often times turned into serious concealed and unconcealed manifestation of hostilities and social friction*. Yahaya (2008:8) observes that, nomads' and farmers' conflicts are violent, destructive and short. However, the conflict between Tubu farmers and Fabi herders occurred in the process of searching for scarce water at public well points and boreholes (The band and Batterburg, in Hererero, 2003:16). This shows that the period of conflict outbreak varies, depending on the cause. Khan (2007:6) states that most of the conflicts that occur in the society have elements of ethnicity. He further explains that the conflict sometime degenerates into ethno-religious conflicts. This is because in some parts of this country, such as Benue and Plateau, the majority of the farmers are Christians while nomadic activities are dominated by the Muslims. Ethno-religious conflict may not likely happen in Katsina State because both groups are of the same faith, Islam.

A study carried out by Ingawa *et al.* (1999:6) in the Core National Fadama Development States, showed that conflict has been a recurring social problem for many decades, occurring mainly during the dry season when the animals are moving southwards, and sometimes at the beginning of wet season when they are moving back.

The study was carried out almost two decades ago, the activities of nomads who move with arms, usually in large groups and who commit intentional crop damage has added another dimension to the conflict among these two groups of people. This shows that the conflicts are fought with arms even in Katsina State.

According to Okoli (2013), militancy is the belief in, and resort to, the use of aggression in the pursuit of group cause. While, the manifest militant posture of the Fulani pastoralists according to Al Chukwuma and Atelhe (2014) must be understood with reference to these individuals' worldviews vis-à-vis group subsistence and survival of the fittest, which eventually; has a link with pastoralism. For the average Fulani-herdsman, pastoralism is a way of life or a design for living, which is reckoned with as a mark of common heritage. In effect, any threat to a nomad's herd; invariably amounts to his survival and destiny.

2.2 Causes of Nomadic Pastoralists and Sedentary Farmers Conflicts

The genesis of conflict over access, use and management of land resources between nomadic pastoralists and sedentary farmers is as diverse as its nature. In general terms, however, the increase in population throughout Northern Nigeria has led to the extension of farming activities into areas that are being utilized by pastoralists for livestock production. This phenomenon is particularly noticeable in Hausa land where the traditional pastoralist grazing area (*hurumai*), stock routes, and water points have been turned into farming areas over the years (Baba, 1987:3; Al Chukwuma and Atelhe, 2014).

In Nigeria, the most frequent causes of conflicts among the nomadic pastoralists and sedentary farmers are illegal invasion of farms and destruction of crops by cattle, particularly during the planting season. (Muhammad, 2008:2; Blench, 2004). Turner *et al.* (2008), further explain that crop damage is not limited to growing crops on a field alone, it also includes unauthorized grazing of crops residues after harvest.

These studies further observed that lack of access to watering points, expansion of crop field to corridors of animal passage and theft of animals as other causes of the conflicts between the two groups.

Nomads and farmers conflicts can also be caused by mere allegations, suspicions and accusations. For example, according to Bello (2013), other causes of these conflicts includes; the destruction of crops by cattle and other property (reservoirs, irrigational facilities and infrastructure) by the herdsman themselves, burning of rangelands, fadama and blockage of stock routes and water points by crop encroachment; increasing rate of cattle theft, which is often accompanied by violence and antagonistic perceptions and beliefs among farmers and herdsman could compound conflict situation, especially due to failing institutions and fierce competition for resources. This, therefore, shows that conflicts erupt without ascertaining the actual nomads that did the damage. Nomads and farmers conflict also resulted from an allegation that a woman was stabbed to death in her farm by unknown herdsman in Jos, Plateau State (Muhammad, 2009:10). This implies that some of the conflicts are not caused by a genuine reason because the person who stabbed the woman may not be a nomad. Literature reviewed shows that nomads/farmers conflicts are caused by a multiplicity of factors acting together. For example, in 2008, the reports of the Sultan of Sokoto committee on the Tiv/nomads' conflicts identified the following as causes of conflict among these parties in Benue State: land tenure; inadequate and poor state of existing grazing reserves; blockage and reduction in the size of cattle routes and commercialization of crop residues.

The report also identified limited use of improved feeds; trans-human movement across international borders and the roles of elites as causes of conflict. Another contributing factor is the fact that grazing resources including pasture and water are found in different places at different times of the year, hence the need for constant mobility among pastoralists for opportunistic resource use.

This brings them into contact with the 'landed' settled farmers, and cause competition and conflicts. For example, Ikani and Ibrahim (2008:306) in a research conducted in Kogi State found that 94 per cent against 6 per cent of the respondents indicated that the movement of grazing animals at night was the major cause of conflicts in the area, which was closely followed by 78 per cent against 12 per cent which indicated the blockage of access to water points as a reason for the conflicts, while setting crop residues on fire was perceived by only 48 per cent of the respondents as the cause of the conflicts between pastoralists and farmers. Tonah (2006) opines that the causes of farmers/herders conflicts include the southward movement of pastoral herds into the humid and sub-humid zones, promoted by successful control of the menace posed by disease, the widespread and availability of veterinary medicine and the expansion of farming activities into areas that hitherto served as pastureland. As a result, the herdsmen destroy crops of the farmers on their farmlands.

As a result of incessant environment induced conflicts in the north-western Nigeria, particularly Sokoto State, Awogbade (1983:76) also observes that before the formation of Sokoto caliphate; the nomadic Fulani had to negotiate for permission to graze in the areas they moved into. In return for grazing rights and the promises of protection from the local people, the rulers demanded tributes and courtesy calls to be paid annually as acknowledgement of their rights to the land. This situation has changed in favour of the nomadic pastoralists with the formation of Caliphate. According to Awogbade (1983:76):

They now gained rights to grazing grounds, recognition of cattle tracts, and more clearly defined rules governing grazing facilities, because their new rulers wished to ensure their continued support. Equality with other Fulani and the replacement of the Hausa leaders by the settled Fulani made life more tolerable for the Nomadic Fulani in terms of the use and access to grazing resources, a factor which improved relations between the Nomadic Fulani and the indigenous communities. These changes also introduced some pastoralists to a settled way of life and to position of power.

Changes in the aforementioned situations can be regarded as causes of the environmental induced conflicts these writers are considering in this paper. According to Gefu (1986:9), grazing land may not be readily available to pastoralists as they do not often have title to land. Both pastoral and agricultural producers compete for fertile land to support their respective pastoral and agronomic activities.

If this competition is not contained mutually, it could build up to a relationship of antagonism and conflict. Hoffmann *et al.* (2008:265) observe in Zamfara State that the relationship between farmers and nomadic Fulanis started degenerating to worse when the Hausa farmers began to raise animals, including cattle. The farmers would take crop residues to their animals, and as a consequence, forage became scarce for herders in the dry season. Probably, out of frustration, the settled herders invited the nomadic ones to carry-out group herding on farmers field even while crops were yet to be harvested. When the farmers attempted to challenge them, violence erupted. This shows that nomads/farmers conflicts can be determined by ethnicity. Government policies can also be seen as a cause of nomads/farmers conflicts. For example, Hoffman *et al.* (2008) explained that the conflicts do occur as the size of existing reserve shrink due to encroachment as government approved expansion of farmlands. This leads to the conversion of water points and stock routes into farmlands as alternatives.

An inadequate social amenity, like pipe borne water, was also observed to be the cause of nomads/farmers conflicts. For example, Joseph (2008:8) observes that in Orkpe village of Benue State, pastoralists and sedentary farmers' conflict resulted from the herdsmen contamination of a dam, the only source of drinking water for the sedentary farmers. Ofuoku and Isife (2009:4) conducted a research in Delta State and found that a cow once strayed and destroyed farm produce and as a result, the offended party slaughtered it. This resulted in conflict between the host farming community and the nomads. They further discovered that the contamination of streams that the host community relies on and the rape of community girls by the nomads also cause and aggravate the conflict.

Similarly, colonial policies were also seen as cause of the historical rivalry among farmers and herders in some parts of Africa, which are induced by the environment. For example, Adamu (2007) observes that colonial policies in Katsina State led to the seizure of vast tracts and farming lands and turned it into native authority forest reserve. The immediate impact of this was that it made the herders and farmers to compete over land that had shrunk as a result of colonial forest policy. The rate of the competition resulted in conflict between the groups.

Negligence on the part of both groups was also seen as causes of the environmental induce conflicts among the nomads/farmers. For instance, Yahaya (2008) observes that the pastoralists often left a large number of cattle in the care of children who usually do not care about the consequences in the event of destruction of farm produce. The farmers also left their harvested crops on their farm unprotected, while others who had poor yield intentionally left their crops on the farm un-harvested for cattle to graze, so that they could claim heavy compensation.

Prior to colonialism, according to Awogbade (1983:76), the rights to pasture in Jos, Plateau State, were usually negotiated for by community leaders; and gifts like milk, butter or cattle were also given to the chief of the area in whose territory pasture was sought by the nomads in return for permission to graze their cattle. Frictions or conflicts in the area began because of the establishment of mining camps by the British, which attracted most of the settled population in Jos metropolis.

This resulted in a new pattern of land relationship, which allows nomads to graze freely without seeking permission leading to farmers/nomads conflicts. These conflicts are local struggles over resource use within the context of larger political economy. This scenario demonstrates that the causes and consequences of the nomadic pastoralist and sedentary farmer conflicts dominate most of the researches conducted that were environmental induced.

3. Effects of Nomads and Farmers Conflicts in Katsina State

The nomads and farmers conflicts have adverse effects on the people of Katsina State. The conflicts have resulted in loss of lives of farmers and nomads, while lives of innocent citizens, as well as security agents in Nigeria have also been lost to those conflicts. In addition, property worth billions of naira has been destroyed as a result of these conflicts. For example, Ibrahim (2009:11) notes that the clash between nomads and farmers claimed the life of one person and left six with serious injuries in Goni village of Batsari Local Government Area of Katsina State. Adamu (2007:214) further gives some insights into these clashes in Katsina State. According to him, in November, 2001, about nine persons were killed in Kankiya and another clash in Kusada Local Government Area left nine people dead with several others seriously injured in December, 2001. According to Adogi (2013), conflicts between the farmers and herders are a thing of concern. He maintains that:

Nigeria has experienced resource-related communal clashes (often misrepresented or misinterpreted as ethnic, political and religious clashes) since the beginning of the 1990s. Of particular concern are the clashes between farmers and pastoralists), especially in rural areas where the dwellers are predominantly small-scale farmers.

Al Chukwuma and Atelhe (2014) observe that:

The effects of conflict for Nigeria's national security cannot be over emphasized. The humanitarian, economic, and social consequences of conflicts have been manifold and telling. The attendant security and livelihood crises threaten the collective subsistence and survival of the affected populations. There are also other externalities, such as diminution of agricultural productivity and decline in household capital, all of which do not augur well for societal and national sustainability.

The spiraling migration of pastoralists from the far north towards the central part of Nigeria has resulted in a sort of dialectical relations between the Fulani herdsmen and the farmers. In the case of Katsina State, this movement has been complicated by the rising incidence of livelihood insecurity among these groups of people as a result of the dwindling ecological fortunes of the region. This has demonstrated the desperate, violent struggles for access to and control of scarce ecological space and resources.

This is a situation that has engendered dire humanitarian and socio-economic consequences. The table below shows the adverse effects of herders and farmers' conflicts in northern Nigeria.

Table 1: Selected Incidents of Nomadic Pastoralist and Sedentary Farmer Conflicts in Northern Nigeria

Date of Conflict	Place	No of lives lost	Estimate of property damage
January, 2013	Nasarawa State	25	Worth millions of naira
February, 2013	Nasarawa State	30	Worth millions of naira
March, 2013	Plateau State	28	Worth millions of naira
March, 2013	Plateau State	18	Worth millions of naira
April, 2013	Benue State	28	Worth millions of naira
May, 2013	Taraba State	39	Worth millions of naira
May, 2013	Benue State	50	Worth millions of naira
December, 2003	Katsina State	05	Worth millions of naira
November, 2001	Katsina State	09	Worth millions of naira
December, 2001	Katsina State	09	Worth millions of naira

Source: Author's Compilation

4. Management of Nomadic Pastoralist and Sedentary Farmer Conflicts

Different conflict management strategies have been advanced by different scholars. For example, Gyong (1998:8) states that the traditional method of conflict management before the advent of colonialism in Africa was better than the present strategies. According to him, the desire was to remove the cause of the dispute and reconcile the two parties in such a way as to restore the social structure of society to its state of equilibrium. That settlement of conflict was usually done in a "village square" under the leadership of a team of elders representing various clans, lineages, age grades and they amicably settle and reconcile the parties involved. Best (2009:96-99) identifies some basic strategies of conflict resolution, these according to him include alternative dispute resolution, African traditional disputes and Western alternatives resolution. Alternative dispute resolution, is about the search for, and application of, "non-conventional" peaceful methods of settling disputes and resolving conflict situations using the least expensive methods, and in ways that satisfy the parties, as well as ways that preserve relationship after a settlement might have been reached.

African traditional dispute resolution, according to him, is a method used to resolve conflict by the use of an authority given to the traditional leaders. Africans use collaborative methods of conflict resolution. Another is Western alternative dispute resolution, which is a process of conflict resolution without violent means. It is also collaborative in nature. Grassroots community-based activities, good governance, collaborations, negotiation, reconciliation, mediation, arbitration, adjudication and crisis management are all elements of western alternative disputes resolution.

The best way of dealing with conflict situations according to Nkom (1999:5) is to preempt or nip them in the bud. This implies an ability to pick out conflict situations in their infancy; to understand their nature, causes and the possible danger signals that may herald their eruption, and to act quickly and decisively before they explode into open violence. He gave three important dimensions in conflict managements; these according to him include conflict analysis, conflict containment and confrontation, and conflict resolution.

On the conflicts among nomads and pastoralists, particularly the ones that are induced by environment, various strategies have also been suggested by different communities, government and researchers to improve on their relationship. For instance, Blench (2004:96) carried out a study in Kebbi and Plateau States, found that most of the conflicts are settled directly between the two parties. However, if not, then it is usually carried to a meeting between the *Ardo* (Head of the Nomads) and the Village Head of the farmers. Similarly, if the dispute is not settled, it would then be taken to the District Head in some rare cases. The last resort, according to Blench (2004) is to go to the police stations where complains are lodged, usually by the farmers. He further explained that nomads declined going to the police for conflict resolution because they are always made scapegoats. Turner *et al.* (2008:245) observe that most of the conflicts are largely managed effectively at the level of local communities with the intervention of elders and chiefs, who are the main channels for mediation.

In contrast, Miyetti Allah Cattle Breeders Association Nigeria (MACBAN), the biggest and most influential herders association in the country is the best institution that manages the conflicts in Zamfara State. MACBAN averts crisis between the two groups by timely reporting to the relevant authorities' acts that can cause crises. The association is also represented in the state Farmer-Nomads Dispute Resolution Committee of all the local government areas. Ikani and Ibrahim (2008) observed the importance of this institution in conflict management in a research conducted in Kogi State. According to him, most of the respondents indicated traditional institution as a tool for conflict resolution, closely followed by the Miyetti Allah Cattle Breeders Association.

In a study conducted at Katsina State, Abubakar (2012) found that stakeholders' like the police, courts and local government officials are inefficient in managing the conflicts among nomadic pastoralist and sedentary farmers but community leaders including Miyetti Allah (Nomad leaders) are efficient. This may be attributed to the closeness between the community leaders and the masses. It may also be as a result of the fact that the community leaders are part of the farmers. Ironically, they can also be affected if adequate measures are not put in place.

5. Conclusion

Conflict over resources, particularly between sedentary farmers and nomadic pastoralists is wide spread in Katsina State. While it is difficult to identify a single variable as being responsible for the destruction of crops by nomads, lack of access to watering points, land ownership disputes and negligence by law enforcement agents act in tandem to perpetuate it. In particular, it can be concluded that the loss of traditional relationships are the remote causes of the conflicts among the farmers and nomadic pastoralists in Katsina State. Efforts made by the stakeholders to prevent the conflict have been minimal or ineffective, which may have led to a perception by some communities that they should take responsibility for their own security.

These have increased the conflict in the community. However, the government involvement of all the stakeholders in a monthly security meeting has been observed to have reduced environmental induced conflict in Katsina State.

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UNIVERSITY AUTONOMY, UNDER-FUNDING AND ACADEMIC STAFF PRODUCTIVITY: A STUDY OF SELECTED FEDERAL UNIVERSITIES IN NORTH-WESTERN NIGERIA

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Abstract

The paper examines the impact of institutional autonomy and under-funding on the productivity components of academic staff in three federal universities located in north western Nigeria. Two hypotheses were tested in order to identify the impact of these factors on productivity elements of academic staff (Seminar and Workload). A multiple logistic regression was employed to test the impact of relationship between the conflict predictors and academic staff productivity. The result shows that the predictors of conflict have a significant impact on seminar of academic staff and have no significant impact on the workloads of university academic staff. The paper also discovered that the factors under which industrial disputes between ASUU and the FGN was premised were largely propelled by historical, economic and political factors which have become institutionalized and embedded in the Nigerian polity so that the disputes will continue to be difficult to resolve. Finally it concludes that while these factors may significantly affect the seminar of academic staff; the factors equally have no significant impact on workloads of academic staff. The paper recommends that the Federal government of Nigeria should take a decisive action aimed at addressing the problem of tertiary education especially on the areas of funding and institutional autonomy.

Key words: Under funding, strikes, autonomy, seminar and university

1.1 INTRODUCTION

For over three decades now, the Academic Staff Union of Universities (ASUU) and the Federal government of Nigeria (FGN) have been engaged at different times in industrial conflicts over several issues of importance to the Union. These issues include; the problem of under-funding and neglect of infrastructural facilities in Nigerian universities as well as the lack of autonomy and academic freedom which Union members claim to be limiting the quality of teaching, research, scholarship and innovation. These issues represent the primary causes of the dispute which now escalates into a wider struggle with political connotations. ASUU has thus declared itself as an anti-imperialist organization that seeks to fight against the purported interference of foreign bodies in the running of the economic and political affairs of the country.

The government's reaction has been that ASUU's demands are unrealistic and unjustifiable when considered alongside the needs of other sectors and sister unions. Thus, the government labels ASUU as greedy, inconsiderate and a union that parades itself as a political watch dog of government's actions and inactions, neglecting its primary mandate of teaching and research (Sylvester 2012).

The magnitude of the problems of funding and wage grievances in Nigeria's education sector has led to a series of strikes by the ASUU (Ajetomobi and Ayanwale, 2009). Hence, on a micro level, strikes by academic staff members disrupt the learning process which further damages the educational system. Students on the other hand are the most affected of all stakeholders as they are the direct victims of these incessant strike actions by ASUU.

Furthermore, Abayomi (2013) pointed out that apart from students and their parents, the crisis also affected the *quality of graduates* produced by the universities. This has been revealed by the employers of labour on several occasions.

Perhaps, the most critical factor is the problem of deterioration in staff quality. In fact, a direct consequence of the poor emolument and working conditions of university employees is the phenomenon of *brain drain* from Nigerian Universities. This so-called 'brain drain' is also fuelled by the under-funding of infrastructural facilities, which further exacerbates the frustration of the Nigerian academics in their teaching and research efforts (Sylvester 2012)

The attrition of academic staff from the Nigerian university system can be seen more clearly when the ratio of staff to students is considered. The current trend depicts a serious shortfall with National Universities Commission norms. However a comparison across other African countries reveals a shortfall with UNESCO standards (Sylvester, 2012). However, Yesufu captures the scenario thus;

The student-teacher ratios are worsening in virtually all disciplines. Laboratories are either non-existent or completely denuded of essential equipment and experimental consumables. Libraries cry out for updating with current books, periodicals and research findings. Teachers are grossly underpaid and many have had to resort to migration to other countries to seek how to keep body and soul together, and further their intellectual development. Many others have abandoned academics to the greener pastures of the private industry, the banks and consultancies. Part time jobs and moonlighting have become the rule rather than exception - Yesufu, (1996:207).

All of this detail is provided because it makes clearer the wider socio-economic context of the dispute. In a very real sense, what is at stake in the struggle described above is the potential impact it will have on the performance of the academic staff. Hence, this prompts the study to raise the following questions

- i. To what extent has lack of institutional autonomy and under-funding affect Seminar of academic staff?
- ii. Does lack of institutional autonomy and under-funding affect the Workloads of academic staff?

1.2 OBJECTIVES

On the basis of the above questions, the paper set to achieve the following objectives;

- i. To determine the impact of lack of institutional autonomy and under-funding on Seminar of academic staff
- ii. To determine the impact of lack of institutional autonomy and under-funding on workloads of academic staff

1.3 HYPOTHESES

The following predictions serve as guide to the study for data collection and analysis:

- i. There is no significant relationship between lack of institutional autonomy, under-funding and academic staff Seminar
- ii. There is no significant relationship between lack of institutional autonomy, under-funding and academic staff Workloads

2.1 LITERATURE REVIEW

INSTITUTIONAL AUTONOMY

The central issue in relation to the dispute under consideration is the question of university autonomy and academic freedom, particularly as it affects the internal governance of the university and its academic staff in the discharge of their functions. The paper is, therefore, concerned with university autonomy in all its respects, usually encapsulated in the term 'institutional autonomy'. The International Association of Universities (IAU) policy statement defines institutional autonomy thus:

The principle of institutional autonomy can be defined as the necessary degree of independence from external interference that the University requires in respect of its internal organization and governance, the internal distribution of financial resources and the generation of income from non-public sources, the recruitment of its staff, the setting of the conditions of study and, finally, the freedom to conduct teaching and research - IAU (1998:66).

There have been intensive debates between ASUU and the Federal Government (particularly different military governments) on the question of autonomy and academic freedom since 1978. In general ASUU argues that the Government's undue interference in matters concerning the day to day administration of the institutions inhibits progress and distorts effective decision making (Onyeonoru, 2008). Such interventions include; attempts to control the appointment and removal of academic staff (including Vice Chancellors), the imposition of sole administrators during the military era, the admission of students, the prescription of teaching curriculum and research content, the restriction of certain publications and the allocation of recurrent income (Ekundayo and Adedokun, 2009). ASUU therefore contends that political ideologies and interests should not be allowed to interfere with the smooth running of the University system.

The position of the law relating to the issue of University autonomy in Nigeria and the opinion of some ASUU officials and rank and file members on the subject are also considered. In the respect of the last point, it is worth stating that the statutes establishing Nigerian universities confer on them three fundamental forms of institutional autonomy as implied from the IAU policy statement above. These are : (1) academic autonomy/freedom, (2) administrative autonomy and (3) financial autonomy.

These three aspects of autonomy are the basis upon which these disputes have occurred and consideration of these will therefore form the basis of our further discussions.

i. Academic Freedom

Academic freedom is the institutional autonomy of Universities pertaining to academic matters. Institutional autonomy and academic freedom are complementary. While institutional autonomy relates to the self governance of universities as a whole, academic freedom is 'concerned with individual freedom of academic staff to impart knowledge unhindered and the freedom for students to choose what they will study' (Ajayi and Bolupe Awe, 2008). Academic autonomy relates to freedom for universities to take decisions in all academic matters, such as the control of teaching, the admission of students and all issues regarding curriculum content and pedagogy. Smith (1995) gives a clear definition of academic freedom when he described academic freedom as a fourfold right of a university: 'to determine for itself on academic grounds *who may teach, what may be taught, how it shall be taught, and who may be admitted to study*'.

ASUU's main concern here is that the University should enjoy traditional academic rights such as the right to select students, teach freely and determine the content of its syllabus. According to Akpomi (2008), in order for the universities to perform their tasks effectively, they must have the freedom to teach and to 'advance the frontiers of knowledge' through research and publications. It can be stated that, although academic freedom is defined in the statutes establishing Nigerian universities, there is no specific *constitutional* provision on academic freedom in Nigeria (Sylvester, 2012). This is unlike South Africa and Ghana where the constitution expressly grants the right to academic freedom.

Bringing this to the context of the ASUU disputes, it appears that the freedom of expression and opinions which the constitution talks about has been denied Nigerian academics, at least from the union's perspective.

The union accuses the government of undue interference in academic decision making and infringement on the rights of lecturers in clear violation of the provisions of the constitution. An indicative event in the struggle over academic autonomy in Nigeria took place in 1985 when the Buhari-Idiagbon military regime transferred the power to determine, regulate and monitor academic programs from the Senates of individual universities to the National Universities Commission (NUC).

According to ASUU (1986) this action implied that the government was taking the control of the accreditation of programs away from 'professionals' and transferring it to the NUC, which was looked at as an institution that supported the government's interests. The NUC then established minimum standards that would govern all universities alike. Under the Babangida's administration, ASUU was accused of disseminating critical and 'baseless' information about the government to students and the public in a manner that was capable of toppling the regime (Obasi 1991). Consequently, the government established a panel of enquiry, known as the Abisoye Panel which led, among other things, to the termination of the appointment of some lecturers in Ahmadu Bello University Zaria who were accused of 'teaching what they were not supposed to teach' (ASUU, 2005).

According to the union, such events are evidence of the level to which the state control over academic matters was being imposed not as part of a justification regulation of academic standards, but as part of political battle over possible criticism of the state with regard to critical national issues (e.g. the union's opposition to military rule, structural adjustment programmes, the outcome of the election won by MKO Abiola in 1993, and deregulation and privatization in Nigeria). With this background in mind, the paper looks at the related struggles over the specific issues of the admission of students and the establishment and accreditation of academic programs.

1. Admission of Students: Before 1978, the Senates of the respective tertiary institutions were vested with the power to ascertain those who were admitted to higher education. However, with the establishment of the Joint Admissions and Matriculations Board (JAMB) in 1978 by the Federal Government of Nigeria (Olusegun Obasanjo's military administration), admission into higher institutions became centralized. The institutional autonomy to decide who and when to admit and the criteria to be adopted in the admission process was unequivocally transferred from tertiary institutions to this body. JAMB has also been responsible for setting qualifying examinations for students wishing to enter tertiary institutions. They have also imposed a quota system for admitting students. The board currently adopts the following guidelines as criteria for admission: merit - 40%; catchment area of institution - 30%; educationally disadvantaged states - 20%; discretion of the institution - 10% (Ajayi and Bolu-Awe, 2008).

This arrangement has been the source of significant controversy between the ASUU and FGN, the former arguing that it constitutes an infringement on the powers of the Senates of individual universities and that the universities be given the power to make these decisions (ASUU, 2010:25)

However, the issue of control over admissions was to be understood as part of a wider struggle for control of the autonomous decision making powers of Universities. At the same time, there are practical effects of this policy: the implications of the quota system have been argued to be one of the key elements affecting the level of student intake in Nigerian universities as well as the quality of manpower produced by the universities.

According to Onyeonoru (2006) The Joint Admissions and Matriculations Board (JAMB) also eroded the power of the Universities to determine the level of students intake and the criteria for admission.

2. Establishment and Accreditation of Academic Programmes: Prior to the 1970s, the introduction of new academic Programmes was subject to the internal procedure of the universities. Under this arrangement, a proposal usually emanates from a department and was scrutinized by the faculty board before it was tabled for consideration by the senate. But the current system in place has shifted the approval of curriculum to the National Universities Commission (NUC) established initially in 1962, on the grounds that the commission will evaluate whether or not there are sufficient resources to support new Programmes. The NUC is also in charge of the accreditation of the academic Programmes and curriculum content for all universities. Despite the representation of academia on the commission, Onyeonoru (2006) notes that under the military rule in Nigeria some of its roles have become more directive, and can be argued to have violated university autonomy. For instance

Where the NUC's position conflicts with that of the senate and experts in the field within universities, the opinion of NUC will prevail- no matter how wrong or unappreciative of rapid development in the field – (Adesina, 1998, 2000 cited in Onyeonoru, 2006:19)

ASUU claims that the control of the NUC over the content and structure of the curriculum does not give room for innovation in curriculum development and serves as detrimental to scholarship, innovation and educational advancement – ASUU (2007:16).

ii. Administrative Autonomy

Administrative autonomy is concerned with issues such as the role of the Visitor, the appointment and dismissal of the Vice Chancellor and members of the Governing Board as well as the discipline of students and staff (Sylvester 2012). Suffice to say that the main issues in the disputes on administrative autonomy revolve around the *appointment* and *dismissal* of Vice Chancellors. This has become a highly politicized question. This is perhaps due to the fact that the remuneration and other pre requisites surrounding the office of the Vice Chancellor are now comparable to those of political office holders of equivalent status. This also gives an indication of why such positions have become the subject of fierce competition in recent times.

On the government's side, the main actors are known as *the Visitors*: the President of Nigeria and the State Governors (or their equivalent positions under military rule) are referred to as the Visitors to the Federal and State Universities respectively.

The Visitor has become a major feature in the legal structure of Nigerian universities as they possess both judicial and quasi-judicial powers (Ajayi and Bolu Awe 2007).

Although significant concerns have been raised regarding the legitimacy of the role of the Visitors to Nigerian universities, the norm is that the Visitor is able to make key appointments such as that of the Pro-chancellor/chairman of Council. In some other cases, the Minister of Education or his delegated representatives represent the position of the government on the matters relating to administration in Nigerian universities.

In response to the need for institutional autonomy in Nigerian universities, and following the return of the democratic dispensation, ASUU sponsored a bill at the National Assembly known as the Universities (Miscellaneous Provisions Amendment) Act 2003. The bill spelt out, among other things, the provisions for autonomy, university management and reorganization in Nigeria. Key features of the bill included the restoration of the administrative powers of the governing council over the affairs of the university, as well as the powers of the senate on academic matters. It also outlined a participative role for students in certain aspects of the university governance process. This bill was passed by both houses of the National Assembly on the 3rd day of July 2003 and was signed into law by the then President Olusegun Obasanjo on the 10th of July 2003.

It is the view of the union members that the aim of these provisions is to free the Universities from the control of the state and to enable the Council to exercise its powers and carry out its functions without undue external influence or interference. On the face of it, these provisions represent a victory for ASUU yet, as the cases discussed below will demonstrate, in practice the conflict over political control of the Universities has continued into the new 'democratic' era.

a) The Appointment of Vice Chancellor: One of the issues that have been particularly disputed by the ASUU is the power of the Visitor to appoint Vice Chancellors.

The Nigerian higher education sector and indeed the entire political landscape in Nigeria have been deeply influenced by the politics of ethnicity and religion. The selection of university officers is not meant to be influenced by ethnic, religious or political considerations. The council's appointment of a Vice Chancellor is expected to be based on merit. The decision of a university council in appointing a Vice Chancellor based on kinship or political considerations can be (and in many cases has been) challenged in a court of law because their decision is not final and unquestionable. Moreover, though the visitor does not have the right of appointment, he has the power to appoint, remove or dissolve the University Governing Council according to the law or due process. But where the Visitor and Council members are conniving to appoint their own preferred candidates, the question of administrative autonomy still hangs in the balance.

b) The Removal of Vice Chancellors: In the same way that the University Miscellaneous Provisions (Amendment) Act of 2003 provides for the appointment of a Vice Chancellor, it provides also for the removal of a Vice Chancellor.

There have also been recent cases of removal of Vice Chancellors which can be observed especially in states' universities (Adeleke, 2011:14)

c) The Removal of Staff Members: The violation of administrative autonomy is not only limited to the appointment or removal of Vice Chancellors. University lecturers are affected by the seeming arbitrary powers exhibited by the government, in most cases, in concert with their close allies in the Universities. The most high profile of such cases historically was that of the removal of forty-nine lecturers of the University of Ilorin by the Vice Chancellor, Professor S. Oba Abdulraheem, for participating in a nation-wide strike which was called by the ASUU in 2001.

On July 26, 2005, the Federal High Court, Ilorin, ruled that the termination of the appointment of the lecturers was without fair hearing and thus was "illegal and unconstitutional". The university exercised their right of appeal and challenged the judgment at the Court of Appeal sitting in Ilorin, Kwara State.

The court overturned the decision of the High Court and declared that the university had acted in order in sacking the 49 lecturers because the university authority claimed that they were involved in examination malpractice. After about eight years and 10 months, the circuitous battle came to a close on December 2009 when the apex court, the Nigerian Supreme Court, ordered the immediate reinstatement of the 44 lecturers (the other 5 already been reinstated by the same court) and ordered the payment of all their entitlements with effect from February 2001, the date of their illegal disengagement.

Thus, while administrative autonomy has been granted to Nigerian universities on paper, in practice it remains precarious. What can be seen, in all of this, is the extent to which the politics of control within Universities themselves come to appear like those of Nigerian politics more widely; thus local battles against Vice Chancellors and others unilaterally imposed by the state become a mirror of a wider democratic struggle within the nation. This is a further reason why the dispute under consideration here has come to be understood as involving political as well as economic questions.

Underfunding of Universities

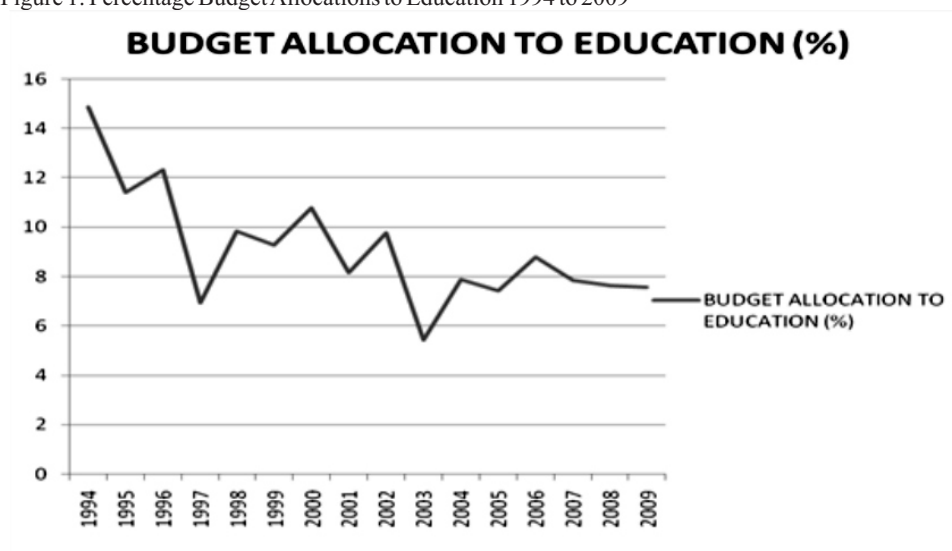
Matters of interest relate to that of budget allocation to the education sector as well as relatively basic issues of maintenance, teaching and research facilities, transport and accommodation. These can be usefully reviewed and scrutinized comparatively. Firstly, the budget allocation to the educational sector is considered below.

UNESCO guidelines on educational funding suggest that for the educational sector in a developing country like Nigeria to become internationally competitive and yield the desired dividends in terms of national development, both the federal and state governments should devote at least 26% of the annual budget to funding all levels of education. However, at present, the funds allocated to the educational sector in Nigeria do not approach this level. Available statistics reveal that between 1994 and 2009, Nigeria Government spent, on average, 9.1% of its budget on education.

When expressed as a percentage of the GDP, the Federal Government's spending on education over the same period amounts to an average of less than 2%. Nigeria does not fare well in this matter when compared with other African countries for similar periods. For example, Ghana spends 3.6 % of its GDP on education; Kenya spends 6.2%, and Zimbabwe, 9.5% (Arikewuyo, 2004).

Countries like South Africa, Egypt and Kenya spend a high proportion of their country's earnings on education. "If South Africa can spend reasonable percentage of its government revenue on education, I see no reason why Nigeria should not spend more on education in Nigeria" – (ASUU Official 2012). Thus, ASUU (2013) opined that the amount of money allocated to higher education in relation to the available resources reveals a lot about the value the government attaches to the sector.

Figure 1: Percentage Budget Allocations to Education 1994 to 2009



Source: Figures were sourced from the Federal Ministry of Education (various years), Central Bank of Nigeria (CBN) Statistical Bulletin (2009), and Budget Office of the Federation (various years).

The budget allocation to education has also been affected by the rising levels of student enrolment which increases the pressure on universities. The significance of funding according to ASUU is to satisfy the growing student population in Nigerian universities. The union opined that the reason why it goes on strike goes beyond salary demands. Hence the union wants the government to finance education and its facilities. They opined that the 40% increment on their salary will never solve the problem of electricity and teaching facilities to the classroom. The university is expanding everyday both numerically and curriculum-wise, yet funding has not increased to meet up with this growth (ASUU 2012).

At the same time, there has been no commensurate increase in the level of funding. The increase in enrolment levels has placed substantial pressures on available infrastructure and facilities across various campuses, further depleting scarce amenities according to the union members.

3.0 Methodology

The paper adopted a documentary and sample survey research design. It is a dual approach which entails getting first hand information from the respondents as well as the examination of relevant historical documents on institutional autonomy and underfunding.

A total of 645 copies of questionnaires (representing 20% of 3,225 which is the population of the study as at august 2013) were administered to the members of academic staff of ABU, BUK, and UDUS using multi-stage sampling technique. A multiple logistic regression was employed to test the impact of relationship on the conflict predictors and academic staff productivity. The paper tests two hypotheses in order to determine whether the data is consistent with the hypothesized statements. Two response variables (seminar and workload) were assessed against two predictor variables (University autonomy and Underfunding).

3.1 Model Specification

In order to establish a relationship between the variables of the research, a multiple logistic regression model was used to capture the influence of university autonomy and underfunding on the productivity elements of academic staff. The formula is derived thus;

$$\ln \frac{p}{1-p} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$$

$$\text{Where } \ln \frac{p}{1-p} = Y$$

Y is dependent variable in favor of Academic staff productivity which is proxied by

Seminar

Workload

X is the independent variables which is proxied by :

x_1 Lack of university autonomy and academic freedom

x_2 Underfunding

Hence:

, , , denote the magnitude of the impact of the predictor variables (University autonomy and Underfunding) on the components of the response variables (productivity elements) the paper applied the SPSS package version 19 to simulate the data, hence the following results were found.

4.0 Results and discussions

Table 1: Omnibus Tests of Model Coefficients in respect of academic staff Seminar

		Chi-square	Df	Sig.
Step 1	Step	211.277	2	.000
	Block	211.277	2	.000
	Model	211.277	2	.000

Source: Researchers' Simulation of SPSS

Table 1 presents the test of efficiency of the logistic model in assessing the variables of the research. The Omnibus test of model coefficients determines the suitability of the logistic model in assessing the extent to which the independent variable predicts the behavior of the dependent variable or influences it. The table indicates that the model is fit because at the level of significance of .000 which is below the 5% level of significance set in the research, the outcome justifies the positive nature of the model in gauging the behavior of the variables of the study both in step (sequential and logical), Block (combined effect assessment) and in aggregate model efficiency. However, where the model was found to be ineffective in capturing the behavior of the research, the model will be dropped. This gives the research the opportunity to proceed with the parameter estimates of the effect of the compressed predictor variables on individual components of the response variables.

TABLE 2: Parameter estimates of the impact of institutional autonomy, Underfunding on seminar

Variables in the Equation(Seminar)

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 2	Autonomy	2.034	.269	57.360	1	.000	7.643
	Funding	2.972	.316	88.677	1	.000	19.538
	Constant	-3.884	.442	77.187	1	.000	.021

SOURCE: Researcher's simulation of SPSS

Table 2 reflects the influence of Institutional autonomy and under-funding on the seminar of university academic staff. The result shows the combined effect of lack of university autonomy and underfunding on the seminar component of academic staff of universities.

The Beta results (2.034 and 2.972) in the regression model reflect the magnitude of the contribution of the components of independent variable on the dependent variable. The positive nature of the outcome shows that each component is capable of influencing the dependent variable (seminar).

The standard error or white noise error term (S.E .269 and .316) reflects the level at which the model was capable of holding other conflict factors that have the capacity of influencing the Seminar of university academic staff constant. The Constant figures in the logistic regression (-3.884, .442 and 77.187 for beta, SE and Wald) are the values of the dependent variable (Y) when other components of the independent variable are set at zero. The Wald figures in the logistic regression model (57.360 and 88.677) shows the test of significance of the beta estimates while the significance level (.000, .000 and .000) shows that the level of influence of the two predictors of conflict on the seminar component of university academic staff is positive. This implies that institutional autonomy and Underfunding have a significant impact on the seminar component of academic staff.

4.1 Test of Hypothesis 1

The level of significance from the results (000,000 and 000) is less than 5% significance level adopted by the paper; based on that the study rejects the null hypothesis which states that: institutional autonomy and underfunding have no effect on seminar of university academic staff. This finding is consistent with the work of Obasi (1991), Julious (2008) and Sylvester (2012) where they concluded that the absence or lack of autonomy and proper funding of the universities will undoubtedly affect the quality and the quantity of the productivity output of the academics. Yet the finding of this study contradicts the findings of the works of Otokpa (2001) and Jonathan (1991) who found that seminar presentations of academic staff is function of their zeal towards attaining high level of academic status i.e. promotional prospects within the academic circle. In summary, the regressed results show that all the two predictors of conflict have influenced the seminar component of the academic staff significantly.

TABLE: 3: Model Summary of academic staff seminar

Model Summary

Step3	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	477.090 ^a	.510	.541

Source: Researcher's Simulation of SPSS

Table 3 is a summary of the efficiency of R square. Using the COX and SNELL as well as the NAGELKERKE to test the extent to which the R square is effective in explaining the variations among the variables. That is, the model summary shows the degree to which the independent variable is capable of explaining variations in the dependent variable. At .510 (51%) and .541 (54%) using both the two approaches the model is seen to be slightly above 50% which is a good parameter for gauging the efficacy of the model.

TABLE 4: Omnibus test of model coefficients in respect of workloads of academic staff workload

		Chi-square	Df	Sig.
Step 1	Step	32.888	2	.000
	Block	32.888	2	.000
	Model	32.888	2	.000

Source: Researchers' simulation of SPSS

Table 4 indicates that the model is fit (from chi-square results and significance level of .000 both in step, block and overall model effectiveness). It shows that the variables of research could be tested in terms of relationship and variations. The study proceeds to estimate the impact of the predictor variables on the workload component of the response variable.

Table 5: Parameter estimates of the impact of lack of institutional autonomy and underfunding on academic staff workloads

Variables in the Equation(Workload)

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 2	Autonomy	1.085	.212	26.223	1	.000	.338
	Funding	.325	.189	2.968	1	.085	1.385
	Constant	-.493	.176	7.817	1	.005	.611

Source: Researchers' Simulation of SPSS

Table 5 is a regression results in respect of the impact of lack of institutional autonomy and underfunding on the workloads of academic staff of the selected universities. The logistic result shows somewhat an ambiguous outcome. While the beta results indicates that autonomy and academic freedom influences the workloads of an academic staff (1.085), the rest of the beta contributions on underfunding and (.325) reflects a non significant contribution. By implication, it suggests that the overall contribution of the conflict predictors on workloads of academic staff is minor as in the case of underfunding.

The significance level of .085 for underfunding which is above 5% level adopted by the paper reflects that the influence on the productivity component of workload of academic staff is insignificant, meaning that underfunding has little or no contribution on the workloads of academic staff. Yet the regressed result equally shows that lack of institutional autonomy affect the workloads of academic staff.

4.2 Test of hypothesis 2

The paper accepts the second hypothesis which states that there is no significant relationship between lack of institutional autonomy, under-funding and academic staff workloads on the basis of the parameter contributions of under-funding.

The paper equally rejects the hypothesis on the basis of the contributions of lack of institutional autonomy to the workloads of university academic staff. The outcome indicates that Underfunding and autonomy have no significant effect on the workloads of academic staff. This result partially concurs with the work of Theresa (2007) who concludes that working conditions and financial limitations in the tertiary institutions may not affect workers' performance in the tertiary institutions of learning.

Using time series analysis, Theresa's result shows that workload of academic staff is a function of staff student-ratio, the number of academic program vis a vis the availability of teaching staff and the institutional policies in respect of academic staff workloads.

The results equally is not in consonance with empirical findings of Obasi (1991), Sylvester (2012) and Julius (2010) where their results indicates that under-funding and Poor working conditions affect the performance of academic staff. Their findings show that the federalization of universities and the concomitant centralization of their management have made the issue of under-funding a very contentious one. They further argued that while universities complained bitterly of underfunding, the governments on the other hand were more interested in rationalizing such poor level of funding which invariably have impact on the performance of the academics.

Other empirical studies such as Aminu (2004), Ganiyu (2009) and Matha (2010) have further indicated that although the absolute amounts of grants for universities have been rising over time, the shortfalls have been rising even faster. Julius (2010) asserts that the shortfalls can be attributed to the effects of inflation and other economic variables of the nation. He concludes that the absolute deterioration of the funding of the purely academic sector is even worse than it appears and have lasting impact on the quality of the academic performance.

Yet, the paper could not establish any significant linkage of their findings in relations to the workloads of academic staff of universities. The opinion of some ASUU executives of the selected universities indicates that the total amount given to the universities from the year 2000 to 2013 was grossly in- adequate to prosecute the necessary capital projects of the universities. The union further argues that increase in students' enrolment and a decrease in funding per student is two critical factors causing the underfunding of the universities. But the regression result shows no significant linkage between underfunding and workload of academic staff of universities.

Table 6: Model summary in respect of the influence of institutional autonomy and underfunding on academic staff workloads

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
3	791.686 ^a	.052	.401

Source: Researchers' Simulation of SPSS

Table 6 presents the regression result which determines the level of the influence of the independent variable over the dependent variable.

The R square performance value of 52% using the Cox and Snell approach is significant enough to explain the level of the variations in the dependent variable as a result of the influence of the independent variable particularly with relevance to the influence of institutional autonomy on workloads of academic staff. But the Nagelkeke R square approach which indicates an R square value of .401 or 40% is not statistically significant enough to explain the variations among the variables. The variations in this respect could be attributed to the behavior of underfunding on the components of academic staff workloads.

5.0 Findings and conclusions

The paper found that;

- i. Institutional autonomy and under-funding have significant influence on academic staff seminar with high influence coming from the component of underfunding.
- ii. Institutional autonomy affect the component of academic staff workloads, the under-funding element on the other hand have no significant effect on academic staff workloads.

Based on the above, the paper concludes that academic staff productivity component of seminar and workloads are highly influenced by institutional autonomy of Nigerian universities.

It also concludes that underfunding affects academic staff seminar but without significant effect on academic staff workloads.

1.8 Recommendations

1. Suggestion: Federal government should as a matter of urgency, address the problem of higher education especially in the areas of adequate funding, autonomy and provision of good working condition.

Procedure: The existing fund allocation for the universities from the federal government account should be increased to a certain level (at least a 15 percent of the national budget). This enables them to embark on researches, conferences and workshops that address the fundamental problems and challenges facing the educational system in Nigeria.

Outcome: this will enhance the quality of teaching and research and enable Nigerian universities to compete globally with international institutions of higher learning. This will no doubt affect the quality of teaching and research in the Nigerian universities.

2. *Suggestion:* The issue of work load allocation should be revisited by the management of Nigerian universities to pave way for effective and efficient teaching and research by the academic staff.

Procedure: The principle of autonomy and academic freedom should clearly be exercised in the determination of workloads of academic staff. Lecturers are not supposed to be overloaded with courses or supervision of students' projects beyond their normal capabilities. The NUC regulation criterion for Minimum/Maximum units for individual lecturer per session based on their ranks should be referred to in the course of determination of workload for academic staff.

Outcome: This will enhance the quality of delivery by the academic staff. The academic staff in this respect will be more focused to deliver or perform based on the requirements and provisions of the curriculum. It will also assist in enabling the academic staff to devote enough time to teach and supervise the students effectively. The students on the other hand will learn more and have a better understanding of the concepts, principles and philosophies being taught.

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PUBLIC GOVERNANCE AND INTERNAL CONTROL MECHANISMS ON THE CONTROL OF COST IN KADUNA STATE LOCAL GOVERNMENTS: AN EXAMINATION

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Abstract

Public governance and internal control mechanisms are created to implement expenditures on socioeconomic wellbeing of the citizens at the grassroots level. The accountant is central to the implementation process and his ability to control cost rest on how the interface between these mechanism influences him. Regrettably, the presence of corruption, weak internally generated revenue collection system, over dependence on statutory allocation from the federation account, incurring more personnel and overhead cost than capital expenditure has shown that the interface has negative influence on the accountant. The objective of this study is to determine the extent to which governance and internal control mechanism at the local government level, directs the accountant's influence on the cost assigned under his responsibility. The study employed secondary sources of data and regression analysis to test the hypothesis formulated for the study. Results indicate a significant relationship between the interface of governance and control mechanisms on the Accountants attitude towards promoting a judicious cost control process. In this wise, intensifying staff training and emphasizing on recruiting first degree holders by the local government service board will go a long way in promoting competency in managerial staff. This in turn breeds positive behavior in the accountant's ability to control cost.

Keywords: Cost, Public Governance, Composition of Management, Internal Control, Control Environment.

Introduction

Public governance and internal control mechanism are basically employed by all the three tiers (Federal, State and Local) of government in Nigeria to carry out the objective of governance. Kaduna State has 23 local government councils. These councils are created to deliver socio-economic services at the grassroots level just like every other local government in Nigeria. Delivering such services requires incurring huge cost. This incurrence calls for cost control, which is achieved through control activities performed by an organization to prevent or detect poor quality; made up of prevention and appraisal activities (Hansen, Otley and Van der stede, 2003).

This implies that in control, cost can be influenced by the action of the responsible manager. *In other words, the term cost control always refers to a specific manager since all costs are controllable by someone* (Hansen *et al*, 2003). This someone is always the accountant, whose role is central in the financial system of control and whose action influences the cost under his or her responsibility in the organization. This means that for the accountant to influence cost, *the organizational system of accounting must go beyond this traditional system of accounting that precludes the understanding of the behavior of operators of the system of accounting and control* (Flamholtz, 1983; Mortimer and Hooper, 2001). Also, organizations cannot afford to ignore the reactions of individuals to control system or base their financial control system on an inappropriate model of human behavior (Jones, 1976).

This implies, an accounting system to be behavioral in nature and for it to go *beyond the mechanical process by considering the impact of such process in measuring and reporting on people and organizational behavior as a result of the effects of the accounting functions being mediated by the human and social context in which they operate* Kwanbo, 2008). In explaining managerial control based on social context, Ouchi, (1979) observes that top management can try to influence managers' behavior by means of an organizational culture. Hofstede (1981) posits that organizational structure might be in the form of a collective programming of the mind that is used for guiding individual behavior. From the explanation so far one could deduce that for the accountant to be controlled towards controlling cost, the control system must be built on an appropriate model of human behavior driven by an organizational structure that is programmed to guide behavior. The Local Government financial system of control is also based on a plan of action or programmes:

Firstly, there are public governance mechanisms which are used to direct and control local governments. They include: local government council (LGC), upper level government ULG (Federal and state governments), composition of management (COM), separation of dual capacity (SOC), and composition of the audit alarm committee (AAC) (Kwanbo and Aiyedogbon, 2011). Secondly, is the internal control system mechanisms made up of; control environment (CE), control activities (CA), risk management (RM), communication and information (CI), monitoring and evaluation (ME) (Committee of Sponsoring organizations (COSO), (2009). The presence of governance and internal control system mechanism at the local government level permits the financial control system to influence the accountant to control cost towards promoting meaningful infrastructural and rural development bothering on enhancing socio-economic activities. Regrettably, this is not so for Kaduna State local governments due to some of the following; corruption, weak internally generated revenue collection system, over dependence on statutory allocation from the federation account, interference from other tiers of government, incurring more personnel and overhead cost than capital expenditure (Kwanbo and Aiyedogbon, 2011).

However, one fact that remains clear is that the interaction between the mechanism of public governance and the internal control system could reveal whether the financial system of control is built on an appropriate model of human behavior that guides the accountant on controlling cost towards realization of managerial goals in ensuring grassroots development. This can be better ensured by emphasizing on effective and efficient public governance, backed by an effective internal control system (ICS) that is aided by behavioral accounting. It is within this context that the study has a major objective of determining the extent to which governance and internal control mechanism at the local government level directs the accountant's influence on the cost assigned under his responsibility. In this wise the mechanism of public governance; Composition of management (COM) and that of internal control system; control environment (CE) are examined. The choice of these mechanism are influenced by the fact that at the local government level in Kaduna State, the quality of staff that makes up the management team breeds healthy influence on financial activities. This, the study believes an examination will reveal the extent of its influence on the accountant to control cost. Secondly, the control environment (CE) is examined because it represents the views, consciousness, awareness and actions of council and staff towards the objectives of internal control and public governance.

More so, it is not within the ambit of the objective of this study to examine other public governance and internal control mechanism; (local government council (LGC), upper level government ULG [Federal and State governments], audit alarm committee (AAC), and the separation of dual capacity (SOC) and control activities (CA), (risk management (RM), communication and information (CI), monitoring and evaluation (ME). Also it is not to compare the financial system of control with the internal control system via public governance mechanism in the light of controlling cost towards achieving organizational objectives, but to emphasize the role, behavioral accounting can play in controlling the accountant to control cost.

The study provides fresh evidence from its findings on the extent to which governance and internal control mechanism at the local government level directs the accountant's influence on the cost assigned under his or her responsibility. Besides this objective, there is an attempt by the study to contribute to bridging the existing gap in that regard as most studies are on: (i) Managerial accounting system in public sector organizations (Carnegie and Napier, 1996; Previts, Parker and Coffman, 1990; Walker, and Carmona, 2004; Sargiacomo, Riccaboni, Giovannoni, Giorgi and Moscadelli, 2006; Barbato and Mio, 2007). (ii) Social and institutional conception of accounting in local governments (Chua, 1986; Laughlin, 1995; Baker and Bettner, 1997). (iii) Auditing, cost, budgetary accounting and increased accountability in municipalities (Monsen, 2002; Brackenborough, 2003; Moussalli, 2008). The state house of assembly and other policy makers will make use of the findings on the directives on administrative and financial control at the grassroots level.

2. Literature Reviews

2.1 Public Governance (PG)

Public governance is one of the instruments used to guide the behavior of individuals within the realms of achieving governmental objectives. In defining public governance, views differ on the context and boundaries of public governance; for some it is a condition of ordered rule; an arrangements that determines how public decisions are carried out from the perspective of maintaining a Country's Constitutional Values; it is an acceptable face of spending cuts. While for others it is entrepreneurship and institution designed to exercise collective control on the basis of accountable administration of public funds which has the bureaucratic competence to help design and implement appropriate policies (Finer, 1970; Osborne and Gaubler, 1992; Leftwich, 1993; Stroker, 1996; Rhodes, 2001; Graham, Amos, Plumtre, Nzongola – Ntalaja, 2003; Rotberge and Cheema, 2005; World Bank, 2007; Michael, 2007). Public governance at the local government level is seen as the set of structures, process, cultures and system through which objectives bothering on the socio-economic wellbeing of people at the grassroots are set and the means of achieving the objectives, monitoring and implementation are determined (Kwanbo, 2010). The direction and control of local government councils in Kaduna State is only achievable through mechanism of the components of public governance. However for the purpose of this study only one shall be discussed:

2.1.1 Composition of Management (COM)

This component is the implementing mechanism of the remaining components (local government council {LGC}, upper level of government {ULG}, audit alarm committee {AAC}, and separation of capacity {SOC}. This component initiates, processes and incur every financial transaction and activities of these councils. It ensures expenditures bothering on socio-economic wellbeing of the citizens are executed.

The end product of this component is the execution of the budget efficiently and effectively. To enhance the achievement of this function, all the officers controlling vote (the head of department of personnel, agriculture, health, works, education and social development, finance and supplies referred to mostly as the treasury), and the internal auditor constitutes the management that executes policies formulated by the council (Kwanbo and Aiyedogbon, 2011).

2.2 Internal Control system (ICS)

ICS is a means used to define and direct the behavior of individuals in an organization. Internal control system is mostly defined from the formal point of view which makes it portray the technicality within the process. According to Shick (1998); Mousa (2004) internal control refers to the system and procedures used by agencies to assure compliance with rules and to safe guard public assets. It can be viewed as an administrative control that has as a chief objective to check for compliance with laws and regulations that govern the use of public money.

From the behavioral point, ICS is a process affected by an entity's: (i) governing body, (ii) management and (iii) other personnel. It is designed to provide reasonable (but not absolute) assurance regarding the following categories: (i) effectiveness and efficiency of operations, (ii) reliability of financial reporting and (iii) compliance with applicable laws and regulations (COSO, 2009). In the same vein, Shick (1998) posits that, internal control system means that the rules are accepted as fair, workable and legitimate. He went further to buttress the fact that without this normative underpinning, no system of internal control can be effective.

These definitions echo certain fundamental concepts, for example, ICS is a process, a means to an end and not an end in itself. Furthermore, ICS is affected by people and not only policy manuals; ICS may be expected only to provide reasonable, not absolute, assurance to an entity's management and board; ICS is meant to facilitate the achievement of effectiveness and efficiency of operations and compliance with laid down policies (Miller, 2007) and finally the rules, directives and procedures that the ICS seeks to uphold must be seen to be fair, workable, well founded and accepted by all the personnel at all levels. ICS consist of five components; control environment {CE}, control activities {CA}, risk management {RM}, communication and information {CI}, monitoring and evaluation {ME} (COSO, 2009). For the purpose of this study only one is discussed. This is influenced by the fact that the study is focused on the component that influences the consciousness of the operators of the ICS at the local government level in Kaduna State.

2.2.1 Control Environment (CE)

The control environment is established on the basis of the attitude of management toward internal control. It is the basis for all other elements of the system of internal control. COSO (2009) states that the control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. As such, a management philosophy that is dedicated to establishing a sound business process and operating controls would tend to create a stronger internal control environment than a philosophy that is unaware of or unconcerned with internal controls. The collective effort of various factors affects the control environment, including the following: (i) audit committee participation: The presence of the committee in both operational and financial activities promotes organizational culture of transparency and accountability in the establishment (Yarosan, 1998; 1999 and Bakura, 2000).

(ii) Organizational structure, assignment of authority and responsibility: Management assigns responsibilities, organizes and develops people and pay attention to the direction it provides (Boyd and Edward, 1995). In emphasizing this view Dandago (2010) in Shonekan (1997) affirmed, management professionalism is the key to achieving good governance. It is the measure of determining success or failure of an organization. In fact if all managers of resources at different levels would show professionalism which is given by the skills acquired through managerial training and ethical development, there is bound to be sustainable development in Nigeria.

(iii) Management's philosophy (integrity, ethical values), operating style, human resource policies and practices: There are some studies that have demonstrated that policies to promote honesty in an organizational setting involve: the modeling of honest behavior by all organizational leaders; facilitating discussions and providing training on business ethics in the context of the particular organization; and establishing policies, rules and structures (e.g., codes of conduct; hotlines for reporting bad conduct) that set expectations for honest behavior as the norm (Chow, 1983; Murphy 1993; Young, 1985; Webb and Stevens, 2002; Aherns and Chapman 2004). In the same vein, Garvin (1993) posits a learning organization is an organization skilled at creating, acquiring and transferring knowledge and at modifying its behavior to reflect new knowledge and its insight. Training increases staff awareness of ethics and risk management processes and strategies (Boyd and Edward, 1995; Menzel, 1992; Siswana 2007).

(iv) Commitment to competence: Quite a handful of studies have explained the meaning, importance and benefit of commitment to competency, for example, according to Mansfield (1999) competency is the under-lying characteristics of a person that results in effective or superior performance. For Beardwell and Holden (2001), competency is the knowledge and skills that employees require to perform a job satisfactorily like; leadership, concern for quality, developing and empowering others. Some studies have buttressed the need for empowering employees and the benefits it presents. Menon and Sanjay, (2001); Moya and Henkin (2005) establish that when employees are empowered on how to carry out their schedule with due care and diligent, much effectiveness and efficiency is displayed towards achieving organizational objectives. The effectiveness and efficiency is further amplified when employees are involved in managerial decisions (Conger and Kanungo, 1988; Greasley et al.; Cardona, Lawrence and Bentler, 2004; Bogler and Somech 2005). Still on competency, Rankin (2002) describes competency as the definition of skills (planning and budgeting, expenditure management and budgetary control, financial reporting, financial record keeping, accounting, risk management and assurance, change management and information and communication technology) and behaviors (interpersonal relations, effective communications, ethics and integrity innovative and proactiveness, decision making and problem solving, strategic thinking and leadership (Tien, 2003) that organizations expect their staff to practice in their work. On the benefit of commitment to competency Tremblay (2002) argues that the possibility of an individual using his or her competencies have a strong influence on development of discretionary behaviors at the place of work. More so, such competence can influence the organizational culture (Gravan and Mc Guire, 2001).

What is inferred from this review is that the control environment (CE) must be seen to harbour a culture of integrity and solid ethical values, that is enshrined in training and development towards the duties segregated, and controlled in an atmosphere that promotes relationship between employees, which exudes positive attitudes towards achieving organizational objectives.

The implication of the harboured culture is that competency, empowerment, honesty and integrity will be the drive in working relationship. This in turn will be the medium of flow for other components of the ICS.

2.3 Public governance, Internal Control and the Control of Cost

Public governance relies on an effective internal control system to achieve organizational objectives (Kwanbo and Aiyedogbon, 2011). One of the ways to achieve such objectives is through the control of cost incurred solely for socio-economic activities in the public sector; hence the need to have a positive interface between PG and ICS becomes paramount to achieving that. In the public sector, like the local government, the control of cost begins when the budget is formulated, i.e when the forecast of revenue is well articulated and allocated more to the capital expenditure (expenditure on education, health, agriculture, commerce, and infrastructural development) part of the budget. This presents the assurance that the socio-economic activities of the citizens will be actually achieved. However, where revenues are allocated more to financing recurrent expenditure that has to do with personnel and overhead cost, then the budget is seen to serve those entrusted with the responsibility of ensuring the wellbeing of people at the grassroots level. Abubakar (2008) establish that the bulk of Local Government spending is skewed in favor of financing personal emolument and overhead costs at the expense of capital investments and he concludes rural development is highly related to the level of commitment of local government expenditure to capital spending or investment.

From the presentation so far, citizens only make demands that are supposed to be captured in monetary terms referred to as the budget. Accountants are vested with the sole responsibility of formulating the budget after citizens have presented their needs. The governance and control mechanism at this point has a lot to do with the behavior of the accountant in the formulation and implementation processes of the budget. This only means that, for the budget to be skewed more to the recurrent side, the control environment (CE) allows a culture that is insensitive to the aspirations of the grassroots rather it promotes a culture that satisfies allocation towards payments of personnel and overhead costs. Consequently, cost cannot be controlled by the accountant as the process becomes the technical practice for him or her. Jones (1976) emphasizes that accounting information provides the local basis for the control of people and hence the control of cost. It follows therefore, that organizational structure should be based on what ought to be. Also, *for organizational governance to be effective, especially towards control of cost, its system of accounting and control must go beyond this traditional system of accounting that precludes the understanding of the behavior of operators of the system of accounting and control* (Flamholtz, 1983; Mortimer and Hooper, 2001). Also, organizations cannot afford to ignore the reactions of individuals to control system or base their financial control system on an inappropriate model of human behavior (Jones, 1976).

2.3.1 Behavioral Accounting and the Control of Cost

Behavioral accounting is a system of accounting that not only records, analyses, classifies and interprets financial information for achieving managerial goals. It goes beyond this mechanical process by considering the impact of such process in measuring and reporting on people and organizational behavior as a result of the effects of the accounting functions being mediated by the human and social context in which they operate (Kwanbo, 2008).

In explaining managerial control based on social context, Ouchi (1979) observes that top management can try to influence managers' behavior by means of an organizational culture.

Hofstede, (1981) posits that organizational structure might be in the form of a collective programming of the mind that is used for guiding individual behavior. From the explanation so far one could deduce that for the accountant to be controlled towards controlling cost, the control system must be built on an appropriate model of human behavior driven by an organizational structure that is programmed to guide behavior. Audit reports on local government have always implied the extent to which the model of behavior has misguided the activities at that level of government. The control environment (CE) as the foundation of the remaining components of the ICS lacks competent and professional management that is committed to the proper use of authority assigned. This absence of commitment was displayed in some local governments' staff not having the appropriate qualification or they have but such certificate are suspected to be forged as information contained in the certificate are suspected to be altered. Secondly there is evidence of missing personal files of staff, personal emolument registers were hardly maintained and there existed staff idleness (Yaroson, 1998; Bakura, 1999).

2.4 Theory

This study reviewed only the institutional design theory because it is the frame work of its model. Institutional design theory is concerned with the creation of an actionable form to promote valued outcomes in a particular context (Goodin, 1996). For example, according to Stark (1989) a responsive corporation makes ethical decisions based on long-term economic decisions by so doing it becomes an ethical corporation that recognizes its social responsibility and balances ethics and profitability and proving its very existence on ethics. Furthermore, the creation of an actionable form suggests intentions at the input stage; design may be the result of deliberate agency by particular individuals or group oriented towards the achievement of specific goods as in the case of design of national constitutions (Skelcher and Mathur, 2005). From this explanation, it is right to say that allocation of revenues should be done in favor of capital expenditure than recurrent expenditure at the formulation stage of the budget. This will influence the direction of the implementation of the budget as the accountant behavior can be controlled using reward and punishment as motivational tools (Taylor, 1971). From the concepts and theory presented, it will be inferred that competency (educational and professional qualification, training and development) enhances a culture that dictates the behavior of the accountant in controlling cost.

3. Methodology

Data on personnel records were sourced from the local government service commission in Kaduna State. More so, data on the outcome of governance and internal control mechanisms were sourced from the annual financial reports and accounts of the 23 local governments of Kaduna State for the period 2000-2009. The choice of this period is based on the fact that, at the time of this research the current report for local government council was that of 2009.

The population of this study is the 23 local governments in Kaduna State (Birnin Gwari, Chukun, Giwa, Igabi, Ikara Jaba Jema'a, Kachia, Kaduna North, Kaduna South, Kagarko, Kajuru, Kaura, Kauru, Kubau, Kudan, Lere, Makarfi, Sabon Gari, Sanga, Soba, Zango Kataf, and Zaria). The study adopted the following Yamane (1967) formula to determine the sample of the study. The choice of this sampling technique is based on the fact that, the population of the study is finite. In the formula: n is the sample, N (23) is the population and e is the level of precision or sample error. This was considered at 0.3%, as the data sought are sampled on a homogeneous population.

Arising from the above, substituting into the formula the sample is arrived at.

$$n = \frac{N}{1 + N(e)^2} = \frac{23}{1 + 23(0.3)^2} = 10.64 = 11$$

The selection of the 11 local government councils for the period of 10 years, that made the sample of the study, was simply based on the availability of the financial reports and accounts for the period under review. These reports were gotten from the office of the Auditor General for local government councils of Kaduna state. Based on the number of these councils and period, a total of 110 financial reports and accounts for the following local government councils; Zaria, Igabi, Kachia, Chukun, Kaura, Ikara, Jaba, Jema'a, Sanga, Birnin Gwari, Kaduna North, were used.

3.1 Variables Specification

The objective of determining the extent to which governance and internal control mechanism at the local government level directs the accountant's influence on the cost assigned under his responsibility aided the formulation of the following hypothesis:

H₁: Control of Cost by the Accountant is not significantly related to governance mechanism (composition of management COM) and control mechanisms (CM), control environment (CE) of local Government Councils in Kaduna State.

From the hypothesis cost control (COC) is the dependent variable and it is measured as a dichotomous variable. Binary number 1 is assigned when revenue allocations are in favor of capital expenditure if otherwise 0 for the period under review. The study chose to use allocations as a measure because the influence on the accountant to control cost begins when allocations are made in the budget. Secondly, there are a number of studies that have used dichotomous scale of 0-1 to measure the extent of compliance or difference in the nature of study variables (Wallace, Nasser and Mora, 1994; Kantudu, Musa, Zattoni and Cuomo, 2006; Kajola, 2008; Hamid, 2009).

The independent variables for the study are two (COM and CE). COM was measured as a dichotomous variable, 1 was assigned where 3 or more members of the management had relevant degree, professional qualification and have benefited from human resource training, if otherwise 0. Afterwards the mean for the period under review was taken. Capital expenditure proportion {CEP} and Recurrent expenditure proportion {REP} are proxies for the control environment (CE).

The choice of these proxies is influenced by the fact that Crishnan, Jeffrey, Ge and Mcvay, 2005; Hamid, 2009; Kwanbo and Aiyedogbon, 2011) use ratios and proportions to measure study variables. These techniques have empirically and theoretically yielded the desired results. SPSS was employed to aid the analysis of data collected. The following mathematical model was developed to test the null hypothesis:

$$COC_i = b_0 + b_1 x_{i1} + b_2 x_{i2} + b_3 x_{i3} + b_4 COM_i + b_5 CEP_i + b_6 REP_i$$

Where: x_i = the i th predictor of i th case; b_i = the i th coefficient; COM, CEP, REP = predictors

3.2 Techniques of Data analysis

Logistic regression (Omni bus test, Model summary, Hosmer leme show test, -2 log like-lihood test) was used to analyze the data. This is due to the fact that, the dependent variable is measured as a dichotomous variable and the technique can explain the effect of the predictors on the dependent variable.

4. Discussion of Findings

Table 4.1 Logistic Results

Tools	Omni bus Test	Model Summary	Hosmer & leme show Test	Like-lihood Test
Chi- Square	4.374		0.417	
Sig.	0.036		0.812	
Df	1		2	
-2 log like-lihood		7.844		
Cox & Snell R Square		0.354		
Nagelkerke R Square		0.502		
Model log like-lihood: COM				-6.109
Changes in -2 log like-lihood: COM				4.374
Significance of the change				0.036
Df				1

Source: Extract from SPSS output listing, (2014)

In table 4.1 the statistical results reveal that the model indicates a good fit as the omnibus test and the hosmer & lemeshow test has a significant value $< 5\%$ (0.036) and $> 5\%$ (0.812) respectively. This shows that the model adequately describe the data. More so, the model summary reveals that the proportion of the variance in the dependent variable with the independent variables is well explained as the cox & snell R square and Nagelkerke R square are (0.354) and (0.502).

Furthermore, the change in -2 log-likelihood of (4.374) with a significance of (0.036) for COM in the likelihood test is confirmed in the omnibus test. It is important to note that, the study used the forward stepwise method for running the logistic regression, this method only reveals predictors that influence the dependent variable more; hence CEP and REP are not shown at the significance -2 log-likelihood statistics. Following these explanations, it is right to say that the composition of management influences the accountant's behavior to control cost and based on this fact the null hypothesis is rejected.

5. Conclusion

Public governance and internal control mechanisms are created to implement expenditure on socioeconomic wellbeing of the citizens at the grassroots level. The accountant is central to the implementation process and his ability to control cost rest on how the interface between these mechanisms influence him or her. The findings of this study revealed that, the control environment (CEP and REP) have no influence on the accountant as they appear to have no significance at the -2 log like-lihood test. Secondly, findings revealed, the composition of management (COM) to be related to the accountants influence to control cost. Based on these findings, the study concludes that the interface between governance and control mechanism at the local government level has not promoted the culture that positively influences the accountant to control cost. The findings contribute to bridging the existing gap alongside with the few studies that have examined the social and institutional conception of accounting in local governments (Chua, 1986; Laughlin, 1995; Baker & Bettner, 1997; Monsen, 2002; Williams, and Brackenborough, 2003; Moussalli, 2008). However, it is important to consider a wider implication of the findings of this study as it only examined one component of public governance composition of management {COM} and one components of internal control system control environment {CE} using secondary data.

In this wise, future research should consider other components of public governance and internal control system not considered in this study by using primary data or both primary and secondary data to establish more robust findings. That notwithstanding, the study recommends the following: The local government service board should intensify staff training on technical expertise as well as being emphatic on recruiting degree holders into the local government service. This will go a long way in promoting competency in managerial staff. This in turn breeds positive behavior in the accountant's ability to control cost. Secondly, the Kaduna state government should make an effort through the house of assembly to ensure budget envelopes prioritize capital expenditure more than recurrent expenditure.

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COMPETITOR ANALYSIS: PREDICTING FUTURE BEHAVIOUR OF COMPETITORS

BY

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ABSTRACT

Competition in virtually all industries can be described as intense and sometimes as cutthroat. Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potentials' competitors. Closely related to competitive analysis is competitive intelligence with related misperceptions. Practicing competitive intelligence means gaining information about one's competitors' activities so that you can anticipate their moves and react appropriately. The kinds of competitor information that would help business complete some good quality competitor analysis could be categorized into -what business probably already knows about their competitors. What business would really like to know about their competitors? They are questions that are much relevant if we intend using competitive analysis in predicting future behavior of competitors. An important challenge when predicting future behavior of competitors is working out how to obtain competitors information that is reliable, up to date and available legally. What a competitor is saying about its strategy as revealed in the recorded data often differs from what the competitor is actually doing. This paper attempts to provide guidelines to all ventures on how to analyze competitors irrespective of the motives behind setting them up. In analyzing competitors, some of the recommendations are- change strategy, supply products or service that your competitors cannot deliver, track everything about your competitors, from their products and service to marketing and advertising, and getting feedback from your customers.

Key Words: Competitor Analysis, Intelligence, Predicting, Future, Behaviour

INTRODUCTION

In real life situation, every business has competition and prospective business owners ignore competitors at their peril. Almost everyone in business understands the principle of trying to offer something better than what their competitors are offerings. Unless, a business has an absolute monopoly on a life-essentials product, there will be competitors offering alternative and substitute product and service.

For any venture to continue to exist and not threaten by competitors, it is imperative to keep constant watch on its competitors. This is competitor analysis. In this regard, human resources managers, general managers, financial experts, as well as Board of Directors need to carry out or encourage competitive analysis. Competitors Analysis is an important part of the strategic planning process. It is equally important requirement in any business plan because it:

- (i) Reveals the firm's competitive position in the 'market space'
- (ii) Assists you to develop strategy to be competitive
- (iii) Investors and other readers of the business plan will expect it.
- (iv) To help forecast the returns that may be made from future investment (e.g. how will competitors respond to a new product or pricing strategy?)

If you ignore or minimize the impact competitions will have on your business prospective, then you have an unrealistic business plan. The knowledge of your competitions is a large element of successful marketing planning. It is often worthwhile to take a quick review of one's competition to simply gather fresh ideas and learn from their mistakes. Experience has revealed that competition analyses are frequently neglected due to lack of resources, and thus, mistakes from the competitors are repeated. The increasing emphasis on competitive analysis in the United States according to David (2009) is evidenced by corporations pulling this function on their organizational charts under job titles such as Director of Competitive Analysis, Competitive Strategy Manager, Director of Information Services, or Associate Director of Competitive Assessment. The responsibilities of a director of competitive analysis according to David (2009) include: planning, collecting data, analyzing data, facilitating the process of gathering and analyzing data, disseminating intelligence on a timely basis, researching special issues, and recognizing which information is important and who needs to know. Sizing up the competition gives a business owner a more realistic view of the market and her company's position in it. Yet in view of Scarborough (2011), not every competitor warrants the same level of attention in the strategic plan. Direct competitors offer the same products and services, and customers often compare prices, features, and deals from these competitors as they shop. Significant competitors offer some of the same products and services. Although their products or services lines may be somewhat different, there is competition with them in several key areas. Indirect competitors offer the same or similar products or services only in a small number of areas, and their target customers' seldom overlap with years. Entrepreneurs should monitor closely the actions of their direct competitors, maintain a solid grasp of where their significant competitors are heading and spend only minimal resources tracking their indirect competitors.

It is necessary to note that, identifying all existing and potential sources of competition is an impossible task, indirect and future competitors can number in the tens of hundreds, or even thousands. Instead, you will have to draw the lines somewhere when it comes to identifying major competitors. The ones that are going to have a real impact on your business over time should be accorded much needed attention.

This paper attempts to provide guidelines to all ventures on how to analyze competitors irrespective of the motives behind setting them up. In specific terms, the objectives of the paper are:

1. To identify categories of competitors,
2. To point out misconception about competitors and competitive intelligence,
3. To suggest guidelines on how to analyze competitors, and
4. To suggest ways of predicting future behaviour of competitors

Common Mistakes in Identifying Competitors

Identifying competitors is a milestone in the development of strategy. But it is a process laden with uncertainty and risk, a process in which executives sometimes make costly mistakes. Examples of these mistakes according to Pearce II and Robinson Junior (2009) are:

1. Overemphasizing current and known competitors while giving inadequate attention to potential entrants,
2. Overemphasizing large competitors while ignoring small competitors,
3. Overlooking potential international competitors,
4. Assuming that competitors will continue to behave in the same way they have behaved in the past,
5. Misreading signals that may indicate a shift in the focus of competitors or a refinement of their present strategies or tactics, and
6. Overemphasizing competitors' financial resources, market position, and strategies while ignoring their intangible assets, such as a top management team.

Competitive Analysis

Competitors are companies in the same industry that sell similar products or services to customers. Often the difference between business success and failure comes down to whether your company is doing a better job of satisfying customer wants and needs than the competitor. Consequently, Williams (2007) said companies need to keep close track of what their competitors are doing. To do this, managers perform a competitive analysis, which involves deciding who your competitors are, anticipating competitors' moves, and determining competitors' strength and weaknesses. Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context through which to identify opportunities and threats. In formulating business strategic, managers must consider the strategies of the firm's competitors.

Through competitive analysis, in view of Hutt and Speh(2007), a firm attempts to define its industry boundaries, identify competitors, and determines the strengths and weaknesses of its rivals, while anticipating their actions. Fundamental to this process is a focus on the strategic intent of current and potential competitors. The attention is directed to competitors' core competencies and how they can be leveraged in the pursuit of new applications, especially in divergent industries.

While industry analysis and strategic group analysis focus on the industry as a whole or on subsets of firms within an industry, competitor analysis in view of Kazim(2008), focuses on each company with which a firm competes directly. Competitive analysis therefore deals with the actions and reactions of individual firms within an industry or strategic group.

It becomes especially important in the case of oligopolistic industries where there are a few powerful competitors, and each needs to keep track of the strategic moves of the others.

Hisrich, Peters, and Shepherd (2009), said in analyzing competitors, certain questions and issues are important. To Hisrich et al (2009), it is important ask who are our competitors for our product, and how do we stand to compete? We define current competition. It should be a thoughtful analysis outlining who our competitors are, how successful they are, and what actions they might be expected to take regarding this product during the coming year.

Competitive Intelligence

Closely related to competitive analysis is competitive intelligence. Competitive intelligence (CI), as formally defined by the society of Competitive Intelligence Professionals (SCIP), according to David (2009), is a systematic and ethical process for gathering and analyzing information about the competition's activities and general business trends to further a business's own goals. Good competitive intelligence in business, as in the military, is one of the keys to success. The more information and knowledge a firm can obtain about its competitors, the more likely it is that it can formulate and implement effective strategies. Major competitors' weaknesses can represent external opportunities; major competitors' strengths may represent key threats. Business Week (Nov 2001) as reported by David (2009) said there are more than 5,000 corporate spies now actively engaged in intelligence activities, and 9 out of 10 large companies have employees dedicated solely to gathering competitive intelligence. The article contends that many large U.S. companies spend more than \$1 million annually tracking their competitors.

Regardless of the kind of diversification (or lack of) a company may have, if it is to survive it must keep track of what its competitors are doing, this is what is known as competitive intelligence. Practicing competitive intelligence according to Kinicki and Williams (2011) means gaining information about one's competitors' activities so that you can anticipate their moves and react appropriately. As a manager, one's worst nightmares is that a competitor will come out with a service or product that will revolutionize the market and force one to try to play cat-up, if indeed that is even possible.

Misperceptions about Competitive Intelligence

Despite benefits accrued from competitive intelligence, three strong misperceptions about business intelligence prevail among many executives today including United States executives:

1. Running an intelligence program requires many people, computers, and other resources,
2. Collecting intelligence about competitors violates antitrust laws; business intelligence equals espionage, and
3. Intelligence gathering is an unethical business

All three of these perceptions are totally misguided. Any discussions with a competitor about price, market, or geography intentions could violate antitrust statutes, but this fact should not lure a firm into underestimating the need for and benefits of systematically collecting information about competitors for the purpose of enhancing a firm's effectiveness. It should be noted that without interacting physically with competitors to avoid running foul to any law, the internet has become an excellent medium for gathering competitive intelligence.

PREDICTING FUTURE BEHAVIOUR OF COMPETITORS- A GUIDE

The kinds of competitor information that would help business complete some good quality competitor analysis could be categorized into two. These are:

1. What business probably already knows about their competitors?
2. What business would really like to know about their competitors?

What business probably already knows about their competitors?

In this case, we have overall sales and profit, sales and profit by market, sales by main brand, cost structure, market shares (revenue and volumes), organization structure, distribution system, identify/profile of senior management, advertising strategy and spending, customer/consumer profile & attitudes and customer retention levels.

What business would really like to know about competitors?

These will include sales and profits by products, relative costs, customer satisfaction and services levels, distribution costs, new products strategies, seize and quality of customer database, advertising effectiveness, future investment strategy, contractual terms with key suppliers and terms of strategic partnership.

At this juncture, the following questions are much relevant if we intend using competitive analysis in predicting future behavior of competitors. That is a list of some questions to consider when performing competitor analysis.

1. Who are our competitors?
2. What threats do these competitors pose?
3. What is the profile of our competitors?
4. What are the objectives of our competitors?
5. What strategies are our competitors pursuing and how successful are these strategies?
6. What are the strengths and weaknesses of our competitors?
7. How are our competitors likely to respond to any changes to the way we do business?
8. How will the major competitors most likely respond to current economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive trends affecting our industry?

Answers to all the questions, 1 – 8 above can be obtained from the following three categories of possible sources of information.

Recorded Data

This is easily available in published form either internally or externally. Good examples include competitor annual reports and product brochures.

Observable Data

This has to be actively sought and often assembled from several sources. Good examples include competitor pricing/price list; advertising campaigns; promotion; tender; and patent application.

Opportunistic Data

To get hold of this kind of data requires a lot of planning and organization. Much of it is 'anecdotal' (short based on someone's personal experience), coming from discussions with suppliers, customers, shared distributors, and perhaps, previous management of competitors. Also included in this category are trade shows; sales force meetings; seminar/ conference, recruiting ex-employees, and social contact with competitors.

RECOMMENDED ACTIONS TO OUTSHINE COMPETITORS

Answers obtained from the eight questions I-VIII posed as our guide in predicting future behavior of competitors will assist you in taking the following actions to outshine your competitors.

1. Your Change Strategy

Be aware that your competitors will also be watching you just as closely. If business begins to dwindle, then a change in strategy might be in order. Begin by analyzing your competitors' business techniques and weakness. At the same time, you will need to strengthen your own weaknesses.

2. Specialize In Certain Products or Service

It is a good idea to supply products or service that your competitors cannot deliver. By meeting customer demand, you will increase your consumer base and get ahead of the game. By the time your competitors catch on, your reputation will already be established and they will be scrambling to catch up.

3. Know The Products and Service of Your Competitors

Remember that good research will serve your business well. Track everything about your competitors, from their products and service to marketing and advertising. Obtain sales flyers or brochures or anything tangible that will help you learn more about their business.

4. Keep Your Employees Loyal-And Motivated

The truth is that unhappy employees that change jobs take your business strategies with them, most often to one of your competitors. Keep them loyal to you by establishing an incentive program. An incentive program shows that you value their dedication to you, thereby improving employee retention rates.

Get to know your employees and what makes them tick. If they get bored with day-to-day activities, then frequently change their objectives. If they seem to love staying in one place then let them be. The idea is to know how they work best and this will from one individual to another.

Also, show that you care about their families by giving gifts during the holiday season that they can share. Going the extra mile will benefit everyone involved, especially your business.

I. Get Customer Feedback

One of the best ways to improve or expand your services is by getting feedback from your customers. You might want to ask your loyal ones what they think or where you can improve. You could leave a suggestion box at your premises.

The suggestions, which they give, even if negative, will tell you which areas you are doing well, and where you can make improvements. The life of your business is directly related to the happiness of your customers.

II. Do not Let the Competitors Get To you

While it is true that you need to keep a watchful eye on the competitors, do not let it sidetrack you to the point where you cannot focus on your own business. Let your instincts work to the point of advantages. You will make some mistakes, as all business owners do, but learn from them and move on. Invest time and money in hiring a great staff and work to build the best business you can.

While the pieces of information about competitors that would be useful are categorized into the one already known and the one the business would really like to know. However, an important challenge when predicting future behavior of competitors is working out how to obtain competitors information that is reliable, up to date and available legally. What a competitor is saying about its strategy as revealed in the recorded data often differs from what the competitor is actually doing.

What the competitor is doing is evident in where its cash flow is directed, such as in the tangible actions like hiring activity, research and development projects, capital investments, promotional campaigns, strategic partnerships and mergers and acquisitions.

An interesting aspect of any competitive analysis discussion is whether strategies themselves should be secret or open within firms. The Chinese warrior Sun Tzu and military leaders today strive to keep strategies, as war is based on deception. However for

a business organization, secrecy may not be best. Keeping strategies secret from employees and stakeholders at large could severely inhibit employee and stakeholder communication, understanding, and commitment and also forgo valuable input that these persons could have regarding formulation and/or implementation of the strategy. Thus strategists in a particular firm must decide for themselves whether the risk of rival firms easily knowing and exploiting a firm's strategies is worth the benefit of improved employee and stakeholder motivation and input.

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DETERMINANTS OF LENDING PORTFOLIO CONSTRUCTION AMONG NIGERIAN COMMERCIAL BANKS.

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Abstract

Effective lending portfolio construction is one of the most complex problems which the management of financial institutions across the globe has to tackle on a continuous basis. This study investigates the determinants of commercial banks portfolio construction in Nigeria covering a period of 35 years (1977- 2012). Ordinary Least Square (OLS) technique is use to confirm the appropriate relationship between commercial banks' loans and advances (dependent variable) and lending portfolio determinants proxies by volume of commercial banks deposits, loan to deposits, liquidity ratio, lending rate, investment portfolio, inflation and cash reserve ratio. (independent variables). From the result, the study finds that five variables are significant while commercial banks deposits have the greatest impacts on commercial bank lending construction in Nigeria. However, two of the independent variables including inflation and liquidity ratio are not significant. The study among others recommends that, the Central Bank of Nigeria (CBN) should moderate the Monetary Policy Rate (MPR), promote low lending rate, favourable cash reserves, and liquidity of the banks, so as to facilitate investment and price stability in the economy. This is expected to promote credit expansion and invariably returns and profitability of the deposit money banks in Nigeria.

Keywords: Lending, Deposits, Investment, Portfolio, Liquidity, Solvency, Interest rate.

1 INTRODUCTION

Effective lending portfolio construction, a term commonly used to describe the allocation of funds among investment alternatives, is one of the most complex problems which the management of financial institutions across the globe has to tackle on a continuing basis.

Portfolio construction of banks by way of lending practices in the world could be traced to the period of industrial revolution which increases the pace of commercial and production activities thereby bringing about the need for large capital outlays for projects. Many captains of industry at this period were unable to meet up with the sudden upturn in the financial requirements and therefore turn to the banks for assistance (Ajayi, 2007). In Nigeria specifically, several banking enactment stipulates how banks' loans should be directed to preferred sector of the economy in order to enhance economic growth and development. These government objectives are designed through the promulgation of various regulations such as the Bank and Other Financial Act Amendment (BOFIA), various prudential guidelines and circulars issued by the Central Bank of Nigeria (CBN), (Olokoyo, 2011). However, as a result of some micro economic determinants such as the capital base, the deposit base and density of the deposit, commercial banks in Nigeria have always preferred to extend more credit to some selected preferred sectors, thereby distorting the government overall objective of ensuring sound economic development. These actions in the long run can distort government ongoing efforts of achieving her "vision 2020" objectives (**Obamuyi, 2013**).

In the light of this, this study poses the following questions:

- i) What are the common determinants of commercial banks' lending portfolio construction in Nigeria?
- ii) What effects do the determinants have on commercial banks' lending portfolio construction in Nigeria?
- iii) How does commercial banks' in Nigeria allocate funds to their lending portfolio?

1.1 Structure of the Nigerian Financial System

The Nigerian financial system is broadly dualistic in nature comprising of both an informal and formal sectors. The Informal Financial System (IFS) is made up of the institutions that are not integrated with the Formal Financial System and virtually out of the control of the legal framework. They are poorly developed and limited in reach; they include institutions such as the local moneylenders, rotating savings and cooperative societies. The Formal Financial System (FFS) on the other hand comprises of the banking sector, non-banking sector and the financial markets. Examples are the Commercial banks, Microfinance Banks; Primary Mortgage Institutions; Finance Companies; Bureaus de Change; Development Finance Institutions; Discount Houses; and Insurance Companies etc. They play a key role of uplifting the economic growth of the country and together with the financial banking system, build up and strengthen the financial system of the country (Esisal, 2009).

The rest of the paper is organized into four sections. Section 2 involves the reviews of relevant extant literature; methodology adopted in the study is discussed in section 3 while discussion of findings is presented in section 4. Section 5 provides the concluding remark and provides recommendations based on the findings.

2.0 LITERATURE REVIEW

2.1 Conceptual Issues: Management and Determinants of Banks Lending Portfolio.

Portfolio management is the identification of measured risk exposures that are controlled in the context of defined risk tolerance (Compuscan, 2013). It involves managing a portfolio of assets to achieve the best possible mix as distinct from managing individual assets within the portfolio. According to Oloyede and Fapetu (2002), portfolio management is a tool used to minimize aggregate risk problems while achieving or exceeding hurdle returns for risks the lender is willing to accept.

According to Oloyede and Fapetu (2002), four guiding considerations determine the commercial banks' lending portfolio. One is prudence and transaction demand. This largely governs allocation to cash assets such as vault cash or cash due to banks. These are required for working balances to make charge, meet requests, attend to loan demand and provide for various operating expenses. The second consideration is legal. In allocating bank funds to various assets categories, banks are constrained by legal requirement and the need to address satisfy the stipulations of the credit policy guideline. These stipulated required cash and liquidity reserves and proportion of bank funds to be allocated to different asset categories. The third consideration is the need to maintain a high degree of liquidity objective; the banks generally emphasize the real bills or commercial loan doctrine, the shift ability doctrine and the anticipated income approach to the allocation of bank funds. While the fourth consideration, is the need to earn sufficient income from their transactions. Commercial banks are commercial organisations and are therefore obligated to their shareholders to make maximum profit subject to the constraint of liquidity and safety. At the same time, as the suppliers of most of the nation's money stock, the banks owe important obligations to the public. The public must never have reason to question the solvency, liquidity or integrity of the banking system and depositors must be able to maintain full confidences in the ability of the banks repay deposits on demand or as agreed. One can also say that the contribution of commercial banks to the development of the economy is another consideration. To enhance sound banking practices, Abdul, Freeman & Michael (2013) identified the followings as some of the determinants of bank lending portfolio:

I) Deposits:

Deposits forms majority of banks' liabilities and plays an important role in the intermediation activities of banks. The decisions of banks management to lend are greatly influenced by the volume and cost of deposits to the banks. The interest paid on deposits ensures that banks earn return over and above their cost of funds, hence the transformation of these liabilities to loan assets to generate interest income. The larger the volume of bank deposits, the more loan able funds available to the banks, hence the higher likelihood of given out more loans and advances.

ii) Banks Capitalization:

Banks capitalization can affect bank willingness and ability to extend long-term loans in several different ways. Banks with larger capital cushion against credit risks should have higher capacity to extend risky, long-term loans. Therefore increasing banks' capital can enhance the banks' capacity to increase lending.

iii) Income Diversification:

The diversification of banking activities serves to stabilize bank income by focusing other sources of bank income which leads to decreased intermediation activities. This study proxies diversification as the ratio of non-interest income to total income. A negative relationship is expected between diversification and bank lending since diversification ensures that banks use its resources in non-interest generating activities.

iv) Intermediation Spread (Profitability):

The spread between interest income and expense gives an indication of bank profitability. A higher spread means lending is profitable and thus profit driven bank management is more likely to lend more. Therefore, it is expected that higher interest margin will induce banks to give out more loans and advances.

v) Asset Quality (Provisions for loan losses):

The level of non-performing loans in bank's loan is an indication of the profitability of bank lending activities. It requires the provision for write-offs of either portions or all of the loans. The write-offs are losses that the banks absorb with its equity capital, hence the banks reluctance to take new risks and commit new 'loans which is described as the credit crunch'. Lower bank asset quality signals banks as to their risk levels, therefore their reluctance to take on more risk through lending.

2.2 Theoretical Underpinning

In an attempt to provide sound theoretical underpinning for this study, this study adopts the Commercial loan theory in order explain the portfolio construction of banks.

2.2.1 Commercial Loan Theory

The commercial loan theory is the early asset management theory of Adams Smith in "the nature of wealth". The basic point of view of the theory is that Deposit is the main source of bank loanable fund and the deposits may be demanded at any time. So, in order to guarantee fund mobility, commercial banks can only issue short-term loans associated with commercial turnover, and adapting to the production material reserves for loans, but can hardly grant real estate and other long-term loans. This theory has some limitations which include: the characteristics of the loan which cannot meet the economic development needs of the long-term capital bank (Lee and Lee, 2013).

2.3 Empirical Review of Literature

Many empirical works have been carried out to determine the factors responsible for the lending portfolio construction behaviour of banks in different countries and also specifically in Nigeria.

In Chile, Alejandro and Ugo (2006) observes that state-ownership of banks is correlated with lending behavior over the business cycle. They found out that state-own banks' lending behaviour is less responsive to macroeconomic shocks than the lending of private banks.

Olokoyo (2011) investigated the determinants of commercial banks' lending behaviour in the Nigerian context. The study aimed to test and confirm the effectiveness of the common determinants of commercial banks' lending behaviour and how it affects the lending behaviour of commercial banks in Nigeria. It was discovered that commercial banks deposits have the greatest impacts on their lending behaviour.

Muhammad, Ammara, Abrar & Fareeha (2012) carried out a study on the economic factors causing non-performing loans in the Pakistani banking sector since 2006. According to the results, Pakistani bankers perceive that Interest Rate, Energy Crisis, Unemployment, Inflation, and Exchange Rate has a significant positive relationship with the non-performing loans of Pakistani banking sector while GDP growth has significant negative relationship with the non-performing loans of Pakistani banking sector.

Kolapo, Ayeni and Oke (2012), carried out an empirical investigation into the quantitative effect of credit risk on the performance of commercial banks in Nigeria over the period of 11 years (2000-2010). Their results showed that the effect of credit risk on bank performance measured by the Return on Assets of banks has a cross-sectional variant. They concluded that the effect is similar across banks in Nigeria.

Abdul, Freeman & Michael (2013) wrote on the persistence of bank asset quality on bank lending behaviour in Ghana. They used a dataset from the Bank of Ghana for 25 Ghanaian banks from 2005 to 2010. They observed that the effect of the deterioration of bank asset quality (high levels of non-performing loans) on bank lending behaviour is persistence and not contemporaneous. In addition, bank deposit mobilization, intermediation spread and equity were also found to influence bank lending behaviour. Finally, some studies revealed that the behaviour of bank's investment portfolios is prevalent on their lending portfolios. Such studies are those of Nwankwo (1980) and Roussakis (1977) specified and estimated four commercial bank equations for Pakistan using annual data from 1955/56 -1969/70.

2.4 2011 and 2012 Sectorial Distribution of Credits to Deposit Money Banks in Nigeria.

The banks credit portfolio construction (loan and advanced) to the various sector of the economy is a very major indicator of financial development. It explains the degrees of financial intermediation in an economy because it comprises all the credit given by the banks to the various sectors. This section examines the structure and share of commercial bank credit to the various sectors of the economy as at 31st Dec, 2011 and 2012 as shown in table 1 below.

Table 1: Sectorial Distribution of Credits as at 31st Dec, 2011 and 2012.

Details	Dec 2012		Dec 2011	
	N' Billion	%	N' Billion	%
Oil and Gas	1,912.92	23.47	1,529.84	21.03
Others	1,228.31	15.07	1,197.44	16.47
Manufacturing	1,185.60	14.55	1,108.64	15.24
General	977.20	11.99	854.10	11.74
General Commerce	813.40	9.98	809.20	11.12
Information and Commerce	722.87	8.87	628.14	8.64
Governments	640.06	7.85	542.93	7.46
Real Estate Activities	376.58	4.62	377.33	5.19
Agric, Forestry and Fishing	293.09	3.60	226.13	3.11
Total	8,150.03	100	7,273.75	100

Source: NDIC Report (Banks return), 2012

The figure shows that Commercial banks commonly distribute their lending portfolio among the various sectors. These sectors make up the construction of their various portfolios. The percentages analysis reveals the manner in which banks credits are allocated to the various sectors of the economy.

The table shows that the largest portion of the industry total credits went to the Oil & Gas sector in the sum of N1.91 trillion, in 2012 and N1.52 trillion in 2011 representing 23.47% and 21.03% of total credits to the economy respectively. The table also reveals others (Sectors not classified) as the second highest sector with the sum of N1.22 trillion, in 2012 and 1.19 trillion in 2011 representing 15.07% and 16.47% of the total credits to the economy. The third sector is manufacturing with the sum of N1.18 trillion, in 2012 and N1.10 trillion in 2011 representing 14.55% and 15.24% of the total credit to the economy respectively. However, the lowest portion of the industry total credit went to Agriculture, forestry and fishing with the sum of N293.09 billion in 2012 and 226.13 billion in 2011 representing 3.60% and 3.11% of the total credit to the economy respectively.

Overall, this analysis implies that banks are selective in the allocation and construction of their lending portfolios. The table also confirms the fact that banks constructed their portfolio in such a manner to maximizes their return and reduce risk (credit risk). These confirm the fact and general believe that banks do not give lending preference to government preferred sectors such as agriculture which are perceived to be risky.

3.0 METHODOLOGY

3.1 Research Design and Data Analytical Technique

This study empirically investigates the determinants of commercial banks lending portfolio construction in Nigeria covering a period of 35 years. The study consists of all the commercial banks sub sector of the Nigeria financial system licensed and operating in Nigerian economy from 1977-2012. The commercial banks were selected from the banking sector because they have a wider geographical coverage than any other financial institutions in the banking sector. They also control over 70% of assets and liability of the banking sector of Nigeria financial system (Ajayi, 2007). Secondary source of data was used in this research work. The data was obtained from *Central Bank of Nigeria statistical Bulletin and NDIC report 2012 various issues which covered the periods from 1977-2012*. In view of this, the study therefore, adopted a time series research design method.

3.2 Method of Data Analysis

The paper adopted econometric approach to test the degree of relationship between the variables by employing multiple regression analysis of the Ordinary Least Square (OLS) method. Unit Root Test using Augmented Dickey-Fuller (ADF) technique, Serial correlation test and normality test were also conducted to estimate the reliability of the OLS model used in the study. All the techniques were applied using E-Views 7.0 package.

3.3 Empirical Model

In order to examine the determinant of banks portfolio construction proxy via the use of Total Loans, and adopting the time series data analysis, a model was developed based on the modified version of Olokoyo (2011) thus:

$$TLA = F(VD, LED/TD, LQR, LR, INVP, INF, CRR) \dots\dots\dots (1)$$

$$TL = \alpha_0 + \beta_1 VD + \beta_2 LED/TD + \beta_3 LQR + \beta_4 LR + \beta_5 INVP + \beta_6 INF + \beta_7 CRR + \xi \dots\dots (2)$$

When transformed into a log form equation 2 becomes:

$$\text{Log}TL = \alpha_0 + \beta_1 \text{Log}VD + \beta_2 LED/TD + \beta_3 LQR + \beta_4 LR + \beta_5 \text{Log}INVP + \beta_6 INF + \beta_7 CRR + \xi \dots\dots(3)$$

The apriori theoretical expectations for these parameters are as follows:

$$\beta_1 > 0; \beta_2 > 0; \beta_7 > 0; \beta_4 < 0; \beta_3 < 0; \beta_4 < 0; \beta_5 < 0; \beta_6 < 0 \dots\dots\dots(4)$$

TLA = Total Loans and Advances

VD = Volume of Deposit

LED/TD = Loan to Deposit Ratio

LQR = Liquidity Ratio

LR = Lending Rate

INVP = Investment Portfolio

INF = Inflation

CRR = Cash Reserve Ratio

The logarithm of the variables was taken so that all observations in each variable will have equal weight so as to avoid serial auto correlation since the data covered a long period of 30 years.

4.0 RESULTS AND DISCUSSION OF FINDINGS

According to Engle and Granger, (1987) most ordinary least squares (OLS) regressions that are not stationary at level are mostly not reliable, because of the likelihood of short run disequilibrium among the variables. In view of this, testing for stationarity of variables to obtain a more reliable result cannot be over emphasized. This paper carried out stationarity test on the variables using Augmented Dickey-Fuller (ADF) as reported in Table 2 below. The result showed that all the variables were stationary at first difference, implying that OLS regression technique can be adopted.

Table 2. Augmented Dickey-Fuller (ADF) Unit Root Test

Variables	t.- statistic	Order of Integration
LOA = LLOA ***	-2.117210	I (1)
VD = LVD**	-4.644321	I (1)
INP = LINP***	-7.854615	1(1)
INF***	-5.802581	1(1)
LED/TD **	-3.793913	1(1)
L R***	-6.657064	1(1)
LQR***	-6.494433	1(1)
CRR**	-2201663	1(1)

Source: Authors' Computation, 2013

Note: ***Significant at 1 per cent level of significance
 **Significant at 5 per cent level of significance

In order to authenticate the reliability of our result, serial correlation test and normality test were conducted and the results presented in tables 3 and 4 respectively. The Jarque-Bera statistics is 0.025196. The result is not significant at 5% level of significance implying that the error term of the regression analysis is normally distributed (see Table 4).

Table 3. Breusch-Godfrey Serial Correlation LM Test

F-statistic	1.305348	Prob. F(2,26)	0.2883
Obs*R-squared	3.284961	Prob. Chi-Square(2)	0.1935

Source: Authors' Computation, 2013

In addition, the R^2 is also less than the Durbin-Watson statistic meaning that OLS model is good. In addition to these, the serial correlation test on (see table 3) also indicated that the error term is also not serially correlated. Overall, the stability of the parameters from the OLS is remarkable, considering the great number of economical reforms implemented during the analyzed period. This indicated that the events capable to create structural breaks were incorporated very well in the model.

Table 4. Normality Tests of Residual

Jarque Bera	Probability
0.025196	0.987481

Source: Authors' Computation, 2013

4.1 Ordinary Least Square Estimation

The study adopted ordinary least square (OLS) for the estimation. The method was adopted because it would be able to capture the essence of the work effectively in addition to its high level of simplicity and global acceptability.

Table 5: Regression analysis on the Determinants of Bank portfolio Construction

Variables	Coefficient	Std. Error	t-Statistic	Prob.
VOLUME OF DEPOSIT	1.144132	0.036231	31.57915	0.0000***
LOAN_TO_DEPOSIT_RATIO	0.008942	0.002703	3.308148	0.0026***
LIQUIDITY_RATIO	-0.004867	0.002483	-1.959875	0.0600*
LENDING_RATES	-0.012372	0.005405	-2.289087	0.0298**
INVEST_PORT	-0.081766	0.028609	-2.858022	0.0080***
INFLATION	-0.002889	0.001525	-1.893756	0.0686*
CASH_RESERVE_RATIO	0.025432	0.006492	3.917259	0.0005***
C	-0.872278	0.306552	-2.845448	0.0082**
R-squared	F-statistic	Prob. (F-statistic)	Durbin-Watson	
0.8980	2029.556	0.0000	1.91415	

Source: Authors' Computation, 2013

Note: ***, **, * indicates significance at 1%, 5%, and 10% levels respectively

4.2 Discussion of Findings

Table 5 provides the summary statistics and the results of the data analyzed. The Durbin-Watson statistics is 1.91 which is close to 2, implying the absence of first order autocorrelation in the regression model., the coefficient of multiple determinations - R-squared is 0.898033 which showed that 89% of the variation in the bank lending portfolio as proxied by LOA was caused by the variations in the explanatory variables as explained by the model. This showed that only 11 percent changes in the dependent variable was caused by other variables not found in the equation but measured by the error term. The F-statistics of 2029.556 is significant at 1 percent level of significance; hence the model is of good fit. The results therefore, revealed that the first null hypothesis of no functional relationship between the Loans and Advances (LOA) and the independent variables is rejected and the alternative hypothesis is accepted.

The regression results as presented in table 5 shows that the estimated coefficient of Volume of Deposit (VD) Loan to Deposit Ratio and Cash Reserve Ratio are positive. The positive sign on the coefficient establishes that each of these variables are positively related to loans and advances at 1% level of significance indicating that for every 1% increase in Volume of Deposit, Loan to Deposit Ratio and Cash Reserve Ratio will cause loan and advances of the commercial banks in Nigeria to increase by 114%, 0.0089% and 0.25% respectively. This result is therefore consistent with our a priori condition. Thus, the result is consistent with commercial loan theory which views deposit as the main source of bank loanable funds.

The regression estimates also show a negative relationship between lending rate and loans and advances at 1% level of significance. The implication of the result is that lending rate charged by commercial banks in Nigeria has negative effect on commercial banks portfolio construction decision. Although monetary policy instrument of liquidity requirement is not significant at 5% level of significance, cash requirement ratio however, has a significance impact on commercial banks portfolio construction in Nigeria. Therefore, commercial banks should always ensure compliance with these policies. Also, investment portfolio is negatively significant at 1% meaning that investment in Treasury bill and other investments by banks' have a negative impact on banks portfolio construction in Nigeria. This corroborate the works of Nwankwo (1980) and Roussakis, (1977) that posit that the behaviour of bank's investment portfolios are prevalent and impact on lending portfolios. Finally, it is worthy to note that, the coefficient of Volume of deposit (VD) from the result has the highest effect on commercial banks portfolio construction in Nigeria with 114%. This result also, corroborates the work of Olokoyo, (2011).

In addition, Liquidity ratio and inflation show an insignificant relationship with loans and advances implying that these variables have no relationship with bank portfolio construction in Nigeria. Overall, the regression estimates show that five variables are statistically significant out of all the explanatory variables used in the model. i.e. Volume of Deposit, Loan to Deposit Ratio, Lending Rate, Investment Portfolio, and Cash Reserve Ratio.

5.0 CONCLUSION AND RECOMMENDATIONS

In conclusion, available statistics have shown that banks' need to understand how to construct their portfolio so as to maximize their performance in terms of profitability. Bank lending constitutes the core of banking activities and is responsible for a sizeable proportion of bank revenue. It is generally believed that high lending portfolio is positively correlated to profitability which also has a positive correlation to nonperforming loans.

This study has shown that there is a significant relationship between banks lending portfolio construction (sectorial allocation) and determinants such as investment portfolio, lending rate, Volume of deposit, and Cash reserve ratio. The result also revealed that higher percentage lending portfolio construction is majorly attributed to huge deposits of the commercial banks in Nigeria. However, the commercial loan theory disagree with the use of deposit for creating long term loan and maintained that deposit should only be used for generating short term loan. This implied that commercial banks in Nigeria cannot at present grant long term loan which is important for economic development. Although, future research work in this area of study could investigate the effects of recapitalization, priority sector lending, non-performing loans and other microeconomic variables on banks portfolio construction in Nigeria.

5.1 Recommendations

In the light of the above, the following are hereby recommended in line with the result generated from the work:

Central Bank of Nigeria (CBN) should moderate the Monetary Policy Rate (MPR), promote low lending rate, favourable cash reserves, and liquidity of the banks, so as to facilitate investment and price stability in the economy. This is expected to promote credit expansion and invariably returns and profitability of the deposit money banks in Nigeria.

For effective and efficient portfolio construction, it is essential for commercial banks to build system and skills in liquidity management, assets and liability management, investment management as well as priority lending strategies.

The findings from this study reveals that deposit mobilization is the main determinant of Commercial banks lending portfolio construction. Thus, banks should improve their marketing strategize to attract and retain more deposits, exploring strategies that could reduce operational cost of deposit attraction as well as diversifying the various sources of deposits. However, CBN should ensure that customers' deposits in Nigerian deposit money banks are fully insured with the NDIC so as to guarantee that no depositor suffers any losses in case of any sudden bank distress.

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A REVIEW OF THE IMPACT OF REGIONAL MONETARY INTEGRATION ON WEST AFRICAN COUNTRIES.

By

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Abstract

The formation of regional economic blocs is one of the initiatives of ECOWAS to unify the economic space of the region. The aim of the paper is to discuss regional monetary integration, and its Impact on West African countries. The study through theory and empirical studies find out that the monetary integration involves some steps one of which is universal central bank managed by nationals of the integrating countries, where integrating countries would lose their sovereignty by 2020. The study thus recommends that despite the impact of monetary integration on the sub-region, the region, instead of trying to meet a very short deadline for monetary union, the countries of the region should invest their energies in reinforcing convergence on low inflation, sustainable fiscal policies, and structural policies necessary for strong growth and monetary integration. This will increase and sustain the impact of the monetary integration on the sub-region.

JEL Classification: F 36

Key Words: Monetary, Integration, exchange, rate, Optimum Currency Area, ECOWAS

1.0 Introduction

The globalization that is changing the economic landscape was preceded by a discernible trend in the realignment of economic relationships by nation states after the end of World War II. The phenomenon of regional economic integration arrangements cut across most regions of the world regardless of the geographical or income brackets of the integrating nations. From Asia to Europe, North to South America, the formation of regional economic blocs almost took on a life of its own. Not to be left in the lurch, Africa set up a number of sub-regional and continental initiatives aimed at unifying its economic space (Itsede, 2002). One of such initiatives in Africa is the Economic Community of West African States's (ECOWAS) monetary integration.

ECOWAS was established in May 1975 with the ultimate objective of creating a common market in the sub-region. Underpinning the drive to a common market was a sub-programme to establish a common currency among the sixteen integrating states of Benin Republic, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Despite the fact that the monetary integration was accorded special status and attention by the authority of Heads of State and Governments, no appreciable progress has been made toward realizing the lofty objective.

The West Africa sub-region currently has two monetary sub-unions. The first one is the Western African Economic Monetary Union (WAEMU), which consists of eight countries namely: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. The second monetary sub-union comprises the non-WAEMU-ECOWAS countries which include Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone; they created a common currency area named West African Monetary Zone (WAMZ). The West-African sub-region plans to merge the two monetary sub-unions to establish a common monetary union by 2020 (Dina, Mona, Mariana, Amir, Rana, Wafas & Shaimaa, 2011). Thus, the kernel of this research is to review the impact of a monetary integration on West African Countries.

2.0 Literature Review

2.1 Conceptual Issues: Monetary Integration: Meaning, Concepts, Features and Steps

Monetary integration is the monetary unification of participating member countries in an economic union and involves the adoption of a common currency, coordinated exchange rate policies, and harmonization of fiscal and monetary policies (Nana-Sink-am, 1978). Monetary integration is an agreement among some countries to unify their monetary policies, which requires the fixity of their mutual exchange rates. In this sense, monetary integration implies currency unification. (Dina et al, 2011). Itsede (2002) viewed monetary union as an area within which exchange rates bear an immutable relationship to each other.

Discussing the concepts of monetary integration, Corden (1972) emphasizes the following essential concepts namely:

- I) An exchange rate union, i.e. an area within which exchange rates bear a permanently fixed relationship to each other even though the rates may, in unison, vary relative to non-union currencies; and

- ii) Convertibility, i.e. the permanent absence of all exchange controls, whether for current or capital transactions, within the area.

Explaining the features of monetary union, Itsede (2002) opined that the adoption of fixed exchange rate margins among the currencies of member states or the adoption of a common currency; the pooling of foreign exchange resources; a common central bank; factor mobility and harmonization of monetary and fiscal policies are the defining features of a durable monetary union.

The European Central Bank (ECB) (2010) noted that the road toward monetary union is challenging and its achievement is predicated on a number of steps that requires strong political commitment and significant lead times. The steps include the following:

- i). preparation, adoption, ratification, and implementation of legal instruments such as a Monetary Union Treaty, including the Statutes of new institutions such as a Common Central Bank;
- ii). establishment of the operational and regulatory framework necessary for the smooth functioning of a monetary union;
- iii). progress towards a level of macroeconomic convergence that allows countries participating in monetary union to reap the benefits without incurring undue costs; and
- iv). change-over from national currencies to a single currency, which must be properly anchored in society and particularly in the financial industry, which will be instrumental to the success of the changeover.

While many of the above steps may, at least to some extent, be taken in parallel, the establishment of monetary union is nevertheless likely to take several years (ECB, 2010). However, the decision to join a currency area involves the abandonment of an independent national monetary policy to follow a unified one. This might involve the creation of a new single currency by a new independent Central Bank or the fixity of the National Mutual Exchange Rates. In the latter case, a common reserve will be needed for countries to supplement their external positions vis-à-vis other member countries (Cohen, 1992). If the currency area chooses to peg its unified currency (single or multiple) to a key currency (such as US dollar or Euro), it abandons the area's monetary independence for the sake of the key currency's country.

2.2 Theoretical Discussions

There are different theoretical approaches to the process of monetary integration. The German “economist” considers currency unification as an *ex-ante* process that follows the coordination and unification of fiscal, political and social policies.

On the contrary, the French “monetary” school argued that monetary unification is an *ex-post* process that leads to the coordination and unification in the other areas (Goodhart, 2007). Rose (2000) argued that countries with different levels of economic growth should first undertake extensive structural and institutional changes by adhering to certain convergence criteria. The convergence criteria includes establishment of a free trade zone through bilateral and multilateral trade arrangements; promotion of regional financial cooperation through freedom of capital mobility and financial markets unification; achievement of relative stability of mutual exchange rates; assessment of the macroeconomic and financial conditions of member economies through effective policy dialogue; and achievement of political unification among member states. (See Bukowski (2006) and Hashmi & Lee (2008)).

The Optimum Currency Area (OCA) theory emerged from the early discussions on the choice of the exchange rate regime, as an extension to the benefits of the fixed exchange rate. Mundell (1961), cited in Cohen (1992), defined an OCA as the optimal domain of a single currency or several national currencies with mutually fixed rates (multiple currencies). The authors initiated the debate on the convergence criteria that qualify a group of countries for currency area creation. Latter (1996) and Bukowski (2006) highlighted the essential criteria as follows: small size with strong trade links and a comparative advantage in production, flexible prices and wages, factor mobility, homogeneity of business cycles, converging fiscal indicators and inflation rates. The debate on the optimal exchange rate regime was used to determine the relationship of the area's currency (single/multiple) to the external world. Mundell (1961), cited in Cohen (1992) favoured the flexible exchange rate to maintain external balance. For example, if the balance of payments is in deficit, the nominal exchange rate should depreciate or domestic prices and wages should decrease. If the nominal exchange rate is fixed and prices are relatively rigid, the country's exports become less competitive which exacerbates the external deficit.

2.3 Empirical Discussions

McKinnon (1963) argued that the choice of exchange rate regime should depend on the size of the economy and its degree of openness (shares of tradable and non-tradable sectors in Gross Domestic Product (GDP)). If the tradable sector represents the greater share in a small economy, the flexible exchange rate regime will be optimal to achieve external balance. In this case, the country should practice a proactive monetary policy to counteract the pass-through effect and attain internal price stability. On the other hand, if the non-tradable sector represents the greater share of the GDP, the fixed exchange rate would be appropriate given the existence of intra-industry factor mobility.

For developing countries, Abed, Nuri, Erbas & Guerami (2003) supported a currency peg to the dollar as a credible anchor for the monetary policy. Nevertheless, if capital is perfectly mobile, the pegging country will not be able to determine its domestic interest

rate independently of the US interest rate, and therefore, it cannot use its monetary policy to achieve domestic policy goals (See also Setser, 2007). Arayssi (2008) and Khan (2009) highlighted the main advantages of the dollar peg as it simplifies trade and financial transactions, limits the pass-through effect to domestic inflation and reduces exchange rate volatility. The reductions in exchange rate and inflation risks lower the country's cost of borrowing in the global Capital Markets (Plumper & Troeger, 2008). Khan (2009) stated that the fixed regime helps developing economies to cope with their weak monetary transmission mechanisms and shallow credit and Capital Markets.

Mundell (1961) cited in Cohen (1992) argued that there is a trade-off between two objectives: macroeconomic stabilization (lower inflation vs. full employment) and the reduction of transaction costs (interest rate). An optimal monetary policy would eliminate this trade-off. Given that a country forfeits its national monetary policy to join a Currency Union (CU), each member country may use the stabilization tools of fiscal policy (such as income tax) to achieve macroeconomic stabilization. In this case, the magnitude of the national fiscal policy will map the idiosyncratic shock hitting a particular country.

Consequently, there are two main negative spillovers in a CU; first, the macroeconomic stabilization losses that result from an unsustainable fiscal deficit. The second spillover is the resort of members to monetize their fiscal debts, which depreciates the region's currency and exacerbates its debt-service obligations. Therefore, there is a need for setting ceilings on fiscal deficits and/or coordinating the national fiscal policies (Masson, 1993). Cooper & Hubert (2004) proposed the optimal setup for the coordination between the monetary and fiscal policies in a Currency Union.

In a multiple currency environment, each country should design its optimal fiscal policy to achieve macroeconomic stabilization, and then use the monetary policy to offset the remaining deviations (from price and output targets). If the country-specific monetary policies are highly correlated, it would be less costly to delegate the monetary policy to one central bank. Then, the coordination of each national fiscal policy with the regional monetary policy would be necessary to mitigate the negative spillovers within the CU.

3.0 Impact of Monetary Integration on West Africa Countries

A major attraction of monetary integration is in its trade-creating potentials within and beyond the constituent states by removing some of the payments obstacles to trade. These include the union's regime of a stable exchange rate of the common currency. In such a fixed exchange regime, costs of money conversion and forward cover required in a flexible exchange system are eliminated. The common currency thus constitutes a reliable anchor for businessmen in their trade contracts and position – taking on trade issues generally.

Rose (2000) and Frankel & Rose (2002) report that bilateral trade between two countries that use the same currency is over 200% larger than bilateral trade between countries that use different currencies. It is thus not surprising that many economists and policy makers themselves have at one time or another blamed the low level of intra-ECOWAS trade on payments difficulties owing to the existence of inconvertible sub-regional currencies, widely fluctuating exchange rates, and competitive regional production profiles, amongst others. It is envisaged that a stable monetary union will reduce the costs of doing business across borders within the West Africa Currency Union, thereby deepening trade links and promoting growth. There is also an expectation that a common currency will encourage investment in the region (Cullen, 2012).

Moreover, given the fixity of exchange rate under a monetary union arrangement, speculative capital flows would be eliminated, thereby relieving the authorities of frustration in their monetary control (Mundell, 1961, cited in Cohen, 1992). All things being equal, a monetary zone with a supranational currency would be more stable and safer for capital mobility. Long-term interest rates would decline and be less volatile. This was the experience of Europe where interest rates declined in a number of countries – notably, Ireland, Italy, Portugal and Spain. This development made it easier to reduce fiscal deficits and promote growth. Beautiful as this scenario seems, it has some qualifications given that the fixity of exchange rate may not be perfectly certain, depending on the particular evolutionary stage of a CU. However, a West Africa monetary integration would herald stable exchange rates that eliminate a speculative capital flow, and relieve the region of frustration in their monetary control. This will improve capital inflow and a decline in interest rates. That would reduce fiscal deficits and promote growth in the region through improvement in capital inflows.

Furthermore, monetary union involving a common currency is equivalent to the unification of the national capital markets of the integrating countries. This promotes market expansion, greater competition and more investment opportunities for institutional and individual investors. Banks, brokerage firms, issuing houses and other capital market operators can expand their operations rapidly for investible funds held by savers in cross border accounts. Private firms and public entities issuing debt instruments would have a larger pool to tap into. For instance, adoption of a common currency by members of the West African Monetary Zone (WAMZ) implies that the nationals of the Zone could freely trade on the Nigeria Stock Exchange and Ghana Stock Exchange without exchange rate or currency risks. Firms would not bother themselves sourcing foreign exchange to remit dividends to community investors. Yabara (2012) also opined that the West African Economic and Monetary Union (WAEMU) is a good example of broadening regional debt markets through the institution-based approach. Building on the failure of a preceding monetary union (the West African Franc-CFA zone), member countries advanced a number of arrangements to institutionalize autonomous regional organizations that effectively promote integration (Grim, 1999). In the capital markets, a regional securities exchange, *Bourse Régionale des Valeurs Mobilières (BRVM)* supervised by a regional securities commission, *Conseil Régional de L'épargne Publique et des Marchés Financiers (CREPMF)* was established in 1998.

A unified auction system to issue treasury bills conducted by a common Central Bank, *Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO) was introduced in 2001, along with the gradual elimination and prohibition of advances to governments by the BCEAO.

These efforts have resulted in rapidly growing and integrated regional government debt markets, especially Treasury bill markets: the issuance of debt securities has increased by 15 times since 2001 (Sy, 2007) in West Africa French speaking countries. Also, it was noted that if Europe had not formed a monetary union; the traditional tensions between exchange rate stability and the attainment of domestic price stability would almost certainly have generated destabilizing speculation in foreign exchange markets in at least some of the member countries. With the size and speed of modern foreign exchange markets and the tendency that foreign exchange markets have to overshoot, exchange rate volatility would surely have been much greater in the absence of the monetary union (Lane, 2006).

The combined effect of increased competition and an enlarged market could result in a fall in long-run interest rates which is a critical condition for sustained economic growth. In fact, the viability and growth of some domestic capital markets would be somewhat limited without opening their doors to the regional possibilities. In order to ensure a safe, level and viable playing turf, a unified Capital Market should have a common regulatory framework with common rules, standards and ethics that would guide cross-border investments within the integrating zone. Thus the adoption of monetary integration in the long-run would result in a fall of interest rate in the long-run. This would enhance a sustained economic growth in the region. The EU Commission did a study of the savings in 1990 and found that on average across the EMU members, there would be savings in dealers' margins of 0.4% of GDP. However, for countries with advanced banking systems, such as the UK, it found the saving to be much smaller, at around 0.1% of GDP (Minford, 2001). As one example, the outstanding stock of securities issued by corporations in the euro area hovered at around 30 percent of euro-area GDP from 1991 to 1998, but following the start of the euro in 1999 it rose to 74.5 percent of GDP by June 2005 (based on data from the European Central Bank (ECB)). The issuance of such securities has risen sharply: quarterly gross issues have averaged 15.2 percent of euro-area GDP since the start of European monetary union in 1999, nearly double the 8.2 percent average during 1991–98 (Lane, 2006). There are huge seigniorage gains (and losses) from the issuance of a common currency, especially if monetary integration results in significant expansion in intra-union trade. The large amount involved in the printing of a union currency would entail a relatively lower unit cost of printing compared to printing national currencies. All things considered, opportunities for seigniorage, profit from the issue of interest-free currency, abound more in a West African monetary union than in a national economy.

Monetary union implies saving on foreign exchange reserves by union members. The importance of this benefit is not very clear in the early stages of a CU when the members may not be so sure of the future course of events. However, it will become increasingly significant with greater cooperation among the member countries of the CU. Depending on what was pooled and how well it is managed, union members experiencing temporary balance of payments problems could seek accommodation in a special fund rather than resort to the costly international financial markets. Ultimately, the members would be completely liberated from having external reserves for transactions internal to the union, just like states within a country. How much reserve saving can be realized in the early stages of currency unification depends on the degree of substitution of union tradable for those of third parties, and the level of intra-union capital flows. For instance, the ECB has been successful in anchoring medium-term inflation expectations across the euro area at an annual rate around 2 percent. At least for some countries, the attainment of such stability outside the euro framework may have been a more costly process. In addition, even if asymmetric shocks have posed an adjustment problem, overall monetary stability has probably improved to the extent that the conduct of monetary policy under the ECB in response to the significant common shocks experienced by the member countries has been superior to what would have prevailed under non-coordinated monetary policies (Lane, 2006). Therefore, a well-coordinated monetary policy under a West Africa monetary integration would reduce the shock countries in the sub-region face in their foreign exchange reserves and countries with BOP problem in the region could seek a loan from their pool.

4.0 Concluding Remarks and Recommendations

The study gave an insight into several strategic decisions that must be made if a full monetary union option is selected in ECOWAS by 2020. This includes the preparation, adoption, ratification, and implementation of legal instruments such as a Monetary Union Treaty, including the Statutes of new institutions such as a Common Central Bank; establishment of the operational and regulatory framework necessary for the smooth functioning of a monetary union; progress towards a level of macroeconomic convergence that allows countries participating in monetary union to reap the benefits without incurring undue costs; and change-over from national currencies to a single currency, which must be properly anchored in society and particularly in the financial industry, which will be instrumental to the success of the changeover.

This paper also discussed the impact of monetary integration on the West African countries and drawing lessons from other monetary integrations. The paper also observe that since a monetary union involves the establishment of a universal central bank managed by nationals of the integrating countries; which implies that each of the integrating countries sovereignty would be lost over their determination of monetary integration. As a consequence, monetary policy management would be centralized at the regional level, thus protecting it from the influences of populist national politics. This will make it difficult for one country to unduly influence the monetary policy of the common central bank. This will make the region as a whole feel the impact of the monetary integration.

The study therefore recommends a process of strengthening mutual surveillance that would provide a powerful channel for each country to converge on good policies, which could be a major benefit from regional integration. Thus, instead of trying to meet a very short deadline for monetary union, the countries of the region should invest their energies in reinforcing convergence on low inflation, sustainable fiscal policies, and structural policies necessary for strong growth and monetary integration. Besides, political crisis in Nigeria should also be tackled giving the place of Nigeria in the West Africa Sub-region, and its impact on the monetary integration.

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THE EFFECT OF CASHLESS POLICY ON FINANCIAL INSTITUTIONS AND E-BUSINESS IN NIGERIA

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Abstract

Cash has being the major mode of payment in Nigeria and this has made Nigeria to become a heavily cash-based economy and thus lead to high rate of robbery; high cost of printing cash as well as high cost of holding cash. As shown by statistics, the cost of cash management in Nigeria in 2009 was ₦114.5 billion which was projected to stand at ? 200 billion in 2020. This lead to the introduction of cash-less economic policy in Nigerian in 2011 but commenced operation on April 1, 2012. However, there has been much speculation, debate as well as discussion about the challenges that may hinder the successful implementation of the policy in terms of political and economic instability, security issues and high rate of illiteracy in the country. This study therefore adopted a descriptive analysis to review the effects of cashless policy on financial institutions and e-business in Nigeria. Some recommendations were made which include the collaboration between CBN and the National Assembly to enact proper legislation that would make the policy effective; and that ATMs, POS systems and other mediums should be expanded to touch at least 40 percent of the whole economy.

Keywords: Central Bank of Nigeria, Cash-less Policy, Electronic Banking, E-business and Financial institutions

1.0 Introduction

The payment system that is secured, affordable and convenient has been identified as a prerequisite for the development of any nation's economy (Achor & Robert, 2013). The apex financial institution in any nation's economy is the Central Bank of that country which plays a crucial role in the economic development process of the nation. The Central Bank is seen as a bank that constitutes the apex of the monetary and banking structure of a country and whose functions includes the regulations of currency in accordance with the requirements of business and the general public; custodian of cash reserves of commercial banks, custodian and management of foreign exchange reserves, lender of last resort, controller of credit clearing house for transfer and settlement; and also acts as the banker, fiscal agent and adviser to the government (Sanusi, 2012; Odior & Banuso 2012).

In Nigeria, the mission statement of the Central Bank of Nigeria (CBN) is to be proactive in providing a stable framework for economic development through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial system (CBN, 2011). It is in line with this mandate that the CBN introduced various monetary policies that would strengthen the financial system and cashless policy which ensures efficient and modern payment system geared to achieve the goal of being amongst the top 20 economies by year 2020 (FGN, 2009).

The Nigeria vision 2020 is an economic transformation blueprint which seeks to articulate the long term intent to launch Nigeria onto a path of sustained social and economic progress and accelerate the emergence of a prosperous Nigeria (FGN, 2009). The Federal Republic of Nigeria and Democratic Republic of Congo were found to have the largest gaps between population living in poverty and those without access to financial services, for examples, 80million in Nigeria and 48million in Congo. Besides, managing the few that have access to the financial services, it is said to cost the CBN a huge amount of money to print bank notes (Sanusi, 2012). According to Ezumba (2011), the cost of managing cash in 2009 was ₦ 114.5 billion which is projected to stand at ₦ 200 billion in 2020. The effect of this is that there exist short run changes in the volume of money which causes the CBN to have little or no control over the money volume. This has made it increasingly clear and important to maintain monetary stability because it is central to the economic policy since the major task of CBN is to sustain a non inflationary environment.

As part of an efforts in addressing issues facing the banks and the nation's economy, the CBN introduced cashless economy policy on cash based transactions which stipulates a "Cash handling change" on daily cash transaction withdrawals or cash deposits which aims at reducing (not eliminating) the amount of physical cash (coins and note) circulating in the economy, and encouraging more electronic based transactions. According to Abiodun and Chima (2012), the volume and value of electronic card (e-card) transactions has increased significantly from 195,525,568 and ₦1, 072.9 billion in 2010 to 355,252,401 and ₦1, 671.4 billion, reflecting an increase of 81.5 and 55.8 per cent, respectively. The increase was attributed to enhanced public confidence in electronic card payments. The ATMs has remained the most patronized, accounting for 97.8 per cent, followed by web payments, 1.0 per cent, Point-of-Sale (POS) terminals, and mobile payments, 0.6 per cent each. The number of ATMs stood at 9,640 while the volume and value of transactions amounted to 347,569,999 and ₦1, 561.75 billion, as at the end of December 2011, respectively. The demerits of a cash based economy are enormous as it is not without cost to the banking system, government and individuals (Azeez, 2011; Yaqub, Bello, Adenuga & Ogundeji, 2013).

According to Basel Committee (1998), the Nigerian Security and Minting, Plc (NSPM) spends colossal amount annually to print new bank notes as a result of frequent handling of cash even as the high cash usage results in high cost of processing, borne by every entity across the value chain. For example, in order to meet the currency needs of the economy in 2011, the Bank projected an indent of 3549.52 million pieces of banknotes of various denominations.

The CBN's clean notes policy was sustained in 2011 through the processing of banknotes into clean and unfit notes, the withdrawal of unfit/soiled banknotes, and the re-issuance of the clean and fit banknotes into circulation (CBN, 2011). Furthermore, the currency in circulation (CIC) at the end of December 2011 stood at N1, 565.76 billion representing an increase in 13.6 percent over the level in 2010. This growth in CIC reflected the high dominance of cash in the economy as well as in economic activities. Cash constitutes an integral element that fuels several vices and impacts negative consequences to individuals, corporate organizations and the government. Examples of such vices include corruption, armed robbery and other cash related crimes.

Scholars have attempted to analyze the cash-less system or e-banking. However, it becomes clear that few studies present a comprehensive evaluation of cash-less banking implications in developing countries. Most ignore its economic benefits while some do incomplete examination of its negative implications. This is often due to unreliable panel data for monetary and macroeconomic indicators.

According to Sanusi (2012), as at December 2011; there were 24 deposit money banks with 5, 789 branches and 816 microfinance banks bringing the total bank branches to 6,605. The ratio of bank to total population was 24,224 persons, indicating a high level of financial exclusion. This was further substantiated in a survey by the Enhancing Financial Innovation and Access (EFIA) in 2010 which revealed that 46.3 per cent of Nigeria's population is still financially excluded when compared with South Africa, Kenya, and Botswana having 26.0 per cent, 32.7 percent and 33.0 percent respectively.

2.0 Literature review

2.1 Concept of Cash-less Policy

Cash-less society is a culture where no one uses cash. All purchases being made are by credit cards, charge cards, cheques, or direct transfers from one account to another through mobile banking (Nwankwo & Eze, 2012). The cashless society envisioned here refers to the widespread application of computer technology in the financial system.

Cash-less society is a system which allows individuals to purchase goods or services in today's society without the exchange of anything tangible. The term money still exists, but it is more in an electronic form than previously. Electronic cash is a term that is becoming more acceptable as the world makes a shift towards cash-less society. In the 1960's governments and financial institutions globally have made slow, but steady steps towards the goal of a society without cash. Information technology has been changing the way companies compete (Keck, 2011). As earlier noted, information technology can help reduce transaction costs for banks, which will translate to lower prices for services to customers. These include: Computerization of customers' accounts and accounts information storage and retrieval; Deposit and withdrawal through Automated Teller Machines (ATMs); and Networking to facilitate access to accounts from any branch of the bank.

The use of the internet and websites to bundle a host of services that go beyond traditional financial services which is increasing among banks, is also a product of information technology in banking. Among other things, the cashless policy will save the banking system the cost of printing, distributing and handling large volume of cash (Akhalmeh & Ohiokha, 2012). It is estimated that over 70 per cent of cash in circulation in the Nigerian economy exists outside the formal banking system (Sanusi, 2012). The cost of funding is also said to be high because the amount in circulation is not captured in a synthesized manner. Part of the reason the CBN is introducing the policy is to reduce the cost of funds by making sure that a significant amount of the capital around is captured in the formal system. The cashless policy is also believed to be a step towards curbing money laundering in the financial system.

Cash-less economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances but provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010). The aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (Moses-Ashike, 2011). The increase in the usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy.

In examining the implications of cash-less system, it is necessary to review how conventional money has evolved over time (Emengini, 2014). Money performs a number of roles in economic activity; it is a unit of account, store of value, medium of exchange and means of deferred payment. Also, money has evolved over the centuries to minimize the friction of transaction costs that are involved in mediating exchange. Subsequently, another facet in the evolution of money was the need for divisibility. Hence, the advent of study money (notes and coins) made the process less costly by allowing people specialize in production based on their strengths and by enabling the monetary authorities to mint coins in convenient denominations, thereby creating divisibility (Baddeley, 2004). However, there has been drift towards electronic money, which is quite difficult to define because it blends technological and economic characteristics (Basel Committee, 1998).

2.2 Concept of E-Business and financial institutions

Current business environments are experiencing fundamental changes in terms of globalization, dynamic customer demand, and emerging technological innovation (Wang, 2009). The internet is a critical driver for these shifts. As powerful enablers of efficient communication and transactions, the Internet and related technologies decrease spatial and temporal barriers to conducting business remotely (Adam, Awerbuch, Slonim, Wegner, & Yesha, 1997).

As the Internet penetrates deeply into business and society, it also changes relationships between customers and firms and significantly changes customer behavior and preference. Constant availability of information over the Internet allows customers to easily access product information and become better-informed ever than before (Wang, 2009). Driven by the development of electronic communication platforms, a customer-centric economy is taking place in a traditional company-centric business (Sawhney, Balasubramanian, & Krishnan, 2004).

Companies use Internet and related technologies to support a variety of business activities spanning the entire value chain, including electronic purchasing, supply chain management, processing orders electronically, handling customer service, cooperating with business partners, and etc. The term e-business is coined to refer to any business process or activity conducted via computer network, especially the Internet in today's business context. E-business is also simply referred to as Internet-enabled value chain activities by IS researchers (Amit & Zott, 2001; Eikebrokk & Olsen, 2007). Jelassi and Enders (2005) defined e-business as the use of electronic means to conduct an organization's business internally and externally. Chaffey (2002) seen e-business as all electronically mediated information exchanges; both within an organization and with external stakeholders supporting the range of business processes. According to Jarvenpa and Tiller (1999), e-business is defined as the automation of transactions, communication, and interaction using computer and communications technologies for commercial purposes.

Consistent with broadly accepted definitions of e-business by prior studies, e-business can therefore be defined as value chain activities conducted with the Internet and related technologies. Based on this definition:

- I. e-business activities are mainly enabled and supported by the Internet and related technologies. Thus, e-business indicates any business activities supported by Internet applications such as emails, Web pages, intranets and other applications that run over the Internet.
- ii. Second notable point from the definition of e-business is the wide scope of e-business. Researchers have not yet reached agreement on this issue and the

notions of terms used (Wang, 2009). To clarify the scope of e-business and its distinction from e-commerce, a broad perspective on e-business is adopted to generally involve any business processes or activities conducted over the Internet, both within and outside organizations (Hackney, Pan, & Tan, 2007).

- iii. Thirdly, e-business essentially encompasses new thinking of business processes, business models and carries strategic connotations. By engaging in e-business, companies strive to renew both managerial mindsets and operational models to conduct their business. Such strategic implication makes e-business most relevant to firm flexibility and adaptability in interacting with external environment.
- iv. The fourth implication of the e-business definition is that although e-business is technology-enabled, it is essentially business-oriented. The use of digital networks for economic purposes is the heart of e-business (Bradley, 2002). To successfully implement e-business, companies need to consider technological issues, and more critically, the alignment between technology and human behaviors and managerial activities within organizations.

2.3 Overview of Cash- less Policy by the Central Bank of Nigeria (CBN)

The introduction of cash-less policy stipulated a “Cash handling charge” on daily withdrawals or cash deposits. It aims at reducing (not eliminating) the amount of physical cash (coins and notes) circulating in the economy and encouraging more electronic based transactions. The pilot phase of this policy commenced in Lagos on April 1st 2012 and was scheduled to be extended to 5 states and the Federal capital territory (FCT) on January 1st 2013. However, the CBN issued a statement on February 26th in Abuja stated that the policy would now commence on July 1st in the 5 states and the FCT. The states are: Ogun, Rivers, Kano, Abia and Anambra. The highpoints of the policy was decision to peg customer's daily withdrawal or deposits to a maximum of N150, 000 per individuals customers and N1 million for corporate clients.

However, after series of outcry, the CBN in response to the public outcry over the daily ceiling on cash transactions and deposits raised the limits to N500, 000 for individuals and N3million for corporate clients. It is however, quick to note that the policy does not prohibit withdrawals or deposits above the stipulated amounts, but that any over the counter cash transaction will be subjected to cash handling charges. Thus, withdrawals for individuals will be 3% above the N500, 000 thresholds and for corporate clients; it will be 5% above the N3million threshold. For cash deposits however, it would be 2% if an individual is depositing above N500, 000 and 3% if corporate clients are depositing above N3million.

The CBN in this policy granted partial exemption to revenue collection ministries, departments and agencies (MDAs) of the federal and state governments on lodgments for account operated by them for the purpose of revenue collection only.

Similarly, exemption was given to all diplomatic missions, multilateral and aid donor agencies and embassies in the country from penalties and charges on cash withdrawal and deposits with regards to the cashless policy, because Nigeria is a signatory to several treaties which exempts such specialized international institutions from all fees and charges in the host country. Microfinance banks and mortgages institutions penalties on cash limit was also waived.

2.4 The effect of cash-less policy on financial institutions and e-business

Nigeria adopted cash-less policy to accelerate the use of electronic channels and reduce the use of cash. The callous withdrawal of cash from one country to another; many are concerned with reducing tax evasion, fighting crime and financial inclusion the latter link is not necessarily immediately nor automatically achieved.

The new cash policy was introduced for a number of key reasons, including:

- (i) To drive development and modernization of our payment system in line with Nigeria's vision 2020 goal of being amongst the top 20 economies by the year 2020. An efficient and modern payment system is positively correlated with economic development and is a key enabler for economic growth.
- (ii) To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction option and greater research.
- (iii) To improve the effectiveness of monetary policy in managing inflation and during economic growth.

Electronic based transactions are a major tool used to discourage high circulation of cash in any economy. It is a sine qua non to the implementation of cashless policy as it desirous to make it succeed. Electronic cash is a system that allows individuals purchase goods or services in today's society without the exchange of anything tangible. The term money still exists, but it is more in an electronic form. The Basel Committee Report on Banking and Supervision (1998) defines electronic banking as the provision of retail and small value banking product and services through electronic channels. The product and service can include deposit taking, lending, account management, provision of financial advice, electronic bill payment and the provision of other e-payment product and service such as e- money.

The e-banking handles cheque verification, credit authorization, cash deposit and withdrawal and cash payment. It enhances electronic fund transfer at the point of sales. Thus, customers account would be debited immediately with the cost of purchase in an outlet such as a petrol station or supermarket. The implication of this is that customers can make payment for goods and services without necessarily coming in contact with physical cash as the purchase price would be debited on the buyer's card and credited on the seller's account.

In the study conducted by James (2012) about the acceptance of E-banking in Nigeria, it was revealed that age, income, perceived ease of use, educational background, perceived enjoyment and risk are the key determinant of people accepting e-banking in Nigeria. This was in support of the study carried out by Zeithaml and Gilly (1987) using the technology acceptance theory to determine the characteristics affecting the acceptance of retailing technologies and it was discovered that there is a positive relationship between income, education, and the adoption of Electronic Fund Transfer (EFT). E-banking product and services therefore include:

PC Banking: The technology of e –banking has a universe of possible applications. Online banking for example provides the opportunity of paying bills and performing transactions of any kind. The availability of online information has provided banking and customer with a powerful vehicle for research.

GSM/Mobile banking: This mode of e-banking primarily uses mobile phones as the electronic devices. Mobile phone gives customer the opportunity to operate their account with bank as long as their phones and network services provider support the SMS (short messaging service) which would enable the customer check account balance. Automated teller machine (ATM) is a computer controlled device that dispenses and provides other services to customers who identify them with a personal identification number (PIN). The physical carriage of cash as well as frequent visit to the banks is being reduced. The principal advantage of ATM is that it dispenses cash at anytime of the day even as it needs not to be located within the banking premises but in stores, shopping malls, fuel stations etc. unlike the traditional method where customers have to queue for a very long period of time to withdraw cash or transfer funds.

Bankers automated clearing services: The automation focus of the instrument is to reduce the number of clearing days and improve on security arrangement in the course of settlement and collection of cheques. It involves the use of magnetic ink character reader (MCR) for cheque processing which makes it capable to encode, read and sort out changes even as request for cheque books can be made via electronic devices.

Card System: it is a unique electronic payment type which involves the use of smart cards. Smart cards are devices with embedded integrated circuit being used for settlement of financial obligations. It can be used as credit card, debit card and even ATM cards. The power of these cards lies in its sophistication and acceptability to store and manipulate data as well as handling of multiple applications on one card securely.

2.5 Challenges of Cash-less Policy

The following are the challenges of cash- less policy in Nigerian economy, these include:

Infrastructure deficit: The financial infrastructure in Nigeria is not adequate to carry the load of a cashless society.

Power Supply: Erratic power supply has been a major challenge facing every industry in Nigeria.

Prevalence of e-fraud: High level of fraudulent activities through e-banking is a challenge, which affects the entire banking industries.

Religious beliefs: There is presently a psychological war going on in Nigeria over the proposed Islamic Banking by CBN, as Muslim faithful believe that conventional banks often sin against God by their interest charges. This will greatly affect the achievement of the cash- less Nigerian society;

Lack of trust: Trust is lacking in Nigerian business environment. Businesses are done on cash basis as cheque bounce at will, hence people place less trust on the use of cheque but prefer cash instead;

Getting it right the first time: The risk involved in rushing the programme without having all the infrastructures in place could be devastating as any failure recorded would make people to lose confidence in the system.

Lack of Unique National Identity System: This makes it difficult to implement the policy efficiently and effectively. The effect of this is that one can rob Peter to pay Paul. Thus, one can dupe a bank today and reappear in another area under another name.

Poor Network Connectivity and Communication: Many people using cell phones, and telecoms pay more attention to voice clarity services rather than network connectivity. Thus, network availability is inconsistent. This makes for slow access to the internet through all mediums other than cell phones.

Malfunctions of technical issues: Some machines are faulty to discharge functions as at when necessary thereby hindering or mar the success of cashless policy in Nigeria.

2.6 Negative Impact of E- Banking System in Nigeria

The followings are the constraints that affect effectiveness of E-banking in Nigeria at the moment

Erratic power supplies and communication link: Power failure negatively affect e-banking infrastructure like ATM. Network failure of communication links also affects the policy;

Non existence of computer back-up: There is bound to be total loss of data on customers' account if there is no back up and the entire file is damaged. This may lead to misappropriation of customers' account, hence bank should maintain back up of all its information outside the bank's premises.

Inadequacy of fund to invest in information technology: Most banks find it difficult to fund procurement of modern equipments needed for e-banking. Nevertheless, there has been tremendous improvement in automation of bank operation in the country in the last 5 years but there are still rooms for further expansion so as to catch up with hitech, which is in vogue in developed countries;

Replacement of workforce by machine: Electronic banking has somehow reduced the number of employees needed to handle most transactions in the bank as most work done by workers are now being handled by machines thereby translating to increase in the rate of unemployment in the country;

High bank charges for the use of e-banking machines: Commission charged by bank on ATM transactions, as an example, is too high, thereby discouraging customer from using it. This will be a sort of relief and stimulates the effectiveness of the policy in Nigeria, if fully implemented as promised;

Low public acceptance: Many people have burnt their fingers as a result of fraudulent withdrawals from their accounts through the use of ATM by unscrupulous individuals who believe in using master cards to withdraw money from unsuspecting individuals. Not to mention situations whereby customers are debited by the ATM with withdrawals not supported by cash that fail to drop down from the machine as expected. Customers are discouraged to use the machine as it takes longer time before the wrong debit is reversed if it does not end up unsolved. Inadequate securities around the ATM location: Most ATM locations are not secured thereby making it easier for fraudulent persons to carry out their fraudulent activities without any arrest. Computer hackers also use the porous security system to steal data by breaking the codes or passwords.

Encouragement of excessive withdrawals: Customers can use their cards to effect withdrawals as many times as possible, even on weekend and during public holidays. They can even make impulse withdrawals while attending a ceremony with the use of their credit cards.

2.7 Prospects of Cash- less Policy in Nigerian Economy

A variety of benefits are expected to be derived by the various stakeholders from an increased utilization of e-payment system and consequently the cash- less policy (Nwankwo and Eze, 2012). These among others include the facts that:

It is beneficial to the customers as it increased their convenience, reduced risk of cash related crimes , have cheaper access to (out of branch) banking services and access to credit which help the corporations to reduced revenue leakages and cash handling cost. It helps the government in terms of increased in tax collection, economic development as well as greater financial inclusion. The efficiency through electronic payment process reduces cost of operation (cash handling) and increases banks penetration. It will reduce the cost of minting and transporting cash around the country even as it will help forestall the inherent risk in dealing with cash such as armed robbery, theft, bribery and corruption. It will also reduce money laundering and terrorist financing. All this will make monetary policy to be effective.

Furthermore, It would create more employment opportunity for financial sectors and ensure growth in the real sector of the economy because of the increase in velocity. This would not only ensure that credit is available to investors but also provide banks with more liquidity for lending to the needy sectors of the economy at attractive rates. It enables the users pay utility bill, school fees, hostel booking and house rents, among other transactions, using a mobile phone device. Mobile money thrives on agency network, thereby taking traditional banking and its cumbersome processes in the cities to the streets in sub-Sahara areas.

It also requires customer to have a full bank account, also a maximum transaction limits of N150, 000 and daily limits of N1, 000,000. For the customer to be able to access his mobile money account there is personal identification numbers, PIN that is, mobile money operator requires it to enter just like the ATM card.

3.0 Methodology

This study adopted a descriptive statistics to highlights the effects of cashless policy on financial institutions and e-business in Nigeria. The effects of cashless policy was descriptively analyzed to reveal the challenges and negative impacts of cashless policy on financial institutions and e-business in order to proffer how such challenges can be overcome so as to enhance effective and successful implementation of the policy in Nigeria.

4.0 Policy Recommendations

The following recommendations were made that:

Provision of adequate infrastructures and equipments should be made available to end users as merchants seem to be having problems deploying them to efficient service delivery.

The Central Bank of Nigeria (CBN) needs to be proactive in addressing the security, technology and infrastructural challenges associated with electronic transactions. Also, CBN must collaborate with National Assembly to enact proper legislation that would make the policy effective. Enforcement of the proposed legislation should be carried out by CBN and all other executive arms so empowered by the government such as EFCC, ICPC, and Nigeria Police etc. They must commit to training of personnel and the judiciary must be prudent and up to the task.

The Electronics & Computer Science/Telecommunications Company (Telcos) should guarantee network availability and quality at all times. The Federal Government should make a policy that will determine the Telcos to always endeavour to ensure proper and quality availability of Network Services both in Voice and Data Usages.

The manufacturers of the POS machine or the distributors should ensure with adequate hands in the field to make provision for replacement of the POS machine when necessities and always available in tackling several technical issues that may result in the machine in course of usage. Again, fair competition should be allowed in order to prevent monopoly-like behavior by the licensed POS manufacturers.

National Identity Management Commission (NIMC) should continuously provide a centralized port containing names, pictures, sex, occupation, fingerprints etc that would make it easy to identify customers and help check financial malpractices.

5.0 Conclusion

There is no doubt that cash-less policy has its own negative effects but if well implemented and some of the recommendations suggested in this paper are considered; it will help Nigeria in its attainment of vision 2020 and one of the topmost driven economy not only in African but in the world at large. If the apex bank gets the cashless policy right, it will be a major driving force for business in the years to come in Nigeria.

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CHALLENGES OF WATER RESOURCE DEVELOPMENT AND MANAGEMENT IN NIGERIA

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Abstract

Water is finite and vulnerable resource, essential in maintaining life, environment and development. This vital resource is of vital importance in meeting practically, every developmental challenges of the 21st century such as food production, energy generation and supply, environmental protection, adaptation to climate change and management of the consequence of rapid urbanization. Despite the importance of the resource; its development and management in Nigeria is being confronted with a number of problems that have been broadly categorized into five groups in this study. These are physical/environmental problems, data problem, cultural problem, institutional/political problems and management problem. The study subsequently put forward a number of recommendations towards meeting the increasing water demand in the country.

Keywords: Challenges, Development, Water Resources, Climate Change and Management

1.0 Introduction

Water is indeed, one of the most peculiar substances created by nature. It is essential for both life and livelihood. Water is not only required for consumption by human and animal, bringing with it essential micronutrients such as iron and fluoride, it is also required for personal hygiene needs such as washing, bathing and general cleaning. According to Sule (2003), healthy people and good environment flourish where water is available in adequate quantity and acceptable quality. Water is also essential for agricultural production, industrial activities wildlife conservation, HEP generation, recreation, pollution abatement and control. Because of the several avenue water is required there is a close relationship between its availability and economic development of a nation. As man's standard of living increases, so does his need for and consumption of water (Faniran et al, 1981, Ezenwaji, and Anyaeze, 2014).

In recognition of the importance of water to man, the United Nations as far back as almost four decades ago declared the 1980s as water and sanitation decade and directed the World Health Organization to carry out necessary actions to ensure that people were provided with water and sewage faculties. In the same vein, United Nations through the adoption of resolution AIRES/47/193 of 22nd February, 1993, declared the 22nd March of each year as World's Water Day to create awareness of the benefits of making water accessible to the people.

Till date however, large areas of the world and most of the world's population still lack access to water. Population and water needs of the world have also continue to grow and also placed great stress on existing water supply facilities and sources (Akinbamijo 2007). According to Dan (1988) there is no more fresh water supply today on earth as there was some 2000 years ago, when the global population was no more than three percent of its current size. United Nations (2010) observed that more than 1.2 billion people which represents 20% of the world's population are without safe water while another 500 million people are approaching this situation. Another 1.6 billion of the world population also face economic water shortage; a situation which usually develop when countries lack the necessary infrastructure to abstract water from rivers and aquifers.

Nigeria as a country is classified as water-short country, whose water resources is expected to reduce from 2,506 cubic meters per year in 1995 to 1,175 cubic meters in 2025, if not properly managed (UN Water Report 2012). Reports and statistics on water supply situation in the country shows that as at 2008 the national water coverage for access to safe water was estimated at 58% (UNICEF 2010). The remaining 42% which amounts to over 70 million people depend on a variety of polluted waters from surface water sources and shallow wells. This has greatly increased morbidity and mortality patterns of water related diseases (Ayoade, 2003, WHO 2011). Today, prevalence of Schistomiasis among children of school age (4-14 years) in Nigeria has consistently been about 20 percent and the rate is usually higher during the dry season. So also, the 10-20 percent prevalent rate of hydrocoele found the northeast, southeast, and north central zones of Nigeria depict a high morbidity pattern occasioned by filariasis. According to CNN Report (2011), 1,555 deaths resulting from cholera outbreak were recorded in Nigeria in the year 2010. WHO (2011) reported that 4 percent of global disease burden could be prevented by improving water supply, sanitation and hygiene.

In the light of these problems, government at different levels in Nigeria and various international organizations such as UNICEF, FAO, UNDP, USAID, World Bank etc have over the years, made frantic efforts to improve water supply situation in the country. For example, between 1980 and 1990, several international loans were taken to address the problem. In 1992, the federal government launched the National Water Rehabilitation Scheme in all the states of the federation with US\$ 1.12 billion foreign loan. The World Bank has also since 1979 been giving loans and grants to address water supply problems in the country. All these efforts have however failed to achieved the desired result. According to International Evaluation Group (IEG) of the World Bank (2000), intervention made by the organization in Nigeria has been highly unsatisfactory. This study thus investigates those factors which can be held responsible for this abysmal performance in water supply situation in the country.

2.0 Needs for Water Resources Development and Management

Though water remain one of the most abundant natural resource on earth, the amount available for man's use is very limited. 97 percent of global water is contained in the oceans and saline bodies of water which are not in usable form for man's activities while just 2.5 percent is fresh water.

However within this small fraction of fresh water, only 0.26 percent is accessible for man's use though lakes, reservoirs and river systems (Engelman and LeRoy, 1993). Not only that, the global amount of earth water resources are largely characterized by gross inequality in terms of distribution and its quality vary over space and time (Ayoade, 2003). And because there is continued increase demand for water in different parts of world, there is need for proper management of the resources. This is to achieve a convergence in demand and supply in both space and time. This factor accounts for the reason why water resources management has continued to attain a high security status and national interest (Tafesse, 2001) even to the extent of being treated as a strategic resource worth fighting over especially in water-scarce regions (Gleick, 1998; Saliu, et al 2011). Though water can be collected, diverted purified, packaged, transported and transformed; it cannot be manufactured (World Bank, 1995). This observation depicts the significance of handling and managing water as a resource which according to Centre for Food and Nutrition (2010) represents one of the greatest challenges that society faces today on a global scale.

Water resources management can be considered as a man environment system that transforms input of physical resources into desired output of water services (Porter, 1978). Need for water resources management arises mainly because the hydrological cycle does not adapt itself to man's requirements for water over space and time (Ayoade, 2003). The management of water resources thus entails man intervening in the natural hydrological cycle to increase the quantity of usable water and to modify its spatial and temporal patterns of occurrence. However, for water resource within a given area to be successfully managed a number of factors must be understood. These factors according to Ayoade (2003) include;

- i. the flow characteristics of such an area.
- ii. the natural linkage between groundwater and stream flow which cause for joint management of the sources
- iii. the uneven distribution of water resources over space caused by spatial and temporal variations in precipitation and occurrence of aquifers.
- iv. the spatio-temporal incongruence of water resources and water demands

3.0 Water Resource Development in Nigeria

Traditional methods of water exploitation in Nigeria consist of direct collection of rainwater and extraction from springs, streams, ponds and wells. Most of these sources, apart from being highly polluted usually dry up during the dry season, thus making the people to trek long distance in search of water.

Modern water supply in the country however began with the establishment of the first water-works in Lagos in 1915. However, by 1953, twenty seven other water works had been built in various part of the country, either by native authorities or colonial government (Mabogunje, 1965). Ayoade (1975) observed that by 1960, the number of towns having modern water supplies had increased to 67. The total water consumed per day according to him had also risen from 13.8 million gallons in 1953 to over 57 million gallons in 1960.

Since 1960, there has been tremendous growth in the number of water schemes in the country as various dams have been constructed to provide water for the increasing population. Despite this growth however, water resource management remained grossly uncoordinated as federal and state governments acted more or less independently in the task of water provision during this period (Oyebande, 2011).

Between 1962 and 1968, when the First National Development Plan was rolled out, the total allocation for water supply was N46.8 million; an amount which represents about 3.6 percent of the planned capital expenditure in public sector. In the Second National Development Plan (1970-75), N103.4 million which represents 5 per-cent of the total expenditure for the plan period was allocated to water supply and provision of modern sewerage systems. The proportion of total expenditure earmarked for water resources development from state to state however varied during this period. The figure ranged from 6.9 percent in the south-Eastern State to 20 percent in the North-Central. The relatively high proportion of total expenditure allocated to water during this period may not be unconnected with the Sahelian drought of early 1970s which shocked the nation into the awareness of the need for a coordinated and integrated approach to water management. Hence, the Federal Government formally established the Chad Basin Development Authority and Sokoto River Basin Development Authority by Decree Nos 32 and 33 in August, 1973. By 1976, the whole country has been covered by ten such River Basin Development Authority. In 1982, the Niger Delta was added to make eleven while Niger Basin was subsequently split into Upper and Lower Basins, thus giving the present twelve RBDAs.

The RBDAs which were given 16 functions including hydrology and water resource management have however fallen short of the high expectations of the federal government. According to Oyebande (2011), the RBDAs have been below par in their primary function of hydrological and water resource data generation through sustainable monitoring and information systems.

In the Third National Development Plan (1975-1980), N930.038 million which represents 2.8 percent of the total expenditure in the public sector was earmarked for water supply schemes. Though this amount increased in absolute term from the allocation in the preceding National Development Plan, the amount reduced in comparative terms. This drop in the proportion of total expenditure earmarked for water supply schemes according to Ayoade (1975) was unwarranted. According to him, Nigeria's per capita expenditure on water resource was very low and compares unfavourably with situation in advanced countries where pipe borne water supply is already a ubiquitous amenity. However, the tempo of water supply in the country according to Onugba and Sara (2003) was raised in 1980 with the preparation for and the campaign in favour of the United Nation's International Drinking Water Supply and Sanitation Decade (1981-1990) whose goal was to provide water for all by year 1990. Other government efforts that have been directed towards the development of water resources in the country include the preparation of Water Resource Management Strategy (WRMS), establishment of Federal Ministry of Water Resources, establishment of National Council of Water Resources, and the establishment of National Water Resources Institute amongst others.

The responsibilities for water resource development and management has not been solely bore by the federal government; the 36 state governments in the country through their State Water Agencies (SWA), 774 Local Government Authorities and non-governmental or donor agencies such as Water Aid, EU, UNICEF, USAID, World Bank among others have also been responsible for water resources development and management. Other government agencies such as Federal and State Ministries of Agriculture and

Environment, though not directly concern with water supply also carryout water resource development in the country.

The World Bank has been providing assistance on water resource development Nigeria since 1979. The first generation of assistance was directed at strengthening investments in water institutions at the state level. Amengo- Etogo and Grusky (2005) listed state that benefitted from this assistance to include Kaduna Anambra, Borno and Lagos State. The second generation of assistance which came in from of a loan of US\$ 256 million was used in rehabilitation of water projects nationwide between 1991 and 2001. Within this same period (1992-2001), the World Bank also supported the First Multi-State Water Supply Project in Kaduna and Katsina States with a loan of US\$ 101 million. The third generation of assistance from World Bank came under the Small Towns Water and Sanitation Pilot Project between 2000 and 2004. This was aimed at improving water supply situation in 16 towns.

Inspite of all these assistance, and the realization on the part of government to develop and manage the resource in a comprehensive manner through the setting up of the RBDAs and other agencies, problems of water supply still persist in Nigeria. Faniran (1991) observed that water supply situation in Nigeria is still largely pathetic despite the huge expenditure. The Independent Evaluation Group (IEG) of the World Bank (2000) observed that the organization interventions in the country have been highly unsatisfactory.

4.0 Challenges of Water Resources Development and Management in Nigeria

Though plan for development of water resources remain conspicuous in socio-economic programme of government at various levels in Nigeria, the execution of the programme has pose a lot of problems in the country. Such problems have been grouped and discussed under five major classifications in this study. These are physical or environmental problems, data problems, cultural problems, institutional or political problems and management problems.

4.1 Physical/Environmental Problems

In water resources development, environmental problems are sometimes many and may include weather and climates, geology, stream network, topography etc. The physical/environmental problem of water supply can best be examined within the concept of a drainage basin. A drainage basin is an unambiguous topographical unit.

It is a catchments area defined as the total areas contributing water into a particular river (Ogunlela, 2013). If a particular catchments is small, then the intercepted rainfall will be small, and the consequent effect will be low discharged of river in such an area and vice vassal. Thus, when a large city is located within a small drainage basin, then such a city will have problem of water resources meeting its needs.

In the same vein, where climate elements are erratic, such as in northern fringes of Nigeria, the water problem there will be perennial. This is because precipitation is very low in the area, most times less than 250mm spread over just between 3 to 4 months. (Oguntoyinbo, 1978). The condition of low rainfall in the zone is further worsen by high evapotranspiration rate, which in places such as Yola and Maiduguri may rise to 375 and 550mm respectively (Ayoade, 2003). Hydrological significance of evapotranspiration in water resources development and management cannot be overemphasized. It represents water loss, water unavailable for exploitation by man. Ayoade (1975) observed that the rate of water loss by evapotranspiration in a tropical country like Nigeria are enormous; so effectiveness of rainfall is considerably reduced especially in the northern parts of the country.

Geological relevance in water resources management mainly relates to knowledge of quantity, quality and pattern of distribution of ground water. This is far from being satisfactory in Nigeria (Faniran, 1991). Geologically, Nigeria is located in an area that comprises broadly, sedimentary and basement complex rocks with small area of alluvium deposit in the south. The two main rock groups occur in an equal proportion (Ige, 2014). While the sedimentary rocks are mainly upper cretaceous to recent in age, the basement complex rocks are thought to be Precambrian (Offodile, 1992). The basement complex rocks are generally hard, with low permeability and non water bearing. This rock type which is usually crystalline does not encourage infiltration. Where such rocks have been disintegrated into porous permeable and water bearing rock, borehole yield in such an area usually decreases with increasing depth. This is due to the effects of the overburden weight which closes up the fracture with depth (Ige, 2014). The remaining areas in the country are made up of sedimentary rocks such as sandstones, clays, shale and limestone. These rocks types do not encourage ground water development. While Shale, Mudstones, Silstones are very poor aquifers or at best act as aquiclude, argillaceous and fine grained materials limit water infiltration and acts as barrier to groundwater replenishment. Geological factor can thus be held responsible for the high failure rate of boreholes in the country (Oyegun, 1983; Faniran, 1991; Oyegun et al, 2007).

4.2 Data Problem

One great factor militating against water resources development in Nigeria is scarcity of data. This problem is not only peculiar to Nigeria but throughout the developing countries. Nigeria as a country is blessed with abundant rainfall which feeds a close network of rivers of various sizes over large parts of the country (Water Profile 2010). Unfortunately, accurate information that is crucial for proper assessment, utilization and management of this valuable resources is lacking (Iroye, 2008., Oluwaseminire, 2012 Ige, 2014). This has made the construction of many water structures in the country to be largely based on guess work; a reason which accounts for their higher failure rate.

According to Faniran (1991) information needed for good water resource development scheme include not only those on hydrological and hydrogeological attributes (spatial and temporal variations in quality and quantity), but also on the environmental attributes including geology and soil, vegetation and land use, settlement and human activities, as well as other factors that may affect the spatial and temporal quality and quantity patterns

of the water. Ayoade (1971) observed that less than 25 percent of the 1, 058 rain gauging stations established in 1965 by Nigerian Metrological Services were found to have, as of 1971, any form of reliable records extending for up to 10 years. This thus gave a network density of 1 to almost 900sq km instead of the recommended 1:50. He further observed the problem with evaporation measurement to be greater than that of rainfall at that time where just about 70 recording stations were known to exist all over the country, many of which were poorly operated and maintained. This very bad situation has not feared better (Iroye, 2008).

One other feature of Nigeria hydrological/hydro meteorological records which affects their usefulness relates to their uncoordinated, ad-hoc nature (Faniran 1991, Olaniran 1983). Hardly can one get above 60 years river guage record in the country. Even when such data are available, there is problem of data analysis due to lack of personnel or facilities to handle such data. While lack of data constitute constraints to efficient water resources development and distribution (Barrow, 1987; Faniran, 1987; 1991), lack of consistency in discharge measurement poses interpretation problems (Olaniran, 1983). According to Barilla Centre for Food and Nutrition (2009), the collection, management and communication of data regarding water availability and demand remains one of the essential requirements for water resources development and management.

4.3 Cultural Problems

The land tenure system in Nigeria for example has been regarded as an hindrance to meaningful landuse hence an attempt by the government to take over the land despite much opposition. The problem of cultural attachment to land has many times hindered the development of water schemes in different parts of the country. This is because developments of such project do require people being resettled in other places. Apart from the fact that resettlement issues do incur huge cost on the government (Ayoade, 2003; Agnihotri, 2008), communities most times often turn down appeal to relocates elsewhere because the process often tears apart their social fabrics and create risks of impoverishment (Tan and Yao, 2006) hence the abandonment of such water projects (Agba et al., 2010).

4.4 Institutional/Political Problems

Government of the day often have priorities in areas of development and sometimes, water may not be one of them. In different parts of the country water projects that are unviable, but started as result from one pressure group or as political rewards are often commissioned. Oyegun (1983) observed that there are several weirs, flumes and boreholes in Kwara State that were constructed for political reasons.

According to him such project have since died. A number of raised tanks can be seen all around the city of Ilorin today. They do not give water; they belong to group of abandoned projects because of change of government.

Other institutional problems relating to water resource management may be in form of finance. Government may have competing priorities and decision on which one to execute may not be based on technical knowledge but rather on political convenience or financial capability. For example the sinking of shallow well where borehole is required because of geology and depth to water table and the sinking of borehole where micro dam is required.

4.5 Management Problems

This is a major problem in water resource management in the Nigeria. Proper management of resources is dependent on skilled manpower and attitude to work by the people. Most water corporations and various water management boards in the country are wanting in these two areas (Faniran, 1991; Sule, 2003). For example, the Kwara State Water Corporation, the organization in charge of water resource management in the state cannot boast of up to five Geo-hydrologist and there is no Geo-physist in the organization (Oyegun et al, 2007). Therefore, explorative fieldwork on underground water resources by unskilled staff do mostly result in sitting of deep wells in wrong places. At the various water treatment plants in the country, a lot of skilled personnel are needed for water analysis, such personnel are lacking (Lohdip, 2014).

It is also necessary to monitor the quality of water being served, not only at the various treatment plants, but also at taps within the various cities, this has not been possible also because of inadequate staffing. The monitoring of water quality is so important that in 1977, the World Health Organization (WHO), United Nations Environment Programme (UNEP), United Nations Educational Scientific Cultural Organization (UNESCO) and World Meteorological Organization (WMO) jointly launched a water monitoring programme to collect detailed information on the quality of global ground and surface water (Taiwo, et al, 2012). Since then, significant progress has been made by some countries such as Germany, USA and Japan, to build on this effort to safeguard the quality of the water bodies within their territories from deteriorating. Nigeria and some other developing country are found wanting in this area (Lawal and Lohdip, 2012; Lohdip et al, 2012; Lohdip and Gongden, 2013). Though the Federal Environmental Protection Agency (FEPA) which later transformed to the Federal Ministry of Environment has been given the mandate to regulate the discharge of effluents into Nigerian waters, the impact of this organization is yet to be felt (Lohdip, 2014).

Water producing bodies should be able to either generate their own power or have standby generating set. In Nigeria, such generation is forbidden by law. But generators can be bought so that it should not be the case of no light, no water as being currently experienced in the country. Issue of water resource management in Nigeria is perhaps the most critical. This according to Faniran (1991) is because Nigeria, as hinted earlier, is endowed with vast resources of both surface and underground water. Most of the resources, is at present being allowed to waste through unabated evaporation, transpiration and flowage into the adjoining seas and lakes, while large areas of underground reservoirs are also yet to be exploited.

5.0 Conclusion and Recommendations

Water resource problems arise from the simple fact that the hydrological cycle does not adapt itself to man's space, time and quality requirements for water (Ayoade; 2003). This thus create situations whereby in a given location, available water may be insufficient for man's use, while in another location, the problem is excess water manifesting in form of floods. With increasing global climate change coupled with existing un-sustainability factors and risk inherent in conventional water management, residents in Nigeria in near future will experience difficulties in efficiently managing scarcer and less reliable water resources unless something drastic is done right now.

The main purpose of water resource development and management is to make water available at the time and place it is required, and in suitable quantity and quality. And in-order to achieve these goals, the following recommendations are being put forward towards improving people's standard of living, as according to that Greek philosopher, Thales (640-540BC), "all life is water". The government at various levels should;

- (I) device a means of pricing water marginally to sustain maintenance,
- (ii) make adequate use of numerous regolith aquifers for borehole and well water supply,
- (iii) develop at strategic locations, surface reservoirs to serve the hinterland,
- (iv) look into the possibility of retailing water especially in water stress rural areas by means of pumps similar to that of petrol stations,
- (v) find means of conserving excess water especially during the rainy season through the use of big and micro dams,
- (vi) device ways of redistributing water to low rainfall areas in the north through the use of pipelines and canals, and
- (vii) resuscitate and establish more water banks to enable them perform their roles of data generation, collation and dissemination of information for water resource planning and management in country.

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ASUU-FGN DISPUTES: IMPLICATIONS ON THE NIGERIAN EDUCATIONAL SECTOR

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ABSTRACT

The paper examines the causes of conflicts between university academic staff and the federal government of Nigeria. The paper assesses the dispute via the use of secondary data such as various ASUU publications, press statements, communiqués and federal government white papers on issues pertaining to university education and how those policies and actions of the federal government had instigate the academics into opting for industrial action. The review discovers that the factors under which disputes between ASUU and the FGN is premised are largely propelled by historical, economic and political factors which have become institutionalized and embedded in the Nigerian polity which makes the disputes cumbersome to resolve. Finally, the paper concludes that these factors remain significant and dominantly characterize ASUU-GOVERNMENT relations. The study recommends that the Federal government of Nigeria should take a decisive action aimed at addressing the problem of tertiary education especially on the areas of funding, autonomy and working conditions.

Key words: Dispute, Nigerian Universities, Academic freedom, Funding, Students and teaching

1.1 INTRODUCTION

The Nigerian University system has been characterized by a high incidence of industrial disputes because of the volatility and complexity of the academic environment. The system has recorded the highest number of industrial disputes and this had a multiplier effect on the educational system in Nigeria (Ayodele, 2002). With the formation of Academic Staff Union of Universities (ASUU) in 1978, the relationship between the academics and the Federal government became more acrimonious and antagonistic. The dismissal of some academics by the federal government in the same year that ASUU was formed, subsequent dismissal of 49 academics from University of Ilorin in 2003 and other disputes led to galvanization and mobilization of the academics against government forces which were considered a threat to their corporate interest.

These scenarios existed on the basis of alleged complicity of the academics in the nationwide students' violent demonstration in 1978 and disobedience of the academics to comply with federal government directive to suspend strike action in 2003 respectively. However, the action of the federal government attracted nationwide condemnation from articulated and radical members of ASUU, as well as the majority of concerned Nigerians (ASUU, 2003).

Academic Staff Union of Universities on several occasions, protested strongly against certain government policies and measures that tended to erode the University autonomy and academic freedom. Hence various ASUU communiqués and press statements decried the increasing role of the National Universities Commission (NUC), the Federal Ministry of Education, and the office of the President as well as the Joint Admissions and Matriculations Board (JAMB) in the internal affairs of Universities. The academics equally protested vehemently against issues of underfunding of Universities and poor working conditions under which the Universities operate as well as the manner by which University Vice Chancellors were appointed. They also objected to the government policies concerning students' welfare; and the poor management of the economy among other controversial issues (ASUU 2009).

In addition, academics also protested against the harsh treatment meted out to some of their colleagues in various Universities by the federal government. This precipitated into prolonged industrial conflict between ASUU and the Federal Government and consequently impacted on the performance of the academics.

The paper's objective is to examine the causes of these disputes specifically emphasizing on the dominant factors such as university autonomy, funding and working conditions. It also discusses the implications of the dispute on the educational sector of the Nigerian economy.

2.1 CAUSES OF ASUU - GOVERNMENT CONFLICT

Most scholars have identified three dominant factors as the main triggers to the lingering crisis between academic staff union of universities and the federal government. These factors are;

- Lack of University autonomy and academic freedom
- Under- funding
- Poor working conditions.

According to Obasi (1991) and ASUU (2009) these factors remain the salient issues that normally feature in any dispute between ASUU and the federal government. The paper discusses the ASUU/FG conflict within the framework of these major issues.

a. The dispute in relation to University autonomy and academic freedom

The central issue in relation to the dispute under consideration is the question of university autonomy and academic freedom, particularly as it affects the internal governance of the university and its academic staff in the discharge of their functions. The International Association of Universities (IAU) policy statement defines institutional autonomy thus:

The principle of institutional autonomy can be defined as the necessary degree of independence from external interference that the University requires in respect of its internal organization and governance, the internal distribution of financial resources and the generation of income from non-public sources, the recruitment of its staff, the setting of the conditions of study and, finally, the freedom to conduct teaching and research-(IAU 1998:29).

There have been intensive debates between ASUU and the Federal Government (particularly various military governments) on the question of autonomy and academic freedom since 1978. In general ASUU argues that the Government's undue interference in matters concerning the day to day administration of the institutions inhibits progress and distorts effective decision making (Onyeonoru, 2008). Such interventions include attempts to control the appointment and removal of academic staff (including Vice Chancellors), the imposition of sole administrators during the military era, the admission of students, the prescription of teaching curriculum and research content, the restriction of certain publications and the allocation of recurrent income (Ekundayo and Adedokun, 2009). ASUU therefore contends that political ideologies and interests should not be allowed to interfere with the smooth running of the University system.

Academic freedom is the institutional autonomy of Universities pertaining to academic matters. Institutional autonomy and academic freedom are complementary. While institutional autonomy relates to the self governance of universities as a whole, academic freedom is 'concerned with individual freedom of academic staff to impart knowledge unhindered and the freedom for students to choose what they will study' (Ajayi and Awe, 2008).

Academic autonomy relates to freedom for universities to take decisions in all academic matters, such as the control of teaching, the admission of students and all issues regarding curriculum content and pedagogy. Smith (1995) gives a clear definition when he described academic freedom as a fourfold right of a university: 'to determine for itself on academic grounds *who may teach, what may be taught, how it shall be taught, and who may be admitted to study*'. In line with this definition, Sylvester (2012) concludes that: When we talk about academic freedom, we are saying that the government should allow us to admit students freely, they should not tell us what to teach or restrict us from being innovative in coming up with a sound curriculum for our students.

What the government tries to do is to limit the search for knowledge to only those aspects that are in support of their perspective or that are in line with their interests. This does not work for the development of the system. We should have freedom to teach research and publish the results of our research whether or not it is appealing to any one.

ASUU's main concern is that the University should enjoy traditional academic rights such as the right to select students, teach freely and determine the content of its syllabus. Akpomi (2008) opines that in order for the universities to perform their tasks effectively, they must have the freedom to teach and to 'advance the frontiers of knowledge' through research and publications. Usually, the rights to academic freedom or any other form of freedom are contained in a nation's constitution. The constitution provides for the position of the law on such matters.

It can be stated that, although academic freedom is defined in the statutes establishing Nigerian universities, there is no specific constitutional provision on academic freedom in Nigeria (Sylvester, 2012). This is unlike South Africa and Ghana where the constitutions expressly grant the right to academic freedom. In the Nigerian case, the concept of academic freedom can only be inferred from the provision of section 39(1) of the Constitution of the Federal Republic of Nigeria (1999) which provides for the freedom of expression and the press.

An indicative event in the struggle over academic autonomy in Nigeria took place in 1985 when the Buhari-Idiagbon military regime transferred the power to determine, regulate and monitor academic programs from the Senates of individual universities to the National Universities Commission (NUC). According to ASUU (1986) this action implied that the government was taking the control of the accreditation of programs away from 'professionals' and transferring it to the NUC, which was looked at as an institution that supported the government's interests.

The NUC then established minimum standards that would govern all universities alike. Under the Babangida administration, ASUU was accused of disseminating critical and 'baseless' information about the government to students and the public in a manner that was capable of toppling the regime (Obasi, 1991).

Consequently, the government established a panel of enquiry, known as the Abisoye Panel which led, among other things, to the termination of the appointment of some lecturers in Ahmadu Bello University (ABU), Zaria who were accused of 'teaching what they were not supposed to teach' (ASUU, 2005).

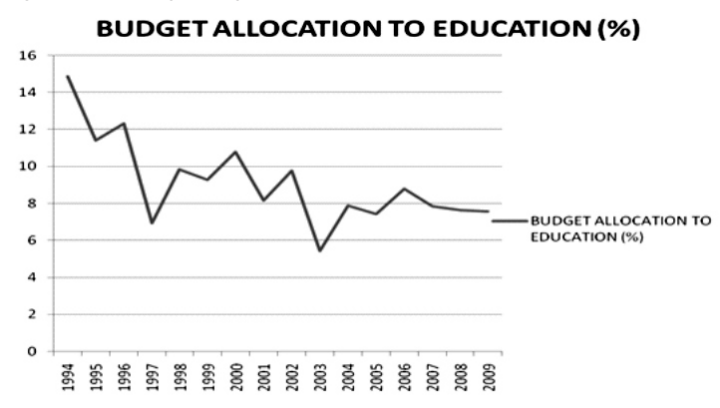
In each of these cases, ASUU's reaction to the disciplinary process was based on an insistence on the rule of law and they argued in defense of the principle of freedom of speech. According to the union, such events are evidence of the level to which the state control over academic matters was being imposed not as part of a justification for regulation of academic standards, but as part of political battle over possible criticism of the state with regard to critical national issues (e.g. the union's opposition to military rule, structural adjustment programmes, the outcome of the election won by MKO Abiola in 1993, and deregulation and privatization in Nigeria). In the light of the above, academic freedom has turned out to entail more than simply the control of the universities; it involves the control of freedom of speech as enshrined in the constitution.

b. The Dispute in Relation to funding of Nigerian Universities

UNESCO guidelines on educational funding suggest that for the educational sector in a developing country like Nigeria to become internationally competitive and yield the desired dividends in terms of national development, both the federal and state governments should devote at least 26% of the annual budget to funding all levels of education.

However, at present, the funds allocated to the educational sector in Nigeria do not approach this level. Available statistics reveal that between 1994 and 2009, Nigeria spent, on average, 9.1% of its budget on education. When expressed as a percentage of the GDP, the federal government's spending on education over the same period amounts to an average of less than 2%. Nigeria does not fare well in this matter when compared with other African countries for similar periods. For example Ghana spends 3.6 % of its GDP on education; Kenya spends 6.2%, and Zimbabwe, 9.5% (Arikewuyo, 2004:17). Thus, ASUU (2013) opined that the amount of money allocated to higher education in relation to the available resources reveals a lot about the value the government attaches to the sector.

Figure 1 Percentage Budget Allocation to Education 1994 to 2009



Source: Figures were sourced from the Federal Ministry of Education (various years), Central Bank of Nigeria (CBN) Statistical Bulletin (2009), and Budget Office of the Federation (various years).

These issues, of course, are shaped also by other factors. The question of the budget allocation to education has also been affected by the rising levels of student enrolment which increases the pressure on universities. The significance of funding according to ASUU is to satisfy the growing student population in Nigerian universities. They opined that the reason why they are on strike goes beyond salary demands. Hence they want the government to finance education and its facilities. They opined that the 40% increment on their salary will never solve the problem of electricity and teaching facilities to the classroom. The university is expanding everyday both numerically and curriculum-wise, yet funding has not increased to meet up with this growth (ASUU 2012). At the same time, there has been no commensurate increase in the level of funding. The increase in enrolment levels has placed substantial pressures on available infrastructure and facilities across various campuses, further depleting scarce amenities according to the union members.

c. The Dispute in Relation to Conditions of Service

Concerns regarding adequate salaries for university teachers are thus central to the way in which they conduct themselves in the discharge of their core functions. Although, in nominal terms, the total salaries received by university workers have increased over the years, in real terms, salaries have been significantly lowered in value by inflation. Consequently, the average university worker or employee has become economically much poorer in comparison to his or her earnings in previous years. ASUU (2012) also opines that:

It is a regrettable development that university lecturers, who are some of the brightest people in the country, are rewarded with wages, that are not attractive and are subject to poor conditions of service. Nigerian lecturers are suffering from hunger, starvation, and poverty. Many of the union members are in hardship. Some staff can hardly afford three square meals a day, let alone take care of their medical bills whenever they are knocked down by illness. We are calling on the government to address the issue of wages and our conditions of service. ASUU (2012:12).

What emerges from this is a growing sense of economic desperation among union members. Many university lecturers have been forced to engage in other economic (non-academic related) activities simply to maintain themselves. For example, many lecturers serve as consultants to government agencies and other corporate organizations; some operate private businesses/shops both within and outside the university such as printing and photocopying centers, Recharge cards, cyber cafes, hair dressing salons, sewing outfits, restaurants and 'beer parlours'.

According to a study conducted by Ushie, Ogaboh, Agba and Best (2010:154) they discovered that “there is evidence of academics running taxis after work, while some establish private schools, tutorial classes and learning centres for undergraduate students”. Moreover, the situation makes various kinds of academic corruption more likely.

Lecturers may take money from students for performing normal support functions such as project supervision, proof reading and editing, performing statistical tests, etc. In addition, many lecturers sell handouts and textbooks at exorbitant prices, while awarding marks to those who patronize them the most. Ushie's line of argument is corroborated by evidence from an ASUU official. His comments go thus:

If our pay package is very attractive, you cannot see lecturers engaging in other private businesses to support their income, such as running consultancy services, photocopying and printing services inside or outside the campus (Jumoke, 2011).

A key point emerges here: that is, the fact that Nigerian academics who, at the time of independence were very effectively part of the nation's professional middle class, find themselves increasingly in a position equivalent to that of the working class, subjected to the need for alternative livelihood strategies, working around the clock (and some times engaging in illicit activities) in order to meet their basic needs.

Evidence for the relative decline in the economic position of Nigerian academics, according to ASUU (1997) can be found in a Table below which shows a comparison of average salaries in different sectors of the Nigerian Economy.

Table: 1 Comparisons of Average Salaries in different Sectors of the Nigerian economy (1997)

SECTOR	Average Salary Per Annum (In Naira)	Equivalent in Pounds Sterling Using Exchange rate as 1st Jan 1997
Public Sector (oil)	450,000-600,000	3,367.97 - 4,490.55
Public Sector (Iron and Steel)	300,000-400,000	2,245.27 - 12,993.70
Nigerian Economy Average	100,000-200,000	748.43 – 1,496.85
University Academic Salary	30,000- 54,000	224.53 – 404.5

Source: ASUU National Secretariat publication (1997) Cited in Oni B (2008:16)

The wage disparity observed between the University sub sector and other sectors of the economy is thus a major source of discouragement and frustration among the academic staff. Similarly, an open letter written by ASUU to the President of Nigeria (available on ASUU website), provided an interesting comparison between the annual salaries of senior public officers and those of university Professors as shown below:

Table: 2 Annual Salaries of Nigerian Academics versus Other Civil Servants as at 2009

Public Officer	Annual Salary (In Naira)	Equivalent in pounds Starling Using historical exchange rate as at 1 st January 2010
Senator	36,677,840	179,599
Federal House Member	35,932,346.30	175,996.00
Federal High Court Judge	26,875,840	131,638.00
Perm, Sect/ Ex-Sect/ CEO	22,051,154.30	108,006
Of parastatal/ Vice chancellor		
Local Government councilor	12,746,875	62,434,.10
University Professor	3,859,078.60	18,901.70

Source: Adapted from ASUU's website: www.asuunigeria.org(2010)

An assessment of the above table reveals that even the lowest step in the cadre of elected political office holders, the local government councilor, earns about N1.29 million a month, more than a Professor's N321, 000.

When analyzing these figures, the then President of ASUU, Professor Ukachukwu Anwuzie argued in a press conference, he addressed on October 23rd, 2009.

What the government has offered us is untenable, at a time when each Local Government councilor earns over four times, each member of the House of Representatives over seven times, and each senator over nine times the salary of a University Professor. To say that academics who want to earn a legislator's pay should become legislators is a light headed way of missing the point. The point is that Nigerian Government does not value academic labour even though it claims it wants to compete with the best in the world in the production of knowledge in the twenty first century. (Anwuzie, 2009:08).

According to the Union's position, the Nigerian university teachers deserve decent pay, because they are touted as the custodians of 'national intellect'. Remuneration of academics is thus linked by Union members to a wider social function, the ability of university teachers to effectively carry out teaching, research and community development.

3.1 CONCLUSION AND SUGGESTIONS

ASUU-FGN antagonisms have been shaped by several factors, economic and political, deriving from the wider social and historical context in Nigeria. The economic factors can be found in poor remuneration leading to brain drain, poor budgetary allocations and financial misappropriations, rising student population, infrastructural neglect as well as economic declines due to structural adjustment and other government policies.

The political factors affecting the disputes include the shifts in the government's industrial relations policy as well as the colonial legacies of ethnicity, regionalism, neo-patrimonialism and corruption which have further negative influences on education and the socio-political development of the country. The oppressive and undemocratic style of successive military regimes and the relationship of successive government with external agencies has also become a critical question. With the prevalence of these deep-seated factors, the dispute between ASUU and the government remains far from being resolved.

Government in this respect is expected to attach more emphasis on issues pertaining to funding of Nigerian universities. The UNESCO standard recommendations in relation to funding of universities should be re-visited. This will no doubt impact positively on the infrastructural facilities, teaching equipments and general welfare of the academic staff. On issue pertaining to institutional autonomy of universities, the federal government should exercise caution on matters that border on the university autonomy and academic freedom. This will minimize conflict tendencies between the two parties.

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CORPORATE SOCIAL RESPONSIBILITY (CSR) AND PROFITABILITY OF SELECTED DEPOSIT MONEY BANKS IN NIGERIA: A PANEL ANALYSIS

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Abstract

Spending without knowing the future returns generated for an organization could cumulatively put an organization into financial problems in the future. To this end, Corporate Social Responsibility (CSR) expenditure should rather improve the profitability position of an organization and not otherwise. This study examines the impact of corporate social responsibility expenditure on the profitability of Nigerian Deposit Money banks. Secondary data sourced from the banks' financial statements between 2007 and 2011 were employed in the analysis. Purposive sampling technique was adopted to select ten out of the existing twenty one Deposit Money Banks currently operating in Nigeria. Correlation and Panel data regression model was adopted to provide answer to the research questions raised. The results show that expenditure on CSR has no significant impact on banks' profitability, implying that care should be exercised by Nigerian banks on the amount committed to CSR so as not to jeopardize their profits and wealth maximization objectives.

Key words: Corporate Social Responsibility, Profitability and Nigerian banks

1. INTRODUCTION

In recent years, businesses have become more aggressive about advancing and promoting efforts to achieve more socially responsible decision-making, commonly known as Corporate Social Responsibility (CSR). Firms are now integrating social, environmental and governance objectives into their business models by making tangible changes in virtually all aspects of their operations, such as research and development, production plans, and accounting practices. Recognizing the potential benefits of improved public relations, many firms publicize their dedication to CSR, and some even provide stockholders with a formal report of their CSR accomplishments.

Financial markets currently develop sustainability indexes, banks elaborate and publish social and environmental reports, and managers acknowledge the benefits of adopting a triple bottom line approach (people, planet, and profits) to manage firms' accounting (Hossain and Reaz, 2007; Ziek, 2009; Lee, 2010). Indeed, companies are not only trying to be more responsible, but are also granting more visibility to their social activities with increasing media coverage for CSR practices (Luo and Bhattacharya, 2006). Besides, new successful formulas of commercial banking have arisen as a result of banks' support for investments in social and environmental sustainability using stakeholder management approaches (Weber, 2005; Stubbs and Cocklin, 2007). It has also become a normal practice for banks to disclose on the face of financial statements how much they have spent on CSR under the heading donations and charitable gifts. As these trends emerged, there has been a resurgence of scholarly interest in the motivations behind CSR and the implications for the firm's profitability and market capitalization – an effort that began in earnest in the 1970s (Bragdon and Marlin, 1972).

Consequently, corporate firms do engage in “profit-maximizing” CSR in anticipation of a benefit from these actions (Baron, 2001; McWilliams and Siegel, 2001; Bagnoli and Watts, 2003). Examples of such benefits might include reputation enhancement, the ability to charge a premium price for its output, or the use of CSR to recruit and retain high quality workers. These benefits are presumed to offset the higher costs associated with CSR, since resources must be allocated to allow the firm to achieve CSR status. In the light of the foregoing, organizations aim at maximizing its profit through expenditures on CSR.

This study is situated within the confines of the banking industry as most CSR have been in the real sectors in Nigeria (for example Ite, 2004; Idemudia and Ite, 2006 and Edoho, 2008). The effect of a downturn in the financial sector of Nigeria has been uncovered due to the recent financial meltdown that occurred in 2007 which has led to the takeover of some banks in Nigeria such as Oceanic Bank Nigeria Plc., Intercontinental Bank Nigeria Plc. to mention just a few. Thus the need to invest in corporate social responsibility endeavours has become prominent in the financial sector across the world. “The erosion of the financial sector's image has prompted a feeling of fear among customers about the security of their savings, which in turn has favoured the adoption of switching behaviours (Simon, 2009 cited in Matute-Vallejo, Bravo and Pina, 2011, p. 1). “In a world where consumer confidence in the banking industry has been bruised over the last few years, searching for solutions to rebuild trust and maintain clients' loyalty is a critical task not only for bank managers but also for strategic management and marketing research” (Matute-Vallejo, Bravo and Pina, 2011, p. 1). The positions of Simon (2009) and Matute-Vallejo *et al.* (2011) has been supported by Osuji (2009) in strengthening the fact that banks now need to address issues of corporate social responsibility activities to sustain their growth and profitable survival. According to Osuji (2009):

For Nigerian financial institutions, awareness and proper management of non-financial issues and reputation is of increasing importance. Negative non-financial reputation presents “real” consequences for both financial institutions and their officers. Management of such matters is critical; it is preferable to catch non-financial issues before they become headline news (p. 58).

This paper therefore examines the impact of CSR expenditure on Deposit Money banks profitability in Nigeria. The remaining part of the study is structured as follows: The next section provides the review of related literature. Section three provides the methodology of the study. Section four presents the research findings while section five provides the concluding part of the study.

2. LITERATURE REVIEW

Conceptual Issues: Corporate Social Responsibility and Stakeholders

CSR is a deliberate inclusion of public interest into corporate decision making, and the honouring of a triple bottom line which are People, Planet and Profit. (Harpreet, 2009). Corporate social responsibility is represented by the contributions undertaken by companies to society through core business activities, social investment and philanthropic programmes and engagement in public policy. (Asian-oceanic Computing Industry Organisation (ASOCIO), 2004)

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders (United Nations Industrial Development Organisation, 2011).

According to Crowder and Aras (2008) and Adeyanju (2012) an organization should fulfill its social responsibilities to the stakeholders for it to achieve its set objectives. Adeyanju (2012) categorizes these stakeholders in the banking sector to include:

a. **Customers-** the bank ensures that: efficient services are offered to the customer; savings and withdrawals of money are less time consuming; cash withdrawal are met promptly by ensuring adequate liquidity; reasonable interest rates and commissions are charged; competitive rate of interest on saving and deposit, in line with the CBN's credit and monetary guidelines are paid; safety of deposits are maintained; conducive environment for banking activities, e.g. spacious and well ventilated banking hall, security for valuables and vehicles within the bank premises' are provided and the affairs between the bank and customers to protect the interest of the customers are made secret.

b. **Shareholders-** the bank ensures that: the capital invested in the bank are utilized to maximize profit.; good dividends, i.e. reasonable returns commensurate with the capital investment are paid; the owner's wealth are maximized by ensuring good market prices of the shares of the bank in the stock market; bonus shares are issued from time to time;.

c. **Employees-** the bank ensures that: a conducive working environment is provided; competitive salary remuneration commensurate with the level of commitment is paid; opportunities for career development, e.g. inducement for taking professional examination are offered; employees are trained and developed through continuous learning at seminars, conferences, workshop, with the view to updating their knowledge base, to meet rapid changes in the banking environment and equal opportunities among employees is maintained i.e. there should be no preferential treatment or favoritism.

Government- the bank ensures that: credit facilities are provided to various sectors of the economy, with a view to ensuring the economic development of the country; the laws and regulations prescribed by regulatory authorities like the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporate, etc are complied with; the government is assisted in funding and promoting social activities, such as sponsoring sports programmes, contributions towards combating diseases e.g. AIDS, etc.

e. **The Public-** the bank ensures that: the environment is developed through provision of basic facilities like good drinking water, donations to development associations, bringing banking services to the rural areas, indigenous lending, etc.; employment opportunities are created and maintained to qualified members of the community. This encourages loyalty, commitment and cooperation from the community; participation in community activities, such as donations to community, awarding scholarship to deserving members of the community among others.

Conceptual Model and Theoretical Background

Corporate Social Responsibility is often undertaken according to the enlightened value maximization theory, and therefore instrumental to a firm's profit making outcomes (Baron, 2001). Consequently, knowing stakeholders and how to engage them in the decision making endeavours of an organization is crucial to understanding which engagement of a particular stakeholder helps the firm in maximizing value. Several authors have identified the importance of stakeholder engagement in realizing a firm's profit objective (Matute-Vallejo et al., 2011).

Therefore, the question of which stakeholder to be engaged in a decision making process is best answered using the Mendelow framework.

Figure 1: The Mendelow Framework

Interest	
Low	High
Minimal effort	Keep Informed
Keep Satisfied	Key Players

Source: Campbell (2008)

Figure 1 depicts how firms strategically put individual stakeholders into their decision making process. The framework typically analyses each stakeholder's power in line with the various course of action.

According to the framework, stakeholders with neither interest nor power may be ignored, “although this does not take into account any moral or ethical considerations” (Campbell, 2008). In addition, stakeholders with high interest but low power may improve their overall influence by forming coalitions with other stakeholders in order to exert a greater influence thereby moving to the bottom right. Hence they are to be kept informed because of the possibility that they may increase their power through coalition with other stakeholders. Stakeholders in the bottom right as depicted in the framework are the high-interest and high-power stakeholders, thus they can influence a company's policies. The strategy for relating with these stakeholders is to get them involved in a company's decision making process. Lastly, stakeholders with high power but low interest should be kept satisfied because of the possibility that they could wield their power in case they feel dissatisfied.

Consequently, this study is theoretically situated within the framework of the enlightened value maximization theory. The enlightened value maximization theory was constructed by Jensen in 2001. The theory holds that while the ultimate objective of an organization is to maximize firm's value in the long run, the needs of the stakeholders should not be undermined. The theory advocates for the inclusion of stakeholders' interests in organizational decision making process in as much as such inclusion will not jeopardize the firm's profit making ability and tendencies. The theory aligns with the instrumental view of stakeholder relations. The instrumental view of stakeholder relations holds that "organizations take stakeholder opinions into account only insofar as they are consistent with other more important economic objectives (e.g. profit maximisation, gaining market share, compliance with a corporate governance standard)" (Campbell, 2008). Furthermore, the instrumental view is the orientation of the 'expedient' who according to Gray, Owen and Adams (1996) invest in CSR only to the extent that it is consistent with the long – term objective of the firm (i.e. wealth maximisation). To this end, this theory and these two perceptions justify this study's investigation into how corporate social responsibility investment relates to the value maximization objective of the Nigerian banks especially during the post financial crisis period.

Empirical Evidence

The link between CSR and Profitability seems not to submit to a universal acceptance and understanding. Authors in their findings differ not only in the relationship but also regarding the extent to which CSR affects the profitability of firms. These differences in results have been related to some factors including sample size, cultural setting and market value (Schaltegger and Synnestvedt, 2001)

According to Konar and Cohen (2001), bad environmental performance is negatively correlated with intangible asset value of firms. Using the market value of firms from Standard and Poor (S&P 500), they conclude that legally emitted toxic chemicals have a significant effect on intangible asset value of publicly traded companies. A 10% reduction in emissions of toxic chemicals results in a 34 million increase in market value. Equally, Russo and Fouts (1997), observe that environmental performance and economic performance are positively linked. Using a sample of 243 firms over two years, they found out that profitability is linked to environmental performance and it is moderated by industry growth. In the same vein, Fisman, Heal and Nair (2006) found out that CSR is positively related to profitability especially in the consumer-oriented industries. This is in conformity with the idea of McWilliams and Siegel (2001) who assert that firms manufacturing experience goods are more likely to engage in CSR than firms producing search goods. This is premised on the fact that experience goods and services are used or consumed before their true value to the consumer can be determined. In the words of King and Lenox (2001), a relationship exists between lower pollution and financial evaluation although this is isolated as being caused by firms' fixed characteristics and strategic position.

In line with the foregoing explanation between the relationship that exists between CSR and firm's profitability Wahba (2007) opines that “environmental responsibility exerted a positive and significant coefficient on the firm market value measured by Tobin's q ratio” (Wahba, 2007). Also, Callan and Thomas (2009) found a positive relationship between corporate financial performance and corporate social performance. Furthermore, Schadewitz and Niskala (2010), using a sample of Finnish listed firms discovered that social responsibility reporting according to the Global Reporting Initiative (GRI) has significant influence on firms' value. This finding is also consistent with the findings of Oeyono, Samy and Bampton (2011).

Contrary to the above assertions, Aupperle, Carroll and Hatfield (1985), Vida, Christine and Agne (2013), found out that CSR has a negative relationship with profitability. Besides, Sebastian (2013) found no significant relationship between CSR and profitability.

In Nigeria specifically, research into relationship between CSR and profitability seems under-researched. Notwithstanding the paucity of Nigerian literature on the subject matter, Babalola (2012), in a case study research of First bank of Nigeria PLC, found out that CSR impacts on the bank's profitability. Despite the limitation inherent in the study in terms of generalizability, the study provides a theoretical basis for the study. This paper however, aims at extending the frontier of knowledge using 21 Deposit Money banks in Nigeria, and basing the study on five year period of between 2007-2011.

3. RESEARCH METHOD

This study seeks to determine the extent to which banks' profitability is predicted by CSR investment. Thus, necessitating the adoption of multiple regression analysis and Pearson product moment correlation coefficient.

Data Source

Secondary data sourced from the banks' financial statements were employed in this analysis. Profit after tax was adopted as a proxy for profitability and the total amount spent on donations and charitable gifts as proxy for CSR investment. In addition, banks' CSR investment was used as independent variable, while the GDP was adopted as a control variable in the multiple regression analysis. Consistent with Sufian (2010), the inclusion of GDP as a control variable is justified by the fact that firms profitability is usually affected by macroeconomic variables. Consequently, the study uses GDP growth as a control for cyclical output effects, which we expect to have a positive influence on banks profitability. The study was based on five year period of between 2007-2011.

Year 2007 was used as the base year as it was the year immediately after the restructuring exercise in the Nigerian banking sector, while year 2011 was adopted as it was the penultimate year for the adoption of International Financial Reporting Standards (IFRS) among Nigerian public listed companies (banking sector inclusive). This period therefore constitutes a reasonable period for profitability consistency.

Population and Sampling Techniques

The population of study is the twenty one Nigerian Deposit Money banks currently in operation as at 31st December, 2013. Out of these twenty one banks, purposive sampling method was used to select the sample of ten banks. These banks were purposively selected because they readily disclosed the total amount spent on donations and charitable gifts used as proxy for CSR investment.

Model specification

The variables adopted for this study are Profit After Tax (PAT), expenditure on CSR (CSR). Nigerian Gross Domestic Product (GDP) was used as control variable. These variables have been selected on the basis of their potential relevancy to the study model and because of their importance in this study. These variables have also been used by previous studies such as Vida *et al.*, 2013; Sebastian, 2013; Babalola, 2012; Sufian, 2010.

The multiple regression model used is defined as follows:

$$PAT = f(CSR, GDP) \text{ -----(i)}$$

$$PAT_t = \beta_0 + \beta_1 CSR_{it} + \beta_2 GDP_{it} + e \text{ -----(ii)}$$

Where:

β_0 : The intercept of the equation.

β_1 and β_2 : Coefficients for independent variables.

PAT: Profit after tax

CSR : Expenditure on Corporate Social Responsibility

GDP: Nigerian Gross Domestic Product

t: time = 1, 2, ...5 years.

e = Error term.

Based on the above model a-priori expectation or the expected behaviour of the independent variables (The CSR and the GDP) on the dependent variable (PAT) in the model is that $\beta_1, \beta_2 > 0$. This implies that a positive relationship is expected between the dependent variable and the independent variables.

4. PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

This section presents the descriptive results, discusses the result of the correlation coefficient among the independent and control variables, analyze the empirical results based on the panel data regression model estimates and discuss the findings.

Descriptive statistics result

Table 4.1 presents the summary of the descriptive statistics of the dependent, independent and the control variables. The mean, minimum, maximum and standard deviations are presented in order to provide an insight into the distribution of the underlying variables.

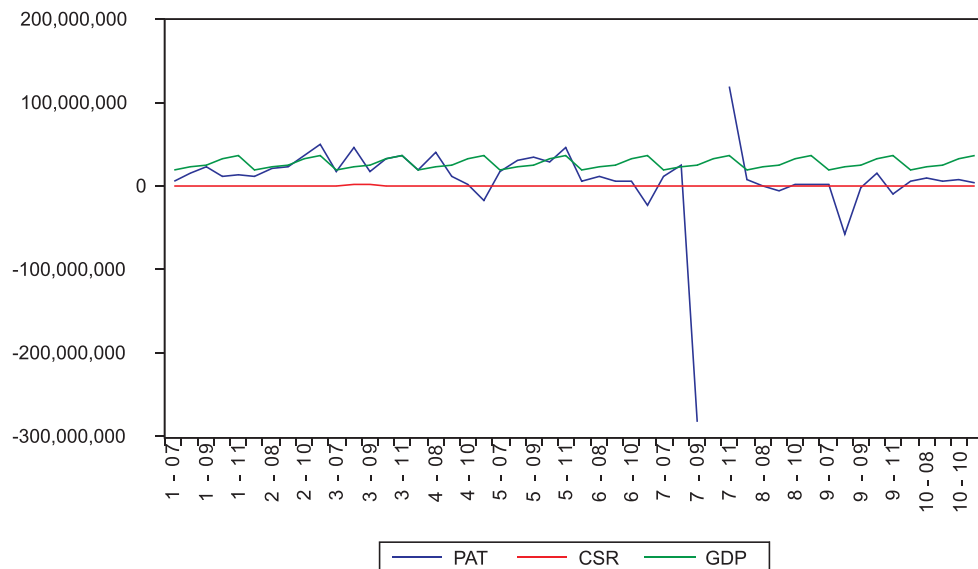
Table 4.1 Descriptive statistics summary

Variables	Mean (N'000)	Minimum (N'000)	Maximum (N'000)	Std. Dev (N'000)	Skewness	Kurtosis
PAT	9526302	(22,187,848.00)	50,981,230.00	48,756,356	11.00865	3.432417
CSR	299405.2	744	1,960,000	414,728.9	4.665432	8.334524
GDP	28111025	20657317.67	37,409,860.6	6,432,821	5.223146	21.556473

Source: Authors' computation 2013

The mean value for PAT is 9526302 while CSR and GDP have mean values of 299,405.2 and 28,111,025 respectively. The banks were therefore on average profitable during the 2007-2011 notwithstanding the fact that a minimum loss of N22, 187,848.00 was reported during the period. The Average CSR over the period under consideration amounted to 299,405.2. Also, the degree of variability of the variables as measured by standard deviation is relatively high affirming the fact that the variables are relatively unstable during the period. This result is also in line with the graphical display of these distributions as shown in Figure 2 below. From figure 2, the CSR seems relatively constant throughout the period despite the fluctuations in the profit reported.

Figure 2: Graphical representation of the relationship between PAT, CSR and GDP



Source: Authors' Computation, 2013

Correlation Matrix among the Independent and control variables

Table 4.2 provides information on the degree of correlation between the explanatory variables used in the regression model.

Table 4.2: Correlation Matrix

Variables	PAT	CSR	GDP
PAT	1		
CSR	0.227322	1	
GDP	0.142928	0.044621	1

Source: Author's Computation 2013

The matrix as shown in Table 4.2 shows that in general the correlation between the banks expenditure on CSR and GDP is very weak (0.044621), thus suggesting that multicollinearity problem is not severe or non-existent. Kennedy (2008) points out that multicollinearity are a problem when the correlation is above 0.70 which is not the case here as none of the correlation coefficient is above 0.5. In an attempt to provide answer to the first research question, the correlation matrix also shows that the relationship between banks expenditure on CSR and profitability is weak (0.227332) suggesting that there is no serious relationship between these two variables.

The implication of this is that expenditure on CSR does not constitute value maximizing activity of the banks. However, in-line with Mendelow's framework, expenditure on CSR falls in the low interest and low power matrix (see Figure 1) and as such minimal effort should be placed on it. Notwithstanding this assertion, priority attention still needs to be given to CSR expenditure (Donations and charitable gifts) but not at the expense of profit maximization.

Presentation and Analysis of Results of the Panel data regression Model.

In order to accurately estimate the impact of expenditure on CSR on Nigerian banks' profitability, some econometric issues specific to panel-data such as skewness, kurtosis, Jarque-Bera and Hausman specification test were performed before the panel regression models were computed. The skewness and the kurtosis distribution are above the cutoff point of -3 and 3 (see Table 4.1), implying that the data was not normally distributed (Peck, Olsen and Devore, 2008). Given that the variables of the study are not normally distributed; the ordinary least square method of panel data regression model cannot be used (Gujarati and Porter, 2009). One best alternative approach is to use the generalized least square method as it will overcome these problems (Gujarati and Porter 2009). In that instance, either the random or fixed-effects model should be adopted. Hence, the Hausman specification test was used to identify the most suitable model between the two.

The test was used to identify whether there is a significant correlation between the individual effects and the regressors. If there is no such correlation, then the random effects model is favoured, but if there is such a correlation, the random effects model produces a biased estimators and the fixed effects model is preferred (Gujarati and Porter, 2009). The Hausman specification test results as shown in Table 4.3 revealed the probability (p-value) greater than 0.05 for the model. Therefore, this study deems it appropriate to use the random effect models approach instead of fixed effect models.

Table 4.3 Hausman Specification Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-sect random	2.226145	2	0.3285

Source: Authors's Computation , 2013

In order to empirically test the hypotheses regarding the impact of expenditure on CSR on banks' profitability, panel data regression model was used. As presented in table 4.4, the R^2 and the adjusted R^2 showed values of 71.9% and 63.6% respectively. The adjusted R^2 of 63.6% implies that 63.6 percent of variation in the dependent variable can be explained by the independent variables while 36.4 percent are taken of by the error term. As shown in Table 4.3, the F-Statistics of 0.000 is equally significant at 1% which implies that the overall regression model is fit. The analysis also shows a Durbin Watson statistics of 1.91 which seems closer to the average benchmark of 2 (Field, 2005). Consequently, the model is devoid of autocorrelation concern. Overall, the model possesses an averagely higher predictive power.

However the regression result shows that there is no significant impact of expenditure on CSR on Nigerian banks' profitability even at 10%. Although this result contradicts the a-priori expectation, it consequently does not reject the null hypothesis. The implication of this is that CSR does not impact on the profitability of sampled banks and as such carefulness should be exercised when investing in CSR. Consistent with the enlightened value maximization theory, the public constitute a stakeholder for bank. Consequently, expenditure on CSR should not be forgone for the fact that it does not impact on profit but should rather be given moderate attention. This result is consistent with the enlightened value maximization theory in that although expenditure on CSR does not impact on profitability, the needs of the public should not be undermined. Practically, this result is not surprising as some organizations perhaps do not have profit motive when they invest in CSR.

As for the control variable, the GDP, the result shows that there is significant relationship between GDP and Nigerian banks' profitability even at 1% level of significance. The relationship between GDP and PAT is positive which is in line with a-priori expectation. It is practically expected that GDP should positively impact on profitability. The result suggests that every N1 increase in GDP is associated with N0.56 increase in the PAT.

Table 4.4 Regression Result with PAT as the Dependent Variable

Variables/Constant	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-8961394	3709560	-2.41576	0.0208
Independent Variable				
CSR	8.963441	6.265578	1.430585	0.1609
Control Variable				
GDP	0.562199	0.127601	4.405911	0.0001
Weighted Statistics				
R-squared	0.719765			
Adjusted R-squared	0.636453			
Prob(F-statistic)	0.0000			
Durbin-Watson stat	1.916678			

Method: Panel EGLS (Cross-section fixed effects)

Source: Author's Computation 2013

5. CONCLUSION AND RECOMMENDATIONS

Empirical investigation of the impact of Nigerian banks' expenditure on Corporate Social Responsibility on profitability is important and makes a timely research. Today, banks are tending towards committing resources to socially responsible activities, such as energy conservation and support for diversity in the workplace. The question therefore is to determine whether investment in such social initiatives negatively or positively affects the banks' bottom line given that firms primarily exist to make profit. However, the result of this study shows that such expenditure does not impact on their profitability.

Although the findings is consistent with the findings of Sebastian (2013) who found out that no significant relationship between exist between CSR and profitability, expenditure on CSR is of strategic importance to firms in the achievement of their objectives (Siegel and Vitaliano, 2006). This is not to say that the public should be ignored in the decision making process of Nigerian banks but rather, in accordance with value maximization theory, they should be considered in a manner that shall not jeopardize their profit maximization. This may be established by analyzing the stakeholders' position regarding their interest and power relative to the companies' objectives using the Mendelow's framework.

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IMPACT OF CUSTOMER SERVICE FAILURE RECOVERY (CSFR) ON MARKETING PERFORMANCE IN NIGERIAN TELECOMMUNICATIONS INDUSTRY.

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Abstract

This paper considers how customer service failure recovery practices affect marketing performance of Telecommunications industry in Nigeria. The paper examines the relationship between four dimensions of customer service failure recovery and marketing performance. Questionnaires were distributed to 450 respondents including staff of the telecommunications industry and customers of various networks. 295 questionnaires were duly completed and returned by the customers and 134 questionnaires were returned by the staff. The data was analyzed using multiple regression analysis. Findings indicate that Customer Service Failure Recovery (CSFR) affects marketing performance of Telecommunications operations in Nigeria. Consumers suffer service failures and show willingness to retain their patronage if such issues are adequately addressed. The study recommends that Telecommunication operators should train and retrain service representatives to be proficient in showing courtesy, empathy, respect, politeness and concern in addressing customers' ordeals and in explaining the simplicity of the company's policies, procedures, rules as they relate to customer issues.

Keywords: Consumer satisfaction; Positive Word-of-mouth; Purchase intentions; Post complaint behavior.

INTRODUCTION

Mistakes and customer service failures are natural, inevitable and not always bad (Isenberg, 2011; McGrath, 2011; Edmonson, 2011; Seligman, 2011). Regardless of the precautions taken to ensure proper service delivery, companies that display exceptional service delivery are sometimes susceptible to some degree of service failure. These mistakes in companies however could lead to customer switching and negative publicity depending on how customer service failure recovery practices are handled. Service failure and recovery encounters represent critical moments of truths for companies in their effort to satisfy and keep customers. These encounters may also be pivotal moments for customers who experience strong emotional reactions in response to service failures and subsequently decide whether to continue their relationship with the company or to switch (Smith & Bolton, 2002).

Customer Service Failure Recovery (CSFR) is a company's rare choice of detecting, analyzing and addressing customer issues to promote retention and to dissuade post consumption detrimental actions. Apart from dealing with reported customer complaints, Smith *et al* (2002) point out that the service recovery team also uncovers situations where dissatisfaction is unexpressed but the recovery team recognizes such failures and moves to initiate recovery.

Edmonson (2011), Harari (1992) and Singh (1990) note that a large fraction of customer disappointment actually goes unreported and because of emotional stress such moves produce, majority simply withdraw their patronage and openly criticize the offerings. Even if the service provider is not to be blamed, every customer complaint is an opportunity to reinforce commitment and pleasurable behavior.

Service failure results to dissatisfaction (Kelley, 1993); a decline in customer confidence (Boshoff, 2005); negative word of mouth behavior (Beouf and Leong, 1998); customer defection (Bailey, 1994 & Matilla, 2003); customer defection (Keaveney, 1995); loss of revenue and increased costs (Armistead, 1995); a decrease in employee morale and performance (Bitner *et al.*, 1994). In the automobile industry for example, Toyota had to recall some brand of their cars due to brake failure reports by some customers. Though it was later realized that the fault was from the customers, the manner in which the customer service failure recovery was handled was highly impressive. In the aviation Industry perhaps due to uncertain environment like weather conditions and also what Susskind (2002) refers to as "People Factor", nature of services are bound to experience mistakes. These failures can prove extremely costly for companies, as customers often switch providers after such experiences (Folkes, 1984; Folkes & Kotsos, 1986) or negative publicity depending on how customer service failure recovery practices are handled.

In the telecommunications Industry in Nigeria, customers face issues such as network fluctuations, poor service or service failure, delay in customer care services, long queues for SIM card registration complexities, faulty e-commerce transactions, unavailability of services when needed, poor reception, uncaring sales people, tariff difference and lots more. The May 11th 2012 sanction by the National Communications Commission (NCC) on MTN, Globacom, Airtel and Etisalat to pay a cumulative fine of ₦1. 17 billion for poor service quality rendered in the month of March and April is one of the referenced regulatory responses (Awa, 2013). The demand is what researchers like Smith & Bolton (1999), Groonroos (1996) and Morgan and Hunt (1994) refer to as second chance system of recovery to minimize negative actions and to regain customer confidence, trust and commitment.

Service providers thus reposition their competitive advantage by developing customer database to create and deliver superior values overtime. This is usually done in an attempt to replace win-lose or zero-sum thought (negative) with win-win thinking or value-creation-driven growth (Positive). One method of enhancing a company's customer retention involves properly responding to service failures (Webster & Sundaram, 1998). However, despite the cost and profitability benefits of retaining current customers, very little research has been conducted on the topic of recovering from service failures. Such attempts by companies to rectify some consumer-perceived service failure (e.g., faulty service, discourteous employees, etc.) are often termed "service recoveries." This paper intends to contribute to existing literature on how CSFR practices should be implemented in companies as it significantly and positively impact on marketing performance.

The objective of this paper is to examine how customer service failure recovery practices affect marketing performance of telecommunications operators in Nigeria. To achieve this objective, the paper tries to answer the question of whether there is a significant relationship between customer service failure recovery and marketing performance of telecommunication operators in Nigeria.

LITERATURE REVIEW

CUSTOMER SERVICE

Customer service emphasizes improved service delivery (Akerele, 1990). Customer service is the life blood of a company, products provisions to a customer before, during and after a purchase which are an integral supportive function or strategy for long term transactions or relationship (Awe, 2013).

Zeithaml & Bitner (2000) define service provided in support of a company's core products or a series of integrated activities designed to enhance the level of customer satisfactions, feelings of meetings or surpassing customer expectations (Turban, 2002). This means that issues such as answering questions and dealing with complaints, maintenance and repairs, dealing with billings, product availability and ease of acquisition, price and discount plans and others are integral ingredients that influence customer loyalty, product support and advocacy. Customer service may also occur on site, for example, a sales person helping a customer to locate desired items or to answer questions either through the internet or telephone. There are some telecommunication companies which build relationship with customers by having a cost free and round the clock customer call centres that timely address customer issues.

Service failure may refer to some consumer-perceived breakdown in a company's system. It may also be defined as any service related mishaps or problems (real or perceived) that occur during a consumers experience with a company for example, poor service, network failure tariff error, cancellation of flights, flight delays, improper handling of luggage, incorrect account balances among others. The equity and social justice theories of Aristotle, the justice dimensional theory and the utilitarian theories among other theories assume consumption expectations as defined probabilities of the occurrence of a negative or positive event (Oliver, 1981). Zeithaml, Parasuraman & Berry (1993), Parasuraman & Bitner (1988), and Gronroos (1982) theorize that customer's subjective assessment of service delivery results from a comparison of expected and actual performance. When there is a balance between the two, the exchange is considered fair but if the outcomes do not meet with the perceived expectations then the result is inequity, perceived injustice and service failure (Kuenz & Katsaris, 2009). Conversely when the outcome scores are unfavourable and the customer decides to complain, justice and fairness is expected from the recovery team. It is unlikely though that service companies can eliminate all service failures, they can learn to effectively respond to failures once they do occur. This response is often referred to as service recovery and is defined as the process by which a firm attempts to rectify a service delivery failure (Kelley & Davis, 1994).

SERVICE RECOVERY

Service recovery involves those actions designed to resolve problems, alter negative attitudes of dissatisfied customers and to ultimately retain these customers (Miller *et al*, 2000). Johnson (1994) expresses service recovery as to “seek out and deal with service failures”. Researchers like Hoffmann, Kelley & Rotalsky (1995); Smith, Bolton & Wagner (1998) suggest that a firm's recovery effort can either reinforce customer relationships or compound the failure. Kelley and Davis (1994) however suggest that over one-half of service recovery efforts actually compound the problem. This implies that poor service recoveries can cause consumers to rate failing firms lower after their recovery efforts than they rated the firms immediately following the failures.

Goodwin and Ross (1992) suggest that a proper recovery can restore levels of satisfaction and promote referrals for future purchases. For example, Goodwin and Ross (1992) claim that satisfaction levels after complaint-handling (secondary satisfaction) can prove to be higher than previous levels of satisfaction. Their research further suggests that effective complaint-handling can lead to stronger customer loyalty. These phenomena are often referred to as the "recovery paradox" (McCollough & Berry, 1996; McCollough & Bharadwaj, 1992).

MARKETING PERFORMANCE

Performance involves doing today what leads to measured value tomorrow (Lebabs & Euske, 2002). This means that performance evaluates behavior in terms of the contributions to the goals and objectives of the firm (Johnston & Marshall, 2003). Maskell (1994) notes that relevant performance measures must relate directly to corporate strategy. Marketing performance measurement is a formal, knowledge - based routine and procedures used to assess the contributions of a company's marketing functions in relation to its corporate goals and objectives over a time period (Simmons, 2000). It is an assessment of the relationship between marketing activities and business performance (Clark & Ambler, 2001). Marketing performance measurement guides periodic setting of goals, provides feedbacks on progress made towards attainment of those goals and compares to itself with a present target or evaluated along with other measures overtime horizon. Since measures are used to make comparison it need not represent absolute values but serves as a guide to monitor and control, to drive improvement, to maximize effectiveness of improvement effort, to achieve alignment with organizational goals and objectives and to reward and discipline.

Kellen (2003) views dimensional controversies of measures in terms of objective or subjective, financial or non-financial, lagging or leading, complete or incomplete, responsive or non-responsive, input or output, critical; or non-critical and tangible or intangible measures. Simmons (2000) points that objective measures can be independently measured and verified unlike subjective measures; lagging measures gives feedback on past performance whereas leading indicators measures future performance and complete measures capture all the relevant attributes of achievement and incomplete measures do not. Responsive measures permit individuals to influence measures whereas non-responsive measures are outside the influence of individuals. Critical measures evaluate actions directly related to company's strategy; tangible measures relate to recorded facts in the charts such as inventory levels, accounts receivables, employee headcount and intangible measures deals with issues such as level of skill and knowledge, creativity and innovation. Finally financial measures are directly related to profit after tax, return on investment, sales volume, market share, inventory level, cash at hand and so on whereas non financial measures are derived from customer satisfaction scores, product quality competitive positioning among others.

These dimensions suggest that scholars are of different opinion over what constitutes performance measurement standard. Dillon (2011) opines that a great unresolved issue is whether output measures, input factors or qualitative measures are best performance measures. Jackson (1995) suggests that input performance measures and qualitative factors are rarely easy to measure and often lead to investigator's bias. Financial measures remain the most precise marketing performance metrics (Clark, 2000). These financial measures could be either profitability, sales growth, market share, profit after tax, return on investment, sales volume, cash flow, new business generated or expenses incurred (O'Sullivan & Abela, 2007). Performance measurement metrics are chosen depending on the company and individual biases are minimized by adhering to Austin & Gittel's three basic principles which are clear definition, accurate measurement standards and rewards or punishments. This study perceives marketing performance measurements as post – complaint behavior and competitive positioning.

CUSTOMER SERVICE FAILURE RECOVERY (CSFR) AND MARKETING PERFORMANCE

Equity theory

Equity theory focuses on the motivational and cognitive processes of weighing sacrifices or investments (justice inputs) against rewards (justice outputs), and comparing the result with others experiencing similar situations (Greenberg, 1990). Equity theory's notion of "fairness" is relevant in any domain in which exchange takes place because it is conceivable that one or both parties will perceive inequity in the exchange (Adams, 1963). An equity theory framework seems especially tenable in a service failure context, given that consumers often perceive an inequity following a service failure. When inequities arise, equity theory provides a meaningful framework for shaping consumer perceptions of satisfaction, purchase intent, and Word of Mouth (WOM).

Several researchers have employed equity theory to explain consumer responses to service failures and recovery efforts (Blodgett, Granbois & Walters, 1993; Clemmer & Schneider, 1996). These studies generally argue that consumer ratings of failing firms will increase when they offer fair recovery efforts. As such, the author view equity theory as a theoretical rationale for the formation of some key psychological outcome namely satisfaction and behavioral outcome which is purchase intent and Word of mouth (WOM) outcomes in a service recovery setting.

To remain strategic and competitive in the midst of varieties and better informed customers, service providers must anticipate possible errors and timely plan response actions this implication is strengthened when service representatives are well trained and empowered to proactively prevent failures and where they do occur to respond to them as correctly and timely as possible.

Boshoff, (2005); Davidow, (2003); Godwin and Ross, (1992) research results show that apology is more effective on marketing performance when paired with redress and has a positive relationship with post complaint behavior. Martin and Smith (1994) explain that apology has significant impact on word of mouth publicity and satisfaction which may improve marketing performance. However Davidow (2003) explains that apology does not have a significant impact on repurchase intentions due to the misunderstanding of the role of apology as an admission of guilt.

METHODOLOGY

This study seeks to investigate how customer service failure recovery practices affect marketing performance of Telecommunications operators in Nigeria. The study covers the period of five years from 2007 - 2012. Two types of questionnaires were developed and administered; one for the service providers and the other for the customers. For the service providers the study focused on customer care executives and customer care managers because of their direct involvement in customer issues.

No. of respondents

SERVICE PROVIDER	CUSTOMER CARE EXECUTIVES	CUSTOMER CARE MANAGERS	SAMPLE SIZE
1) MTN	34	10	44
2) GLO	18	8	26
3) ETISALAT	18	6	24
4) AIRTEL	25	5	30
5) VISAFONE	12	4	16
TOTAL	107	33	140

Source: Field study by the researcher

OPERATIONAL MEASURES OF VARIABLES

The measurement scale adopted for the independent variable will be similar to Boshoff's (1999) RECOVSAT scale. The RECOVSAT instrument measures customer expectations of service firms recovering from a service failure. The RECOVSAT scale adopted as it relates to redress specifies full and tangible compensation; as it relates to attentiveness and apology specifies atonement; speedy response as in promptness or timeliness of tangible recovery.

The dependent variable marketing performance is proxied by post – complaint behavior. For the dependent variable Davidow's (2000) operational measurement scale for post complaint behavior is measured using repurchase intentions, spread of word-of- mouth and satisfaction.

The analysis involved Pearson's product moment correlation and multiple regression analysis. The study used Cronbachs Alpha to test for reliability.

Reliability Statistics

S/N	Constructs	No. of cases	No. of items	Cronbach's alpha
1.	Apology	429	7	0.887
2.	Attentiveness	429	6	0.884
3.	Speedy response	429	5	0.867
4.	Redress	429	6	0.884
5.	Post complaint behavior	429	6	0.884

The instruments were quite reliable since they internally relate to the factors at levels that surpass Nunnery's (1978) bench mark of 0.7.

Model Specification

A model was developed for the dependent variable (marketing performance) and the independent variable (customer service failure recovery).

The regression model is as follows:

$$Y_i = a + b(X_1) + b_2(X_2) + b(X_3) + b(X_4) + e_i \dots \dots \dots (1)$$

Where X_1 is = Apology

X_2 = Attentiveness

X_3 = Speedy response in resolving issues

X_4 = Redress

E_i = Error term

Y_i = Marketing performance

a = Intercept

RESULT AND DISCUSSIONS

Questionnaires completely filled and returned by customers were 295 while the service providers returned 134 out of the 140 administered making a total of 429. Findings reveal that apology attracts a significant positive correlation coefficient ($p=0.378$) with explained inverse weighted average impact on post complaint behavior ($\beta = -0.036$). The relationship though, is significantly positive, the negative value of β indicates that increase in apology reduces post complaint by -0.036. This finding explains the fact that offering various atonements (assurance of re-instatement and reoccurrence) always for customer issues without actually improving upon such issues may be counterproductive on the psychological calm down effects. The measures of post complaint behavior are repurchase intentions, word-of-mouth and customer satisfaction. The findings are in line with the study of Davidow (2000) and Kelley *et al.*, (1993). Davidow (2000) explains apology to have a positive effect on word-of-mouth publicity and other factors of post complaint behavior and Kelley *et al.*, (1993) found a positive relationship between apologies and repurchase intentions.

Attentiveness attracts a significant positive interaction with post complaint behavior ($P=0.560$, and a direct weighted average impact ($\beta = 0.248$) showing that the two variables move in the same direction (when one increases, the other also increases). This supports studies of Estelami (2000) and Blodgett *et al.*, (1997) which explain that disgruntled customers who experience courtesy, empathy, respect and concern from service representatives enjoy post complaint satisfaction and exhibit likelihood to engage in positive word of mouth and repurchase behavior.

There is a significant positive interaction between speedy response to customer issues and post complaint behavior ($P = 0.477$) and a direct weighted average impact ($\beta = 0.025$) again showing a direct relationship. These findings support the study by Rio- Lanza, Vazques-Casielles and Diaz-Martin (2009) who found that in the cell-phone sector, users invariably want the recovery to focus on restoring service as soon as possible. Smith *et al.*, (2009) found that speedy response impacts positively on corporate image and procedural justice which in turn has positive effect on attitude, satisfaction, repatronage and word-of-mouth publicity. However Blodgett *et al.*, (1997) reported that actual response time is not a significant determinant of customer satisfaction, repurchase intentions and word-of-mouth publicity but rather perceived response of customer.

Redress was statistically significant ($P=0.514$) at 5% significant level with a weighted average impact ($\beta=0.22$) indicating that as post purchase increases, its effects on post-complaint behavior increase by 0.058.

CONCLUSION AND RECOMMENDATIONS

The Nigerian telecommunications industry is faced with stiff competition and so service providers create competitive advantages to have an edge over the competitors. There are various recovery measures employed in cases of service failures in order to encourage customers to be satisfied as well as progress upward in the customer loyalty ladder. The study has confirmed that customer service failure recovery has an impact on marketing performance. It was found that the CSFR variables all have values that signify a positive significant impact on marketing performance. Though at different levels of statistical interactions and directions of relationship, all the dimension of customer service failure recovery (CSFR) studied were critical in determining the behavior of post-complaint behavior (repurchase intentions, satisfaction and word-of-mouth publicity) which were the proxies for marketing performance. Attentiveness has the strongest correlation followed by redress, speedy response and then apology. The study therefore agrees with Davidow (2003) and Boshoff (1997) who explain that apology is more effective when paired with redress. This shows that though customers suffer service failures in the telecommunications industry and are unhappy they are willing to retain their patronage if their issues are adequately addressed and so service providers should commit resources to recover such customers.

The study recommends that Telecommunication operators should train and retrain service representatives to be proficient in showing courtesy, empathy, respect, politeness and concern in addressing customer's ordeals. They should also be powered to proactively prevent failures and where they do occur, they should respond to them as correctly and timely as possible.

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APPENDICES

MULTIPLE REGRESSION ANALYSIS SHOWING THE EFFECTS OF APOLOGY, ATTENTIVENESS, SPEEDY RESPONSE, REDRESS ON POST COMPLAINT BEHAVIOUR
Model Summary

Model	R	R ²	Adj R ²	Std. error of the estimate	Change Statistics				Sig. F change	Durbin Watson
					R ² change	F change	df 1	df 2		
1	.602	.362	.350	.89182	.362	29.831	8	420	.000	1.848

- a. Predictors: (constant) Apology, Attentiveness, Speedy response, Redress
b. Dependent variable: Post complaint behavior

ANOVA

Model	Sum of squares	df	Mean square	F	Sig.
Regression	187.825	8	23.947	20.889	.000
Residual	324.046	420	1.146		
Total	511.871	428			

- a. Predictors: (constant) Apology, Attentiveness, Speedy response, Redress.

COEFFICIENTS

Model	Unstandardized coefficient		Standardized coefficient	t	Sig.	Collinearity Statistics	
	B	Std. error	Beta (β)			Tolerance	VIF
1 (Constant)	2.608	.222		11.728	.000		
Apology	-.036	.050	-.039	-.727	.468	.518	1.929
Attentiveness	.248	.067	.288	3.730	.000	.255	3.917
Speedy response	.025	.055	.030	.448	.654	.329	3.040
Redress	.058	.064	.082	.911	.363	.187	5.346

a. Dependent variable: Post complaint behavior

Independent Sample t-test and Levene's test for equality of variance on CSFR and marketing performance

Group Statistics

	Class of respondents	N	Mean	Std. Deviation	Std. Error Mean
1)	Customer Service Failure Recovery (CSFR)				
	a. Customers	295	4.6678	1.27967	0.07451
	b. Staff	134	5.9851	0.12171	0.01051
2)	Marketing Performance				
	a. Customers	295	5.2068	1.29938	0.07565
	b. Staff	134	5.9179	0.38872	0.03358